

SUSTAINABILITY REPORT

2013



PRESIDENT'S STATEMENT

ANDERS ROTHSTEIN
PRESIDENT AND CEO

Solid values are more important today than ever before. They put us on a sound footing for long-term value creation in a globalised and fast-changing world.

Boundaries between countries are changing through free trade agreements and open markets for goods and services. Boundaries between continents, time zones and different cultures are being erased by the digital revolution. Historical boundaries between companies, communities and the environment are increasingly disappearing. A new holistic approach is therefore necessary for long-term value creation. The viewpoints, opinions and actions of different stakeholders affect and are affected by our company's products, operations and value chains.

It is positive to be able to see that customers and professionals who recommend products to their clients are increasingly making higher demands in terms of sustainability, which have a knock-on effect on the entire value chain. Public procurement regulations are being developed within the EU which will make it even easier than before to make demands on social and environmental criteria. The Swedish Environmental Management Council and equivalent bodies within the EU have well-developed social and environmental responsibility criteria for furniture and interiors. The industry has carried out long-term and extensive work with Möbelfakta and procurement guidelines have been well received and are used to an increasing degree. All in all, this facilitates competition on equal terms and is one of the drivers for sustainable development.

One long-term trend is a greater focus on a life-cycle approach. The tools for this are being developed and international standards are currently in place for life-cycle analysis and calculations of carbon footprint. The internationally recognised ranking system LEED has been revised during the year and

RIO

Lammhults. Design Gunilla Allard. MÖBELFAKTA

the new version, V4, also values a life-cycle perspective to a greater extent.

Making working environments flexible and easy to adapt to changing needs is

part of sustainable development. This is a central driver in our business development and our partnerships with leading designers in developing the products of tomorrow with innovative solutions and considered choices of materials.

Our goal continues to be to develop furniture and interiors for sustainable work and home environments for life's professional and social relationships, which encourage and support people's cooperation and interaction.

The Group's strategies, Code of Conduct, policies and goals are important cornerstones of the process, in which business development and sustainable development are integrated elements. In 2013 we can note that our long-term work on sustainability also won orders, with Ire Möbel's order from Skanska as just one example.

The Group's companies work to create value for shareholders, customers, employees, suppliers and other stakeholders. One important driver in the Group's work on sustainability is awareness of the importance of good working environments in combination with durability, responsibility and resource efficiency.

Sustainability reports in the years ahead will be developed further based on GRI V4, finalised in 2013. We will be reporting our focus, goals and outcomes to involve and invite dialogue with all our stakeholders. Like ripples in the water, our actions have a wider impact and we work in a dynamic relationship with our stakeholders for continued long-term value creation that makes a difference.

LAMMHULTS DESIGN GROUP'S VISION FOR SUSTAINABILITY

Lammhults Design Group's brands and products have a tradition of responsible and sustainable design and manufacturing. The quality of our products and their long lifetime are a prerequisite for sustainable consumption. Our ambition is to be a trailblazer while complying with international standards and legal and market requirements. Business ethics, high morals and integrity are crucial and are integrated in Lammhults Design Group's operations and constant striving towards sustainable development. We take environmental, social and financial aspects into account when creating and offering products and services. We examine the environmental, social and financial impacts and reduce risks in our own organisation, in our products and in the value chain. At the same time, our product quality must always meet the requirements and expectations of our customers.

Lammhults Design Group is to run its operations in line with the principles of the UN Global Compact and ISO 26000, the leading standard for social responsibility, and its principles on ethical behaviour, respect for the rule of law, respect for international standards and expectations, respect and consideration for the requirements and expectations of stakeholders, responsibility, transparency, the precautionary principle and respect for human rights. Lammhults Design Group's vision for sustainable development and social responsibility must permeate the entire organisation, the value chain and our products and services.

GOVERNANCE AND STRATEGY

The Group's governance is predominantly steered by the Codes of Conduct and policies which have applied since 2011. These documents will be revised in 2014. The steering documents are founded on the guidelines of the 10 principles of the UN's Global Compact on human rights, labour, the environment and anti-corruption, plus the guiding standard ISO 26000. Our Code of Conduct rests on the UN's Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and its 27 principles, and the UN Convention against Corruption.

