

CSR REPORT 2018/2019



ege

Bentzon Carpets

**HAMMER
CARPETS**

carpetconcept 

ABOUT THE REPORT



Welcome to the ege Group's Corporate Social Responsibility (CSR) Report for the financial year from 1 May 2018 to 30 April 2019. The report includes our statutory corporate social responsibility report, cf. Section 99a of the Danish Financial Statements Act¹, and firm of auditors EY has 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 second time, the CSR Report includes the entire ege Group, comprising four brands, which together have six production sites: egetæpper with production at egetæpper Herning, egetæpper Gram and UAB Litspin, and the three brands Hammer Carpets, Bentzon Carpets and Carpet Concept, each with their own production. As a consequence, in this year's report we can now review the development in the figures for the entire Group. A lot has already happened during this first year with a new Group structure and we are very pleased to present this year's CSR Report.

The Report is based on the seven focus areas set out in the CSR standard, DS 49001, under which egetæpper in Herning and in Gram both hold certification. While egetæpper has taken a dedicated approach to CSR work for several decades, the other brands in the Group only began to take a systematic approach during the past year. This means that there are considerable differences between input and results. Nonetheless, after the first year we can already see that all brands are moving in the right direction, giving higher priority to their important sustainability and social responsibility activities.

After more than 20 years of EMAS registration of egetæpper in Herning and Gram, we have decided to terminate the agreement with EMAS. As a consequence, this year there is no published EMAS statement with verified figures for these two production sites. The agreement has been terminated because the current legislation and the other management systems according to which we are certified ensure that we are adequately covered for the same parameters as are covered by EMAS.

The figures in the CSR Report have not been verified by a third party. In the long term, we would like all figures to be externally verified. Until then, we emphasise that we devote a lot of internal work to verifying the figures for the individual brands.

In last year's CSR Report, we launched the #sustainablestories hashtag. Under this hashtag we focus on good stories and current issues. We continue to hope that other companies will seize the opportunity to share their stories under this hashtag. This year, we are also introducing greater visibility of the UN Sustainable Development Goals in the Report by inserting the icons representing the various different goals in the Report when we present our work on the goal in question.

Questions concerning the CSR report can be addressed to:
Group CSR Director Henrik Schmidt Hansen: hsh@egegroup.dk
CSR Manager Dorthe Aaboe Kallestrup: dak@egegroup.dk

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

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YEAR 1 WITH A NEW GROUP STRUCTURE

On 1 May 2018, the ege Group was transferred to a new Group structure, whereby all four brands rank equally in the Group, under a number of Group functions within the ege Group. The Executive Board of the ege Group has not changed, but the members have new titles. John Vestergaard holds the position of CEO, while Svend Aage Færch Nielsen has been appointed as new Sales and Marketing Director. This puts focus on two key areas: finances and market growth.

The CSR Department, which was previously placed in egetæpper, has been moved to ege Group, and now serves all brands in the Group on an equal footing, to ensure that the Group is moving in the right direction. As a consequence of the new Group focus of the CSR Department, several initiatives within sustainability and social responsibility are being launched within the Group, while the individual brands themselves drive the initiatives in practice.

It has been a busy year in which everyone has had to find their feet in the new structure. Some good synergy effects are emerging, but from time to time there are also uncertainties and issues that we have not previously encountered. This is all completely in line with expectations. Learning to navigate a new organisational structure takes time, and we have promised each other that there must be opportunities to learn from and develop the organisation during the implementation phase.

Turning to CSR, during the current financial year the focus has been on developing and implementing a common CSR policy for the entire Group, preparing and implementing a new shared supplier management system, and equipping all brands to run CSR initiatives under their own auspices. The UN Sustainable Development Goals have also been on the agenda and we will have increasing focus on this going forward.

Our achievements during the course of the year constitute a

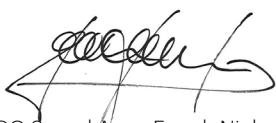
sound platform for the challenges ahead. The major tasks we now face include disseminating Cradle to Cradle across the Group, and implementing ISO standards for quality and environment in several brands. Important decisions have been taken concerning these tasks, which will be our focus during the coming year.

We can see an ever-increasing demand for the good CSR stories. Both internally and externally, we are asked to share our experience with the UN Sustainable Development Goals, the circular economy and CSR in practice. Communication is therefore given high priority in our sustainability activities. By listening to and learning from each other, we can achieve our goals more quickly. We hope that our openness, honesty and dedication to this cause can serve as inspiration to others to include sustainability in their business strategy.

Going forward, we will continue to pursue our ambitious goal to be the best carpet manufacturer in the world when it comes to CSR. This CSR Report shows how we are dedicated in working hard to achieve this goal. Even though our different brands are miles apart in terms of their CSR levels, they have a great willingness to achieve their goals. As the founder of the Group, Mads Eg Damgaard, once said: "If you roll up your sleeves and get down to work, the sky is the limit." This is just as true today. And it doesn't really need to be that difficult.

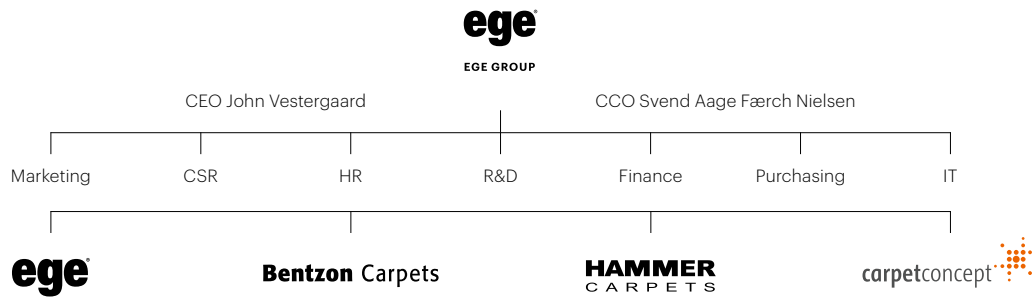
Herring, 5 July 2019


CEO John Vestergaard


CCO Svend Aage Færch Nielsen

PROFILE

The ege Group is a leading European carpet manufacturer. With four renowned brands and six different production sites, the Group is a strong player in the world market. The Group was founded in 1938 by Mads Eg Damgaard, and his spirit is still reflected 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 and the brand's executive general management comprises Morten Skibsted, Mads Lindegaard and Jørgen Kring Jensen. In 2018/2019, the production facilities in Herning had an output of 4,436,256 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. As from 2000, on the completion of the merger, the company's name 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. The brand's executive general management comprises Morten Skibsted, Mads Lindegaard and Jørgen Kring Jensen. In 2018/2019, the production facilities in Gram had an output of 2,078,240 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 markets, primarily in Europe. The ownership of Bentzon Carpets remains 51%. A full takeover must take place by no later than 1 May 2020. The brand is headed by CEO Tage Bajlum, and produced 1,705,971 m² of carpets in 2018/2019.

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 Graphic carpets, which are primarily supplied to four- and five-star hotels, as well as the marine and cruise liner industry. The ownership of Hammer Carpets remains 51%. A full takeover must take place by no later than 1 October 2021. The brand is headed by CEO Tom Møller Jørgensen and director René Dupont, and produced 914,440 m² of carpets in 2018/2019.

Carpet Concept, Germany

Founded in 1994 by Thomas Trenkamp. In 2016, egetæpper acquired 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 within the development, production and sale of flat-woven carpets for the office segment. The ownership of Carpet Concept remains 75%. A full takeover must take place by no later than 1 December 2021. The brand is headed by CEO Thomas Trenkamp and director Matthias Quinkert, and produced 306,443 m² of carpets in 2018/2019.

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 wholly owned by the Group. Litspin is headed by CEO Kestutis Zilinskas, and produced 882,258 kg of yarns in 2018/2019.

THE EGE GROUP'S BUSINESS MODEL

During 2018/2019, a new business model has been developed for the entire ege Group. With the vision to be a global leader for innovative and sustainable flooring solutions, the foundation has been laid for inspiring future activities.

Our mission, vision and values constitute our business foundation. This is implemented as five strategic action areas, into one of which CSR is integrated. The CSR action area is divided into a

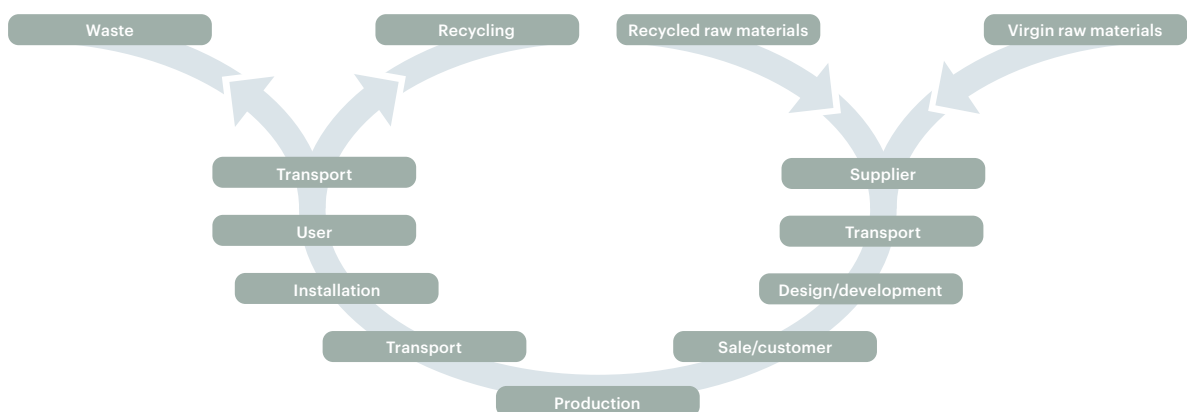
further seven focus areas, which together contribute to supporting the business strategy and ensuring good financial results. The CSR report is based on these seven focus areas.



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 risks arise within the value chain. When

we know from where they originate, we can deploy initiatives in the right areas. Our value chain is presented below. In the longer term, our vision is to close the gap between the start and the end of the value chain, so that we have a complete circular economy.

