



CSR REPORT
2017/2018

ABOUT THE REPORT



Welcome to the ege Group's Corporate Social Responsibility (CSR) report for the financial year from 1 May 2017 to 30 April 2018. The report includes our statutory corporate social responsibility report, cf. Section 99a of the Danish Financial Statements Act¹, and firm of auditors EY have ensured that the report is in compliance with the Act. The report also serves as our Communication on Progress report for the UN Global Compact.

For the first time, the report not only includes egetæpper's factories in Herning and Gram, but all factories in the Group: egetæpper Herning, egetæpper Gram, Hammer Carpets, Bentzon Carpets, Carpet Concept and UAB Litspin.

This change is due to Section 99a of the Danish Financial Statements Act, which requires the CSR report to include data from the entire Group. Last year we achieved a derogation from this rule while we were working to establish a data collection system for the four factories in which we have acquired the majority shareholdings since 2010. The system is now in place and we look forward to presenting full CSR accounts for the first time in this report.

This has entailed significant changes in the content and results of the report. It is still built up around the seven focus areas in the CSR standard, DS 49001, according to which egetæpper in both Herning and Gram are certified. This year, however, the figures in the report concern the entire Group. In contrast to Herning and Gram, the other factories in the Group have not previously worked systematically with CSR. A lot of work therefore remains to be done before the Group's other factories have built up the required approach to CSR activities. This is naturally reflected in the figures presented in the CSR report. The Group figures differ significantly from the figures usually presented in egetæpper's CSR report.

Secondly, egetæpper's EMAS statement, which is normally included in the CSR report, has been extracted and published in a separate document. This is because EMAS solely concerns the factories in Herning and Gram. The figures in this CSR report are thus not verified by EMAS as usual. Interested readers can find the verified figures for Herning and Gram in the EMAS statement on egetæpper's website. In the longer term, we would like all of the Group figures in the CSR report to be externally verified. Until then, we can emphasise that we devote a lot of internal work to verifying the figures at the individual factories.

A new aspect is that in this year's report we are launching the #sustainablestories hashtag. Under this hashtag we focus on good stories and current issues. We hope that other companies will also seize the opportunity to share their stories with each other and to spotlight relevant issues.

Questions concerning the CSR report can be addressed to:

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¹ See Annex 1 for further details of Section 99a.

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A NEW ORGANISATION IS TAKING SHAPE

Since 2010, egetæpper has grown from two factories to six. egetæpper in Herning was the first factory in the Group and so far has served as the head office for the others. In view of the expansions and acquisitions in recent years, however, it is time for a reshuffle.

The 2017/2018 financial year has been spent on developing and preparing the ege Group for a completely new Group structure. As of 1 May 2018, the six factories will rank equally under a new head office, ege Group. The egetæpper CSR department will be moved over to the ege Group, from where in future it will service all of the factories in the Group on an equal footing and ensure that the Group continues to develop in the required direction within CSR. The focus has thus been adjusted to a more overall Group focus, while the individual factories will each drive their own CSR initiatives going forward.

The organisational change is closely aligned with the intention of Section 99a, whereby the entire Group's CSR work will be included in our reporting. As a consequence of Section 99a, we now undertake data collection and risk analyses at all factories, which have revealed the strengths and weaknesses existing in the Group. It is clear to us that in certain areas we must start from scratch, while in other cases we are well-prepared to face the world's challenges and create a sustainable future.

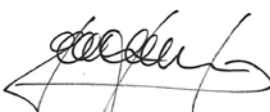
On the CSR side, the focus of the current financial year has been to bring the entire Group through our anti-corruption programme, to conduct risk analyses at all factories, and to perform an international stakeholder analysis covering all markets and factories in the Group. This has given us a good foundation for the work that lies ahead.

We have also purchased a tool to help us ensure centralised supplier management by the ege Group, as well as better information and risk assessment of all product suppliers in the Group. The aim is to continue to develop partnerships with suppliers and to optimise product development towards greater sustainability at product level and in the value chain.

Under the new Group structure it has also been decided to have a sharper focus on telling the world at large about our sustainability activities. We believe that creating a sustainable future not only requires the dedicated commitment of the many companies in the world, but also openness and willingness to listen to and take inspiration from each other. During the year, we therefore contributed by giving presentations at a large number of exciting events. In this way, we hope to inspire and challenge others to embark on a sustainability course.

Several years ago we decided that we will be the carpet manufacturer in the world that is best at CSR. With the new Group structure, we are maintaining this goal. The figures in this year's CSR report show a different picture than before, since we now include the factories that did not work systematically with CSR before becoming part of the Group. Yet this does not change our ambitions and approach to the area. As the founder of the Group, Mads Eg Damgaard, once said: "If you roll up your sleeves and get started, anything is possible".

Herning, 29 June 2018


CEO Svend Aage Færch Nielsen


CFO John Vestergaard

PROFILE

ege Group is a leading European carpet manufacturer with six different factories, which together form a strong Group that has the entire world as its market. The Group was founded in 1938 by Mads Eg Damgaard, and his spirit still lives in the Group's visions. The Group has the most modern technology in the carpet industry and has been a pioneer in many ways over the years.

egetæpper Herning, Denmark

Founded in 1938 by Mads Eg Damgaard. The company undertakes the development, production and sale of tufted and woven carpets. Using modern technology, it can produce any design, and with the shortest delivery time in the industry. The carpets are primarily sold to five commercial segments: hotels, offices, the healthcare sector, institutions and the transport sector. egetæpper Herning is wholly-owned by the Group. In 2017/2018, the factory produced 4,273,974 m² of carpets.

egetæpper Gram, Denmark

Founded as Gram Tæpper in 1905 by Christian Andersen. In 1983, egetæpper acquired the majority shareholding in the company, which as of 2000, on the completion of the merger, became egetæpper Gram. egetæpper Gram produces tufted and woven carpets for the same segments as the factory in Herning, as well as for the residential market. egetæpper Gram is wholly-owned by the Group. In 2017/2018, the factory produced 1,875,616 m² of carpets.

Bentzon Carpets, Denmark

Founded in 1976 by Erik La Cour Bentzon. In 2010, egetæpper acquired 51% of the shares in Bentzon Carpets as part of a succession process. Bentzon Carpets develops, manufactures and sells flat-woven carpets for the residential and contract market, primarily in Europe. The ege Group still owns 51% of Bentzon Carpets, and full takeover will take place no later than 1 May 2020. In 2017/2018, the factory produced 1,722,569 m² of carpets.

Hammer Carpets, Denmark

Founded in 1948 by Sigfred Møller Jørgensen. In 2014, egetæpper acquired 51% of the shares in Hammer Carpets, as part of a succession process. Hammer Carpets undertakes the development, production and sale of Colortec and Axminster carpets, which are primarily sold to four- and five-star hotels, and to the marine and cruise liner industry. The ege Group still owns 51% of Hammer Carpets, and full takeover will take place no later than 1 October 2021. In 2017/2018, the factory produced 973,774 m² of carpets.

Carpet Concept, Germany

Founded in 1994 by Thomas Trenkamp. In 2016, egetæpper took over 75% of the shares in Carpet Concept, in order to gain a stronger position in the German market, where Carpet Concept is a market leader for the development, production and sale of flat-woven carpets for the office segment. The ege Group still owns 75% of Carpet Concept, and full takeover will take place no later than 1 December 2021. In 2017/2018, the factory produced 306,000 m² of carpets.

UAB Litspin, Lithuania

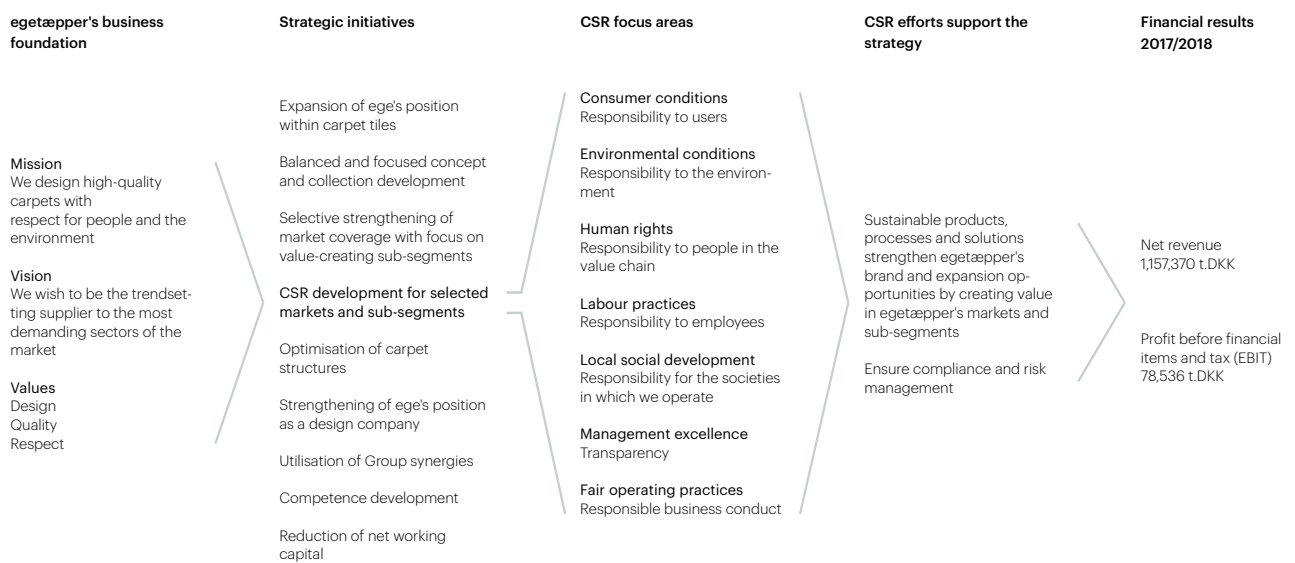
Founded in 2000 by Jesper Olsen. In 2012, egetæpper acquired Litspin in order to move the Group's wool spinning mill from Vejle in Denmark to Lithuania. Since then, the factory has been modernised and adapted to the Group's needs. Litspin produces woollen yarns for egetæpper. Litspin is 100% owned by the Group. In 2017/2018, the factory produced 841,538 kg of yarns.