We want to ensure a clear link between strategic corporate management of our business areas and companies and actual improvements in terms of finances, the environment, people and society. Direct responsibility for the environment, the working environment and ethics is taken locally by each company. To develop work on sustainability and increase the transfer of knowledge and learning between the companies, a strategic Sustainability Council has been set up within the Group. All the Group's companies in Sweden currently meet the requirement of being certified under the environmental management system ISO 14001. The management systems at Lammhults Möbel and Abstracta are certified and approved under ISO 9001, ISO 14001 and OHSAS 18001.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Our most important stakeholder groups are identified 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 Group's companies are members of industry organisations in the countries in which we run our production. In Sweden, TMF, the national trade and employers' association of the wood processing and furniture industry, carries out extensive work on the environment and sustainability. TMF runs Möbelfakta, an established and updated reference and labelling system for furniture that sets ambitious criteria in terms of function, lifetime, environmental considerations and social responsibility. The environmental criteria reflect high external standards and are based on the guidance of the Swedish Environmental Management Council (SEMCo), with the technical requirements based on the international product standards (CEN and ISO) and social responsibility based on the UN Global Compact.



VISIT

Ire. Design Carl-Henrik Spak.

MÖBELFAKTA



One essential driver in the Group's work on sustainability is awareness of the importance of good working environments in combination with durability, responsibility and resource efficiency.

The Group is represented on the technical committee that heads the development of Möbelfakta.

Work within the industry has created an excellent basis for clearly setting out and establishing what is considered material in terms of environmental performance of products, product quality, product safety, resource management and good working conditions throughout the production chain. This creates a sound footing for our priorities.

Lammhults Design Group is dedicated to running its business in line with the principles of the UN Global Compact and with the guiding standard for social responsibility, ISO 26000 and its principles:



- *Ethical behaviour*
- *Respect for the rule of law*
- *Respect for international standards and expectations*
- *Respect and consideration for the requirements and expectations of stakeholders*
 - *Responsibility*
 - *Transparency*
- *The precautionary principle*
- *Respect for human rights*



SOFTLINE
Abstracta.

SUSTAINABILITY GOALS

Lammhults Design Group works towards four comprehensive sustainability goals to achieve sustainable business and social development, and on-going 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

Our Code of Conduct rests on the UN Global Compact and its ten principles. During the year internal training and workshops on our Code of Conduct continued. The management systems in the companies are developed and followed up through internal audits, external audits and checks in line with their plans. The

CEOs also have to certify that the Code of Conduct is implemented and that systematic work is being carried out in conjunction with Möbelfakta declarations. To further strengthen our responsibility and to develop our work on sustainability, Lammhults Design Group has signed up to the Global Compact.

2.

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

We do this by using suppliers who work systematically on methods to safeguard their social and environmental responsibility in their operations. Extensive work on surveying and classifying suppliers has been carried out. Lammhults and Abstracta are now able to report that over 50 percent of their major suppliers have management systems under ISO 14001. The Group's

supplier base in Asia (China, Hong Kong and Taiwan) accounted for 3 percent of purchasing in 2013. In 2013 work began to phase out some suppliers in China due to deficiencies in traceability, checks and controls. External social responsibility audits of selected suppliers will be carried out in 2014.

3.

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

In order to Möbelfakta-label or Nordic Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry. This was already introduced as a Group criterion when developing new products. A survey and documentation to ensure traceability have been carried out. The survey shows that a large proportion (>50 percent) of the

Group's wood raw materials comes from FSC/PEFC-certified forestry. The proportion of wood used by Lammhults Möbel which is FSC/PEFC certified now exceeds 75 percent. A considerable amount of the processing of wood raw materials is carried out by the Group's suppliers, which accounts for difficulties in exactly quantifying the proportion.

4.

Reduce the environmental impact of our products and services

One of our measures is to increase the number of products documented as compliant with the criteria and standards of Möbelfakta and/or the Nordic Ecolabel or equivalent sustainability, environmental and social responsibility criteria. Lammhults has continued its work and during the year has Möbelfakta-labelled a further eight products. Work continues on Nordic Ecolabelling of additional selected products. In 2013 Abstracta worked to pave the way for Möbelfakta labelling of its volume products. In early 2014 it was announced

that the Softline acoustic screen from Abstracta is now approved by Möbelfakta. Ire Möbelfakta-labelled its Visit armchair range in 2013. All the production units in Sweden are heated using bio-based district heating and electricity consumption in Sweden is entirely based on hydroelectric power. The Group's companies in Sweden have cut greenhouse gas emissions from energy and heating by approximately 7 percent in terms of CO₂ equivalents compared with the previous year.

