

Sustainability Report

2018

EKORNES AS



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Message from the CEO

The UN global compact membership has given Ekornes a framework for a sustainable development of our business. The framework gives us the inspiration to contribute in the overreaching goal of building a greener, more equitable and inclusive society.



In 2018 we continued our wide-ranging logistics project, by exploiting our opportunities to use the fjords and sea as a transportation solution. Our goal was to reach 70 per cent of our output to be transported by sea-freight, while sending 30 per cent by road. By this transition to more sea-freight our CO2 emission, like-for-like, would be reduced by approximately 40 per cent. During 2018 we hit this target. In 2019 we will further exploit the opportunities having our own quay by the fjord at the main Stressless® factory, gives.

One of our major investment projects in 2018, representing a total of EUR 11 million, was the IMG factory in Lithuania. This modern and energy-efficient facility will strengthen IMG's presence in Europe, improve distribution and support a wider range of products. The factory is scheduled to go into production in May 2019.

Together with our new owners, we can look forward to an exciting future built on our already strong heritage in the fields of furniture and innovation. People around the world want quality furniture, and they want our products and the experiences they create. We have the people, the skills, the resources, the supply chain and the partners to meet this demand. And we have a new and supportive owner. As we have done since 1934, we continue our journey in the spirit of our founder, Jens E. Ekornes, by being curious and open to new opportunities. In that way, we can continue to create value for our customers, employees, owners and society at large.

Olav Holst-Dyrnes
CEO

This is Ekornes

Ekornes is the largest furniture producer in Norway and owns the brand names 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 in the Norwegian furniture sector. IMG is best known in Australia and the USA.

Production takes place at the Group's nine (soon ten) factories, five of which are in Norway, one in the USA, one in Thailand and two in Vietnam. Ekornes is also on course to open a new factory in Lithuania 2019. Ekornes sells its products over large parts of the world, either through its own sales companies or via importers. Ekornes's business idea is to develop and manufacture products which offer outstanding comfort and functionality, and whose design and price appeal to a wide audience.

Ekornes is headquartered at the company's factory at Ikorndes in Sykkylven, on the west coast of Norway. Ekornes AS is the Group's parent company. The Group's factories are organised according to product segment: Stressless®, Svane® and IMG. Ekornes was founded in 1934 when Jens E. Ekornes started producing furniture springs at the J.E. Ekornes Fjærfabrikk in Sykkylven. The first Stressless® chairs were launched onto the Norwegian market in 1971.

EKORNES®



IMG®
N O R W A Y



Our Values

The Ekornes Group modified its core values in 2018, based on our history. The values and our new vision “We improve everyday living” was adopted during the autumn 2018. These shall be emphasized and are given as:

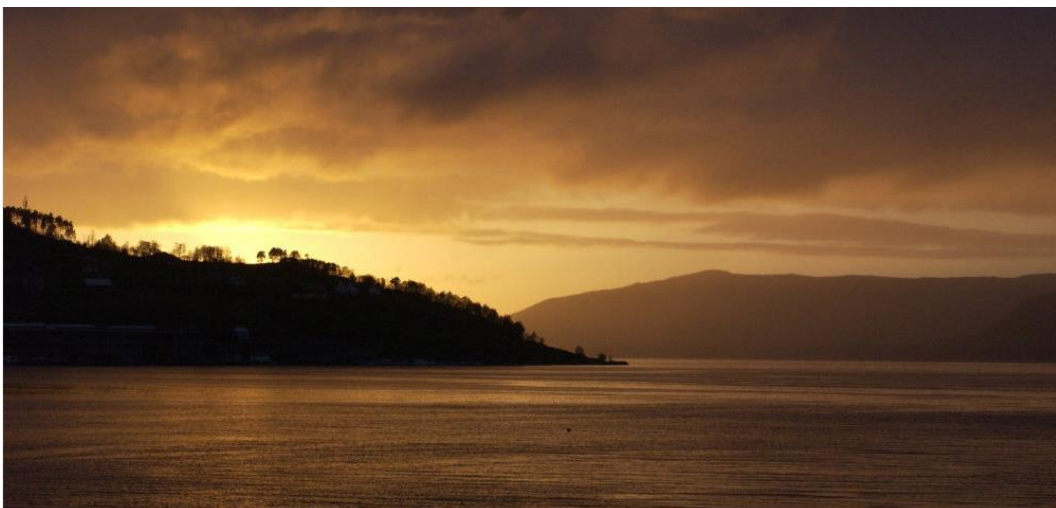
Honest is in our DNA. Honesty means that we can always be trusted. Honesty is the basis for our integrity and the respect we have for each other. We create a good working environment through honesty and respect, and it is the foundation for creating good relations with our stakeholders. We are committed to doing what is right to take care of the people, the company and our surroundings. We keep our promises.