THE EGE GROUP'S BUSINESS MODEL

In conjunction with the restructuring of the ege Group, a new business model will be developed for the overall Group. Until then, egetæpper's business model and business strategy, Sustainable Carpet Design 2022, set the course.

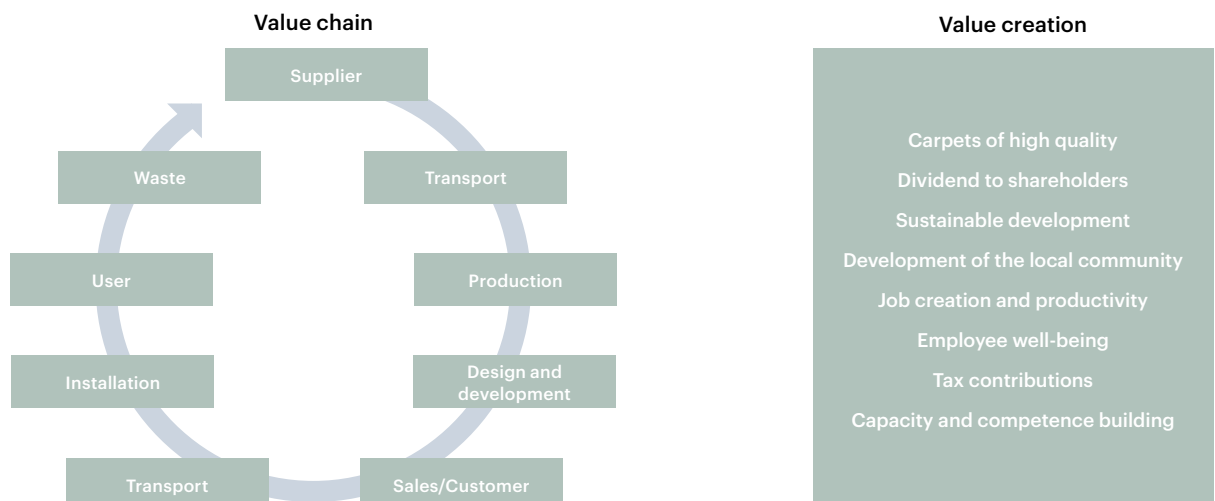
Our mission, vision and values constitute our business foundation. This is implemented as nine strategic action areas, including CSR. The CSR action area is divided into a further seven CSR focus areas, which together contribute to supporting the

business strategy, ensuring good financial results and achieving the business objectives. The CSR report is based on these seven focus areas.



The implementation of the business model in practice creates our value chain. The value chain is the series of activities that are performed with the aim of giving our products the greatest possible value for the customer and society.

The value chain is important, since various CSR risks arise within the value chain. When we know where they originate, we can deploy initiatives in the right areas. Our value chain is presented below.



RISK ANALYSIS

An important element of CSR is to identify the risks associated with the company's business activities. This is not only risks for the company itself, but also risks for society at large. On the basis of Section 99a, this year we have conducted dialogue-based risk analyses at all factories in the Group, in order to identify how the factories present a risk to society. On this basis, we have drawn up individual recommendations to present these risks at the individual factories.

The overall picture is of a Group in which the various factories are at different levels in terms of CSR and risks, but we can also note that all factories show a great willingness and desire to develop in the right direction.

A number of significant risks extend across the entire Group, or are so significant in nature that a joint Group effort is required to prevent and reduce the risk.

Value chain	Identified risk	Current action
Supplier	Suppliers: The greatest impacts from the ege Group are found in the supply chain, where the risks range from the environment to human rights, and to corruption. Despite a well-established supplier management system, we do not yet have a full overview of all suppliers from all factories. The supplier management system also solely includes direct suppliers. The major task remains of including the other stages of the supply chain.	Most of the direct suppliers have signed egetæpper's Code of Conduct. It has been decided to draw up a new joint Code of Conduct for the ege Group, which all direct suppliers will be required to sign. We have also invested in a tool to streamline supplier management, including requiring the involvement of suppliers throughout the value chain.
Supplier Production Sales	CSR legislation: The entire Group is subject to Section 99a, the UK Bribery Act, the UK Modern Slavery Act and other CSR legislation, but knowledge of this is lacking at some of the factories.	In connection with the risk analysis, all factories have been introduced to the CSR legislation to which they are subject. Going forward, the ege Group's work on CSR legislation will involve the entire Group.
Production	CO₂ emissions: By purchasing renewable energy at two factories, the ege Group is working to reduce its CO ₂ emissions. The other four factories do not yet invest in renewable energy. The Group's total CO ₂ emissions have been reduced by 48% compared to 2007. However, CO ₂ emissions in connection with freight transport are increasing.	It has been decided that the other factories will investigate opportunities for investment in renewable energy. At one factory, an investigation is already underway. It has been decided to investigate the opportunities to reduce CO ₂ emissions from freight transport.
Production	Environmental impacts: Three factories have held environmental certification for some time, while this was achieved by a fourth factory this year. These factories are all working towards environmental targets and environmental improvements. The other two factories do not yet work systematically with environmental issues and environmental improvements.	It has been decided that, going forward, all factories will work towards environmental targets and environmental improvements. Currently, screenings at two factories are planned, in order to achieve environmental optimisations.
Production Sales	Work pressure: Busy production schedules, low unemployment in general and a market under pressure are challenging the factories in the Group in different ways. This presents retention and recruitment challenges at some of the factories.	The factories which do not already work with psychosocial well-being have been encouraged to focus on this in conjunction with their risk analysis. Contact has also been established between the ege Group's HR department and the individual factories, in order for advisory services to be provided.
Production	Available energy sources: One factory has no access to renewable energy and is completely dependent on oil as an energy source, which is both a vulnerability for the Group and an environmental burden.	There are currently no initiatives in this area.

Each year, we will investigate the CSR risks in the Group and review decisions in order to ensure that we can be at the fore-

front of the situation and take appropriate action to prevent and reduce risks.

Due diligence and risk management

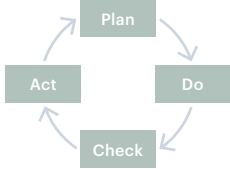
The ege Group is working to achieve a shared management system that is based on recognised standards. Currently, three out of six factories are working with the system. This will ensure us a common base that is continuously evaluated and developed, and that new targets are set each year.

It has been decided that all factories must achieve ISO 9001 certification. The other standards will be implemented on a gradual basis, according to an individual assessment. This overview shows which management standards the individual factories have adopted and plan to adopt.²

	ISO 9001 Quality	ISO 14001 Environment	EMAS Environment	OHSAS 18001 Working environment	DS 49001 CSR
egetæpper Herning	✓	✓	✓	✓	✓
egetæpper Gram	✓	✓	✓	✓	✓
Hammer Carpets	X	✓	Being assessed	Being assessed	Being assessed
Bentzon Carpets	X	Being assessed	Being assessed	Being assessed	Being assessed
Carpet Concept	X	Being assessed	Being assessed	Being assessed	Being assessed
UAB Litspin	✓	✓	Being assessed	Being assessed	Being assessed

The management system is based on the Plan – Do – Check – Act model. In practice, this means a constant focus on due diligence processes internally within the Group, e.g. as objectives, action

plans, follow-up and adjustments. This is a permanent aspect of the everyday activities at the factories working with the system.

	Due diligence model	Social and employee conditions	Environmental and climate conditions	Human rights	Anti-corruption and bribery
Due diligence tool		DS/OHSAS 18001	ISO 14001 EMAS	DS 49001	DS 49001
Overall due diligence processes		Internal audit External audit Management evaluation Objectives Action plans			
Examples		Occupational accidents Occupational injuries Welfare	Environmental accidents	Supply chain management	Anti-corruption Whistleblower scheme
		Supply chain management			

Example of due diligence

Individual due diligence processes are particularly important elements of our social responsibility, since they concern areas

which are subject to greater risk than the rest. Supplier management is one of these areas. We use due diligence to ensure risk minimisation.



² A tick indicates that the standard has been implemented. A cross indicates that it is being implemented.



STAKEHOLDER ANALYSIS

The requirements and expectations of the surrounding world are important factors when we set the direction for our CSR work. For this reason, every two years we conduct a major stakeholder analysis, in which we directly ask stakeholders which CSR areas it is important that we work with. For the first time, the stakeholder analysis has covered the entire Group. Overall, 274 people from 37 different countries participated in the analysis.

We define stakeholders as parties that affect or are affected by the ege Group's decisions and actions. Stakeholders are groups, e.g. customers, employees or local communities, that are directly affected by our business activities. They may also be parties that set requirements on behalf of other groups, or the environment, that are not able to protect their own interests.

Our stakeholders comprise the following groups:

- Shareholders/owners
- Employees
- Trade unions
- Customers
- Suppliers
- Architects/designers
- Local authorities

New focus among stakeholders

In this year's analysis, stakeholders have sent a strong signal to us about the importance of continuing to work with sustainability. 96% have responded that it is important for them that we engage with CSR.

It is interesting to note, however, that the environment is no longer stakeholders' first priority. Human rights are now taking a clear first place, while the environment occupies second place. This means that, as a Group, we have decided to increase our focus on human rights, among other things by drawing up a new Code of Conduct for all of the Group's suppliers, and by the ege Group joining the UN Global Compact, so that all factories are committed to this. We are naturally also maintaining our strong focus on the environment and the other focus areas. In overall terms, the stakeholder analysis has led to decisions on 15 specific new initiatives in the Group.