Value chain



RISK ANALYSIS

An important element of CSR is to identify the risks associated with the company's business activities. This not only concerns risks for the company itself, but also risks for society at large. On the basis of Section 99a, for the second time we have conducted dialogue-based risk analyses of all brands within the Group in order to identify potential risks in individual areas. We have then drawn up specific recommendations to prevent these risks within the individual brands and production sites.

sponsibility and risk, we are pleased to note that we can already see positive development throughout the Group. Many of the risks identified last year have disappeared or diminished. This reflects, among other things, how all of the brands have a great willingness and ambition to develop in the right direction. Some of the risks that were presented in last year's CSR Report are thus no longer relevant.

Even though there are still differences in the levels of social re-

This year, we have identified the following risks that will be followed up with Group measures to prevent and reduce the risk.

Value chain	Identified risk	Current action
Raw materials Supplier	Environmental impacts: Despite the strong focus on choosing raw materials that do not adversely affect the environment, several brands are challenged by how suppliers cannot always deliver the required qualities that can fulfil our more stringent environmental requirements. The market is also under pressure due to the small number of suppliers of some of the important materials.	A new Code of Conduct has been implemented with more stringent supplier requirements. Efforts are also being made to persuade suppliers to replace less suitable substances with more appropriate alternatives.
Transport	CO₂ emissions: While our CO ₂ emissions from production have been reduced by 53% since 2007, the emissions related to consignment of our carpets around the world are increasing sharply.	Investigation of opportunities to reduce transport-related CO ₂ emissions is underway. A dialogue on these issues has been initiated with the haulage contractors, more information about emissions is being gathered, and stricter requirements for haulage contractors have been introduced.
Transport	Human rights: Despite our strong focus on supply chain management, we have seen an example of how human trafficking in the transport industry can already occur in the second link of our value chain.	Implementation of targeted measures to increase transport suppliers' awareness of our requirements to observe human rights. Expulsion of haulage contractor from our site. Specific prohibition on using the haulage contractor in question issued to suppliers.
Production	Safety: Even though all brands generally have a strong focus on safety, with only few occupational accidents occurring, there is still room for improvement in the safety culture. Internal traffic in areas where trucks are operated presents a particular risk at all production sites, since the rules for safe traffic are frequently broken.	After a number of hazardous incidents, various measures have been launched at several production sites in order to improve traffic safety. These measures include additional ceiling mirrors, better marking of pedestrian paths, and blue reversing lights on trucks. At one production site, new automotive trucks have been purchased, for use in the warehouse.
Production	Environmental impacts: One production site still does not work systematically with environmental targets and environmental improvements, while two other production sites are getting started with this. The other production sites work with this area on a systematic basis.	All of the Group's production sites have now been screened for potential environmental optimisation measures and on this basis large or small initiatives are being launched, going forward. This supports the goal for all brands to work with environmental targets and environmental improvements towards 2022.
Production Sales	Pressure of work: The high activity level in all brands, with the implementation of new systems, is challenging the entire Group in different ways. The low unemployment level and a market that is under pressure can make it difficult to recruit and retain employees.	All brands have been encouraged to provide better information about their expectations when new systems are implemented. They have also been encouraged to focus on employees' well-being. At some sites, this work has already been systematised, while at others it is still being developed.
Production Sales	CSR legislation: In overall terms, the Group is subject to different countries' legislation and regulations, including the UK Modern Slavery Act, GDPR, etc. Several brands are still not quite up to speed with documentation of this area.	Relevant CSR legislation is presented to all brands on an ongoing basis, and the ege Group's work on CSR legislation involves the entire Group.
Waste	Recycling: It is still not yet possible to recycle all of our waste. Used carpets, in particular, constitute an environmental problem that has not yet been successfully resolved by any company. In many countries, used carpets are incinerated, which is better than landfill, but the long-term goal is full recycling.	For a number of years, we have been working on various different solution models, and have made some progress. We are active players in a number of international organisations that are working to resolve this issue. There is nonetheless still a long way to go before we can achieve a good solution.

Due diligence and risk management

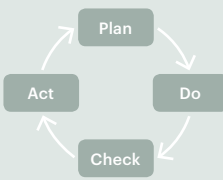
We are still working on a joint management system for the ege Group that is based on recognised standards. The system has now been presented to all brands and the implementation work is ongoing at different levels. This provides us with a common base that is continuously being developed and evaluated, with new targets being set each year.

It has been decided that all production sites within the Group must achieve ISO 9001 certification. The other standards will be implemented according to an individual assessment. This overview shows which management standards have been adopted, or are planned to be adopted, by the various production sites.

	ISO 9001 Quality	ISO 14001 Environment	OHSAS 18001 Working environment	DS 49001 CSR
egetæpper Herning	✓	✓	✓	✓
egetæpper Gram	✓	✓	✓	✓
Hammer Carpets	2020	✓	Pending assessment	Pending assessment
Bentzon Carpets	2020	Pending assessment	Pending assessment	Pending assessment
Carpet Concept	2019	2019	Pending assessment	Pending assessment
UAB Litspin	✓	✓	Pending assessment	Pending assessment

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 production sites working with the system.

Due diligence model	Due diligence tools	Social and employee conditions	Environmental and climate conditions	Human rights	Anti-corruption and bribery
	Management system	DS/OHSAS 18001	ISO 14001	DS 49001	DS 49001
	Overall due diligence processes	Internal audit External audit Management evaluation Objectives Action plans			
	Practical examples	Occupational accidents Labour practices Welfare	Environmental accidents Emergency measures	Supply chain management	Anti-corruption Whistleblower scheme
Supply chain management					

Supply chain management and due diligence

Some individual due diligence processes are particularly important for our social responsibility, since they concern areas which are subject to greater risk than the rest. Supply chain management is one of these areas. In 2018/2019, we implemented a new supplier management system for the entire Group, to ensure that the risk is reduced.

ing that they also work with due diligence in their processes and value chain. We also ask them to complete a detailed self-assessment that is linked to the requirements in the Code of Conduct. This gives us a better basis than before for risk assessment of the individual supplier. We have also expanded the supplier management system to include more types of suppliers than before.

The system entails closer dialogue with suppliers concerning their social responsibility. We have created a new Code of Conduct which makes additional requirements to suppliers, includ-

The system is still being implemented. So far, we have been in dialogue with 88 out of 113 suppliers, of which 76 suppliers have signed the new Code of Conduct so far, while 69 have performed the self-assessment.

UN SUSTAINABLE DEVELOPMENT GOALS ON THE AGENDA



Our planet is under pressure. Climate change is wreaking havoc all over the world. We will soon run out of certain natural resources, and a growing middle-class population is increasing mass consumption rates on a global scale. We need to act now if we are to have a chance of breaking the negative trend. In 2015, the UN drew up a roadmap for how this can be achieved. This became the 17 Sustainable Development Goals (SDG's).

During the last couple of years, the UN Sustainable Development Goals have become guiding principles for many leading Danish companies. In the ege Group we have also decided to contribute as much as possible to achieving the SDG's. Even though we work with several of the 17 goals in different ways, our primary focus is on three SDG's that can be linked directly to our core activity: production and sale of carpets.

SDG no. 12: Responsible consumption and production

We work with the circular economy concept on a dedicated basis through our Cradle to Cradle strategy at egetæpper's production in Herning and in Gram, and now Carpet Concept has also commenced this work. In brief, Cradle to Cradle is the vision of a world in which people do not have a negative impact on the environment. This is achieved by promoting responsible consumption, creating less waste, using fewer inappropriate substances, and increasing recycling, etc. Cradle to Cradle is therefore part of the Group's procurement strategy and our product development, and is thus part of our core activity. With the objective of Cradle to Cradle certification of all of egetæpper's contract carpets before the end of 2019, we are making a significant contribution to achieving this sustainable development goal.

SDG no. 14. Life below water

Plastic waste is one of the world's major challenges. Plastic is degraded very slowly and poses a major threat to the environment, and not least to marine life. Many of the ege Group's carpets are produced with a high element of recycled plastic waste, which might otherwise end up in the sea. At egetæpper in Herning

and Gram, the pile of a large proportion of the carpets consists of recycled fishing nets and other industrial nylon waste. The same applies for several of the products from Carpet Concept. Furthermore, all of the Group's carpet tiles are delivered with felt backing that consists of 100% recycled PET plastic bottles. This year, we used a total of 2,944 tonnes of plastic waste directly in our products. We are thereby helping to alleviate the problem of plastic in the world's oceans.

SDG no. 7: Affordable and clean energy

In contrast to the two other sustainable development goals on which we focus, this goal cannot be linked directly to our core activity. We have nonetheless chosen this goal because our contribution to it is so significant that we make a real difference. Many years ago, we entered into a Climate Partnership with Ørsted and decided to invest in renewable energy to cover our electricity consumption. Every year, we have invested an ever-increasing ratio in energy from offshore wind turbines. During 2019, the electricity consumption at all of the ege Group's Danish production sites will be covered by 100% renewable energy. In 2019, we have also begun to invest in bio-natural gas at egetæpper in Herning and Gram, as a replacement for fossil fuels. In the longer term, 50% of the fossil fuel consumption at these production sites will be replaced by bio-natural gas.

We give priority to working with the UN Sustainable Development Goals. Even though we have not invented new products or a new business model to support the work, we are nonetheless helping to achieve the goals. By linking the goals to our core activity, we are contributing to them solely by selling more products. We have also decided that whenever we face an active choice, we will choose the solution that best supports the SDG's, provided that this is economically viable.

We hope that more companies will realise that working with the sustainable development goals is important, so that we can handle this task together. It does not have to be difficult to make a real effort.

#SUSTAINABLESTORIES: LARGE AND SMALL ASPECTS OF THE CIRCULAR ECONOMY, 2018/2019



MANAGEMENT EXCELLENCE

With a vision and mission to take global leadership within innovative and sustainable flooring solutions, the path to a more sustainable future has been marked up. The new Group structure ensures a level playing field and we are already well underway with CSR initiatives across the Group. We have set the goal to be the best carpet manufacturer in the world when it comes to CSR, and this requires focus and dedication.