Genuine Being genuine is being who we are - and being proud of who we are. We come from a small community located in magnificent surroundings, where respect, moderation and sustainability have always been a prerequisite for success. We know each other and we trust each other. This is also the case for our products. We have created innovative and functional furniture for almost a century and will continue to do so in line with our Norwegian roots.

Enthusiastic Being enthusiastic means to engage, excite, inspire and support. This enthusiasm binds us together. It makes us work harder and it makes it fun to be at work. We see the possibilities and build on proud traditions. Enthusiasm ensures that we constantly seeks new ways to improve and develop.

Adaptable Being adaptable means looking for opportunities and exploiting them. In a world of rapid change we must change with it. Being open-minded and curious, asking questions and challenging the established mindset is the secret to our success. We are quick to try new things and even quicker to adapt. Our constant search for opportunities gives us a competitive advantage.

These values are forged by our history and the strategies that are to create future growth and progress. These were communicated to all employees through staff meetings, internal communications channels and eLearning courses.



Our Sustainability Policy

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 endeavor 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.

Ekornes Code of Conduct

- 1.** Objectives and Values', company regulations, employment contracts and job descriptions also contain ethical rules with which the Ekornes Group complies. The rules contained in this overview should therefore not be considered exhaustive with respect to the Group's ethical standards.
- 2.** A duty of confidentiality contained in 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, as well as correct and responsible business 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 furnished 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 participate in trips, dinners and events arranged by suppliers and business connections only when there is a professional reason for the event/trip or it provides business-related opportunities. In cases of such participation the travel, entertainment and accommodation of employees of Ekornes shall always be paid by Ekornes.
- 9.** Employees of Ekornes are not permitted to receive improper benefits or gifts (in the form of products, services or trips, etc.) from business connections other than small promotional items of 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 becoming in any way beholden to customers or suppliers.
- 10.** Suppliers and business connections shall be made aware of the contents of this document and also be made aware that any attempt to contravene these ethical rules could result in exclusion.

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 Code of Conduct 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. Anticorruption 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 will conduct its business activities responsibly, and will operate in compliance with all relevant laws, regulations and strict ethical norms. We support, and strive to live up to the UN's Global Compact ten principles. This means that in all parts of our operations we will maintain high standards with regard to:

1. Respect for and compliance with the Universal Declaration of Human Rights.
2. Respect for workers' rights and needs.
3. Environmental responsibility.
4. Combatting corruption in Norway and abroad.



Organization and follow-up

The Ekornes Code of Conduct, “Ethical Values and Anti-Corruption Policy”, as well as “Objectives and Values”, have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company’s website www.ekornes.no. Everyone within the company has a duty to follow up and comply with these regulations. Managers in all parts of the company have a special responsibility for their dissemination and follow-up. In the autumn of 2018, a new vision “We improve everyday living” and a new set of values was adopted. The new values are Honest, Authentic, Enthusiastic and Adaptable. These were communicated to all employees through staff meetings, internal communications channels and eLearning courses.

Compliance

Ekornes has its own internal audit team which focuses on the work environment, local laws and regulations in order to secure the Groups own processes. Ekornes conduct audits on our suppliers performed by a third party. The audit is a social audit which reflects upon the Ekornes Supplier principles and the Ekornes code of conduct.

Whistleblow

Ekornes has its own Whistleblow program, operated by an external third party. The whistleblow program allows all employees to raise their concerns and report through other channels than management if needed. The employees are encouraged to alert about critical issues on all levels. Ekornes endeavors to continuously maintain and further develop an open corporate culture.



The people

The Group's policy states that 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 comply with 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.

Equality

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 conducted arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation. Providing individual adaptation is also contributing to lower absence rates. One way of providing individual adaptation is through the *Green working stations*. These working stations are designed for eased work for employees with smaller disabilities.

Ekornes has Inclusive Working Life agreements for the period 2014–2018. The Inclusive Working Life scheme stems from a tripartite agreement between employers' organisations, trade unions and the government, to make it possible for everyone who is able and willing to work. Ekornes's Inclusive Working Life agreements cover its facilities at Sykkylven, Grodås and Hornindal.