MANAGEMENT EXCELLENCE

The Sustainable Carpet Design business strategy has set the direction for several years, but so far many of our CSR initiatives have been concentrated on the factories in Herning and Gram. The new organisational structure will change this. We are already well underway with including the entire Group in the CSR work, so that we can maintain a leading position in this important area.

Excerpt from egetæpper's CSR policy

The fundamental basis for our CSR policy is that we comply with all of the legislative requirements, regulations and standards to which we are subject [...]

1.7 Organisation management

As part of egetæpper's management philosophy, we wish to have an open dialogue with our stakeholders. We will therefore engage actively in dialogue with employees, customers, architects/designers, municipalities, suppliers and our owners on topics and activities that fall within and which are of significance to CSR. We will also ensure that our CSR work is made available to the general public and to everyone who works for or on behalf of egetæpper.

Future of the CSR policy

The ege Group's CSR policy was developed for egetæpper's factories in Herning and Gram. The policy will be updated in the new year, so as to cover the entire Group. At present, all factories are familiar with the policy and acknowledge that it is the basis for our CSR work.

From business model to practice

The ege Group's Executive Board holds the overall responsibility for the CSR policy and strategy. A CSR steering group at egetæpper, comprising the Executive Board, management group and selected employees, meets several times a year to follow up on the CSR work and clarify complex issues. The CSR department develops and implements CSR goals and activities. This constellation ensures the broad support of all relevant players in the organisation.

In future, the individual factories will be responsible for ensuring momentum within CSR. New CSR steering groups will be set up at every factory, supported by the ege Group's CSR department to the extent necessary.

Women in managerial positions

Since 2015, the ege Group has aimed to promote the number of women in management. The distribution of women and men in the Board of Directors is already 50%, while at Group level we have 31% female managers. We have thus achieved the goal of maintaining 30% female managers. The aim is that by 2022 at the latest, the ratio of female managers must reflect the general gender breakdown for the employees in the Group. This year, women account for 41% of the Group's workforce.

Tax policy in a business-driven perspective

It is important for the ege Group to have a transparent tax policy. To achieve our long-term financial objective of growth in revenue and earnings before income tax (EBIT), we have a strategic objective to selectively increase our market coverage, with focus on value-creating sub-segments. We primarily consider business opportunities in the individual market, and give less weight to the amount of tax paid. We adhere to the national transfer pricing rules, which entail that tax is paid in the country in which the revenue is generated.³ Tax evasion is not permitted.

³ The ege Group is represented in a number of European countries, as well as Singapore and the USA, with subsidiaries. We trade with subsidiaries on the basis of the OECD Transfer Pricing Guidelines. The set-up for trading with subsidiaries has been prepared in collaboration with the KPMG and EY firms of auditors. This ensures that we operate in accordance with both Danish and local foreign legislation.

We wish to ensure that the Group's tax planning takes place on the basis of responsible commercial transactions and activities. This includes that:

- We will handle all matters concerning taxation in accordance with current legislation.
- We will pay tax on a correct basis in the countries in which we operate.

The ege Group's Executive Board and Board of Directors approve overall strategies and policies, and monitor compliance. Procedures are amended as required, on the basis of any changed statutory requirements.

Political contributions and lobbying

The ege Group is an apolitical company. We do not make political contributions and do not have any lobbying costs. We are, however, represented on the boards of two industry organisations, Danish Fashion & Textile and the European Carpet and Rug Association, ECRA, which conducts lobbying on behalf of the industry. We are also active participants in a number of other industry organisations, including: CEN TC134, GUT, Gulvbranchen (the Flooring Industry Association), Dansk Standard for gulvbranchen (Danish Standard for the Floor Industry), Carpet Recycling UK, CARE in the USA, Global Compact Denmark, etc. Through our work in these organisations, we seek to improve conditions in the industry.

Ownership and transparency

We emphasise the transparency of our business. Every year we publish an Annual Report containing a wide range of information about ownership and decision-making structure within the Group. In the Annual Report, interested readers can e.g. find information about shareholders, finances and future plans. The Annual Report is available on egetæpper's website: www.egecarpets.com under Investor. Here, it is also possible to find information about the Board of Directors' composition and independence, as well as the remuneration of the Board of Directors and the Executive Board.

WALK THE TALK

- In 2018/2019, a new CSR policy covering the entire Group will be developed
- In 2018/2019, endorsement of the UN Global Compact will be extended to include all factories in the Group
- By 2022, the ratio of female managers must reflect the general gender breakdown for employees in the Group

#SUSTAINABLESTORIES: WE HAVE ADOPTED THE SUSTAINABLE DEVELOPMENT GOALS. HAVE YOU?

The world is under pressure. Within just a few decades, we will begin to run out of certain raw materials, while increasing population growth and climate problems will have adverse impacts all over the world. We need to act now in order to stop this negative spiral. In 2015, the UN drew up a roadmap for how this can be achieved. This became the 17 Sustainable Development Goals (SDG's). Every country of the world has signed up to confirm that towards 2030 they will work to secure the future of the planet through the 17 SDG's. This requires a serious effort from all countries, businesses and people.

We have previously described how the work of the ege Group contributes to achieving many of the goals. We no longer take this approach. Our focus has shifted to connecting the most relevant of the SDG's with our core products and services. This is where we can make a real contribution and create a real difference. These are the goals that we have chosen:

SDG no. 12: Responsible production and consumption



We are committed to the circular economy concept through our Cradle to Cradle strategy at the factories in Herning and Gram. The principle is to create responsible consumption, less waste, fewer chemicals, more recycling, etc. Most of the products we sell are Cradle to Cradle certified, and since all of the Group's purchasing is managed centrally from the ege Group, Cradle to Cradle is part of the entire Group's purchasing strategy. Sustainability and responsible consumption are thus part of our core service. With the objective of achieving Cradle to Cradle certification of all products by 2022, we can make an even bigger difference going forward.



SDG no. 14: Life below water

One of the world's major challenges is plastic waste. Plastic is degraded very slowly and poses a major threat to the environment, and not least to marine life. Used fishing

nets account for some of the plastic waste that poses a danger to marine life. These are often dumped after use or discarded without being recycled. Our yarn supplier Aquafil collects and purchases used fishing nets, shredding and regenerating them as Econyl yarn. Econyl is fine, white 100% regenerated nylon yarn that is perfect for the carpet industry. 21% of the products from the factories in Herning and Gram are created with Econyl yarn.

Another environmental problem is plastic bottles. These are discarded everywhere in nature, and many of them end up in the sea. We can use these plastic bottles in our products. We have developed Ecotrust, which is a patented felt backing for carpet tiles made from plastic bottles. Ecotrust is not just an environmentally friendly alternative backing material. It is also dimensionally stable, with good acoustic properties. All carpet tiles from Herning and Gram come with the Ecotrust backing, which consists of 100% regenerated plastic bottles. Carpet tiles from Bentzon Carpets and Carpet Concept are also supplied with regenerated plastic backing. We expect to sell far more carpet tiles in the future, so that our contribution to this SDG will be increasing. We will also seek out other opportunities to use regenerated plastic in our products.

SDG no. 7: Affordable and clean energy



Green energy is not part of our core service. On the other hand, we work with it at such a high level that it makes a real difference. The factories in Herning and Gram cover all of their energy consumption with the purchase of renewable energy from the offshore wind farm Horns Rev II. In the future we will explore the opportunities to also work with renewable energy at the other factories in the Group.

In the years to come the Group will continue to focus on the SDG's, thereby doing what we can to achieve the UN's roadmap to save the world. We hope that more companies will follow suit by taking an active stance on where they can make a difference, and then making a concerted effort to do so.



HUMAN RIGHTS

Excerpt from egetæpper's CSR policy

1.1 Human rights

We will ensure non-discrimination and equal opportunities. This applies internally in relation to our employees, and externally in our value chain.

We will respect and support human rights: civil and political rights, as well as economic, social and cultural rights. In countries where there is a risk of human rights infringements, we will seek to take steps to avoid any infringements of human rights that affect the people with whom we co-operate and work in a business relationship.

Human rights are an increasingly more important aspect of our work on social responsibility. This is not because we experience major problems with human rights in the egetæpper Group, but because the increasing demands made by the world at large have opened our eyes to the issues that exist. We have become aware of where we can play a role, and we have therefore launched a number of initiatives to make a positive difference.

Human rights at Group level

The UN Guiding Principles are the UN's guidelines for companies' focus on human rights throughout the value chain. Compliance with the guidelines requires a considerable effort. The focus must be on respect for human rights and on minimising negative impacts through due diligence processes.

It is our goal to implement the UN Guiding Principles before 2020. Last year, we began working on a risk analysis of human rights at the factories in Herning and Gram. This year we have undertaken risk analyses at all factories in the Group. In cooperation with the individual factories' managements, we have reviewed the practice at each individual factory in relation to the articles of the UN's Universal Declaration of Human Rights from 1948. The analysis showed that in most cases we have good procedures in place to ensure that we avoid human rights infringements. Some problematic issues have been identified, however, and these will be followed up, going forward.

As part of the work on the UN Guiding Principles, this year we have invested in a tool to help us obtain more information about the individual suppliers than we receive today through our Code of Conduct. By means of self-assessment and documentation requirements, it will be possible to make individual risk assessments of the suppliers, while we can also set the requirement of due diligence in the next stage of their value chain. We had expected to start this work in the current financial year, but due to the reorganisation we have had to defer the process until 2018/2019. We look forward to starting on this work and expect to send out the first self-assessments before the end of 2018.