Excerpt from the ege Group's CSR policy

The basic premise of the ege Group's CSR policy is that we comply with all legislation, and the international conventions to which all countries and companies are subject, including the International Bill of Human Rights and the Rio Declaration on Environment and Development. [...] We comply with all regulations and standards to which we are subject, in addition to voluntary initiatives we have joined, including the principles of the UN Global Compact [...]

An open dialogue with the company's stakeholders is one of the cornerstones of the ege Group's management philosophy. We will engage in active dialogue with employees, trade unions, customers, architects and designers, authorities, suppliers and owners on subjects and activities of significance to CSR. We will also ensure that our CSR work is made available to the general public and to everyone working for or on behalf of the ege Group.

CSR policy sets the direction for the entire Group

In 2018/2019, we developed and implemented a common ege Group CSR policy for the entire Group. All employees worldwide have been introduced to the policy and received a copy. It makes good sense to have a level playing field throughout the Group's activities.

From business model to practice

The ege Group's Executive Board holds the overall responsibility for the CSR policy and strategy. An ege Group CSR steering group, comprising the CEO and CCO, as well as representatives of HR, Procurement, Product Development, Marketing and CSR in the ege Group, follows up on the work and clarifies complex CSR goals and activities.

The strategic CSR work is conducted in practice by ege Group CSR, while the individual brands themselves are responsible for ensuring the local progress of the initiatives. This constellation ensures the broad support of all relevant players in the organisation.

Great acclaim from the surrounding world

In June 2018, egetæpper received the EU's Management Award for Sustainable Development. This environmental award, under the auspices of the European Commission, is given each year to companies that are working to create a sustainable future. egetæpper received the award because we have made sustainability part of our core business – both at the strategic level and at the very specific product level.

At the start of 2019, egetæpper received an additional award for its sustainability work. This time, the award was from one of our major customers, Scandic. The Scandic sustainability award is given to the supplier in their value chain that is most ambitious about sustainability. At the award ceremony, Scandic stated that everyone should take responsibility for the environment in the same way as egetæpper.

We are grateful for the fine accolades, both from the political side and from our customers. This emphasises that sustainability is a key factor at all levels of society.

Women in managerial positions

Since 2015, the ege Group has aimed to promote the number of women in manage-

ment². After a couple of years with two men and two women in Board positions, in 2018 we had to bid farewell to one of the female Board members. The Board now comprises three men and one woman. On the employee side, in the longer term we want the number of female managers to reflect the general employee breakdown, whereby women account for 40% of the Group's workforce. Currently, the proportion of female managers is 28%. Attracting female managers is a great challenge for the industry in general. Furthermore there is a very low turnover rate for management positions in the Group. We therefore have to accept that it takes patience to achieve this goal.

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 applicable transfer pricing rules, which entail that tax is paid in the country in which the revenue is generated.³ Tax evasion is not permitted.

We wish to ensure that the Group's tax planning is based on 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.

WALK THE TALK

- By 2022, the ratio of female managers must reflect the general gender breakdown for the employees in the Group.

² We define a manager as a person who either has employee responsibility or who holds a position in the company in which he or she is authorised to take decisions on behalf of the company.

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 foreign legislation.

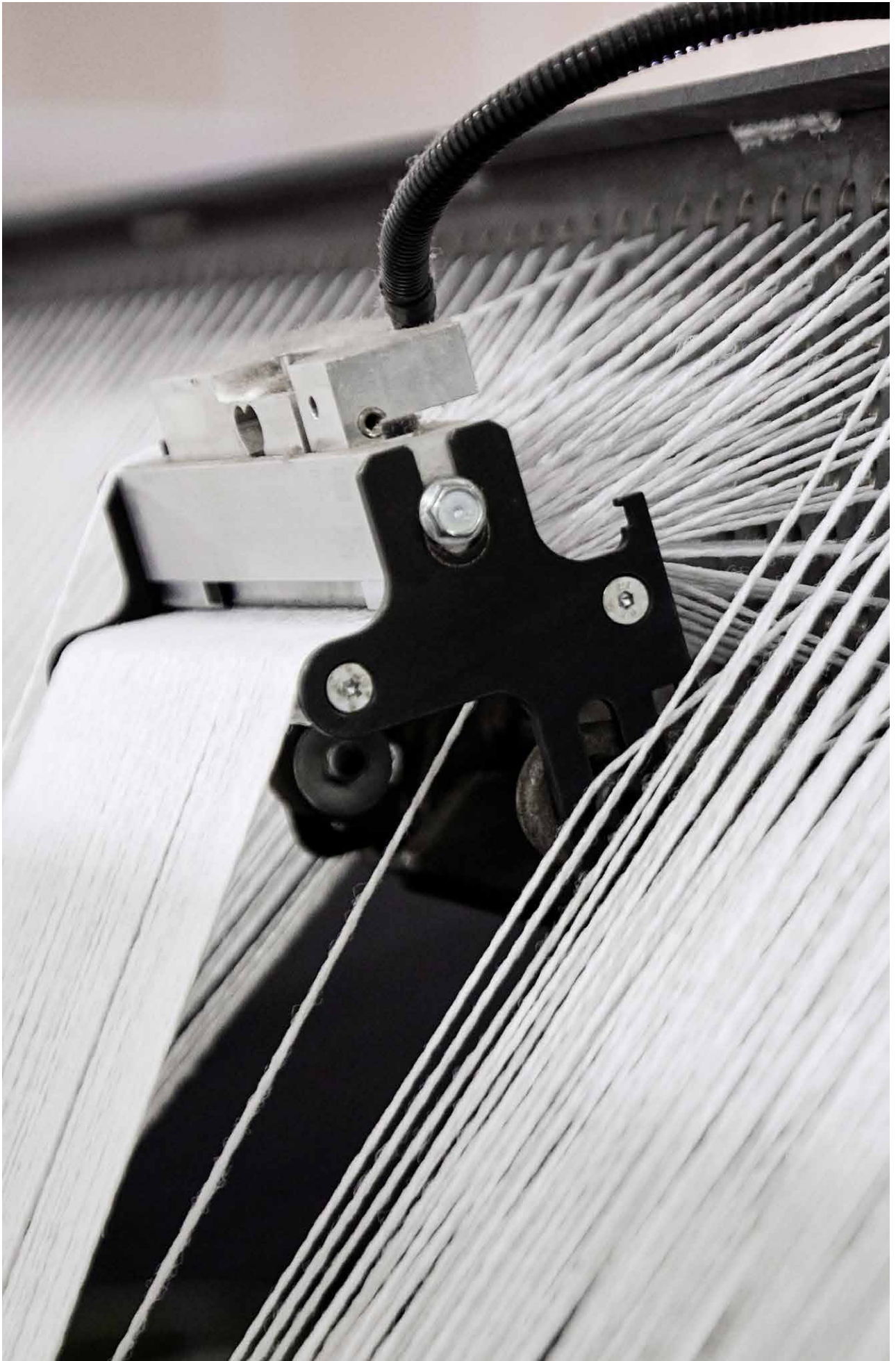
Political contributions and lobbying

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, Dansk Mode & Textil and the European Carpet and Rug Association, ECRA, which conduct lobbying activities 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

After more than 30 years as a publicly listed company, as of 8 March 2019 egetæpper was delisted from the stock Exchange. The delisting was due to the fact that the public listing was no longer assessed to be of sufficient value to the shareholders and the Group, and that the shares were placed in so few hands that it was not appropriate to continue as a listed company. The delisting has led to an easing of a number of the requirements concerning the publication of information from egetæpper, including the entire ege Group.

Nonetheless, we still give great weight to the transparency of our business. We will therefore continue to publish an Annual Report each year, with a wide range of information about ownership and the decision-making structure within the Group. In the Annual Report, interested readers can among other things find information about our 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 both the Board of Directors and the Executive Board.



HUMAN RIGHTS

Human rights are a key aspect of our focus on social responsibility. As a company, we influence whether human rights are respected. This not only concerns our employees, but also all the people in our value chain. We can play a decisive role, and this is a role that we are willing to play.

Excerpt from the ege Group's CSR policy

We will respect and support international human rights, whether they be civil, political, economic, social or cultural rights. In countries where there is a risk of lack of respect for human rights, we will take steps to avoid any human rights infringements that affect the people with whom we cooperate and work in a business relationship.

We are opposed to differential treatment and discrimination, and will ensure that our employees and partners have equal opportunities [...]

Any form of corporal punishment, mental and physical coercion or harassment is forbidden within the ege Group [...] Child labour is prohibited [...]

The UN is setting the direction

The UN Guiding Principles are the UN's guidelines for companies' focus on human rights throughout the value chain. Extensive work is required to achieve compliance with the guidelines, which include the requirement that the initiative extends right out to the final link of the supply chain.

It is our goal to implement the UN Guiding Principles before 2020. Last year, we commenced the work at Group level by conducting risk analyses of human rights in all brands. In cooperation with the individual brands' managements, we reviewed practice in each brand, including at all production sites, according to the articles of the UN's Universal Declaration of Human Rights from 1948. The analysis showed that in the majority of cases we have procedures in place to ensure that we do not infringe human rights. We have not conducted an equivalent analysis this year. Nonetheless, a great deal has happened in the human rights area.

All brands in the Group have now endorsed the UN Global Compact. The UN Global Compact is a voluntary UN initiative which sets out ten general principles for companies' CSR activities. The principles concern, inter alia, respect for human rights, the right to freedom of association and collective bargaining, the abolition of child labour and the elimination of discrimination. When a company endorses the UN Global Compact, it commits itself to supporting the principles in practice and to publishing an annual report presenting the company's progress in this field. In our case, this is the CSR Report.

We have also developed and implemented a new ege Group supplier Code of Conduct, in which we require suppliers to comply with the UN Guiding Principles by working with due diligence processes in their value chains. On the basis of a comprehensive self-assessment scheme, which we require suppliers to complete, we also seek to open their eyes to the issues which they should consider. The self-assessment also improves the basis for assessment of where the value chain presents the greatest risks.



MIX Organic – Carpet Concept

Working with due diligence in the value chain is a challenging process. Even though a large proportion of the suppliers have a strong focus on human rights, environmental issues, anti-corruption, etc., there are still suppliers who believe that complying with national legislation is sufficient, and they are not particularly concerned about what happens outside their own four walls. We therefore acknowledge that this is a process that takes time and we continue to urge them to take a more socially responsible approach.