The equality between men and women in Ekornes is illustrated in the table below.

	No. of employees	% women	% men	No. of managers	% women	% men
Ekornes AS	79	42 %	58 %	17	29 %	71 %
J.E. Ekornes AS	958	44 %	56 %	31	16 %	84 %
Ekornes Contract AS	8	50 %	50 %	2	0 %	100 %
Ekornes Skandinavia AS	8	13 %	87 %	1	0 %	100 %
Ekornes Beds AS	80	29 %	71 %	9	33 %	67 %
IMG Group AS	15	27 %	73 %	4	25 %	75 %
IMG Skandinavia AS	6	50 %	50 %	1	100 %	0 %

Board members

Ekornes AS*	33 %	67 %
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*Of board members elected by the shareholders, 37,5 % are women and 62,5 % are men.

Health

The Group's overall sickness absence rate came to 3.0 per cent in 2018. This is a decrease of 0.5 percentage points from 2017. Long-term sickness absence (over 16 days) accounted for the bulk of the sickness absence. In the Norwegian part of the Group, efforts related to the 'Inclusive Working Life' scheme, the workplace rehabilitation committee and individual follow-up have been implemented with a view to reducing sickness absence.

3,0 per cent

The Group overall sickness absence rate

Safety

Ekornes aims to have zero work-related personal injuries through the year. The Group is working systematically to reduce the number of injuries. The reporting of undesirable incidents and careful follow-up of incidents and near-misses form an important part of this effort. In 2018, there were a total of 11 lost-time injuries in the Group. This is five less than in 2017. The H1 value (number of lost-time injuries per million hours worked) for the Group came to 2.6 in 2018. In 2017, the H1 value came to 3.9.

Ekornes gives a high priority to health, safety and the environmental (HSE). Every year, the Group invests in measures to make its workplaces safer and to reduce the amount of physically strenuous work processes. In 2018, efforts to automate a variety of work processes continued. This has led to a further reduction in the amount of manual and physically arduous operations.



Labour unions

The majority of the employees in the Ekornes Group are organized in various labour unions. There is a constructive cooperation between the management and all the unions through continuous dialogue and regular meetings. Negotiation committees are established to represent the employees in the yearly local wage negotiations.

There is a long tradition in Ekornes to maintain good dialogue between the management and the labour unions. Ekornes believe that respecting labor rights is an important factor in the work to reduce sickness absence, and increase effectiveness and profitability. Employees are represented in the board of the Ekornes Group. These representatives hold the same rights as members chosen by the shareholders.

Education

The competence of its workforce is Ekornes's most important resource. It is therefore crucial that Ekornes is capable of both retaining and attracting competent staff, and of developing its existing competence base. Emphasis is placed on making Ekornes an attractive workplace, which offers opportunities for advancement within the Group. Craft apprenticeships are a key area for Ekornes in Norway. In 2018, Ekornes was an approved training company within six craft disciplines and employed 20 apprentices. During the year, eight people passed their final exams to become qualified craftsmen or women. Close cooperation with lower and upper secondary schools, as well as the various training offices, are important for maintaining the high quality of the vocational training provided.

8 employees

passed their final exam
to become craftsmen
or women

A number of training measures were implemented in 2018, both as a result of statutory requirements and to boost the Group's level of competence. Ekornes has established a good dialogue with several university colleges in Norway and participates in numerous events at which business meets students. Over the past two years, Ekornes has staged a summer internship programme for students from a variety of disciplines. The internship lasted for five weeks from June to August. During that time, the participating students were allocated a project to complete, and were given guidance by mentors in a variety of disciplines. A summer internship programme offers the company an opportunity to showcase its operations, but also a chance for employees to learn and be challenged by young students.

The company is open for students of higher education to use Ekornes as casework in their assignments.

Robot partnership

The vocational high-school of Sykkylven has since 2006 been 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 have excursions to the factories where Ekornes provide guided tours of the plants and training in a variety of topics.



Shared value creation

Ekornes has a long tradition of contributing to the local communities in which its operations are located. The Ekornes Group depends on having qualified staff at all its factories, and the company's engagement in the local community helps to foster an enjoyable and positive working environment for employees.