Group Code of Conduct

So far, the supplier management work has been based on egetæpper's Code of Conduct. In the coming year we will prepare a new Code of Conduct covering the entire Group. We are currently forming an overview of how many additional suppliers it will have to be sent out to. This is probably a limited number, since in many cases the same suppliers are shared by all players in the carpet industry. The current Code of Conduct has been sent out to 98 suppliers. Eleven of these have declined to sign it, but have been able to document by other means that they fulfil our requirements. In many cases, a supplier declines because it has its own Code of Conduct, to which it refers. All 98 suppliers have been approved in accordance with our requirements.



Speigel, Germany – Carpet Concept reference

Extended supplier focus

In working with supplier management, so far we have focused on product suppliers and transport operators. This year we have decided to extend the work to also include suppliers of other services, if we purchase for more than DKK 1 million from them annually. In the coming year we will identify the relevant suppliers and issue the new Code of Conduct to them as well.

WALK THE TALK

- In 2018/2019, a new Code of Conduct covering the entire Group will be drawn up
- In 2018/2019, the work on supplier management will be extended to include the entire Group
- In 2018/2019, suppliers from which we purchase for more than DKK 1 million annually will be included in the supplier management
- Implementation of the UN Guiding Principles before 2020. During 2018, the work begins to urge strategic suppliers, in the first instance, to perform an internal risk analysis and due diligence process. After this, the aim is for the suppliers themselves to pass on the process to their subsuppliers.

FAIR OPERATING PRACTICES

In the ege Group, we have a great wish to act responsibly at all times. We impose strict requirements on ourselves and expect our partners to meet the same requirements. We are committed to being able to document our actions and are constantly working to improve, and become sharper and more sustainable. We also seek to promote this approach in the value chain.

Excerpt from egetæpper's CSR policy

1.4 Fair operating practices

We will operate on an honest and ethical basis in every respect. We will prevent and combat corruption and bribery, and are committed to a zero-tolerance approach to corruption and bribery. We will suppress illegal conduct and irregularities within and in relation to our activities, including non-compliance with this CSR policy. We give employees and other stakeholders the opportunity to submit anonymous reports via our whistleblower scheme.

We will promote social responsibility throughout our value chain.

Closer cooperation with strategic suppliers

Last year we decided to work to strengthen cooperation with strategically important suppliers. There are many advantages from strengthening this cooperation. This achieves more influence, faster development and more information that can be used to document the process. It may also entail financial benefits. In 2017/2018, we have strengthened our cooperation with two strategic suppliers.

Aquafil supplies us with Econyl yarn, which consists of regenerated fishing nets. This yarn is used in many of our products. As a trial, we have begun to send production cuttings from Herning to Aquafil, to investigate whether it is also possible to reuse this in their yarns. This is an exciting project of which we look forward to seeing the results.

Ørsted (formerly DONG Energy) is another supplier with which we have strengthened our ties. For many years, via a climate partnership, Ørsted has helped us identify possible energy and environmental optimisation measures at the factories in Herning and Gram, in which we have subsequently invested. We have now reached a point where it is difficult to find more projects in which it can be worthwhile to invest in the short term. That is why we have expanded our cooperation. Going forward, we will seek to gather a number of investment projects focused on waste streams that are not profitable in the short term but which can overall, provide long-term gains. The investments are being made together with Ørsted in a new form of partnership entitled "Energy as a Service".

A new aspect is that we are also in the process of testing wool from a new supplier which takes the same sustainable approach to their business as we do. Part of their business concept is to communicate the importance of sustainable processes. This has interesting perspectives, because we wish to work with partners who can help us communicate this particular message.

Anti-corruption on the Group's agenda

Anti-corruption has been high on the agenda for many years. We have a zero-tolerance policy, and do not accept bribery, corruption or facilitation payments in any form. All employees are informed of our guidelines in this area, and all key persons and employees with external contacts must take an e-learning programme, to train their ability to distinguish between right and wrong in the many grey zones relating to corruption and bribery.

At the Herning, Gram and Litspin factories, as well as in the related subsidiaries, the e-learning programme was implemented some time ago. In 2017/2018, we have fo-



Loom – Bentzon Carpets

cused on implementing it at the other factories. 83 employees from Bentzon Carpets, Hammer Carpets and Carpet Concept, respectively, have therefore implemented the programme this year. Overall, 301 employees from the Group have completed the programme.

Whistleblower scheme lives a quiet life

Since 2012, we have had a whistleblower scheme that makes it possible to file anonymous reports concerning experienced and suspected problematic issues in the Group. Since 2012, there has only been one single report in the system, which has lived a quiet life this year too. We are delighted that there seems to be no need for the whistleblower scheme, while we also continue to spread knowledge of the scheme internally within the Group. All employees in the Group have received information material about the whistleblower scheme, which we continually encourage them to use if they experience irregular situations. There is access to egetæpper's whistleblower scheme via our website: www.egecarpets.com

WALK THE TALK

- Closer cooperation with strategically important suppliers in order to strengthen sustainable development.

LABOUR PRACTICES

Excerpt from egetæpper's CSR policy

1.2 Employees and labour practices

We will ensure good employment conditions for our employees, and we adhere to the current collective agreements for our area. We will promote diversity in the workplace and work to increase the number of women in managerial positions [...]

We will ensure that our employees can use their competences in the best possible way, regardless of gender, ethnicity, religion, political views, age, disability, sexual orientation, etc. [...]

We will ensure a healthy and positive working environment for our employees and we will constantly seek to improve working conditions. [...]. We will work for inclusion and health-promoting activities.

We will ensure that our employees have opportunities to develop in their work, e.g. via further education and training.

Good labour practices are a precondition for satisfied employees who make a worthwhile contribution. At the factories in Herning and Gram we have worked with occupational health and safety management since 2006, when we achieved certification under DS/OHSAS 18001. This leads to many good initiatives to ensure a good working environment. The other factories have not had the same focus on the working environment. There is thus room for improvement in several areas within the Group.

Physical working environment needs to be improved

The longstanding efforts at the factories in Herning and Gram mean that there are no longer any significant problems with the physical working environment. On the other hand, there is room for improvement in other areas within the Group. At Litspin we face major challenges with temperature fluctuations in production, depending on the weather conditions. In the summer, the temperature in production can rise to 30 degrees, which can affect employees' physical well-being. Due to the building's interior layout, it is complicated to create better ventilation and temperature control, but in 2018 we have launched new initiatives and expect to solve the problem in the coming year.

At the other factories, it is a challenge that employees would prefer to man the same workstation every day, which can lead to adverse burdens. Internal job rotation and changing tasks have been tried out in several instances at both Hammer Carpets and Bentzon Carpets, but without any great success. This is also something we need to work on in the future. Fortunately, we can welcome the fact that there are generally very few cases of attrition and work-related disorders within the Group.

Evolving safety culture

Since 2015, the factories in Herning and Gram have been working to create a new safety culture for which the goal is to achieve zero accidents leading to absence by no later than 2020. Safety ambassadors have been trained in all departments of production, safety equipment has been purchased, and first aid personnel has been trained. This is a very positive project from which the other factories can take inspiration. In conjunction with the risk analysis, all factories in the Group have been encouraged to benefit from each other with regard to the dissemination of a better safety culture. For example, regular fire-fighting courses are held for selected employees in Herning and Gram, and the other factories have also been urged to attend these courses.

Well-being must be in focus in the rest of the Group

While well-being has been high on the agenda in Herning and Gram during the last few years, this work has not yet begun at the other factories. There are also considerable differences between the factories in terms of whether they offer employee development interviews, the tradition for electing union representatives and the focus on the psychological working environment. At the Danish factories, there are generally many employees with very long seniority in the company. Every year we celebrate 20th, 30th, 40th and 50th anniversaries. We take this as confirmation that well-being does not constitute a major problem. Nevertheless, we would like to focus more on this in the future, among other things by discussing opportunities and needs at the individual factories.

WALK THE TALK

- Towards 2022, all factories in the Group must launch initiatives for a better physical and psychological working environment
- Towards 2022, all factories in the Group must work to reduce the number of accidents and injuries by adopting better safety measures



#SUSTAINABLESTORIES: 100% RENEWABLE ENERGY TWO YEARS AHEAD OF TIME!

When global warming came onto the agenda in 2011, we entered into a climate partnership with Ørsted (formerly DONG Energy). In this partnership, we made the commitment to invest every single year in energy optimisation and environmental improvements, which in the long run would reduce our CO₂ emissions by 50% compared to 2007. An important part of this plan was the purchase of renewable energy. We were ambitious, and therefore we adopted the goal to purchase renewable energy equivalent to 100% of the electricity consumption at the factories in Herning and Gram before 2020.

Since then, every year we have purchased an ever-increasing proportion of renewable energy from the offshore wind farm Horns Rev II. In 2017/2018, the energy purchase amounted to 9,017 MWh, which is equivalent to 100% of the electricity consumption in Herning and Gram. We have thus achieved the plan two years ahead of schedule. This is an important milestone for us.

We have celebrated this milestone by undertaking to continue to purchase renewable energy equivalent to 100% of the electricity consumption in Herning and Gram during the next five years. The next step will be to explore the opportunities to also work with renewable energy at the other factories in the Group. Hammer Carpets has already decided to commence investments in renewable energy by no later than 2019.

We have also considered bio-natural gas as a substitute for ordinary natural gas in Herning and Gram. The bio-natural gas market is still evolving and as yet there are not so many production facilities in the Danish market. To speed up this development, we have made the commitment for 25% of our natural gas consumption to be bio-natural gas as from 2019. This investment means that 50% of the natural gas consumption for our Cradle to Cradle certified products will be bio-natural gas in 2019.

ENVIRONMENTAL CONDITIONS AND CLIMATE IMPACT

We have traditionally always had a strong focus on environmental conditions and climate change in the ege Group. At the factories in Herning and Gram we have worked with environmental management since 1996, when we achieved both ISO 14001 certification and EMAS registration. We therefore have many initiatives to reduce the environmental impacts at these factories, and most of our good stories come from here. And, of course, we're not going to stop here.

