

EKORNES ASA
SUSTAINABILITY REPORT
2015



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The Ekornes ASA sustainability report 2015 is the communication of progress for 2015 to the UN Global Compact. Information on market, finance, governance, etc. is found in the Ekornes ASA Annual Report 2015. See:

www.ekornes.com

THIS IS EKORNES

Ekornes ASA is the largest furniture manufacturer in Norway and owns such brand names as Ekornes®, Stressless® Svane® and IMG.

Stressless® is one of the world's most well-known furniture brands, while Ekornes®, Stressless® and Svane® are the best known brands in the Norwegian furniture market. IMG is best known in Australia and the USA. Manufacturing takes place at the Group's 10 factories, six of which are located in Norway, one in the USA, one in Thailand and two in Vietnam. The Group's products are sold in large parts of the world through its own sales companies or importers.

Ekornes's business concept is to offer products that in terms of both price and design appeal to a broad audience. Ekornes ASA's head office is located alongside the Group's main manufacturing facility at Ikornnes in Sykkylven, on the west coast of Norway. Ekornes ASA is the parent company of the Ekornes Group. The Group's production facilities are organized according to product area: Stressless®, Svane® and IMG.

The Ekornes story began in 1934 when company founder, Jens E. Ekornes, started manufacturing furniture springs at the J.E. Ekornes Fjærfabrikk in Sykkylven. The first Stressless® recliners were launched in the Norwegian market in 1971.



EKORNES®
COLLECTION

IMG
N O R W A Y



Stressless you

STATEMENT FROM THE CEO



As any other organization Ekornes need to respond to an increasing pace of changes in society. Our products must meet or exceed the expectations of our customers and our profitability, conduct and stewardship must do the same for our stakeholders. We have set ambitious goals towards 2020 and 2015 has in many ways been a year of new beginnings for Ekornes. The 2020 initiatives, among others, aim to ensure progress and prosperity for Ekornes in the years to come, but much hard work waits to reach the targets being raised.

Through the Paris agreement on Climate and the release of the UN Sustainable Development Goals, 2015 has also been a year of new beginnings for sustainability. The UN Sustainable Development Goals provide an opportunity for business to help ending poverty, combat climate change and fight injustice and inequality. By applying innovation, resources and expertise, Ekornes will pursue the opportunities inherent in building a greener, more equitable and inclusive society.

Business cannot succeed in societies that fail. Therefore we all must do our part to support the United Nations Sustainable Development Goals and continue to align our operations and strategies with the Global Compacts principles in the areas of human rights, labour, environment and anti-corruption.

For this as well, much hard work and collective action awaits.

Olav Holst-Dyrnes
CEO

SUSTAINABILITY POLICY

The strategies, goals and values that apply to the company's business are set in our handbook "Objectives and Values for the Ekornes Group", being the leading star for all of Ekornes' activities. Regarding sustainability, "Objectives and Values for the Ekornes Group" states:

THE ENVIRONMENT

The objective of Ekornes is to accept environmental responsibility related to manufacturing, distribution and use of the company's products. We will continue to implement initiatives in our factories that improve the internal and external environment, at the same time as we continue to select environmentally-friendly raw materials. A sustainable manufacture of durable products will also in future be an objective in the development of our company.

The following core items shall be complied with in all parts of our activity:

- Ekornes shall appear as an environmentally-friendly enterprise. Our products shall cause the least possible impact on the environment.
- Ekornes has as its objective to keep the health risk at the workplaces at a minimum.
- Ekornes invests to avoid damage to the environment and injuries to health.
- Environmental information shall be generally available, for example through environmental Product declarations (EPD).
- Ekornes shall give objective and open information about how the company handles its environmental responsibility.

Ekornes has as its long-term objective to develop environmental issues to a competitive advantage through being ahead of our competitors also in this field.

CORPORATE CITIZENSHIP

Ekornes shall act as a responsible enterprise and operate within all relevant laws, regulations and to strict ethical standards. We subscribe to and endeavour to comply with UN's Global compact. This means that in all parts of our business activity we shall maintain high standards of:

1. Respecting and complying with UN's human rights.
2. Respecting the rights and needs of our employees.
3. Environmental responsibility.
4. Combating corruption in Norway and abroad.

Ekornes depends on the availability of labour. through financial contributions to voluntary clubs and various local arrangements, we therefore help to create good communities in areas where we have factories.