EMPLOYEE TURNOVER, NO. PER AGE GROUP*

		AGE GROUP					TOTAL
		< 30	31-40	41-50	51-60	> 61	
2013	Joined	4	2	5	3	0	14
	Left	8	7	3	10	11	39
2012	Joined	8	11	9	4	5	37
	Left	10	17	28	16	14	85

AGE DISTRIBUTION OF EMPLOYEES IN THE GROUP*

		AGE GROUP					TOTAL
		< 30	31-40	41-50	51-60	> 61	
2013	No.	48	62	106	83	30	329
2012	No.	51	68	101	90	36	346

NUMBER OF EMPLOYEES PER REGION*

2013	MEN	WOMEN	TOTAL	2012	MEN	WOMEN	TOTAL
Sweden	122	77	199	Sweden	130	79	209
Denmark	18	30	48	Denmark	29	36	65
Germany	23	15	38	Germany	23	13	36
Other countries	22	22	44	Other countries	20	16	36
TOTAL	185	144	329	TOTAL	202	144	346

ATTENDANCE AND SICK LEAVE IN SWEDEN, NORWAY, DENMARK AND GERMANY*

	2013	2012
Hours worked	95.8%	96.5%
Sick leave < 14 days	2.1%	2.2%
Sick leave > 14 days	2.1%	1.3%

EMPLOYEE TURNOVER, NO. BY GENDER AND REGION*

	2013					2012			
	MEN	WOMEN	TOTAL	TURNOVER %		MEN	WOMEN	TOTAL	TURNOVER %
Sweden	18	3	21	11%		31	11	42	20%
Denmark	2	5	7	15%		19	12	31	48%
Germany	1	3	4	11%		2	0	2	6%
Other countries	4	3	7	16%		7	3	10	28%
	25 (64%)	14 (34%)	39	12%		59 (69%)	26 (31%)	85	25%

* ALL DATA FOR 2012 REFER TO REMAINING OPERATIONS, I.E. EXCLUDING SCANDINAVIAN EYEWEAR WHICH WAS SOLD IN OCTOBER 2012.

OUR SOCIAL RESPONSIBILITY

OUR STAKEHOLDERS

The stakeholder perspective characterises Lammhults Design Group's work on sustainability, which is carried out in an on-going dialogue with our stakeholders. In 2013 customer surveys were carried out according to plan and action plans have been drawn up. The intention is to carry out customer surveys and staff surveys in 2014.

EMPLOYEES

The skills of our employees and their ability to develop and manufacture products and solutions for good and stimulating environments for work, learning, meetings and interaction are at the heart of the Group's operations. Consequently, we strive to create good workplaces and a stimulating working environment characterised by commitment and involvement. Developing leadership and employeeship is crucial. One important tool is regular performance reviews which form a basis for the development of every individual employee. In 2013 more than 90 percent of employees participated in at least one performance review.

Organisational development is in progress within the companies. During the year forms and working methods have been developed to encourage greater participation, involvement and commitment among employees. Lammhults Möbel, which during 2012 launched systematic work on improvement groups on the production side, was able to report good results for job satisfaction as well as productivity. Goals and goal fulfilment have continued to improve during the year. Key figures are reported on an on-going basis.

Lammhults Design Group values ethics, diversity and equality. We want the composition of our human resources to reflect the world around us and our customers. The Group's remaining businesses have 372 employees, 56 percent men and 44 percent women for the whole Group, including Fora Form. Staff turnover at own request corresponds to a turnover of 10 percent. Total sick leave has fallen slightly during the year, amounting to 4.2 percent. Gender distribution, age distribution, staff turnover and sick leave are shown in the table above.

SUPPLIERS

The Group carries out its own manufacturing in Sweden, Denmark and Germany, and now also in Norway. We largely use local suppliers in the respective country. For the Group as a whole, local suppliers accounted for 71 percent of purchasing in terms of value in 2013. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers.