Excerpt from egetæpper's CSR policy

1.3 Environment and climate

Via focused activities and by setting environmental objectives, we will work to prevent and reduce the environmental impacts of our production activities and the use and disposal of our products, and continue to improve our efforts in the environmental area.

This applies for the external environment around us, the working environment at our factories, and the indoor climate in the environments in which our carpets are fitted [...]

We will reduce the company's CO₂ emissions and thereby reduce our climate impacts. We will support the development of renewable energy by redeeming GO certificates via our climate partnership with DONG Energy*.

* Dong Energy has changed its name to Ørsted.

Environmental certification of Hammer Carpets

We are very proud that Hammer Carpets in 2017 was the fourth of the Group's six factories to achieve environmental certification. It takes a lot of effort to achieve environmental certification. The company must develop policies and procedures to ensure that environmental conditions are managed in the best possible way, and targets must be set for the improvement and development of these efforts. At the same time, the entire company is under scrutiny concerning everything from chemical and wastewater management to energy consumption and emergency management in the event of accidental discharges.

It is a great step forward every time a new factory becomes environmentally certified. With the new certification, four out of six factories are now ready to handle the environmental challenges faced by a manufacturing company. ISO 14001 helps the Group stay at the forefront of development, and this is important because we live in a world where the environment is under intense pressure.

The other factories that are ISO 14001-certified are Herning, Gram and Litspin.

Environment on the agenda across the Group

There is no doubt that the ege Group's factories in Herning and Gram have the greatest environmental impact. There are more processes at these factories than at the other factories, which entails higher consumption of water, heat and energy. The factories in Herning and Gram also produce by far the most m² of carpets annually. This makes it right and fitting that this is where the greatest environmental efforts are made.

This does not mean, however, that the environment is less important at our other factories. Litspin and Hammer Carpets are already well underway with environmental improvements via their ISO 14001 certification, and this year it has been decided that going forward Bentzon Carpets and Carpet Concept will also work systematically to achieve environmental improvements. Environmental screening is already planned, which hopefully will lead to concrete environmental projects and targets. This will put the environment on the agenda throughout the Group.

Investment in bio-natural gas

Renewable energy is very high on our agenda. We already invest 100% in wind energy at the factories in Herning and Gram, but there are also other opportunities within renewable energy. In Denmark, we wish to invest in bio-natural gas in the future. Currently, there is very little bio-natural gas available in the Danish market, but investing in this area will make it possible to produce more of it in the future. In the first instance, we have made the contractual commitment that 25% of our natural gas consumption in 2019 will be bio-natural gas. This creates positive development within renewable



Radisson Blu Royal, Belgium – Hammer Carpets reference

energy, while supporting our Cradle to Cradle strategy. Bio-natural gas is replacing 50% of the natural gas consumption in our Cradle to Cradle certified products.

Reduction of CO₂ emissions since 2007

Since 2013, we have been working to reduce our CO₂ emissions. The aim is to reduce emissions by 50% before 2020, compared to our emissions in 2007. Every year we have undertaken energy savings projects at the factories in Herning and Gram and invested in renewable energy. The overall Group's emissions are compiled annually in climate accounts that divide the emissions into three different scopes.⁴ The objective of reducing CO₂ emissions by 50% comprises Scope 1 and 2. The overall reduction of these two scopes is 48% this year, as was the case last year. We are thus still 2% short of achieving the target. As from 2019, investment in bio-natural gas will commence, which will help us achieve the target.

We are also now considering Scope 3. Over the years, we have seen increasing CO₂ emissions in connection with the freight transport of carpets. We have therefore decided to investigate the opportunities to reduce CO₂ emissions in Scope 3. The aim is to find out how, in the future, we can take measures to reduce CO₂ emissions in this scope too.

WALK THE TALK

- Before 2020, CO₂ emissions must be reduced by 50% compared to emissions in 2007*
- By 2020 at the latest, we must have investigated opportunities to reduce CO₂ emissions from freight transport
- Towards 2022, all factories in the Group must work to increase reuse and recycling
- Towards 2022, all factories in the Group must explore the opportunities within renewable energy in order to invest in relevant projects
- Towards 2022, all factories in the Group must work to minimise waste of surplus materials
- Towards 2022, all factories in the Group must work to phase out chemicals and hazardous material, wherever possible

* This refers to CO₂ emissions concerning natural gas, oil, LPG, passenger transport in owned cars, electricity and district heating.

⁴ Scope 1 concerns natural gas, oil, LPG and passenger transport in owned vehicles. Scope 2 includes electricity and district heating, and Scope 3 comprises freight transport, travel and passenger transport in leased vehicles.

#SUSTAINABLESTORIES: TAKE-BACK – THE IMPOSSIBLE DREAM?

In 2013, we launched a large-scale project to ensure that, by 2020 at the latest, we can take back all of our own carpets and reuse them. This can either be as direct recycling, whereby we collect, clean and resell the carpets, or by recovering the shredded carpet materials for reuse in new products. The ultimate goal is to be able to recycle the carpets directly in our own production, e.g. as filler in the backing.

Step 1: ege Vintage

In 2014, we achieved the first stage of the take-back programme with the launch of ege Vintage, whereby we offer to take back used carpet tiles and sell them again online. The entire set-up is working and we can see increasing interest in the concept from customers. Nevertheless, we only take back a small number of carpet tiles. The primary reason is that carpet tiles are still such a new product that they are not ready to be replaced. This will change in the course of 3-4 years. Yet it is also a challenge to take the tiles back in practice. It is more time-consuming for floor fitters to collect and pack the tiles properly than to throw them in a waste skip. It is also considerably more expensive to transport the tiles back to the factory in Herning than to discard them.

Step 2: Recover by ege

The second part of the programme is a much greater challenge. This is the ability to reuse the recovered carpet materials in new products. We have spent many hours and involved a number of partners in finding a solution. Yet it is not as simple to dismantle a carpet as one might think. The components are glued well together and we have not yet managed to achieve a viable product from our efforts. We are still working on the project and the opportunities have not been exhausted, but this is taking longer than we had imagined.

The entire industry is fighting this battle

We can see that we are by no means alone in these endeavours. Many other carpet manufacturers also dream of being able to reuse their carpets. Several of them have even launched programmes that are similar to ours, but without any great success

either. We believe that it is time to realise that a joint effort is needed. There are many good forces, ideas and visions in this area, but the problems are so complex that it is difficult for one individual company to overcome them alone.

- How can financial incentives be created to collect and return the carpets to the manufacturer?
- How can we prevent increased CO₂ emissions when carpets are to be transported back from remote destinations?
- How can we finance the development of machinery that can separate and sort the carpet components for recycling?
- Which products with used carpet components will there be a large-scale market for?
- How are labelling schemes handled for products containing used carpet components?

Let us solve the problem together

For a long time we have been seeking to achieve solutions to the aforementioned issues. For the same reason we are a member of Carpet Recycling UK in England and CARE in the USA. Both organisations are working to find a comprehensive solution to the problem of carpet waste. We would like to encourage other players in the carpet industry to follow suit, just as political initiatives may be necessary. Let us together seek to find a solution that can benefit everyone. This requires a willingness to cooperate and the courage to share experience with each other. We still believe that take-back programmes will be part of the future, and we will continue to work to achieve our goals, yet we cannot do this alone. This is an industry issue that everyone should support and endeavour to resolve.



CONSUMER ISSUES

Consumers are becoming more and more aware of the concept of sustainability and are increasingly demanding sustainable products and production processes. In particular, business customers with procurement for large projects require labelling schemes, social responsibility and certifications. We can see that working on sustainability issues serves as a door opener to many negotiating rooms. That is why we focus on sustainability at a high strategic level.

Excerpt from egetæpper's CSR policy

1.5 Consumer conditions

We will promote a safe and healthy indoor climate in the buildings in which our carpets are fitted, thereby protecting the health and safety of our end-users.

We will promote sustainable use of our products by means of labelling schemes and certification, and via product information and product declarations describing our products' impact on the environment in connection with the fitting, use, maintenance and disposal of these products. Furthermore, we will promote sustainable consumption via the development of Cradle to Cradle products which, rather than becoming waste, can be transformed into nutrients or reused.

Cradle to Cradle strategy

In cooperation with Vugge til Vugge Denmark, last year we developed a Cradle to Cradle strategy for the Group, to ensure that all products are Cradle to Cradle certified by 2022.

Cradle to Cradle is one of the most difficult product certifications to achieve. The aim of Cradle to Cradle is to manufacture products that fulfil the requirements in five categories.



Material Health: Products which exclusively comprise materials that can be part of a healthy life cycle, without being to the detriment of people and the environment.



Material Reutilisation: The products are designed to be part of a biological or technical life cycle, without generating any waste.



Renewable Energy: CO₂ neutrality and 100% renewable energy.



Water Stewardship: Process wastewater must be so clean that in principle it could be drinking water.



Social Fairness: The company is assessed for compliance with internationally recognised social responsibility standards.

We currently have 42 Cradle to Cradle certified products, which makes us the carpet manufacturer in the world with the most Cradle to Cradle certifications. We are now awaiting the approval of a further six products. All of the products come from the factories in Herning and Gram. The other factories show a great interest in being included in the work.

The 2022 Cradle to Cradle strategy sets high ambitions. The plan is to fully achieve the targets in all five Cradle to Cradle categories. We have already achieved some of the targets, such as 100% renewable energy, while others require a dedicated and comprehensive effort to improve our performance. A roadmap and concrete action plans set the course with annual milestones. In 2017/2018 we can, among other things, tick off the milestones for:

- Recycling of materials: Launching a project for reuse of production cuttings
- Social responsibility: Conducting risk analyses at all factories in the Group and purchasing supplier management tools to focus our efforts towards suppliers
- Packaging: Focus on requirements concerning recycled materials in packaging, including the requirement of 80% recycled cardboard in cardboard packaging.