ETHICAL STANDARDS

1. Ekornes Goals and Values, the company regulations, employment contracts and job descriptions also contain ethical rules by which the Ekornes Group abides. The rules contained in this overview should therefore not be considered exhaustive with respect to the group's ethical rules.
2. A duty of confidentiality contained in the company regulations, employment contracts or job descriptions does not prevent you from informing a superior should you become aware of breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.
3. Ekornes shall comply with the laws, rules and regulations in the countries in which Ekornes companies have been established or in which business connections have been established.
4. In all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and contact with customers and other business connections, we shall aspire to honesty, integrity, openness, businesslike correctness and proper conduct. The objective is to arrive at the best offer for Ekornes
5. Ekornes or employees of Ekornes shall not be party to "bribery" or its equivalent in order to achieve special advantages or access to such.
6. Business connections such as those mentioned above shall not be provided with more information about Ekornes than they need to provide a satisfactory offer with respect to price, level of service, delivery times, technology and specifications, or what they need to exercise their business relationship with Ekornes.
7. Suppliers and business connections shall under no circumstances receive information about other suppliers and business connections via Ekornes.
8. Employees of Ekornes shall only participate in trips and events arranged by suppliers and business connections when there is a professional reason for the event/trip or it provides business related opportunities. In cases of such participation the travel and accommodation of employees of Ekornes shall always be paid by Ekornes.
9. Employees of Ekornes are not permitted to receive gifts (in the form of products, services or trips, etc) from business connections other than small items of more of an advertising nature and limited value. The same applies to private purchases of goods at discounts from suppliers to Ekornes without the approval of a superior. Individuals must also avoid ending up in dependent relationships with customers or suppliers.
10. Suppliers and business connections shall be made aware of the contents of this document and also be made aware that an attempt to contravene these ethical rules could result in exclusion.

HUMAN RIGHTS & LABOUR

According to the Groups policy, Ekornes shall act as a responsible enterprise and operate within all relevant laws, regulations and to strict ethical standards. Ekornes clearly states, both internally and externally, that the company endeavor to live by and promote the UN's Global Compact's ten principles. This policy is presented in the "Objectives and Values for the Ekornes Group", which is available for all stakeholders.

The majority of the Ekornes Groups 2324 employees are organized in various labour unions. Ekornes management has over years experienced constructive cooperation with all of the unions through continuous dialogue and regular meetings. Negotiation committees are established to represent the employees in yearly local wage negotiations. There is a long tradition in Ekornes to maintain good dialogue between management and labour unions. Ekornes strongly believe that respecting labour rights is an important factor in the work to reduce sickness absence, and increase effectiveness and profitability. Employees are also represented in the board of Ekornes' production companies as well as in the parent company. These representatives hold the same rights as members chosen by the shareholders.

Ekornes endeavors to continuously maintain and further develop an open corporate culture. Employees are encouraged to alert about critical issues on all levels. Ekornes also collaborates with external partners for the whistle blowing programme. This enables employees to raise their concerns through other channels than management if needed.

Ekornes labour policies are available through personnel handbooks and all employees have a detailed job description and contract which clearly states the employee's duties and rights. IMG facilities in Asia also supply these as well as safety documentation in multiple languages when needed. Day-to-day responsibility for Health, Environment and Safety lies with managers at the local units. In addition the different manufacturing companies have appointed dedicated HSE staffs, who are responsible for coordinating HSE activities at their facilities.



A significant part of the yearly investments is allocated to activities which improve health and safety of the employees. Several straining work stations have been re-designed through investment in technology to ease the work of the operators. 2015 was the first full year with IMG as part of the Ekornes Group and big steps were taken in the direction of developing IMG as an autonomous business area within the Ekornes Group, based on the strength IMG has as a flexible and cost-conscious company. IMG have in 2015 made substantial investments for improving their facilities as well as strengthening the local HSE Management teams. Among these are improved air extraction and waste water treatment.

One of the indicators which evaluate the well-being of the employees is the company's sickness absence rate. The Group had an overall sickness absence rate of 3.35 per cent in 2015. 2015 is the first year IMG, the sales offices and J.E. Ekornes Inc's Morganton plant have been included in the statistics. Long-term sickness absence (over 16 days) accounted for the bulk of the sickness absence recorded. Management at the individual factories continued to take action to reduce the sickness absence rate in 2015, e.g. through occupational rehabilitation committees and individual follow-up. During the autumn, a working environment survey was undertaken among employees of the Norwegian plants. The results from this survey have been reviewed and followed up in the individual departments.