For several years, employees engaged in Stressless® production have donated Christmas gifts to worthy causes in the local community through a special fund. Decisions regarding the allocation of these Christmas donations are taken by a committee made up of employees. 2018 was the tenth year in a row that the local communities in which Ekornes's factories are located received Christmas donations. In 2018, the donations went to various local initiatives, particularly those relating to musical leisure activities in the Sykkylven and Hornindal districts. In addition, Ekornes sponsors and participates in activities for children and teens in those districts in which it has production facilities.

The products

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. Ekornes seeks to maximize utilization of raw materials and other resources.

Quality

Ekornes follow the requirements for strength, stability and security set by the Norwegian Møbelfakta (www.mobelfakta.no). Through the membership of Møbelfakta Ekornes commits to environment and quality certified production and certification of the products according to current requirements and criteria in mobelfakta.no.

Quality Certification of furniture requires extensive quality testing by an accredited furniture testing laboratory according to current specifications in accordance with international standards (EN standards).

The furniture is tested by the following criteria:

- Strength and durability, function
- Stability and security, risk
- Material quality (wood, textiles, leather)
- Surface treatment
- Fire resistance

All new products are tested at accredited laboratories. In addition, Ekornes perform testing internally prior to official testing. This is done both during the product development stage and in the production phase by testing reception of critical goods like e.g. leather. Quality requirements in the various commodity and component categories is a work that is done in interdisciplinary collaboration with manufacturing and purchasing.



The production

The Ekornes Group has been making quality furniture for over 80 years. This focus on quality helps to reduce the overall environmental impact of the products, and thereby the environmental impact of the Group as a whole. A sustainable Ekornes is an Ekornes which shares the value it creates between its shareholders, employees and the communities affected by its operational activities. Ekornes has implemented numerous measures at its factories which have lessened the company's environmental impact. New technologies, environment-friendly materials and new product solutions have resulted in one of the most efficient manufacturing environments in the furniture industry today.

Ekornes focus on the areas where the impacts of improvements are greatest. In the furniture industry this is related 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 to produce laminated wood and all J.E. Ekornes' surface coatings facilities now use water-based products. Where necessary, Ekornes has made use of independent expertise to monitor requirements and set the standards needed to ensure compliance.

Foam

Ekornes produce its own polyurethane foam. This benefit provides Ekornes with first-hand knowledge of the challenges of foam-making as well as full control on what is added in the foam. The foam is free from halogenated flame-retardants, organotin components or organic solvent based release agents and glue. The plants are designed to re-use the residual foam generated from trimming, in order to make rebonded foam. In 2018, the foam department started the development of flame retardant free foam. This project is ment for Ekornes to produce flame retardant free foam from 2019.

To grasp the developments in the profession of foam-making Ekornes participate at many arenas to gain knowledge on how to go forward.



Leather and fabric

The Ekornes Group is a large consumer of leather in Europe. Leather is purchased from selected tanneries all over the world. The leather is manufactured according to current laws, guidelines and recommendations relating to their utilisation properties, and for the use and content of chemicals and other substances. Ekornes are cooperating with recognised international institutions in this line of business to ensure that the leather and leather processing is compliant at all times with events relating to health, safety and the environment. Ekornes also provide to our customers a broad assortment of environmentally certified fabrics.

Leather and fabric are some of the key drivers of the products' life cycle environmental impact. Ekornes are always looking for ways to optimize its use of raw material. An improvement of only 1% of leather yeild can result in to considerable cost- and environmental impact reductions. Ekornes have invested considerably in recent years in autmated leather and fabric cutting in order to generate savings at every stage in the cutting process. Ekornes has the latter years invested in new leather-cutting equipment, which has increased the raw material's utilization rate at the factories. The residue trims are not wasted, but collected and sold to manufacturers of small leather goods.

Ekornes continued as a member of the Leather working group (LWG) in 2018. This organisation focus on sustainable valuechains in the leather industry. In addition, Ekornes has an ongoing internal leather sustainability project which was launched in 2016. The aim of the project is to increase the internal knowledge in Ekornes on the environmental impacts associated with leather. Throughout the process the project will gain insight from reputed institutions and the industry to set new standards for chemical management, animal welfare, deforestation and other leather supply chain sustainability matters.



Wood and coating

J.E. Ekornes utilizes millions of sheets of veneer every year. An original Stressless® base contains 32 sheets of European quality beech veneer. The Stressless® production only use FSC/PEFC certified wood.

The wood used in the IMG products are veneer from rubber wood trees that have past their service life for making natural rubber. In this way, as the way is cleared for new trees at the plantations, the old ones do not go to waste. Ekornes require its suppliers of wood to prove documentation of the origin and legality of wood.