#sustainablestories:

It is important to share the good stories with each other. This creates inspiration and makes it possible to discuss opportunities and issues. We therefore make a great effort to present our CSR work. In 2017/2018, we gave presentations to a large number of business leaders, government officials, politicians and other professionals at conferences, events and after-work meetings. For better or for worse, we share our successes and the challenges we face. This is because setting ambitious sustainability goals certainly also presents challenges.

We are convinced that by sharing our experience with the world at large, we are generating positive development. Informed people can make more qualified choices. Sustainability is often included in these qualified choices.

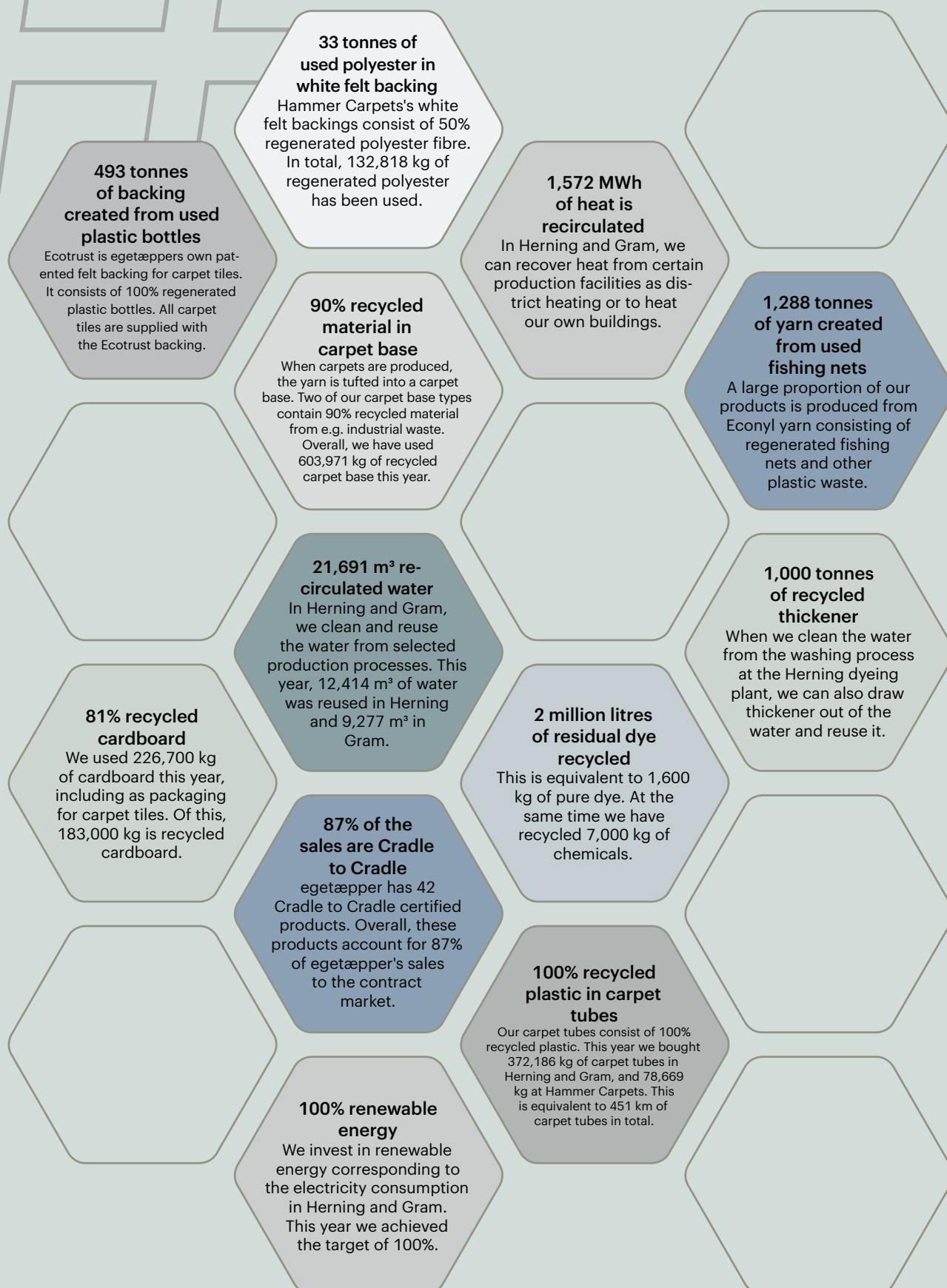
This dialogue also gives an opportunity to spotlight the issues that often arise from a focus on social responsibility. There may be very good intentions behind an objective, and a great deal of effort may have been made to achieve it, yet not always with a successful outcome; or this may take much longer than expected. We would also like to talk about this. If a company's project fails, despite its good intentions, the company will risk being shamed in the media. This may cause some companies to give up hope, thereby sending development back to square one.

By launching the #sustainablestories hashtag, we are encouraging companies to share their stories. We are taking the lead in this year's CSR report, including our focus on one of our own goals, which it is a major challenge for us to achieve.

WALK THE TALK

- Implement the Cradle to Cradle principles throughout the company, including the opportunity to recirculate all materials in a closed cycle, reuse of carpet waste in new ways, and ownership of the concept among relevant employees. The aim is to fully live up to all of the requirements in the Cradle to Cradle categories by 2022 at the latest.

#SUSTAINABLESTORIES: CIRCULAR ECONOMY IN LARGE AND SMALL ASPECTS IN 2017/2018



LOCAL COMMUNITY DEVELOPMENT AND INVOLVEMENT

A socially responsible company supports its local community. We have therefore always been committed to acting locally, creating good relations and contributing actively to the local community. This helps attract manpower and ensures good development at local level. There is still scope for development in this area at several of our factories, but a number of good initiatives are underway.

New intakes for industrial operator training courses

In 2014, the factories in Herning and Gram initiated cooperation with five other carpet manufacturers on a new industrial operator training course with focus on the carpet industry. During a two-year process, the coming new industrial operators gain a detailed understanding of the full carpet production cycle. This ensures a highly-skilled workforce for the industry and gives industrial operators the opportunity to achieve an important position in the company's production.

It has been difficult to attract students to this training course, so we are pleased that new intakes will be starting up in 2018. This also supports our goal to appoint 70% more apprentices and trainees at the factories in Herning and Gram before 2020. We currently have 12 trainees and apprentices at the two factories, which is one less than when we set the target in 2015. One of the reasons is that it is difficult to recruit trainees, but we have ongoing focus on the opportunities in the education system. We are currently looking for ten trainees, and two of the traineeships are newly-established.

Charitable initiatives in the Group

Even though we do not consider it our purpose to donate to charity, there are many good, independent initiatives in different areas of the Group. In 2017 for example, in collaboration with KidsAid, egetæpper invited over 200 sick children to an intimate concert, featuring major Danish names, at the factory in Herning. The children had the opportunity to meet their idols, take a selfie with them and listen to the live music.

In England, we hold diving events where we invite customers and business partners with a diving certificate out to dive. The purpose includes telling the story that a large number of our products contain regenerated plastic from used fishing nets and plastic bottles. At these events we collect waste from the sea.

In Sweden, during three months in 2017, we donated SEK 2 per m² of carpet sold from selected collections to the voluntary organisation Superheroes in Gothenburg. Superheroes' purpose is to bring joy into the lives of children who are hospitalised with cancer. At weekends, volunteers dress up as superheroes and spend time with the children. The campaign raised SEK 15,000, which is enough to ensure two new superheroes for the organisation this year.

In the USA, we support DIFFA (Design Industries Foundation Fighting Aids) by donating 1% of sales in the US market to this association. In Denmark, we support another voluntary association, Help Eastern Europe, by donating carpet residues for distribution to institutions and poor families in Ukraine and Romania. In 2017/2018 we have sent 2,379 m² of carpets to Help Eastern Europe.

We also support a number of charitable purposes through the Ege Foundation, which was founded by Mads Eg Damgaard. In 2017/2018, the Ege Foundation among other things supported Den Jyske Sangskole (The Jutland School of Singing), Handilejr (holiday camp for the disabled) at Røddinglund Centre, and the Abildå Brunkulsleje mining museum.

Excerpt from egetæpper's CSR policy

1.6 Developing and involving the local community

We will engage in the local communities in which our production is based. We will seek to work with relevant organisations, educational institutions and public authorities concerning local business development, job creation and skills development, as well as the development of modern technologies.

STORIES FROM THE GROUP'S FACTORIES



Herning – 45.500 m²

egetæpper Herning

At egetæpper Herning, together with Ørsted we are engaged in an exciting project to map waste streams in production. So far, we have identified 16 different waste streams for further investigation. An analysis of such factors as temperature and operating hours will show whether it is possible to generate profits from long-term investments.

The Nordic Ecolabel is winning ground in the Scandinavian market and is in demand among many customers. However, it has only just become possible to have carpets assessed under the scheme. We have therefore begun to investigate whether our carpets can be Nordic Ecolabelled.

We achieved two new Cradle to Cradle certifications during 2017/2018, bringing us up to a total of 42 Cradle to Cradle certified products.

This year we completed the replacement of all lighting at the factory with LED lighting. This is expected to result in annual savings of around 145,000 KWh.

Safety is a major focus area for us. We have an objective of 0 accidents leading to absence by 2020. In 2017/2018, we appointed a number of safety ambassadors in all departments of production. Together with the occupational health and safety organisation, the ambassadors have received training in strengthening the safety culture. One initiative is their monthly safety walks and safety is the first agenda item at the weekly meetings. We also have a corps of employees who are trained in first aid and fire fighting.