Ekornes aims to achieve zero work-related injuries through the year. A total of 25 lost-time injuries occurred in 2015. 2015 is the first year that IMG and J.E. Ekornes Inc's Morganton plant have been included in the statistics. The Norwegian plants saw a slight reduction in the number of injuries compared with 2014 (-2 injuries).

The H1 value (number of lost-time injuries per million hours worked) for the Group as a whole came to 5.7.

| Number of employees | Absence rate | Lost-time injuries | H1 value |
|---------------------|--------------|--------------------|----------|
| 2324 | 3.35% | 25 | 5.7 |

Ekornes places great emphasis on meeting the objective of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act. Through physical access and the formation of work tasks, working hours and workplaces, the company has made arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation. Although women account for 46 per cent of the workforce, the vast majority of those at management level are men. Efforts to promote gender equality will be on Ekornes' agenda in 2016.

| % women employees | % men employees | % men managers | % women managers |
|-------------------|-----------------|----------------|------------------|
| 46% | 54% | 79% | 21% |

Addressing Human Rights and Labour conditions in the supply chain

Ekornes' operations rely on suppliers of raw material and distributors from all over the world. This means that the company has to face different cultures and legislations for business operations in different regions, which can be challenging. Towards our business partners, Ekornes makes clear through the *Ekornes Supplier Code of Conduct* what the company expects. The Code of Conduct uses the UN Global Compact principles as an overarching framework together with internationally acclaimed conventions and norms which are embodied in national laws and regulations. Regarding human rights and labour, the Ekornes Supplier Code of Conduct sets expectations regarding:

- | | |
|--|-----------------------------------|
| - Freedom of Association & Collective Bargaining | - Regular Employment |
| - Health & Safety | - Forced labour |
| - Living wage / minimum wage | - Discrimination |
| - Working hours | - Discipline / Inhumane treatment |
| | - Child labour and young workers |

As stated in the Ekornes Ethical Standards suppliers who contravene the ethical standards and do not wish to cooperate on improving could result in exclusion.

The Code of Conduct is part of the Ekornes supplier principles. Agreeing in the Supplier Principles is a statement that the suppliers will work towards progress within the areas covered by Code of Conduct. In order to manage risk Ekornes conducts numerous supplier visits and audits. Audits are done both by Ekornes' own audit team and 2nd party certified auditors. Findings from audits are reported to Ekornes who further do the follow-up of any non-conformities. The same case handling is made for observations made in supplier visits made by the purchasing group.

Through 2015 Ekornes have continued to develop a risk-based scheme for monitoring suppliers. By the end of 2015 a methodology for risk assessment of all major raw material and components suppliers was taken in to use. This is being developed further in 2016.

ENVIRONMENT

Environmental aspects

The Ekornes *Objectives and Values* document outline the guiding principles for the entire group.

J.E. Ekornes AS, the largest furniture production company in the Group, was certified for ISO 9001:2008 and ISO 14001:2004 in 2015. One of the key activities towards preparing Ekornes for ISO 14001 certification was mapping environmental aspects connected to producing furniture. An organization is required to identify the environmental interactions of its activities, products, and services (i.e., processes or tasks) and to determine the actual and/or potential impacts of those aspects on the environment. When considering the actual or potential severity of the impacts, as well as the legal and other requirements that govern the aspects, organizations will identify certain aspects as being significant environmental aspects and set objectives to achieve a certain level of performance associated with them.

Throughout 2014 a series of workshops was held in all manufacturing divisions of JE. Ekornes AS with aim to assess which are the significant environmental aspects. The outcome of this work formed the basis for the environmental policy and objectives. Although JE. Ekornes AS have had focus on the environment for long, this has been an exercise providing much learning and a broadened understanding of our environmental impacts. In General - the key areas of significant environmental aspects for JE Ekornes AS are:

- Environmental impacts attended with material and components going in to production
- Avoiding emissions to water and controlling emission to air from factories
- Energy use in production
- Waste from production
- Chemicals used in production and chemical content of materials going in to products
- Emissions from transport

This is also reflected in the environmental objectives for J.E. Ekornes AS:

1. Ekornes will manufacture long lasting products with high quality in order to reduce the environmental impacts over time.
2. Ekornes seeks to maximize the utilization of all resources and minimize waste.
3. Ekornes shall prevent harmful emissions to water from production.
4. Ekornes will through pro-active environmental management avoid nonconformities from external environment controls.
5. Ekornes shall actively work on reducing the need for chemicals in components and production
6. Ekornes shall actively work on minimizing the following factors per produced seat / mattress.
 - Fossil energy use and electricity
 - Waste
 - Green-house gas emissions

Environmental impacts attended with material and components going in to production

Environmental practice is a part of the Ekornes culture and encourages “More with less” through the whole value chain. Based on life-cycle considerations Ekornes acknowledge that extraction, refining and transportation of raw materials for production of components going in to our products represent the largest impact on the environment. Since Ekornes only has indirect influence on these processes, we take responsibility by continuously improving the efficiency on in-house processes with means to maximize utilization of raw materials and other resources.

Ekornes have in 2015 strengthened the focus on using LEAN methodology as a mean for optimizing processes in production. Along with reducing the amount of time wasted in processes, reducing waste of material resources is given much attention. There are hundreds of big and small improvements documented through working with LEAN and below are two examples illustrating some typical LEAN improvement projects.

‘Right first time’ is a group from the leather cutting Department at JE Ekornes AS, whose job it is to ensure the quality of the leather. The employees must all share the same perception of what constitutes a fault. This is achieved through joint discussions on doubtful cases at quality meetings held twice per shift. In other words, four times a day. The number of errors per week has now been cut almost in half. Of the 40,000-50,000 items produced each day, only 12 items are faulty.



A similar approach is also used at the wood-working factory in Grodås where workers are instructed to place items presumed to be faulty at a designated quality station. At the end of the day the workers gather for a short meeting going through all items and agree together why or why not the items are faulty. This solves two issues. Firstly it reduces the risk of faulty items being processed any further in the value chain and secondly statistics show much less items are scrapped.

Avoiding emissions to water and controlling emission to air from factories

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. There are also some emissions of diisocyanate gas and CO₂ from the production of polyurethane foam at the Fetsund and Ikornnes facilities as well as emissions from exhaust air from air conditioning and ventilation.

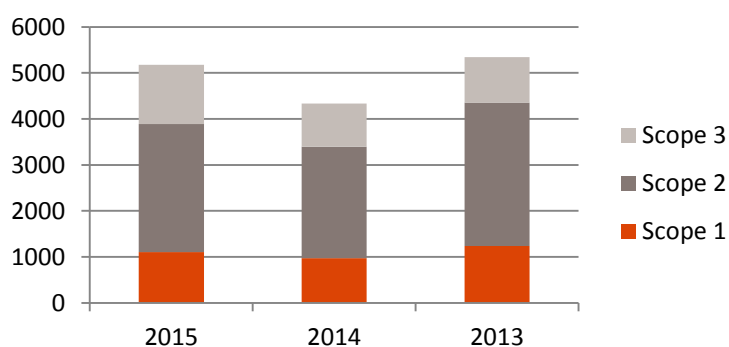
Wood chips from the production surplus is the main energy source for heating the Tynes, Grodås, Vestlandske and Ikornnes plants. The emissions from burning wood chips are mainly CO₂, CO, NO_x and particles. Ekornes has planned substantial activities for improving the boilers at all facilities in order to increase the utilization of wood chips as well as making the logistics around this process more efficient.

In 2015 a new woodchip boiler was installed at the JE. Ekornes Tynes plant. Equipment for measuring the amount of woodchips burned was installed at all boilers in 2015. Ekornes was in 2015 recommended by Møre og Romsdal county to apply for an emissions permit for all woodchip boilers in the local area. Application for permits will be handed in by end of Q2 2016.

Each year Ekornes reports the Group's greenhouse gas emission figures to CDP. The greenhouse gas breakdown is based on the guidelines set out in the ISO 14064-3 standard and the Greenhouse Gas Protocol, and covers Scope 1, 2 and 3. Scope 1 includes greenhouse gas emissions directly to air as a result of production processes and vehicle transport, while Scope 2 includes greenhouse gas emissions deriving from electricity consumption. Scope 3 also includes greenhouse gas emissions from air travel and waste. The emissions from combustion of wood chips were calculated to be 4951 tons of biologically sequestered carbon which is not included in the accounting. The CO₂ emissions from PU foam production totaled to 142.4 tons.

The Group's overall carbon footprint for 2015 totalled 5176.7 tonnes CO₂ equivalents.