The system works ...

In November 2018, the Danish media spotlighted a named Danish transport company that was suspected of human trafficking and slave-like conditions for its foreign drivers in Denmark. When the case began to unfold, we sent a letter of concern to our transport suppliers, asking whether they used the firm in question as a subcontractor, and also to emphasise our requirement that human rights be respected. All of the transport suppliers had already signed our Code of Conduct, but the letter was intended to send a signal that we were keeping an eye on them.

A few transport suppliers informed us that they had previously used the firm as a subcontractor, but had now terminated the contract. But shortly after this, a lorry from the firm in question was parked at one of our production sites. This set a chain reaction in motion. The lorry was required to be removed from the premises, for reloading elsewhere. The company that had booked the haulage contractor for a single run was a foreign supplier that had not heard of the case in Denmark. A few hours later, the supplier received a written demand not to use the transport supplier in the future for deliveries to and from our sites. We also notified several suppliers about this demand. In all instances, our communication in this matter was accepted. Even though this was a serious case, it is pleasing to note that our contingency measures are effective when a problem arises.

WALK THE TALK

- Implementation of the UN Guiding Principles before 2020. During 2018, the work began to urge strategic suppliers, in the first instance, to undertake an internal risk analysis and due diligence process. After this, the aim is for the suppliers themselves to pass on the process to their sub-suppliers.

FAIR OPERATING PRACTICES

In the ege Group, we have a great wish to act responsibly at all times. We make high demands of ourselves and expect our business partners to take the same measures as we do, or to go even further. We make a deliberate choice to engage in close strategic collaboration with selected suppliers that give priority to sustainability in their business activities. In this way we can create shared values and contribute to each other's favourable development.

Excerpt from the ege Group's CSR policy

We will run every aspect of our business in an honest and ethical manner. We have zero tolerance for corruption and bribery in the ege Group [...] In every situation, we will prevent and combat corruption and bribery [...]

We will prevent illegal conduct and irregularities within and in relation to our activities, including non-compliance with this CSR policy. We therefore give employees and other stakeholders the opportunity to submit anonymous reports via our whistleblower scheme.

We will promote social responsibility among our business partners, including through extensive supply chain management and use of the ege Group's Code of Conduct, which stipulates requirements concerning human rights, working conditions, the environment and anti-corruption, etc.



Cooperation with strategically important suppliers

Close strategic cooperation with selected suppliers is both a challenging and rewarding objective. Some projects are successful, while others are not.

Ørsted amended their strategy during the year, so that they have stopped working with the Energy as a Service concept, in which we had looked forward to participating. A second project collaboration with Ørsted concerning investment in waste streams at egetæpper's production in Herning and Gram proved difficult to sustain financially, so that we are now looking at sub-elements of the project to see whether some of these could be achieved profitably. After working with energy improvement measures for so many years, as is the case for egetæpper in Herning and Gram, it becomes more difficult to find new focus areas. On the other hand, it is pleasing to note that during the year Bentzon Carpets, Hammer Carpets and Carpet Concept were energy screened by Ørsted, which made a number of recommendations for energy-saving projects.



The cooperation with Aquafil on the recycling of egetæpper's production off-cuts in their yarns also presented challenges. The return is lower than was hoped for, and the project has therefore been deferred. On the other hand, at egetæpper we have taken a strategic decision to switch to Aquafil's Econyl yarn for a number of new products, both in future collections, but also in some of the products that we sell most in global terms. This means that 32% of all of egetæpper's contract products are now made with yarns comprising regenerated fishing nets and other industrial nylon waste. This is an increase of 6% from last year. In 2018/2019, we used 1,588 tonnes of Econyl yarn in the Group. This is 300 tonnes more than last year.

Sustainability and shared values are the basis for cooperation with the New Zealand

Merino Company (NZM), which now delivers 20% of the wool for egetæpper's 80/20 products.⁴ Together, we hope to be able to highlight the importance of sustainability initiatives right from the sheep to the finished product. A key advantage of cooperating with NZM is that their farmers hold certification in accordance with a standard which ensures that the sheep are free from stress, thirst, disease and discomfort, and have the freedom to live a natural life. The farmers are audited by external parties every three years, to ensure that they are in compliance with the standard. There is also complete traceability for the wool, right down to the individual farm. The cooperation with NZM has also contributed to establishing direct contact with the founder of the Cradle to Cradle concept and other key players in the circular economy. We are convinced that sharing values in this way will play a greater role in the future; for egetæpper, for the ege Group, and for the world in general.

Anti-corruption and whistleblower schemes are standard

Anti-corruption has been high on the ege Group's agenda for many years. Every employee is aware that we have a zero-tolerance policy and do not accept bribery, corruption, facilitation payments or nepotism in any form. Key people and employees with external contact also take an e-learning programme that trains their ability to distinguish between right and wrong in the many grey areas that exist. We also go further than this, since we also take the time to communicate the importance of this focus to our other stakeholders and customers. We make an active effort to tell them where they can find our whistleblower system, should they experience irregularities related to our business collaboration. It is important for us to act proactively, so as to ensure that we comply with all legislation and international standards in every part of the Group. There is access to the whistleblower scheme via e.g. egetæpper's website: www.egecarpets.com. Since 2012, when we introduced the whistleblower scheme, there has only been one single case. We consider this to be a good sign that our business is generally sound.

WALK THE TALK

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

⁴ An 80/20 product contains 80% wool and 20% nylon. These products account for around 9.5% of egetæpper's total sales. Even though the company is called New Zealand Merino Company, the wool we buy and use does not come from merino sheep. We have never used merino wool in our products, since the wool is not strong enough to be used in carpets.

#SUSTAINABLESTORIES:

EGE GO2WORK



Unique collaboration between egetæpper in Gram, Haderslev Municipality and Beskyttet Beskæftigelse Diagergård (a sheltered employment scheme) has led to the creation of a new production line at egetæpper with a social and environmental focus. The production line is called ege Go2Work.

The new production line ensures that residual yarns and cardboard cones are recycled, rather than being discarded. The work comprises unwinding the residual yarn from cardboard cones and sorting this yarn. The yarn is packaged and sent back to the supplier, for recycling as new yarn. The cardboard is sent directly for recycling.

The employees are people with special needs. Some of them are Diagergård residents with mental health challenges, impaired functional abilities or social issues. Others are participants in a skills clarification programme via the Job Centre in Haderslev Municipality. They include people who have a stress-related affliction or have suffered an occupational injury.

The production line has a simple set-up with only a few machines and with manual workstations. This facilitates a varied working day and enables employees to choose the type of work they would like to perform. Some of them prefer a shielded worksta-

tion where they can manually remove the residual yarn from the cardboard cones, while others can handle cooperation around a machine that unwinds the yarn.

Even though the new production line has only been in operation for half a year, we can already see significant positive effects. There is a good working atmosphere among the employees on the line, which runs at full capacity for five days a week. ege Go2Work helps members of the local community to gain a new footing in the labour market. For example, one of the employees has achieved permanent employment on normal terms at egetæpper in Gram. By being challenged on terms that match their special needs, other employees have the opportunity to develop their life skills and social abilities.

The environmental aspect of the story is significant, since egetæpper collects the cardboard cones with residual yarn from all of the ege Group's Danish production sites. This runs into many tonnes of waste that is recycled instead of being incinerated. The new production line is expected to ensure that 85-110 tonnes of yarn and 110-130 tonnes of cardboard are recycled annually. The biggest gain, however, is to see how happy the employees are to come to work.



LABOUR PRACTICES

Good working conditions are the basis for employees' welfare, and happy employees are more productive and less prone to fall ill. It therefore makes good sense to focus on creating good working conditions. At egetæpper in Herning and Gram we have worked with occupational health and safety management since 2006, when we achieved certification under DS/OHSAS 18001. The other brands have only just begun to focus strategically on working conditions.

Excerpt from the eget Group's CSR policy

We will ensure good employment conditions for our employees, and in countries where collective agreements are customary, we will ensure compliance with that agreement as a minimum.

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 skills in the best possible manner 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 constantly seek to improve working conditions. We will recognise each other's differences and qualifications, and will speak to and about each other with respect. Bullying will not be tolerated. We will work for inclusion and health-promoting activities.

Nominated as Workplace of the Year by 3F

In 2018, the longstanding work on health and safety management led to egetæpper's very fine nomination as Workplace of the Year. The award is made by Denmark's largest trade union, 3F (United Federation of Danish Workers) and the reasons for the nomination included that egetæpper includes employees at every stage of their lives. Age is an extra benefit, and there are many employees with 30 and 40 years' length of service. The nomination also concerned how egetæpper's employees feel that they are valued and respected, with many voluntary programmes such as private health insurance, dental insurance, physiotherapy and podiatry. At the award ceremony we achieved second place, but we still feel like winners – even though first place went to another company.

Job satisfaction survey at Litspin

Even though the Litspin factory is located in Lithuania, the company's performance still in many ways surpasses that of many Danish companies. Employee welfare, however, is one of the areas with which Litspin has not previously worked strategically. In 2018, the management of Litspin conducted a job satisfaction survey with focus on the working environment, welfare, working conditions and health. The results were very positive. Employees expressed a high level of job satisfaction and loyalty to the company. A few areas were identified as problematic and these are now being followed up with appropriate measures. One new initiative is that Litspin offers employees a healthcare scheme which covers healthcare costs for dental care, medicine, physiotherapy and spectacles, etc. of up to € 200 annually, plus 80% of the cost of medical treatment at private clinics.

Room for improvement in the physical working environment

There is nonetheless room for improvement in the physical working conditions at several of our production sites. At Litspin, the problem of great temperature variations in production facilities, according to the weather conditions, has not yet been fully resolved. In the summer, the temperature can be very high, affecting employees' physical well-being. The building's layout makes it complicated to create better ventilation, but technical studies have shown that it is possible to lower the temperature by adding moisture. However, this requires better operation and maintenance of the production equipment. A Danish technician has visited Litspin and given assistance and guidance on how to optimise maintenance of the equipment.