Well-being is also still on the agenda. Last year we undertook a major well-being analysis in Herning and have subsequently followed up on this. A new analysis this year showed that we have improved well-being significantly in several departments, while the general level of well-being has also improved. Comparison with the figures from NFA⁵ shows that we score high on the question of “How satisfied are you with your job as a whole”.



Gram – 24.000 m²

egetæpper Gram

At egetæpper Gram, in 2017/2018 we focused on recipes and set-ups on our dyeing system. In the past it has been necessary to dye some rugs twice on the system, but with the new changes we only require one dyeing cycle. This saves water, gas and electricity, while also reducing chemicals consumption. This is a major environmental improvement.

We are generally working to reduce additives in the dyeing process by investigating whether it is possible to manufacture products of the same high quality using other or fewer additives. This is an exciting process that among other things has led to reduced consumption of chemicals.

We have a very strong focus on safety at the factory, and in 2018 all production employees were provided with new safety shoes. We conduct safety walks on a daily basis,

⁵ The Danish National Research Centre for the Working Environment

STORIES FROM THE GROUP'S FACTORIES

and safety is always the first item on the agenda at noticeboard meetings. In 2017/2018 we achieved 500 days with no reported occupational injuries. This was celebrated with "Othello" cream cake for all employees.

We are in the process of changing the lighting in the factory to LED lighting. We have now replaced approximately 40% of the lighting. This is taking place in conjunction with the natural replacement cycle, and in areas where the lights are on for the greatest number of hours. The aim is to replace all fluorescent tubes by no later than 2020.

In cooperation with Business Academy Southwest, we are part of a project entitled "The Labour Force of the Future" – an EU project aimed at encouraging unskilled workers to take skilled training, and skilled workers to progress to vocational training. The project facilitates the clarification of competences, as well as training plans, that reflect the wishes of the company and the employee. The focus is initially on welders and electricians who, via the Collective Agreement for Industry, have the opportunity for training agreements. In Gram, the first employee has started on a training course.

Hammer Carpets

At Hammer Carpets, we have taken the decision to invest in renewable energy as from 2019. Cooperation with Ørsted has also been launched concerning environmental screening in connection with the Climate Partnership between ege Group and Ørsted. This will help us identify energy optimisations and environmental improvements going forward.

We will also investigate opportunities to recycle smaller yarn residues that so far have been discarded. This will contribute to achieving the goal of minimising the waste of surplus materials in the Group.

We have strong focus on inclusiveness at the workplace. Several employees are engaged on special terms, including an employee hired under flexible terms, and 10% of production employees are employed under Section 56 of the Danish Act on Benefits in the Event of Illness or Childbirth. This provision of the Act ensures that employees with a chronic illness can keep their job, because the workplace receives reimbursement from the employee's municipality of residence when the employee is absent due to his or her chronic illness.

We are working continuously to optimise the working environment and in 2017/2018 purchased adjustable-height desks for the sampling department, as well as reclining chairs that are used to get in under the looms during maintenance and repairs. Well-being is also on the agenda at Hammer Carpets. Meetings have been held with ege Group HR on this subject and it has been decided to include questions about well-being in the future workplace assessment scheme for employees.

In 2018, we finally became part of the ege Group's management system with an ISO 14001 certification in environmental management. The next step will be ISO 9001 certification in quality management. Key employees have already attended a preparatory course.



Hammer Carpets – 14.000 m²

STORIES FROM THE GROUP'S FACTORIES



Bentzon Carpets – 10.000 m²

Bentzon Carpets

At Bentzon Carpets, we have planned a meeting with Ørsted in 2018 to identify possible environmental improvements and investment ideas within energy optimisation. This will mark the start of a more systematic effort to achieve environmental improvements at the factory and in the Group.

On the employee side, we are in dialogue with ege Group HR on the opportunities to work with well-being, and we have decided that by 2020 at the latest, we will offer all employees annual employee development interviews.

Safety will also be in greater focus in the future, with the decision to offer all Bentzon Carpets employees the opportunity to attend a fire-fighting and first aid course.

Finally, we have taken the first step towards joining the ege Group's management system, with planned ISO 9001 certification in quality management in 2019/2020. Key employees in this process have already attended a preparatory course on certification and we are looking forward to getting started.



Carpet Concept – 17.000 m²

Carpet Concept

At Carpet Concept, we plan to install a new filtration system in 2018/2019 that will reduce noise, odour and dust from the laser cutter that is used to punch carpet tiles. This will improve the physical working environment in the tile department, while also being good for the environment.

We have also planned to replace the lamps in two warehouse buildings with new energy-friendly lamps with LED tubes in 2018/2019. In the course of the following two years we will switch to LED lighting in a further series of buildings. We expect that this will lead to annual energy savings of around 5% with regard to lighting.

When we plan new qualities and collections, as far as possible we investigate and use environmentally friendly yarns and backings made from regenerated material. Our focus includes being able to recycle our products after use, as well as the Cradle to Cradle principle.

We attach importance to ensuring that employees are aware of safety issues and we conduct regular first-aid courses. A new aspect in 2018 is a fire-fighting course for employees. The local fire authorities already conduct inspections of our buildings to check whether safety is in order.

Every six months we undertake health screening of all of our production employees. This helps ensure that any problems are discovered in time and that employees are

STORIES FROM THE GROUP'S FACTORIES

sound and healthy. We also conduct regular workplace risk analyses, in order to prevent hazardous situations.

In 2018, we introduced flexible working hours for office staff on a trial basis, with the aim of achieving a better work-life balance. The trial will run for three months, after which it will be evaluated.

In cooperation with another company, we offer nursery school places for employees' children in our own office building. This makes everyday life easier and ensures peace of mind for employees when their children are close by.

UAB Litspin

At Litspin, in 2017/2018 we started to recirculate the heat from our compressors as space heating at the factory. This is a good project that saves energy, reduces CO₂ emissions and ensures a better indoor climate at the factory during the cold months.

During the warmer months, we sometimes have problems with excessively high temperatures at the factory, because ventilation and cooling are complicated to establish. This has always been the case, but new measures have now been put in place which hopefully will help achieve a better interior temperature during heat waves.

In 2017/2018, we replaced the lamps in the raw materials warehouse with new, energy-efficient lamps with LED tubes. The next step will be the replacement of the lamps at our carding lines. We will get started on this in 2018/2019.

We have a strong focus on safety at Litspin. All employees are trained in fire prevention and first aid. A new aspect is that everyone is trained in civil protection in the event of a natural disaster or war. Lithuanian law requires employers to have good emergency systems.

We have just begun to include questions about the psychosocial working environment, well-being, working conditions and employee satisfaction in our internal audits, which are undertaken several times a year. We have also begun to hold more employee development interviews, which have not previously been so widely used at the factory. The new measures will help ensure that we have a good working environment at Litspin.

In 2016, Litspin achieved ISO 9001 certification in quality management. We are currently working on upgrading the management system to the new 2015 version of the standard. The upgrading is taking place in 2018.



Litspin – 8.500 m²

KPIs FOR RESPONSIBILITY

We use various different KPIs to measure the ege Group's sustainable and responsible business development. The KPIs are inspired by the Global Reporting Initiative (G4). Since this is the first time that we have collected CSR data from all of the Group's factories, it is not possible to compare the figures with previous years. This financial year must therefore be seen as a form of base year for consolidated figures. Next year it will be possible to show changes in the results.

Energy savings

This year we undertook a number of energy savings projects:

In Gram, we have insulated a boiler, which will result in calculated annual savings of 85 MWh. This equals savings of 7,667 m³ of gas.

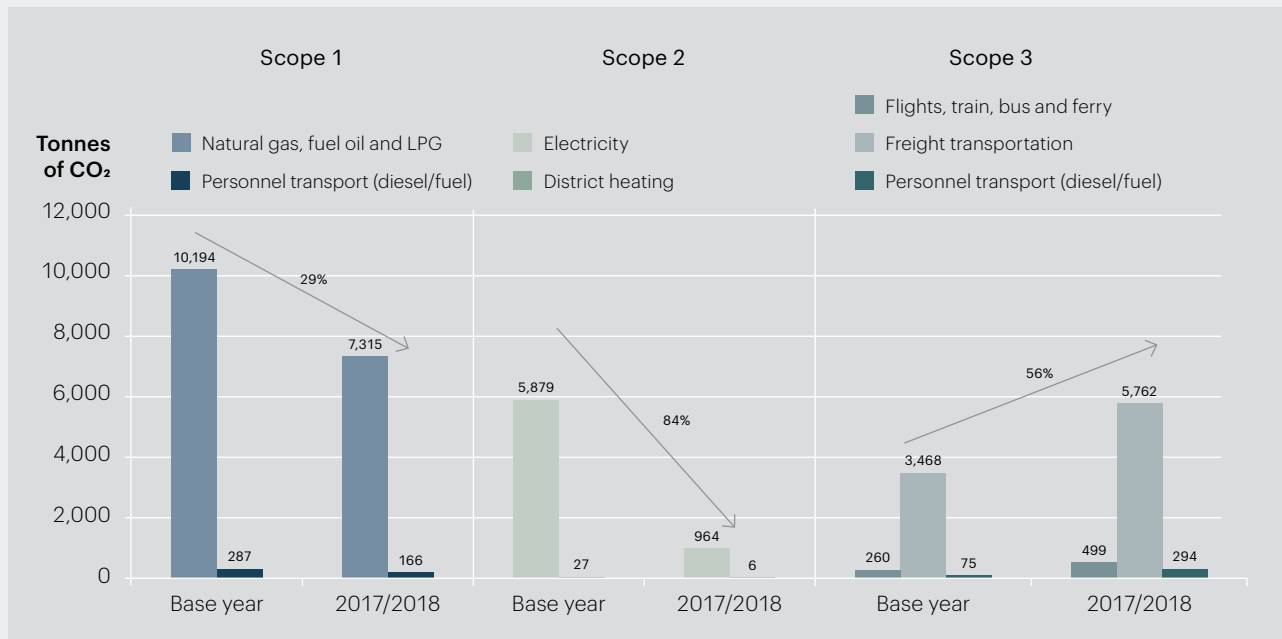
In Herning, we have finished changing all lighting to LEDs, which will result in a calculated annual saving of 145 MWh.