Our requirements for suppliers are summarised in the Code of Conduct for suppliers, which was revised in 2011. This is communicated to our suppliers and a survey of our supplier base was carried out in 2012. Suppliers were asked to reply to self-evaluation questions on the environment, the work environment, social responsibility and quality. The supplier evaluation was supplemented by factory visits.

Our suppliers in China are judged to pose the greatest risk of breach of the Code of Conduct. Of the total purchase value, purchasing in China accounted for 3 percent. Two suppliers in China are now being phased out due to deficiencies in traceability, inspections and controls. External audits of selected suppliers are planned for 2014. Lammhults and Abstracta report that 50 percent of their major suppliers have management systems under ISO 14001.

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 carried out 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 for the best of the company. The Group's Code of Conduct will be revised in 2014, at which time the work on anti-corruption will also be examined. It should be noted that efforts have been launched to produce an international anti-bribery management system (ISO 37001).

A risk analysis of offences against human rights, freedom of association, child labour and forced labour has also been performed. For the Group's own companies whose production is in Sweden, Denmark, Germany and Norway, where rights and freedom of association are protected by law, there is judged to be no risk. Some of the companies have suppliers in Asia. Here there is judged to be a risk and measures have already been put in place. The Code of Conduct and its requirements are communicated and continue to be followed up by visits and audits. The risk is therefore judged to be low for the suppliers with whom we have now chosen to continue working.

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS



DISTRIBUTION OF ECONOMIC VALUE PER STAKEHOLDER

For us, sustainability and sustainable development are about creating financial value in the form of profitable growth in which social and environmental responsibility are integrated in our operations. We seek to create financial value for shareholders, employees and other stakeholders. We will do our bit towards positive social development and invest with a sensible, long-term perspective.

* ALL DATA FOR 2012 REFER TO REMAINING OPERATIONS, I.E. EXCLUDING SCANDINAVIAN EYEWEAR WHICH WAS DIVESTED IN OCTOBER 2012.

CREATED AND DISTRIBUTED ECONOMIC VALUE*

ECONOMIC VALUE GENERATED DIRECTLY	2013	2012
Revenue	607.7	627.4
TOTAL ECONOMIC VALUE GENERATED DIRECTLY	607.7	627.4
Economic value distributed		
Operating expenses, of which the		
major share to our suppliers	417.7	437.8
Salaries and remuneration to employees	150.3	157.2
Payments to financiers, net	2.2	3.7
Social welfare charges to the public sector	26.4	28.6
Payments to the public sector in the form of taxes	1.0	1.9
Total, economic value distributed	597.6	629.2
NET, ECONOMIC VALUE	10.1	-1.8
Dividend to owners	8.4	4.2
RETAINED IN THE BUSINESSES	1.7	-6.0

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

Our work is characterised by constant improvements. During the year Lammhults Biblioteksdesign and Lammhults Möbel have continued to work on Nordic Ecolabelling, the results of which will be seen in 2014.

The companies' energy use is shown in the table on page 33. All the units in Sweden are heated using district heating based on biofuel, which is an eco-friendly option. The units in Denmark and Germany are heated using fossil fuels (gas and oil respectively). In total, district heating accounts for 63 percent of the heating requirement of the Group as a whole. Comparing consumption for heating from one year to the next requires a correction with what are termed "degree days" to standardise consumption in relation to a normal year. In Lammhult, where the Group has considerable operations, 2013 was a slightly milder year than normal with degree days equivalent to 94 percent, while 2012 was close to a normal year with degree days equivalent to 98 percent.

Electricity consumption in the Group has been cut by

approximately 15 percent compared with 2012. The reduction is mainly linked to structural measures introduced, with more production concentrated in Lammhult.

CO2 emissions remain largely unchanged for the Group. This is reported in the table on page 33. CO2 emissions from transports are not reported as only a limited number of suppliers are currently able to submit an emissions report. The carriers who drive for the Group have a vehicle fleet that largely comprises environmental emission class Euro-5 engines, which have lower emissions and a lower fuel cost. The CO2 reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil.