Carbon footprint [tonnes CO₂ equivalents] – Ekornes ASA



The increase from 2014 to 2015 is largely attributable to the inclusion of IMG's electricity consumption in Scope 2 and IMG's air travel in Scope 3.

Further detail on greenhouse gas accounting for the Ekornes group is found in the report to CDP for 2015. A link to the report and other environmental information is found at the Ekornes web page:

<http://www.ekornes.com/us/about-ekornes/environmental-and-social-responsibilities>

| GHG emission Tonnes CO ₂ EQ. | Portion of energy from residue wood | Oil for heating 2015 Tonnes | Oil for heat 2020 goal Tonnes |
|--|--|--------------------------------|----------------------------------|
| 5176,7 | 35% | 2693 | 0 |

Energy use in production

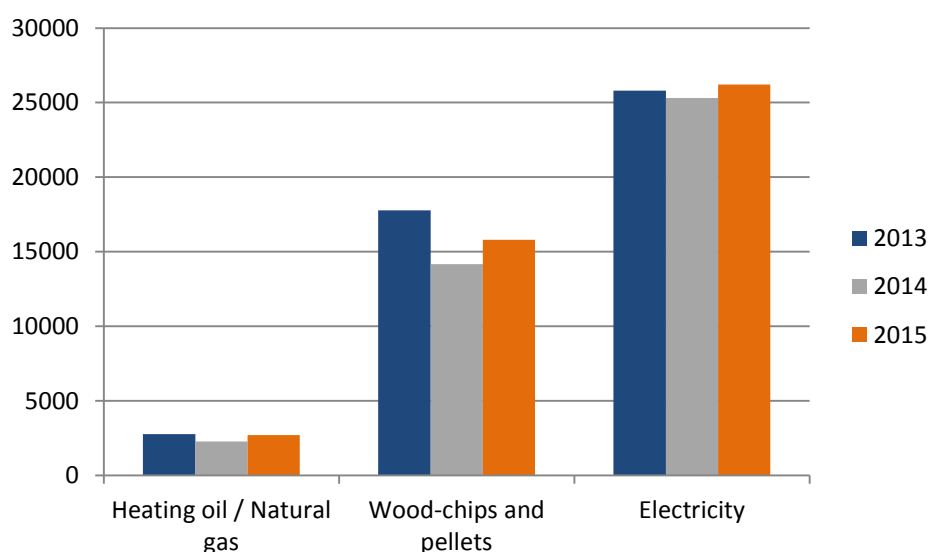
Ekornes uses mainly bioenergy to heat its manufacturing facilities. Wood chips from its own waste are the main energy source for heating Ekornes' Tynes, Grodås, Vestlandske and Ikkornes plants. The Ikkornes, Tynes and Hareid plants also use heat pumps for heating. The five plants located in northwest Norway consider oil an alternative energy source, which is used only in exceptional cases on the coldest days. The objective is to phase out oil use by 2020. The Fetsund plant uses wood chips, electricity and oil for heating, while the factories in the USA, Thailand and Vietnam are less affected by the climate and therefore use the bulk of their energy consumption to operate their machinery.

A major analysis of energy consumption at Ekornes's factories in northwest Norway was completed in 2015. The analysis was undertaken as part of a joint programme of energy management by business and industry in Sykkylven municipality. The objective is to reduce energy consumption through improved management and the implementation of physical measures at the companies concerned.

A similar study was made by Ekornes Beds. As an outcome of this, Ekornes Beds completed in 2015 a process of changing all lighting in the 25.000 sqm. factory in Fetsund to LED lights.

J.E. Ekornes AS aims to reduce its own electricity consumption to 50 kWh per seat unit produced by 2020. All the Norwegian factories reduced their electricity consumption in 2015. The aggregate reduction was 6 per cent compared with 2014. This is not shown in the table below, since it is a compilation of the Ekornes Group's overall energy consumption, which – with effect from 2015 – also includes IMG's factories, whose combined energy consumption came to 2.18 GWh. Electricity consumption in the US was considerably higher in 2015, which also contributes to the increase shown below. On the other hand, use of natural gas has been substantially reduced.