Rawline Scala – egetæpper

Staff attrition can also be a challenge for the industry. So far, we have seen how many production employees do not require internal job rotation at the workplace, even though this can help to reduce the adverse physical effects that may arise from repetitive and monotonous work. At Hammer Carpets, compulsory job rotation was introduced in 2018/2019, in a department with a lot of repetitive and monotonous work. egetæpper is developing a 2 x 5-minute training programme, using elastic resistance bands, for employees with repetitive and monotonous work, and sedentary tasks, so that they can still use some of the body's large muscle groups in the course of the day. This is a very positive achievement that we hope will win ground at all of the Group's production sites.

Greater focus on safety

Since 2015, egetæpper in Herning and in Gram have been working to create a new safety culture, with the goal of zero accidents leading to absence, by no later than 2020. A lot of progress has been made, but we have not achieved the goal yet. Unfortunately, accidents do still occur, even though more safety equipment has been purchased, more first-responders have been trained, and a corps of talented safety ambassadors has been created. In most cases, the accident concerns an "error 40" situation. This is a popular expression for cases where the error takes place 40 cm away from the equipment, i.e. is caused by the user. We have to admit that the toughest aspect of this mission is to change employees' mindset, so that they always put safety first. In order to boost these efforts, this year egetæpper joined Vision Zero, which is a global community of companies working to improve safety, health and well-being.

We can generally see good progress in the safety area throughout the Group. At most production sites, safety-improvement initiatives were introduced during the year, particularly in relation to truck driving, where a number of hazardous situations have occurred. Reversing lights and reversing audio signals on trucks, ceiling mirrors and marking-out safe traffic routes have been introduced at several of our production sites. It is positive to see that several sites now have an organisation in place that can take effective action in response to any safety risks that are identified. This is also in harmony with our objective that, up to 2022, all brands must endeavour to reduce the number of injuries and accidents.

WALK THE TALK

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

ENVIRONMENTAL CONDITIONS AND CLIMATE IMPACTS

Environmental conditions and climate impacts are an important focus area for the ege Group. As a carpet manufacturer, we have significant consumption of materials and create both waste and emissions. We wish to handle this as sustainably as possible. This makes environmental management work a key factor, and good environmental initiatives are underway throughout the Group.

Excerpt from the ege Group's CSR policy

Through focused activities and by setting environmental goals, we will work to prevent and reduce the environmental impact of our production activities and the use and disposal of our products, and continue to improve our efforts from an environmental perspective.

We will work to increase reuse and recycling, as well as to reduce waste. This applies at the process level, in the products and in the company in general. [...]

We will do targeted work to improve our energy performance by focusing on optimised energy use, reduced energy consumption and renewable energy options.

We will reduce the company's CO₂ emissions and thus reduce our impact on the climate. [...]



Environmental certification is the new standard for the ege Group

We are proud that four out of six production sites already hold ISO 14001 environmental certification, and the fifth certification is now on its way. Carpet Concept, which has previously held environmental certification, has decided to resume its ISO 14001 work, to bring it up to the same level as most other production sites in the Group. 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.

ISO 14001 certifications within the ege Group:

egetæpper Herning:	1996
egetæpper Gram:	1996
Litspin:	2014
Hammer Carpets:	2017
Carpet Concept:	Expected in 2019



100% renewable energy

We have a longstanding decision to invest massively in renewable energy. At egetæpper in Herning and in Gram, our goal since 2013 has been that, by 2020, 100% of our electricity consumption must be covered by renewable energy from offshore wind turbines. We already achieved that goal last year and we have now committed ourselves to continue the investments towards 2024. As a new aspect, the other Danish brands have chosen to follow suit. At Hammer Carpets, 100% of electricity consumption has been covered by renewable energy as from 1 January 2019, while Bentzon Carpets commenced on 1 April 2019. At Litspin, we have also invested in this area. Since June 2018, we have purchased green energy originating from rivers, wind turbines and solar power systems. This proves the Group's overall willingness to actively support UN Sustainable Development Goal no. 7. Carpet Concept's ordinary energy supply is based partly on renewable energy, but as yet no further investment has been made in this area.

The Group's investments in renewable energy in 2018/2019:

egetæpper Herning and Gram:	9,689 MWh
Hammer Carpets:	200 MWh
Bentzon Carpets:	19 MWh
Litspin:	1,717 MWh
Carpet Concept:	413 MWh (part of the ordinary energy supply)





Bio-natural gas is replacing natural gas

Bio-natural gas is another form of renewable energy in which we are interested. The decision was already taken last year for egetæpper in Herning and in Gram to switch to bio-natural gas, but unfortunately only limited quantities are available in Denmark. As from 2019, we have therefore begun to invest in the area by replacing 25% of our natural gas consumption with bio-natural gas. As for renewable energy from offshore wind turbines, the investments are taking place via Ørsted, with which we have a climate partnership. Our investment in the area means that there are now enough funds available to establish one more bio-natural gas plant in Denmark. In this way, our investment is helping to ensure access to additional renewable energy sources around the world. According to the plan, in 2022 we will have replaced 50% of egetæpper in Herning and in Gram's natural gas consumption with bio-natural gas.



53% reduction of CO₂ emissions

Since 2013, we have been dedicated to reduce our CO₂ emissions from natural gas, oil, LPG, passenger transport, electricity and district heating by 50% compared to 2007. We are very pleased to note that this year we surpassed this target. This is due in particular to our large-scale investments in renewable energy, but also in a large number of energy-saving projects undertaken by the Group during the past five years. There is a lot of work and significant investment behind this success story, and this work will be continued in the years to come.

We have also tackled the issue of CO₂ emissions in connection with the transport of our carpets around the world. In recent years, we have seen an explosive increase in emissions, primarily because we send carpets out into more markets than before. Freight-related CO₂ emissions currently account for 45% of our total emissions in the Group. In the first instance, we are investigating opportunities to reduce emissions by engaging in dialogue with haulage contractors, obtaining information on current emissions and imposing stricter requirements on transport companies. Then we will need to consider where measures can be implemented. Transport of carpets is part of our core business and it will not be possible to change this. But hopefully we can find ways to reduce emissions without undermining our own business.

Biodiversity on the agenda

It is part of the ege Group's strategy to grow in the carpet tile market, and this is going

so well that in 2018/2019 we built a brand new 10,000 m² carpet tile factory at egetæper's production facility in Herning. In conjunction with the new factory's establishment, a large area of vegetation was cleared. Now that the construction work has been completed, in cooperation with Sagro we are establishing a recreational area behind the new factory, for which the main focus is to strengthen the area's biodiversity. The project, which is supported by green organisations, agriculture and municipalities, is called Fauna Strips (wildlife habitat strips), and will ensure that 4,000 m² of land is sown with ten different flower species that can attract bees, insects and game to the area. In addition, 2,500 m² of land will be planted with berry and flower bushes that are part of the area's indigenous flora.

The ege Group already owns extensive green areas and forests adjacent to several of the Group's production sites and properties, but this is the first major project that includes biodiversity enhancement as a significant factor. There is no doubt that more of such initiatives will be needed in the future.



The carpet waste dilemma

In last year's CSR Report we discussed the lack of solutions to the problem of carpet waste. Despite the longstanding wish to establish a well-functioning take-back scheme for used carpets, and the good initiatives launched by the ege Group in this area, not enough progress is being made. We can now see that more operators are beginning to address this issue. The EU has focus on ensuring that by 2025 at the latest, carpets are collected separately from other waste, so that they can be included in circular business models. More and more customers are beginning to require solutions in this area, and in several countries companies are appearing that are keen to work with various types of textile waste. We are thus beginning to see a willingness to solve the problem, but have not yet seen any real solutions that can work in the carpet industry.

Within the ege Group, in 2018/2019 we therefore set up a sustainability group, which includes the Group's top-level management, to ensure greater focus on and momentum regarding the issue of what we should do with carpet waste. The overall objective is a circular economy. How can we ensure that our carpets do not end up as waste after use, but instead can be used as valuable materials in new products? It will be exciting to see whether the Group's work can lead to better solutions than those we have seen so far. There is no doubt, however, that we cannot shoulder this task alone in the ege Group. The entire sector must be involved, and political initiatives to support this work are necessary.

WALK THE TALK

- By 2020 at the latest, we must have investigated opportunities to reduce CO₂ emissions from freight transport.
- Towards 2022, all brands in the Group must work to increase re-use and recycling.
- Towards 2022, all brands in the Group must investigate opportunities within renewable energy, in order to achieve investment in relevant projects.
- Towards 2022, all brands in the Group must work to minimise the waste of surplus materials.
- Towards 2022, all brands in the Group must work to phase out chemicals and hazardous materials, wherever possible.

#SUSTAINABLESTORIES:

WHERE IS THE POLITICAL SUPPORT?

In the ege Group, we take climate issues seriously. Every year since 2010, we have compiled our CO₂ emissions and published them in green accounts. The aim has been to reduce our CO₂ emissions from natural gas, oil, LPG, passenger transport, electricity and district heating by 50% compared to our emissions in 2007. This year, we achieved our goal – and a little more!

Some of our CO₂ emissions originate from transporting carpets around the world by ship, lorry or plane. We have always used Klimakompasset.dk (Climate Compass) to calculate emissions from freight transport. This is an IT tool under the auspices of the Confederation of Danish Industry and the Danish Business Authority. Unfortunately, this year it has been confirmed that the Climate Compass has not been updated for a number of years. This means that the factors underlying the calculations of CO₂ emissions are not correct. The factors change each year, as transport solutions become greener.

It is problematic that a tool launched as a political measure and that is still used by many companies, is not kept up-to-date. It is also critical that no information on this is provided at Klimakompasset.dk. How can we, as a company, report on a credible basis when the tools that policy makers provide are not updated?

It is unfortunate that companies' sustainability and climate initiatives are not always adequately supported by policy makers. We have also described this problem on previous occasions. One example is how we, like many other companies, wished to recirculate our surplus heat instead of discharging it via the smokestack. Even though we have had the opportunity and the resolve to recirculate the surplus heat from production at egetæpper in Herning and in Gram for more than 30 years, we did not achieve a financially viable agreement until 2017. This is not a question of making a profit from this, but rather that we should not be out of pocket as a consequence. We could have reduced CO₂ emissions significantly if we had been able to start recirculating surplus heat as district heating in our local areas at an earlier stage.