The packaging materials and raw materials in coatings and adhesives are shown in the table on page 33. The report shows that corrugated board and wood (based on renewable raw materials) dominate as packaging materials and account for approximately 89 percent of all packaging materials.

Water is used to a very limited extent in manufacturing processes, and the volumes reported primarily reflect the number of employees per company.

Waste is reported in the table on page 33. The table shows that material recycling is the dominant method of waste management, which is important for a sustainable society. 69 percent of total waste has been able to be recycled through material recycling.

MATERIAL USE & ENERGY CONSUMPTION*

* ALL DATA FOR BOTH 2012 AND 2013 REFER TO REMAINING BUSINESSES.

	MANUFACTURING FACILITIES								
	LAMMHULTS MÖBEL AB SWEDEN	ABSTRACTA AB SWEDEN (INCLUDING SUBSIDIARIES)	IRE MÖBEL AB SWEDEN	LAMMHULTS BIBLIOTEKSDSIGN AB SWEDEN	LAMMHULTS BIBLIOTEKSDSIGN A/S DENMARK	SCHULZ SPEYER BIBLIOTHEKSTECHNIK AG GERMANY	TOTAL 2013	TOTAL 2012	INDEX**
PACKAGING MATERIALS									
Corrugated board (kg)	90,726	77,018	8,486	10,284	17,068	4,840	208,422	219,813	95%
Plastic (kg)	4,466	1,415	2,246	1,204	19,771	945	30,047	31,993	94%
Wood (kg)	1,879	8,163	0	0	18,956	394	29,392	45,356	65%
OTHER RAW MATERIALS									
Powder coating (kg)	2,192	0	0	0	23,660	0	25,852	20,394	127%
Liquid coating (kg)	2,555	0	0	0	0	0	2,555	3,116	82%
Glue (kg)	2,946	6,316	1,276	0	0	0	10,538	26,990	39%
Water consumption (m3)	616	822	329	217	528	270	2,782	3,075	90%
ENERGY									
Oil (kWh)	0	0	0	0	0	252,890	252,890	215,920	117%
Natural gas (kWh)	0	393,800	0	0	1,683,000	0	2,076,800	1,770,692	117%
Electricity (kWh)	827,450	966,665	265,746	280,439	434,000	83,496	2,857,796	3,363,379	85%
District heating (kWh)	1,326,040	1,658,870	639,570	281,000	0	0	3,905,480	4,092,394	95%
CO2 emissions from heating and electricity (kg)	35,803	183,998	227	4,762	541,882	95,441	862,113	875,014	99%
WASTE									
Hazardous waste (kg)	8,324	1,593	0	0	0	0	9,917	13,796	72%
Landfill (kg)	0	40,150	0	0	0	0	40,150	30,434	132%
Material recycling of steel (kg)	27,130	6,700	0	20,140	118,433	0	172,403	142,011	121%
Material recycling of aluminium (kg)	1,180	7,760	0	0	0	0	8,940	9,490	94%
Material recycling of wood (kg)	27,260	78,980	0	4,960	0	12,040	123,240	136,530	90%
Material recycling of plastic (kg)	2,520	3,110	530	0	0	0	6,160	6,910	89%
Material recycling of corrugated board (kg)	23,480	26,610	2,040	4,150	3,900	0	60,180	70,265	86%
Material recycling of paper (kg)	1,420	1,440	380	1,248	0	8,470	12,958	22,923	57%
Burnable waste (energy recovery) (kg)	21,580	62,550	10,540	10,645	10,710	8,050	124,075	197,056	63%

* THE INDEX REFERS TO TOTAL RESULTS FOR 2013 COMPARED WITH THE PREVIOUS YEAR FOR EQUIVALENT OPERATIONS.

ABOUT THE REPORT

Our annual report on our work is made in line with the Global Reporting Initiative (GRI) guidelines G3.1 level C. Economic and social indicators cover the whole Group. The environmental aspects include all the production and distribution units. The sales companies have a marginal impact on the environmental indicators. The report for 2013 does not include Fora Form AS which was acquired in October 2013. The environmental impact of sub-contractors' factories is not covered by the report. Work has been launched with the aim of switching to reporting in line with the new version GRI V4. A GRI cross-reference table is provided as an annex to the report, available only in electronic form on the website www.lammhultsdesigngroup.com