Energy consumption [MWh] – Ekornes ASA



Waste from production

Ekornes sorts all its waste at source in accordance with applicable regulations and in such a way that the bulk of the waste is recycled or used for energy recovery. Ekornes wishes to use as much as possible of its waste for heat production or as raw materials for its own production. J.E. Ekornes AS aims to reduce the proportion of waste that cannot be reused at the plants or recycled from around 2 kg per seat unit in 2015 to 1.5 kg by 2020. In order to achieve these goals the total amount of waste needs to be reduced as well as the percentage of waste being recycled needs to be increased. Many of the improvement projects initiated through LEAN work have resulted in less amounts of waste.



One example from 2015 is the front-rails and decorative wood pieces on the Windsor, Oslo and Manhattan sofas. These used to be wrapped with foam padding and plastic foil before shipping from the woodworking factory to the assembly factories. This generated lots of work in packing and unpacking as well as large quantities of waste. The new specially designed reusable packing has completely removed the need for disposable packaging in this process.



In order to increase the percentage of waste being recycled facilities for sorting the waste needs to be in place. Great efforts have been made in 2015 to make it easier for employees to sort waste in to the different waste fractions like the new waste collection point at the maintenance department at the Ikornnes factory.

Although sorting waste is important, the biggest impact in reducing waste in the Ekornes Group is by utilizing resources better by turning waste in to by-products.

By-products that can be exploited by the factories include offcuts and woodchips from the production of wooden components, which are an important energy source for Ekornes. Another example of resources that are recycled straight back into the production cycle are offcuts of foamed plastic or fibre, which are collected, shredded and remolded. In 2015, 234 tonnes of foamed plastic, offcuts or gel were recycled in this way. In addition to using offcuts from production at its own factories, Ekornes generates by-products that are a valuable raw material for other enterprises. Hides are a valuable raw material, which Ekornes and IMG work hard to make maximum use of. Any leather offcuts which still cannot be used for furniture production are collected and sold to producers of small articles. The table below shows a summary of the waste statistics for the Group's plants in Norway and the USA. Routines for measuring and reporting waste at IMG are currently being revised.

Waste disposal [tonnes] – Ekornes ASA, 2015

| | Ikornnes | Tynes | Vestlandske | Grodås | Hareid | Morganton | Fetsund | Total NO&US | % |
|--|----------|--------|-------------|--------|--------|-----------|---------|----------------|-------|
| Landfilled | 8,3 | | | 36,6 | 1,0 | 65,7 | | 111,7 | 1,6 |
| Mixed residual waste to energy recovery | 301,8 | 107,4 | 23,1 | 32,3 | 28,5 | | 187,9 | 681,0 | 9,5 |
| Wood for incineration in- house/externally | 1357,6 | 1650,6 | 10,8 | 1494,5 | 1,7 | | 230,4 | 4745,6 | 66,2 |
| Recycled material | 1133 | 33,1 | 27,6 | 4,1 | 9,0 | 56,9 | 225,4 | 1489,2 | 20,8 |
| Special hazardous /electrical waste | 98,4 | 14,3 | * | 5,2 | 0,5 | | 25,2 | 143,6 | 2,0 |
| Total quantity waste | 2899,1 | 1805,4 | 61,5 | 1572,8 | 40,7 | 122,6 | 669 | 7204,9 | 100,0 |

*Waste included in statistics for the Ikornnes factory

Chemicals used in production and chemical content of materials going in to products

Ekornes continuously make efforts to substitute chemicals needed to produce our furniture. Searching for better options requires skill and experience together with cooperation with our suppliers. Ekornes focus efforts on the areas where the impact of improvements are greatest. In the furniture industry this is largely linked to the production of polyurethane foam, surface coatings and adhesives as well as leather and fabrics. Ekornes strives continuously to reduce its use of chemicals and promote environment-friendly solutions. Among other things, Ekornes has contributed to the development of a new environment-friendly adhesive for the production of laminated wood and all J.E. Ekornes' surface coatings facilities now use water-based products. There is also work in progress considering the possibility for using water based glue and surface coating at IMG.

Where necessary, Ekornes has made use of independent expertise to monitor requirements and set the standards needed to ensure compliance. BLC Leather Technology Centre, for example, assists in the specification of restricted substances in leather. Ekornes also order spot checks done by accredited laboratories to ensure suppliers adhere to these standards. All tests made in 2015 were in compliance with the standards. Ekornes also use laboratories to ensure that other products and materials are within the accepted levels for the consumer. Among this is chamber emissions testing of a completely assembled chair.