Another important environmental and compliance aspect is the emission characteristics from composite wood products, coating and adhesives. JE. Ekornes only use water based stains and varnish in their own production. This is applied automatically in closed cells by robots. An automatic process, provides a healthy working environment for the employees. In 2016 a new type of stain was introduced which reduced the level of heavy metal based color pigments down to levels far below the thresholds that are required by standards and regulation.

In 2018 the project of introducing a new glue for beech laminate in J.E. Ekornes was completed. The results from the project shows even more reduced levels of formaldehyde in the wood



Steel and sourced components

The steel processing department at JE. Ekornes AS has a wide range of highly automated operations. Steel pipes, coil and wire are converted to frames, components and springs. This processing involves cutting, stamping, bending and welding of hundreds of different types of components. The majority of welding/soldering operations at J.E. Ekornes AS are automated and take place in closed, ventilated welding cells.

Steel components to which epoxy resin is applied are degreased biologically in a closed loop system. When the processing water needs to be changed once or twice per year, it is delivered to special waste handlers. These partners ensure that the water is treated according to the local governmental regulations.

Ekornes use polished cast aluminum for the Signature- and Star Base. The main outer frame of the Star Base chairs is subjected to galvanic surface treatment in order to withstand the strains from the Glide system. The partner for galvanic surface treatment is locally based and utilize a modern closed loop process, ensuring zero emissions to water. Setting standards for emissions and a respectful, safe and healthy working environment is part of the dialogue Ekornes have with its suppliers of sourced components.



The supply chain

The Ekornes Group supply chain and sourcing team set the standard for suppliers and follow up regularly by contact, visits, risk-assessment and audits. Ekornes perform audits at the suppliers' facilities in order to generate a good cooperation, and secure that all partners in the supply chain are in compliance with the UN Global Compact principles. Ekornes' operations rely on suppliers of raw material and distributors from all over the world. This means that the company must face different cultures and legislations for business operations in different regions, which can be challenging. Towards our business partners, Ekornes states the company expectations through the *Ekornes Supplier Code of Conduct*. The Supplier Code of Conduct is reflected upon the UN Global Compact principles as an overarching framework and are supported with internationally acclaimed conventions and norms 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
- Health & Safety
- Living wage / minimum wage
- Working hours
- Regular Employment
- Forced labour
- Discrimination
- Discipline / Inhumane treatment
- Child labour and young workers

The suppliers of direct material to the production of Stressless® products are every year evaluated through a risk assessment of the Ekornes supply chain. This is assessment is conducted in order for Ekornes to understand its supply chain and to generate an even further cooperation with its suppliers.

The environment

By engaging in sustainable production, the Ekornes Group will reduce the environmental impact of its products, measured over their entire lifespan. For Ekornes, a sustainable piece of furniture is one that is robust, and that does not need to be replaced often. A high-quality piece of furniture will also have a high second-hand value. In recent years, considerable resources have been devoted to increasing the focus on continuous improvement, and a number of improvement measures were implemented on the production side in 2018. This contributes to the sustainable development not only of the products, but of the Group as a whole. Any move that helps to increase quality or reduce raw materials wastage, time and energy is a step in the right direction.

Emissions

Ekornes monitor the emissions from the production. There are conducted gas measurements on an annual basis, to be compliant with local regulations. Ekornes additionally map the environmental emission impact of operations, such as business travels, the production and material usage.

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. Wood chips are generated as a byproduct from the production and the production surplus is the main energy source for heating the Tynes, Grodås, Aure and Ikkornes plants. The emissions from burning wood chips are mainly CO₂, CO, NO_x and particles. The Ekornes factories in Sykkylven are subject to licences granted by the County Governor. The most recent licence application was approved by the County Governor in 2018. There are also some emissions of diisocyanate gas and carbon dioxide from the production of foamed plastic at factories in Norway, Thailand and Vietnam.

Ekornes also produces emissions in connection with internal transport between the company's factories and in connection with business travel. These emissions are calculated and reported on the basis of fossil fuel consumption.