It is disappointing that sometimes it is hard to put theory into practice when it comes to political initiatives that can increase the incentives for companies to focus on sustainability and climate impacts. Even though we as a company would like to take on our share of the responsibility, we cannot achieve this alone. Political initiatives and incentives need to be put on the table if we in Denmark are to succeed in achieving the UN Sustainable Development Goals.



CONSUMER ISSUES

Sustainability has long been on the agenda of the ege Group. Now it has also become part of the ordinary consumer's agenda. This makes it important that we as a company are ambitious in this area, so that we can guide consumers to make sustainable choices. We do this, among other things, by ensuring full transparency about our products.

Excerpt from the ege Group's CSR policy

By focusing on sound materials and ingredients, we will promote a safe and healthy indoor climate in the buildings in which our products are used, thereby ensuring the health and safety of our end-users.

We will promote sustainable consumption by means of supplier management, labelling schemes and certification, and via product information and product declarations describing our products' impact on the environment in connection with the fitting, use and disposal of these products.

We will also promote sustainable consumption through the development of Cradle to Cradle products in parts of the ege Group.

High quality with ISO 9001

Quality is a core value of the ege Group. We consider high quality to be a prerequisite for our success. High quality also contributes to longer durability and thereby greater sustainability. This makes it important for us that all of our production sites hold ISO 9001 quality certification. Achieving quality certification requires a lot of effort. The company has to develop policies and procedures to ensure the best quality at all times, and targets must be set for the improvement and development of these measures. Every process in the company is scrutinised carefully. Risk analyses and stakeholder analyses must be performed, and everything must be described and documented in a shared management system with which employees are familiar and understand. We are pleased that three out of six production sites have held ISO 9001 certification for a number of years and that the remaining three are now working on achieving this.

ISO 9001 certification of the ege Group:

egetæpper Herning:	1992
egetæpper Gram:	1992
Litspin:	2016
Carpet Concept:	Expected in 2019
Hammer Carpets:	Expected in 2020
Bentzon Carpets:	Expected in 2020



All-in for Cradle to Cradle

In cooperation with Vugge til Vugge Denmark, for a number of years we have been working to achieve Cradle to Cradle certification of a large number of egetæpper's products for the contract market. 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 stringent requirements in five different 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 Reutilization: The products are designed to be part of a cycle, so that they never become waste.



Renewable Energy: The company must strive for 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.



Colortec Accent – Hammer Carpets

Last year, we adopted an ambitious Cradle to Cradle strategy at egetæpper that will help us to achieve 100% compliance with the certification requirements. This year, we have upgraded that decision by setting a new and highly ambitious target: by the end of 2019, all of egetæpper's contract products must be Cradle to Cradle certified. We already have 50 Cradle to Cradle certified products, but our ambitious new target is for an additional around 50 products to be certified by the end of the year. This decision will create full transparency for our customers. At egetæpper, Cradle to Cradle is not an option: it is the standard.

Carpet Concept has now also adopted the Cradle to Cradle programme, and this year achieved Cradle to Cradle certification for the first six products. It is wonderful to see how the Cradle to Cradle approach is being adopted by more of the Group's brands. This is fully in line with our vision of global leadership within sustainable flooring solutions, and emphasises our commitment to Sustainable Development Goal no. 12 concerning responsible production and consumption.

Full transparency with Indoor Air Comfort Gold

For a carpet manufacturer, the indoor climate is a natural and important area with which to engage. We are therefore proud that all of the ege Group's contract carpets carry the Eurofins Indoor Air Comfort Gold certificate. A product with the Indoor Air Comfort Gold certificate fulfils all of the European indoor climate requirements, besides most of the voluntary labelling schemes concerning VOC emissions. This is the most ambitious label for emissions in Europe. The fact that all of our contract products carry this label ensures full transparency for customers. A good indoor climate is not an option when the carpet comes from the ege Group: it is the standard.

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 target is 100% compliance with all of the Cradle to Cradle requirements.

#SUSTAINABLESTORIES:

53% LOWER CO₂ EMISSIONS



Just six years ago, we decided that we would halve our CO₂ emissions by 2020. Our starting point was the level of emissions in 2007, which was set as the base year with which we always compare the current level of emissions. Every year since then, we have implemented energy-saving projects at egetæpper's production sites in Herning and Gram. We have also invested in renewable energy in order to reduce emissions.

This strong focus has yielded results. This year – one year ahead of our goal – we surpassed the target to reduce emissions by 50% compared to emissions in 2007. Thanks to our Climate Partnership with Ørsted, we have continuously identified and mapped opportunities to save energy and thereby reduce our CO₂ emissions.

We have conducted a major heat recovery project whereby the surplus heat from egetæpper's production in Herning and Gram

is channelled into the district heating system or used as space heating in our own buildings. At Gram, we have established the collection and reuse of the overflow of hot water at 40°C applied to the carpets before they are led into the furnace. This reduces the water heating requirement.

We have also installed dampers on ventilation hoods, so that they are closed when not in operation, and installed energy-efficient window panes. At egetæpper Herning, we have established air blankets in front of a gate in order to conserve heat and we have changed all lighting to LED sources.

Most of the energy-saving projects have a short repayment time of three to five years, so that hopefully concrete economic savings will soon be apparent. We have also significantly reduced our climate footprint. This is a win-win story of which we are incredibly pleased and proud.



egetæpper Herning

LOCAL COMMUNITY DEVELOPMENT AND INVOLVEMENT

It is important to engage with the local community. We attach great importance to this in the ege Group, where different forms of local cooperation, initiatives and charitable activities take place every year. This contributes to strengthening our position in the local community and attracting new employees. Yet there is still scope for development in this area in several parts of the Group.

Excerpt from the ege Group's CSR policy

We will become involved in the local communities where our products are manufactured and where we have subsidiaries. We will seek to work with relevant organisations and public authorities on local business development, sustainable initiatives, job creation and skills development, as well as the development of modern technologies.

The Theatre "Svalegangen" and the UN Sustainable Development Goals

At egetæpper, in the course of the year we engaged in exciting collaboration and partnership with the Theatre "Svalegangen" in Aarhus (Denmark) concerning the Sustainable Development Goals. Towards 2023, we will take various opportunities to contribute to disseminating knowledge of the SDG's through artistic events, theatrical performances, knowledge and presentations directed at the general public. This is a whole new world to step into, and the task of spreading the word using artistic media, rather than certificates and brochures, is an exciting challenge. We hope that this cooperation can lead more Danes to take an active stance on how they can work with the SDG's themselves, since there is no doubt that if we are to achieve the goals by 2030, everyone has a contribution to make.

Trainees in short supply

Since 2015, we have been working to increase the number of trainees and apprentices at egetæpper. We wish to help local young people to achieve higher education, also because this will help to ensure that a skilled workforce is also available to the company in the future. The aim is to increase the number of traineeships and apprenticeships by 70%, which is equivalent to 17 trainees and apprentices. Unfortunately, we are still a long way from achieving this goal. Over the years, it has proved difficult to attract enough qualified applicants for the positions advertised, and it has also been difficult to create enough trainee positions with actual qualifying content. In 2018/2019, four new trainee positions were created, while three trainee positions have not been reallocated. We currently have 11 trainees and apprentices in egetæpper and the ege Group, as well as one in Carpet Concept and one in egetæpper's German subsidiary, ege GmbH. We are continuing our search for young talent. A new initiative is the production of information videos on the training opportunities available. The information videos are published on a separate new trainee site on egetæpper's website.

Partnership with Herning Vand?

egetæpper in Herning and Herning Vand (municipal waterworks) are investigating op-



Epoca Classic - egetæpper

portunities to partner with each other and Ørsted. We are considering whether we can help each other to improve in some areas, or to develop initiatives that can benefit the local community. Good progress is being made, and in all three companies there is a great wish to make a positive difference.

The Group's charitable initiatives

Even though we do not regard charitable donations as part of our core objective, there are many good, independent initiatives in different areas of the Group. In 2018, for the fourth time, egetæpper invited over 200 sick children to an intimate concert in Herning featuring major Danish and international names. The children had the opportunity to meet their idols, take a selfie with them, and hear live music together with their friends and family.

In the UK, we continue to hold diving events whereby we invite customers and business partners with a diving certificate to dive and collect waste from the seabed. In this way, we tell the story of how many of our products contain plastic waste such as used fishing nets and plastic bottles. As a new initiative, egetæpper's UK subsidiary has engaged in CRISIS Appeal, which is an organisation that helps the homeless to find a way out of their homelessness. The donations from the office in the UK were used to offer 17 homeless people a Christmas dinner, a gift, a health check-up and the opportunity to escape from homelessness for a year. In Sweden, we donated money to underprivileged families during the Christmas season.

We also support a number of charitable purposes through the Ege Foundation, which was founded by Mads Eg Damgaard. In 2018/2019, the Ege Foundation among other things supported an event programme at the HEART art museum, to support community activities centred on art. The Foundation has also supported Den Jyske Sangskole, Ikast Swimming Club and the Theatre "Svalegangen", among others.

STORIES FROM THE GROUP



Herring – 58,000 m²

egetæpper Herring

At egetæpper in Herring we have unfortunately had to give up some of the exciting projects we described last year. Nordic Ecolabelling of carpets, for example, has proved not to be the way forward for us. On the other hand, we are strongly focused on Cradle to Cradle. During 2018/2019, we added eight new products to the group of Cradle to Cradle certified products, bringing the total number to 50. Before the end of 2019, all of our contract products must be Cradle to Cradle certified.

We are incredibly proud of our nomination as Workplace of the Year in 3F's nationwide campaign, even though we ended up with second place in the final awards. On the employee side, we continue to focus strongly on safety. During the year we marked out safe traffic routes in the warehouse, where many trucks are operated. We also installed blue reversing lights on the trucks, so that it is easier to see in which direction they are moving.

In 2018/2019, we built a new, 10,000-m² tile factory behind our existing buildings. The tile factory is built from materials that support a good working environment, with sound-absorbing ceilings, natural daylight, and the automation of a number of processes so as to avoid unnatural twisting and heavy lifting. A large outdoor area was cleared in preparation for the construction work. To support the area's biodiversity, it has now been sown with wildlife habitat strips and flower and berry bushes.

egetæpper's own Uzin floor adhesive is now Blaue Engel-certified and is delivered in adhesive cans made from 100% recycled materials.