Ekornes has the benefit of producing its own polyurethane foam. This provides Ekornes with first-hand knowledge of the challenges of foam-making as well as full control on what is added in the foam. In order to grasp the developments in the profession of foam-making Ekornes participate at many arenas to gain knowledge on how to go forward. In 2015 Ekornes joined the Circular Economy Working Group of the Polyurethane foam makers' trade association Europur. Through this Ekornes is contributing to implementing policy for circular economy in the furniture industry.

In 2015 the multidisciplinary surface coating team at Ekornes put much effort in to environmental improvements of the colour stain used for coating. By the end of 2015, new stains are now ready to be implemented at Ekornes factories. The new stain is without heavy metals based colour pigments. This will be put in to production early in 2016.

Emissions from transport

Transport activities accompanying the manufacture of Ekornes products include both transport of raw materials and components going in to production as well as the shipping of goods to the customer. This makes out the bulk of the environmental aspects related to transport. Ekornes ship around 40% of its products with sea freight. The rest is mainly on road-based transport. Ekornes is currently working on an assessment of how shipping is executed to different markets. Some of the outcomes of this work have already come to effect with moving some routes in Europe over to rail as well as adjusting the delivery frequency on some routes in order to raise load carrier efficiency. Further outcomes of this work will be set in to action in 2016. Ekornes also aims to be able to quantify the total greenhouse gas emissions from inbound materials and transport to customer by 2016.

The environmental aspects mapping made in 2014 accompanying the preparations for ISO 14001 certification unveiled several areas for improvements regarding the internal transportation between Ekornes factories. The challenge is to balance environmental impacts with the required level of service between the facilities. Outcomes of this work are expected to be set in to force within 2016.

Other means of transport being measured is air-mileage and car mileage allowance from business travels. Air travel contributed in 2015 to 633 tons CO₂ emissions.



ANTI-CORRUPTION

Ekornes has zero-tolerance for corruption, bribery and extortion. The top management team has continuous focus on risk of corruption and continuously work to promote transparency in daily operations. The anti-corruption policy is clearly stated in the Ekornes Ethical Standards and made known to all employees and business partners. Supplementary to this – Ekornes has a policy for transparency in economic transactions:

Ekornes requires transparency in all operations. All Ekornes entities shall therefore ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles. Anti-corruption law requires that Ekornes has in place effective internal accounting controls and maintains books and records that accurately reflect the companies' transactions. All entities within the Group must correctly account for income and expenditures, and must ensure that payments are not recorded falsely in company books.

All expenses shall be approved under standard company procedures, documented and recorded in accordance with appropriate accounting standards.

Ekornes' main operations (manufacturing, head office, purchasing) are mostly located in Norway. The Norwegian business culture both contribute to a relatively low exposure to risk of corruption. Ekornes does business through sales and sourcing channels in parts of the world where the risk of corruption and bribery is more present, but expects the same standards wherever the activity is located. Therefore, the Ekornes Ethical Standard is provided to all employees all over the world as well as being made available in the personnel handbook. The Ekornes Ethical Standard contains an overview of ethical rules related to corruption. Other documents like "Ekornes Objectives and Values", company regulations, whistle blowing programme, employment contracts and job descriptions also contain ethical rules. A duty of confidentiality contained in the company regulations, employment contracts or job descriptions does not prevent employees from informing about breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.

Suppliers are made aware of Ekornes Ethical Standards through the Ekornes Supplier Code of Conduct. All suppliers and business partners are made aware of the contents of the Ekornes Ethical Standard and are also informed that an attempt to contravene these ethical rules could result in exclusion. The Ekornes Supplier Code of Conduct clearly state:

The suppliers shall have established and follow anti-corruption guidelines to prevent the occurrence of bribery and corruption.

Employees (including managers) shall not directly or indirectly offer, promise, demand, require or accept illegal or unlawful monetary gifts or other forms of compensation in order to gain commercial advantages or benefits except from gifts or benefits of insignificant values.

CREATING SHARED VALUE

Ekornes has a long tradition of contributing to the local communities in which it has established operations. Ekornes depends on having a qualified labour force at all its manufacturing plants, and the company's involvement in the local community contributes to an enjoyable working environment for the staff – creating shared value. The company has therefore elected to make financial provisions for measures benefiting the local communities in which it is represented. Efforts are made to allocate the funds such that a variety of interests are supported. A fair share of this goes to sport activities for children like the Ekornes Cup, gathering about 500 young football enthusiasts every year.

In 2015 Ekornes employees waived the traditional Christmas gift to numerous initiatives in the local area of the manufacturing facilities doing important work for the district's children and young people.