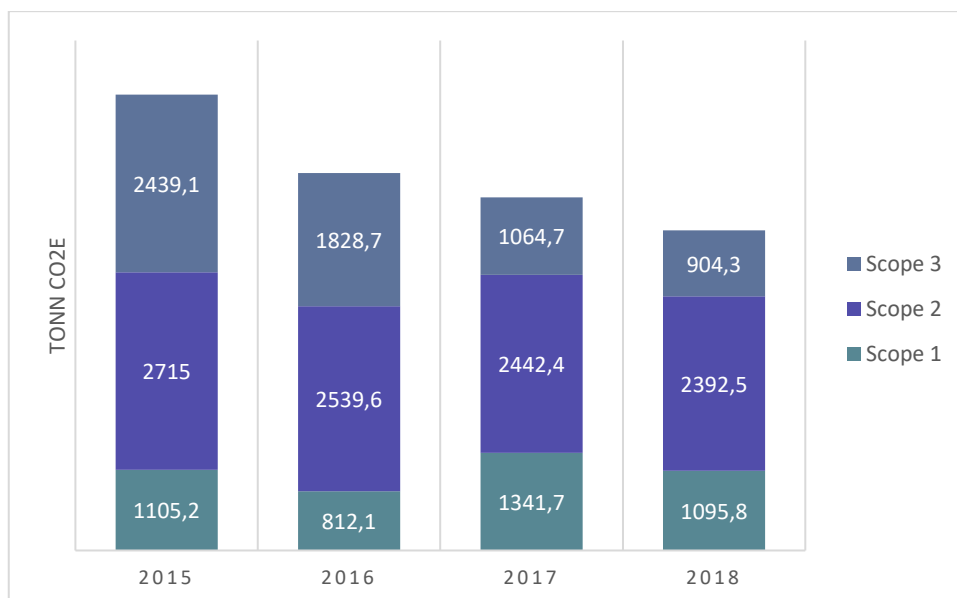
Discharges to water are a measurable parameter in the Ekornes Group. Ekornes aims to have no unwanted incidents resulting in discharges to water from its production processes. The bulk of the production processes involving water consumption are performed in closed systems. Discharges to water are normally channeled through our own and local authority waste treatment facilities, or are delivered to an approved recipient. In recent years, the factories in Thailand and Vietnam have increased the recirculation of water from their surface coating facilities in order to reduce their overall water consumption.

In 2018, Ekornes's greenhouse gas emissions totaled an estimated 4,392 tonnes of carbon equivalents. For the Group as a whole, this corresponds to 2.1 tonnes of carbon equivalents per full-time-equivalent employee in 2018. Ekornes reports its greenhouse gas emissions in three so-called "scopes". For Ekornes, emissions in Scope 1 (direct emissions) derive from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions deriving from the generation of electricity by a third party. Scope 3 is

associated with the treatment of waste, air travel and authorized business use of motor vehicles. Through its updated travel policy, Ekornes has paved the way for a reduction in business travel, which may lead to a reduction in the Group's greenhouse gas emissions.

The table below shows a breakdown of annual emissions by "scope" and confirms a reduction in total greenhouse gas emissions from 2015 to 2018. Previously reported greenhouse gas emission figures for the Group have taken account of the fact that the Norwegian facilities deliver their residual waste to landfill. This is not the case. A higher factor for greenhouse gas emissions in Scope 3 has therefore been used. This error was identified and amended with effect from 2017. Historic figures are therefore only truly comparable with effect from the 2017 annual report.

The Group's greenhouse gas emissions (tonnes CO2 eq.)



Ekornes strives to reduce the emissions associated with the transport of its own finished goods. This is being done partly by increasing the proportion of finished goods that are transported by sea rather than by road. The goal is for 70 per cent of all such transport to be carried out by sea, while 30 per cent goes by road.

In 2018, Ekornes continued our wide-ranging logistics project, exploiting our opportunities to use the fjords and sea as a transportation solution. Ekornes' has the latter years had an ongoing project in mapping the logistics of the entire value chain with the aim of finding opportunities for improvement and increased efficiency. A major restructuring is currently under implementation, with a main aim to implement more transport by sea. The objective of this reconstruction is that, in the future, 70 per cent of the products will go by sea, while 30 per cent will go by road. In addition to increasing the

use of transport by sea, there will be fewer external warehouses and subcontractors. In the longer term, this will cut time spent on administration and increase the focus on development, quality, cost-effectiveness and the environment. By this transition to more sea-freight Ekornes CO₂ emission, will be reduced by approximately 40 %. In 2018, Ekornes reached its target, shipping 70% of our outbound by sea. This target was met by utilizing the opportunity that our main factory is located by the fjord.

Energy usage

Ekornes aims to reduce the electricity consumption at its Norwegian plants by 10 per cent by 2020. The Group's Norwegian plants largely use bioenergy for heating.