We have entered into a new partnership with a company that can take our production off-cuts from carpets for reuse as filling in riding arenas. The carpet off-cuts are mixed into the riding arenas' sandy surface, thereby improving its structure. The off-cuts are thereby recycled, instead of being incinerated. In the longer term, the intention is to reuse the off-cuts in new products, but this solution is not ready yet.

As a new measure, we have invested in the first electric van. It will arrive in the late summer of 2019, when several recharging points will also be installed at egetæpper in Herring.



Gram – 27,000 m²

egetæpper Gram

At egetæpper in Gram, the year's big news was the inauguration of the new ege Go2-Work production line, where physically or mentally challenged employees who are outside the labour market can work under special conditions to ensure the recycling and reuse of residual yarns and cardboard cones.

At the dyeing works, we have reorganised the dyeing process, so that the carpets are dyed in one process, whereas previously they ran through the machine twice. This reduces consumption of dyes, wastewater and energy, while streamlining the workflow and increasing production capacity. In every way, this is a success that we expect to be reflected in next year's figures.

In connection with the relocation of looms between egetæpper Herning and egetæpper Gram, and their erection and commissioning, we saw exceptionally good collaboration between employees across the organisation. As a consequence, we were able to meet the deadlines for all of our orders in connection with commissioning, without compromising on the resting-time rule and the working conditions in general. It is very encouraging to experience employees' goodwill in such a situation.

Safety remains an important focus area, and we still carry out safety walks on a daily basis. This means that employees are starting to think about safety first, which is exactly what we want.

Hammer Carpets

At Hammer Carpets, we have begun to prepare the implementation of the ISO 9001 quality management system. We have commenced registration to create a data basis for certification, and hope to achieve this certification by 2020.

We already hold ISO 14001 certification of our environmental management system and have started to look at various environmental improvement measures. One of the important goals has been to join the Group's Climate Partnership with Ørsted, and we achieved that goal this year. We have entered into a partnership with Ørsted to purchase renewable energy from offshore wind turbines to cover our electricity consumption.

We have also drawn up targets to recycle more of our waste at Hammer Carpets. We have found a partner ready to buy our used disposable pallets, which in the future will be recycled instead of being incinerated. We are also working to reduce the volumes of surplus materials in production. Thanks to a dedicated effort, we managed to reduce the weight of waste yarn from 50% to 30%.

Safety has become a bigger focus area than before, among things based on our work with workplace assessments (APV). We have set up mirrors in production, require visitors to wear yellow vests, and introduced a rule that truck drivers may not use their phones while driving the truck.

We also have greater focus on creating good working conditions. During the year, we recruited more staff and introduced compulsory job rotation in the department with the greatest amount of monotonous and repetitive work. Elsewhere in the company, a new structure has been introduced, which has eased the day-to-day workload.

We are an inclusive workplace with many employees engaged on special terms. 10% of our production employees are engaged under Section 56 terms. This is a section of the Danish Act on Benefits in the Event of Illness that is aimed to ensure that employees with a chronic illness can maintain their employment.



Hammer Carpets – 17,900 m²



Bentzon Carpets – 7,200 m²

Bentzon Carpets

At Bentzon Carpets, we are implementing the ISO 9001 quality management system. We have commenced registration to create a data basis for certification, and processes and documents are being prepared.

We have also embarked on environmental improvement measures. Ørsted has undertaken energy screening of our production in order to identify potential areas for improvement. Based on this screening, we have decided to switch to LED lighting throughout the building. This work will commence during 2019.

We have also engaged in a partnership with Ørsted to purchase renewable energy to cover our electricity consumption. We are thus following in the steps of the other brands in the Group, with increased focus on this important area.

We have moved the production and cutting-out of our residential products to egetæpper's production facility in Gram, where the backing is placed on the carpets. This eliminates transport between the sites, which is good for the environment.

This year, all production employees attended a three-hour fire prevention course, to ensure optimisation of our emergency management plan. We have also tightened our safety measures for truck operation by installing ceiling mirrors and making sure that trucks' horns are honked as they drive round corners.

Employees have been introduced to the new common CSR policy, which covers the entire Group, so that we now all work according to the same guidelines.



Carpet Concept – 13,800 m²

Carpet Concept

At Carpet Concept, we are in the process of implementing both the ISO 9001 quality management system and the ISO 14001 environmental management system. We have previously held both of these certifications, so that now this is primarily a matter of updating procedures and documents.

Ørsted has undertaken energy screening of our production in order to identify potential areas for improvement. Based on this screening, proposals have been made for some energy-saving projects that we are now investigating in greater detail.

During the year, we completed the planned switch to LED lighting in two warehouse buildings, and in cooperation with Ørsted we are planning to continue with further replacement. By switching completely to LED, we expect to achieve an overall reduction of our electricity consumption by around 13% per annum.

We have embarked on Cradle to Cradle activities and are very proud to have achieved Cradle to Cradle certification of the first six products. We expect more to be added in the future.

Fire prevention training sessions have taken place in both production and administration, and a new emergency management plan has been developed and implemented. Going forward, it will include three to four annual fire drills. We have also designated a number of employees to play an active role in fire prevention measures.

Every six months we undertake health screening of all of our production employees. This helps to ensure that any problems are discovered in time and that employees are sound and healthy. We also conduct annual workplace risk analyses, in order to prevent hazardous situations from arising.

In 2018, on a trial basis, we introduced flexible working hours for office staff. This has been a great success and will be continued in the future.

UAB Litspin

At Litpsin we are continuing the environmental and quality management activities that have been ongoing for several years. Renewable energy is one of the areas we are investigating. We use power that originates from rivers, wind turbines and solar power systems and are investigating the possibility of investing in solar cells for our own facilities. It is necessary to investigate this type of renewable energy, since it is not possible to invest in natural gas or bio-natural gas in our area.

Every five years, our factory is tested for emissions to the surrounding environment. In 2018, the test was performed with fine results. We do not emit more emissions than we are permitted to, which is positive because, like the rest of the Group, we are focused on how we affect the surrounding world.

We would also like to work with waste recycling. Every year, we send 16 tonnes of broken down yarn waste to Belgium, where it is 100% recycled. Metal waste from raw material bales is reused, plastic and cardboard are also recirculated, while carding waste is sent for incineration at CHP stations.

On the employee side, this year we completed the first job satisfaction survey. 52 employees were asked about everything from the psychosocial working environment and well-being to work pressure, overtime, health, etc. The results were very positive. Employees expressed great satisfaction with Litpsin as a workplace and with the working environment in general. A few problematic areas were identified, and initiatives have been taken. They include a new healthcare insurance scheme that covers healthcare expenses of up to € 200 annually, plus 80% of the cost of medical treatment at private clinics.



Litpsin – 17,900 m²

RESPONSIBILITY IN FIGURES

We would like to quantify our CSR work. For this we use a number of Key Performance Indicators (KPIs) concerning environmental and employee-related conditions. The KPIs are inspired by the Global Reporting Initiative (G4), an international standard for reporting reliable data.

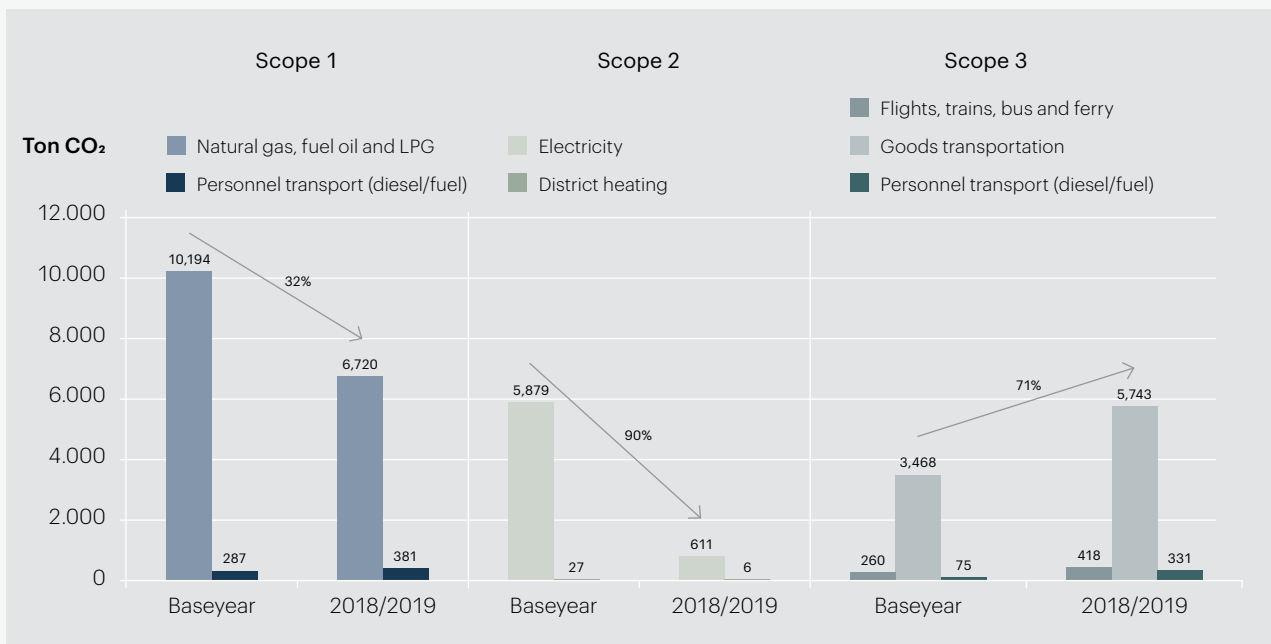
Greenhouse gas accounts

We have prepared greenhouse gas accounts for the entire Group since 2010. This year, it has unfortunately emerged that the IT tool used for the calculations in Scope 3 has not been updated for a number of years. This means that we cannot be absolutely certain that the figures in Scope 3 are correct. Nonetheless, we have used the tool once again this year, since we do not currently have an alternative. We also expect that the calculated

development is reliable, even though the figures' accuracy is uncertain. Going forward, we will seek to find a more reliable tool.