NOK 100,000 to the Museum Park in Auremarka. The project, which was started by a group of friends 'Aure Pål's vener', aims to recreate the prehistoric finds at Auremarka. The planning has been completed and work will start this spring.

NOK 50,000 to the voluntary group 'De små vil også se'. A fundraising action to buy a retina camera for Ålesund Hospital's neonatal department, so babies no longer have to be transported by helicopter from Ålesund to Trondheim to do the survey.

NOK 75,000 to Hornindal School's parents' association, which intends to start a joint initiative to upgrade the school's playground and buy new play equipment.

NOK 30,000 to 'Huset'. An important meeting place for students at Sykkylven Upper Secondary School. Here the graduating class can hold meetings, students can talk with the health visitor and engage in study groups.

NOK 50,000 to Sykkylven School Band. The band is made up of youngsters from two formerly separate school bands in Aure and Ikornes, which merged in 2010.

NOK 25,000 to Hornindal Brass Band, a multigenerational band that was formed in 1967.

NOK 30,000 to 'Open storhall'. One of the few drop-in leisure activities for youngsters. It is entirely free of charge, and everyone aged 13 or over can take part. The project is run by volunteers and attracts up to 150 young people each time.

NOK 50,000 to Straumshorn and Velledalen School Band. A cooperation between Straumshorn junior School Band and Velledalen School Band.

NOK 30,000 each to Hareid School Band, Hjørungavåg School Band and Bigset School Band.

Ekornes also takes part in numerous collaborative initiatives in the local industry – sharing knowledge and experience. A viable and innovative industry in our local community is key for Ekornes to maintain the access to highly qualified workers.

Ekornes places a high priority on vocational training, which is well entrenched in all parts of the company. Collaboration with lower and upper secondary schools as well as institutions for higher education and various training offices provides positive benefits to both local communities and the company. Ekornes has apprentices within 7 – 8 different special fields every year and a number of students do their Bachelor- or Master thesis with Ekornes as case company. In 2015 twenty five apprentices received their diploma for completed vocational training in Ekornes.

Robot partnership with Sykkylven High School

Ekornes considers part of its corporate social responsibility to contribute to educating local youngsters and creating local jobs as a way of shaping the future. The vocational high-school of Sykkylven is supplied with an industry robot by Ekornes for educational use. Training takes place both in the company and at the school: vocational teachers are trained and undertake internships at Ekornes to increase their breadth of knowledge and sharpen their skills. On the other hand, Ekornes employees also take courses at the school. School students are tours of the plants and training in a variety of topics.



IMG partnership with FK Norway

In 2015 several employees at IMG have taken part in the FK Norway exchange programme. FK Norway facilitates the mutual exchange of personnel between organizations and businesses in Norway, Asia and Latin-America with aim to contribute to lasting improvements in economic, social and political conditions in the world through capacity building, bridge building and increased understanding between individuals, institutions and nations. The exchange of personnel makes up a framework for mutual sharing of experience and sharing of best practice.



FK Exchange programme attendees together with management from IMG factories visiting Ekornes factory at Ikkornnes.

EKORNES SUSTAINABILITY MILESTONES THE LAST 25 YEARS

- 2015** JE. Ekornes AS factories ISO 9001:2008 and ISO 14001:2004 certified
- Production of block-moulded foam without halogenated flame retardants
- All Ekornes coatings facilities converted to use of water-based products
- 2010** Ekornes joined the UN Global Compact
- Production of wood laminates with the same formaldehyde content as natural wood. According to CARB (California Air Resources Board)
- Textiles free of halogenated flame retardants
- 2005** Svane® mattresses obtain Nordic Ecolabel certification
- Polyurethane foam waste recycled into new moulded products
- Installation of seawater heat pumps to heat factories
- 2000** Polyurethane foam production in modern, safer facilities separate from other manufacturing processes
- Closure of galvanizing unit with license for chrome emissions
- Use of methylene chloride in the production of polyurethane foam blocks discontinued
- 1995** PVC-free furniture
- Switch from the use of chlorinated solvents to degrease steel components to a biological, water-based solution in a sealed system
- Moulded polyurethane foam without halogenated flame retardants
- Use of CFC gases for polyurethane foam production discontinued
- 1990** From solvent-based to water-based adhesives in polyurethane foam production

“ A sustainable manufacture of durable products will also in the future be an objective in the development of our company ”

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