Woodchips, which are a by-product from the manufacturing process, constitute the primary energy source for heating at the factories on the northwest coast of Norway, while the plant at Fetsund uses a combination of woodchips, electricity and gas.

J.E. Ekornes uses mainly bioenergy to heat its manufacturing facilities in Norway. Wood chips is the main energy source for heating Ekornes' Tynes, Grodås, Aure and Ikorntes plants. Two of these plants has fossil oil as the alternative energy source, which is only used in exceptional cases on the coldest days.

In 2018, IMG started building a new factory in Lithuania. This facility has an A+ energy certification, based on its use of geothermal energy and its high level of insulation. The factory is currently under construction and will be completed in the first half of 2019.

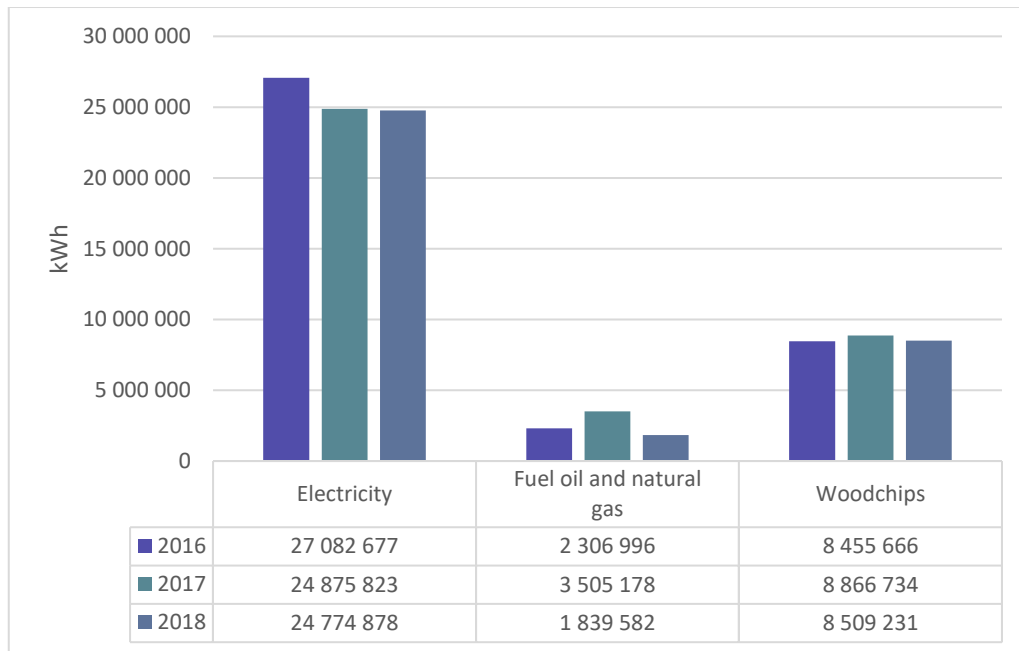
One of Ekornes's environmental goals is to phase out fossil fuel oil in the heating of its factories by 2020. In recent years, the company has upgraded the heating system at its Ikorntes facility to achieve this goal. Fossil fuel is currently used only for heating in particularly cold periods.

69,4_{kWh}

During 2018, J.E. Ekornes used 69,4 kWh per seating produced.

The production company J.E. Ekornes aims to reduce its electricity consumption to 50 kWh per Stressless® seat unit produced by 2020. This target was set to help meet the Group's overarching environmental goals. In 2018, it took 69.4 kWh of electricity to produce one Stressless® seat unit. The graph below shows the Ekornes Group's consumption of electricity, woodchips, fuel oil and natural gas in kWh. Overall, the Group's energy consumption in 2018 was marginally less than the year before.

The Group's energy usage



The factories in the USA, Thailand and Vietnam are less affected by ambient temperatures, and their energy consumption relates largely to their machine park. The use of daylight at the factories in Vietnam and Thailand has improved in the past year, which has reduced the need for artificial lighting. In recent years, the factory at Fetsund has switched to LED lighting in its premises, which has also reduced energy consumption.

The majority of the production in Ekornes is based in Norway, where hydro power accounts for 95% of electricity generation. Although this is clean, renewable power, reducing electricity use is one of Ekornes main environmental objectives. Ekornes is participating in the Tafjord Energi Arena network. Through the network, Ekornes learn from the experiences of other manufacturers in the Sykkylven area. A part of this network is training on energy management theory based on the principles of the ISO 50001 standard.