In both Herning and Gram, the heat recovery systems have been in use. In Herning, production of 757 MWh was registered, of which we used 237 MWh to heat buildings. The rest was sold as district heating. In Gram, 815 MWh was produced, of which we used 172 MWh for heating and sold the rest as district heating. This gives total energy savings of 1,572 MWh.

At Litspin, we have entered into a new agreement with our electricity supplier concerning green energy, which will result in expected annual savings of almost 95 MWh.

Greenhouse Gas Accounts⁶

We have prepared greenhouse gas accounts for the entire Group since 2011. This makes it possible to show the development over time.



The total CO₂ reduction for Scope 1 and 2 is 48%. We are therefore at the same level as last year. We are 2% from achieving the 2020 target of a 50% reduction. As from 2019, investment in bio-natural gas will commence, which will help us achieve the target. The reduction since the base year is due to massive investments in GO certificates for renewable energy from the Horns Rev II offshore wind farm, as well as the ongoing energy savings projects in the Group.

On the other hand, we can see an increase in CO₂ emissions in Scope 3. This is primarily due to intensified business activities in global terms. Freight transport in particular weighs heavily in the CO₂ accounts. We have therefore decided to take a closer look at Scope 3 in the future, in order to identify how we can reduce the CO₂ emissions within this scope.

⁶ See Annex 2 for further details of the Greenhouse Gas Account

Inputs and outputs in production

Inputs and outputs in 2017/2018	egetæpper Herring	egetæpper Gram	Bentzon Carpets	Hammer Carpets	Carpet Concept	UAB Litspin
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	360,000	72,000	10,000	48,029	49,632	17,971
Built-up area	45,500	24,000	5,426	17,891	13,840	10,282
Production	m² of carpets	m² of carpets	m² of carpets	m² of carpets	m² of carpets	Kg/yarn
	4,273,974	1,875,616	1,722,569	973,744	306,000	841,538
Energy consumption	KWh	KWh	KWh	KWh	KWh	KWh
Electricity	6,518,021	2,498,758	277,966	598,224	659,952	1,832,346
Natural gas	20,987,494	8,643,283	539,583	-	3,079,582	-
Renewable energy	6,518,021	2,498,758	-	-	-	-
District heating	-	-	-	696,000	-	-
Water consumption	m³	m³	m³	m³	m³	m³
	67,600	21,003	146	442	650	845
Water recovery	m³	m³	m³	m³	m³	m³
	10,414	9,277	-	-	-	-
Recycled raw material	Kg	Kg	Kg	Kg	Kg	Kg
In the product	2,359,890	233,290	3,825	132,819	94,696	4,000
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	13,684,647	4,810,970	1,094,003	2,124,748	772,727	910,869
Renewable materials	563,150	7,110	162,580	882,617	15,510	888,098
Non-renewable materials	13,121,497	4,803,860	931,423	1,242,131	757,217	22,771
Packaging in total	679,846	198,754	48,044	84,415	24,175	18,671
Renewable packaging	412,227	1,244	-	-	17,336	7,282
Non-renewable packaging	267,619	197,510	48,044	84,415	6,839	11,389
Operation and maintenance	99,742	29,801	365	99,580	1,200	240
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling	114,925	154,014	88,860	18,120	30,710	4,000
Thermal recovery	1,496,815	392,560	22,284	266,650	100,010	17,720
Land fill	35,680	-	-	14,886	-	-
Destruction, hazardous waste	25,213	1,795	-	773	660	169
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	56,027	14,861	146	442	650	296

Workforce

	Men	Women	New employees	Leaving employees
egetæpper Herning	198	93	55	30
egetæpper Gram	50	13	7	6
Bentzon Carpets	14	17	-	2
Hammer Carpets	44	46	23	12
Carpet Concept	58	41	5	9
UAB Litspin	21	32	18	19

Employee breakdown

	Managers*		Salaried employees		Hourly-paid employees	
	Men	Women	Men	Women	Men	Women
egetæpper Herning	25	6	58	75	140	19
egetæpper Gram	10	4	10	5	40	8
Bentzon Carpets	3	1	6	6	8	11
Hammer Carpets	5	2	8	19	33	26
Carpet Concept	8	6	27	27	27	16
UAB Litspin	3	3	13	4	8	28

* Note that managers are included twice in these statistics, since they are also included in the salaried-employee or hourly-paid employee groups.

Absence due to illness*

	Men	Women	Salaried employees	Hourly-paid employees
egetæpper Herning	2.7%	3.3%	2.6%	3.1%
egetæpper Gram	4.5%	4.0%	2.3%	5.0%
Bentzon Carpets	6.9%	2.3%	3.4%	6.7%
Hammer Carpets	2.7%	3.4%	2.1%	3.5%
Carpet Concept	4.0%	5.9%	2.0%	8.0%
UAB Litspin	4.6%	9.0%	4.1%	8.7%

* Sick leave statistics do not include long-term illness

Occupational injuries and accidents

	Notified occupational injuries and accidents leading to absence	Time lost	Deaths
egetæpper Herning	5	531*	-
egetæpper Gram	-	-	-
Bentzon Carpets	1	15	-
Hammer Carpets	2	518	-
Carpet Concept	3	352	-
UAB Litspin	1	556	-

* 427 of the lost working hours in Herning are due to events that occurred at the workplace, but are not related to carrying out the tasks. The events are only reported to protect the employee for insurance purposes.

Non-compliance with legislation

	Results
Non-compliance with legislation	0
Non-compliance with environmental legislation	2 deviations*
Non-compliance with product health and safety legislation	1 deviation**
Non-compliance with labelling scheme legislation	0
Non-compliance with marketing legislation	0
Grievances due to failure to respect human rights	0
Grievances due to non-compliance with environmental legislation	0
Documented incidents of corruption and bribery	0
Documented incidents of discrimination	0
Documented incidents of child labour	0
Documented incidents of forced labour	0
Documented incidents of lack of respect for freedom of association and the right to collective bargaining	0

* The deviations occurred at egetæpper Gram and have had no consequences for the external environment or led to any comments or warnings from the public authorities.

** Deviation of the CE requirement for a single batch at Carpet Concept, which was subsequently re-processed. The deviation has had no consequences for safety and health. Subsequently, the recipe was modified to ensure that similar issues do not occur again.

ANNEX 1: WHAT IS SECTION 99A?

On 1 January 2016, Section 99a of the Danish Financial Statements Act entered into force for the ege Group. According to the Act, large companies must supplement the management report with a CSR report. As a minimum, the report must include the following:

- A brief description of the company's business model and the connection between the business model and CSR.
- Information must be provided on the company's CSR policies. As a minimum, information must be given on policies for the environment and climate, social conditions and employee relations, respect for human rights, and anti-corruption and bribery. For each area, it must be stated whether the company has a policy and what it comprises.
- For each policy area, it must be stated how the policy is translated into action, and any systems and procedures that support it. Details must also be given of the due diligence processes applied.
- Details must be given of the most significant risks relating to the company's business activities and of how the company handles the risks in question. The information must be given for each policy area.
- Information must be given on the company's results as a consequence of working with CSR, as well as any expectations of the work in the future in each policy area.
- Reporting in accordance with Section 99a must be reviewed by the auditor, to ensure that the company fulfils the requirements.

ANNEX 2: CALCULATION BASIS FOR DATA SOURCES AND CO₂ CALCULATIONS

Scope 1: Direct greenhouse gas emissions

Direct emissions of greenhouse gases from sources owned or controlled by ege Group. These calculations also include fuel extraction.

Scope 2: Indirect greenhouse gas emissions

Indirect emissions are defined as the emissions related to purchased electricity, heat and steam. These calculations also include fuel extraction.

Scope 3: Other indirect greenhouse gas emissions

Other indirect greenhouse gas emissions comprise a wide range of activities that can be included. At ege Group we have decided to include transport in leased vehicles, travel and freight transport.

The result for the year in the greenhouse gas accounts is always compared with a base year, to show the development over time. If there is extraordinary activity during the financial year, e.g. due to the expansion of production, the emissions related to the extraordinary activities are accounted for separately and added to or deducted from the base year's greenhouse gas accounts. This means that the greenhouse gas accounts still give a real

picture in relation to the base year. ege Group's base year is an average of the 2006/2007 and 2007/2008 financial years. This year the emissions from Carpet Concept has been added to the base year, since we have included emissions from Carpet Concept into the greenhouse gas account for the first time.

The greenhouse gas accounts are based on a number of data sources that make it possible to convert our energy consumption to CO₂ emissions. The CEMAsys calculation programme is generally applied. CEMAsys complies with international standards and meets the requirements of the Greenhouse Gas Protocol. For electricity, the Energinet.dk declaration and the 125% method are used to calculate Danish emissions. The district heating plants' own emissions are used to calculate district heating emissions. Where possible, factors for the individual countries are applied. Transport by air and rail is divided into national and international transport. Via Egencia supplies ege Group with environmental accounts for CO₂ emissions from air travel ordered via the head office in Herning and by Hammer Carpets. To calculate freight transport for Herning and Gram, we have applied the Climate Compass, which is an Internet-based calculation model developed by the Confederation of Danish Industry, the Danish Business Authority and FORCE.



ege[®]

Bentzon Carpets

HAMMER
CARPETS

carpetconcept 