Waste management

Furniture production generates waste. Efforts to reduce the volume of waste and to increase recycling are therefore important. Ekornes sorts all its waste at source in such a way that the bulk of the waste is reused, recycled or used for energy recovery at its own plants. For Ekornes's factories in Norway and the USA, sorting and recycling accounted for over 75 per cent of all recorded waste. Ekornes wishes to transform as much of its waste as possible into useful by-products that are reused in its own production cycle.

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 seeks to utilize as much as possible of its waste, either for heat production or as raw materials for its own production.

In 2018, J.E. Ekornes continued its increased the focus on waste management in the organization.

Measures like the acquisition of specialized containers for hazardous waste storage have helped improve hazardous waste control. For Ekornes Beds, the acquisition of hazardous waste lockers has helped improve the systematization and control of the plant's hazardous waste. To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities. Efforts are also made to increase the individual employee's awareness in this area, so that everyone can contribute to target realization.

J.E. Ekornes AS aims to reduce the proportion of waste that cannot be recycled or reused at the plants. The objective is to reduce the waste generated from own production from approximately 2 kg per seat unit in 2015 to 1.5 kg by 2020. In order to achieve this goal 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.

<i>Figures in tonnes per plant</i>	<i>Ikornnes</i>	<i>Tynes</i>	<i>Aure</i>	<i>Grodås</i>	<i>Fetsund</i>	<i>Morganton</i>	<i>Total</i>	<i>Total %</i>
Landfill	0	0	0	0	0	6	6	0,2 %
Mixed waste for energy recovery	311	84	20	53	193	0	661	17,3 %
Wood for incineration at own or external facilities	668	719	213	526	119	0	2246	58,6 %
Reuse or recycling	617	27	4	11	83	24	766	20,0 %
Hazardous waste/waste electrical items	144	0	0	2	6	0	152	4,0 %
Total volume of waste from Ekornes plants excl. IMG	1741	830	237	593	401	30	3832	100,0 %

Recycle and use of byproducts.

Ekornes has a focus to utilize byproducts from the furniture production. Utilizing byproducts from the production is conducted in order to reduce the waste generated and focusing on a lifecycle perspective. One of the resources that are recycled on site, directly in to the production cycle, are offcuts of foamed plastic or fiber. The offcuts are collected, shredded and remolded. In addition to reusing some by-products from production at Ekornes's own factories, other by-products can represent valuable raw materials for other enterprises. Hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Investments in modern technology have helped to reduce the volume of offcuts. Remaining leather offcuts are collected and sold to producers of small articles.

The Local Environment

Ekornes produces its own polyurethane foam. Foamed plastic is produced at J.E. Ekornes AS's Ikorntnes plant and at Ekornes Beds AS. Isocyanates, which are hazardous to health, are used in connection with the production of foamed plastic. Both facilities have the capacity to store over 100 tonnes of toluene diisocyanate, and are therefore subject to the major accident regulations (Storulykkeforskriften). Safety reports have been prepared at both sites and these are regularly updated and submitted to the authorities in accordance with the major accident regulations. Information is additionally available through the website Ekornes.com. Every factory has an established industrial safety organization. Emergency response plans are drawn up by the factories, and all carry out the necessary training and exercises. All the Norwegian factories have their own industrial safety/emergency response organizations. The regulatory authorities perform annual inspections of both plants, and both meet existing environmental regulations.

All the Norwegian factories have an organised industrial safety capability. Emergency response plans are drawn up at each factory. The necessary drills and training have been carried out at all facilities.

Environmental management

Compliance with Ekornes's environment policy is verified through follow-up and measurement. In order for Ekornes to act in compliance with its environment policy, it is necessary to be aware of associated risks and opportunities. Together with internal conditions, this provides a basis for the Group's environment-related activities. In 2018, the production company J.E. Ekornes AS continued the business in accordance with the ISO 9001:2015 and the ISO 14001:2015 standards.



This sustainability report for the fiscal year of 2018 addresses the Ekornes Group legal requirements for business reporting specified in the Norwegian Accounting Act (“Regnskapsloven”) §3-3 c – Statement of corporate social responsibility.

The Sustainability report 2018 is additionally our Communication on Progress (COP) for 2018 to the UN Global Compact. Our Sustainability report reflects upon our consciously commitment to the ten principles of the UN Global Compact.