The total CO₂ reduction for Scope 1 and 2 is 53%. We have thereby achieved the 2020 target of a 50% reduction one year ahead of schedule. The major investments in renewable energy in the form of energy from offshore wind turbines and bio-natural gas, as well as the ongoing energy-saving projects within the Group, are the background for the major reduction.

On the other hand, we still see a large increase in CO₂ emissions in Scope 3. This is primarily due to the freight transport of our carpets around the world. Going forward, we will focus on mapping how the Scope 3 emissions can be reduced.



Energy savings

After a number of years with many large and small energy-saving projects in the Group, we have had a quiet year in this area. At Carpet Concept and Litspin, we are switching to LED lighting, which is expected to result in energy savings of 4,200 KWh at Litspin and 3,000 KWh at Carpet Concept. A number of energy-

saving projects are planned for the coming years, such as several projects to switch to LED lighting, the replacement of an oil pump with an air source heat pump at egetæpper Herning, and the replacement of a compressor at egetæpper Herning's dyeing system, so that in the future more surplus heat can be used as district heating in the local area.

⁵ See Annex 2 for further details of the greenhouse gas accounts

A long way to the target for recirculated water

At egetæpper in Herning and in Gram, we have ambitious water recirculation targets. At both sites, the volume of recirculated water declined, but in Gram, the total ratio of recirculated water nonetheless increased from 42% last year to 44% this year. Good progress is thus still being made towards the target of 50% recirculated water in Gram. One of the reasons for the declining volume of recirculated water in Gram is that we produced more purified water than we could use.

For egetæpper Herning, the ratio of recirculated water fell from 63% last year to 48% this year, because the purification plant was out of service for a period due to faults. This means that we are a long way from the target of 70%. We also had fewer colour changes and scaled down the pre-treatment of carpets at egetæpper Herning. This has reduced the total water consumption for the process from which the water can be purified. This is positive for the environment, even though it means that we are purifying less water.

Increasing water consumption is due to regrettable circumstances

At egetæpper Herning, a number of regrettable circumstances led to an extraordinary increase in water consumption. These circumstances are an overflow valve that was not closed, an extended testing process for a new filter that proved to have a poor utilisation rate, and a large increase in water consumption for sanitary installations. Going forward, all of these factors will be followed up. This year, we also had to undertake repeated in-depth cleaning of the dyeing system, in order to ensure the high quality of the carpet dyeing process. Overall, this led to an increase in water consumption equivalent to 3 litres more per m² of carpet than in previous years. Next year, water consumption is expected to be back at a normal level.

egetæpper Gram's water consumption also increased, but in this case the reason is related to increased production and also to how last year's consumption was unusually low, while this year's consumption is closer to the average level.

Production inputs and outputs

Each year, we compile our total consumption figures per production site within the Group. In our view, this has been the most valid compilation method.

As the Group has grown, however, we have begun to undertake processes for each other. Previously, some of the Group's brands assigned such tasks as backing application or dyeing to external partners, whereas now we assist each other, across the brands. In this way, we can use of our own resources within the Group, instead of using external parties.

The table below illustrates which processes are undertaken in the different parts of the Group.

Based on our increased internal use of each other's processes, this year we can see that the consumption figures for egetæpper Herning and egetæpper Gram in particular have increased by more than can be explained by the number of m² produced. This is apparent, for example, from the figures for the consumption of materials for carpet production, which for Gram shows a disproportionate increase. Going forward, we are working on developing a compilation method that takes these factors into account.

We can also note that in a few cases incorrect figures were reported last year, due to the lack of detailed information concerning the data basis. As a consequence, some of the figures are very different this year, when these misunderstandings were corrected.

	egetæpper Herning	egetæpper Gram	Hammer Carpets	Bentzon Carpets	Carpet Concept
Tufting/weaving	✓	✓	✓	✓	✓
Dyeing	✓	✓			
Backing application	✓	✓			✓
Cutting into tiles	✓				(✓)

INPUTS AND OUTPUTS

See the end-notes for an explanation of the figures that differ significantly in the tables on the next pages.

Inputs and outputs	egetæpper Herning		egetæpper Gram		Bentzon Carpets	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	360,000	360,000	72,000	72,000	10,000	10,000
... of which built-up area	45,500	58,062	24,000	27,000	7,234	7,234
Production	m² carpets	m² carpets	m² carpets	m² carpets	m² carpets	m² carpets
	4,273,974	4,436,256	1,875,616	2,078,240	1,722,569	1,705,971
Energy consumption	KWh	KWh	KWh	KWh	KWh	KWh
Electricity consumption	6,518,021	7,112,969	2,498,758	2,570,305	405,512 ⁱ	386,747
... of which renewable energy	6,518,021	7,112,969	2,498,758	2,570,305	0	19,000
Natural gas	20,987,494	21,281,579	8,643,283	8,752,183	351,641	280,875 ⁱⁱ
... of which bio-natural gas	0	5,320,395	0	70,259	0	0
District heating	0	0	0	0	0	0
Water consumption	m³	m³	m³	m³	m³	m³
	67,600	79,625 ⁱⁱⁱ	21,003	24,109	146	150
Water recovery	m³	m³	m³	m³	m³	m³
	10,414	7,440	9,277	7,717	0	0
Recycled raw material	Kg	Kg	Kg	Kg	Kg	Kg
In the product	2,359,890	2,539,275	233,290	261,020	3,825	5,415
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	13,684,647	14,388,847	4,810,970	6,043,672	1,094,003	1,313,598 ^{iv}
...of which renewable raw materials	563,150	654,910	7,110	14,037 ^v	162,580	125,365
Packaging in total	679,846	751,549	198,754	208,061	48,044	26,060 ^{vi}
... of which renewable packaging	412,227	491,193	1,244	264 ^{vii}	0	18,078
Operation and maintenance in total	99,742	109,394	29,801	30,144	365	638
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling	114,925	99,713 ^{viii}	154,014	134,583	88,860	45,500 ^{ix}
Thermal recovery	1,496,815	1,478,180	392,560	528,381	22,284	60,038 ^x
Land fill	35,680	4,360 ^{xi}	0	0	0	10,200 ^{xii}
Destruction, hazardous waste	25,213	18,070	1,795	400	0	638 ^{xiii}
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	56,027	64,152	14,861	17,428	146	150

Inputs and outputs	Hammer Carpets		Carpet Concept		UAB Litspin	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	48,029	48,029	49,632	49,632	44,687	44,687
... of which built-up area	17,891	17,891	13,840	13,840	17,971	17,971
Production	m² carpets	m² carpets	m² carpets	m² carpets	Kg/yarn	Kg/yarn
	973,744	914,440	306,000	306,443	841,538	882,258
Energy consumption	KWh	KWh	KWh	KWh	KWh	KWh
Electricity consumption	598,224	604,583	659,952	714,633	1,832,346	1,889,087
... of which renewable energy	0	200,000	0	413,058	0	1,717,035
Natural gas	0	0	3,079,582	2,602,091	0	0
... of which bio-natural gas	0	0	0	0	0	0
District heating	696,000	597,000	0	0	0	0
Water consumption	m³	m³	m³	m³	m³	m³
	442	473	650	681	845	1,248 ^{xiv}
Water recovery	m³	m³	m³	m³	m³	m³
	0	0	0	0	0	0
Recycled raw material	Kg	Kg	Kg	Kg	Kg	Kg
In the product	132,819	250,628 ^{xv}	94,696	87,825	4,000	27,513 ^{xvi}
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	2,124,748	1,987,568	772,727	811,283	910,869	971,175
...of which renewable raw materials	882,617	864,535	15,510 ^{xvii}	220	888,098 ^{xviii}	784,162
Packaging in total	84,415	105,704 ^{xix}	24,175	23,331	18,671	16,202
... of which renewable packaging	0	0	17,336	14,733	7,282	4,799
Operation and maintenance in total	99,580	93,980	1,200	800 ^{xx}	240	504 ^{xxi}
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling	18,120	22,129	30,710	7,114 ^{xxii}	4,000	16,334 ^{xxiii}
Thermal recovery	266,650	242,125	100,010	125,000	17,720	33,880 ^{xxiv}
Land fill	14,886	6,840 ^{xxv}	0	11,200 ^{xxvi}	0	0
Destruction, hazardous waste	773	0 ^{xxvii}	660	0	169	1,478 ^{xxviii}
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	442	473	650	681	296	609 ^{xxix}

Workforce

The workforce is compiled as the number of full-time employees (FTE). This means that part-time positions are combined into full-time positions. This is why there is a decimal place in the figures. This year, for the first time, we have specified the employees

in egetæpper's international sales companies in the workforce overviews. Employees of ege Group are included under egetæpper Herning.

	Men	Women	New employees	Leaving employees
egetæpper Herning	192.2	96.5	34	37
egetæpper Gram	53	15.1	19	10
egetæpper's international sales companies	56	47.1	12	24
Bentzon Carpets	14	18	3	2
Hammer Carpets	41	41.6	11	13
Carpet Concept	60	37	7	6
UAB Litspin	22	28	5	7
Total	438.2	283.3	91	99

Employee breakdown

	Managers*		Salaried employees		Hourly-paid employees	
	Men	Women	Men	Women	Men	Women
egetæpper Herning	28	10	60.7	73.6	131.5	22.9
egetæpper Gram	9	4	9	7.3	44	7.8
egetæpper's international sales companies	12	7	56	47.1	0	0
Bentzon Carpets	6	1	6	6	8	12
Hammer Carpets	5	1	9	15.6	32	26
Carpet Concept	13	3.8	34	23.5	26	13.5
UAB Litspin	3	3	3	3	19	25
Total	76	29.8	177.7	176.1	260.5	107.2

*Managers are included in the statistics twice, since they are also included in the salaried-employee or hourly-paid employee groups.

Absence due to illness as a percentage of the labour force*

Absence due to illness is relatively high in the Group, apart from egetæpper Herning, egetæpper Gram and Litspin. It should be noted, however, that for Bentzon Carpets and Hammer Carpets

the high absence rate is primarily due to non-work-related conditions. This among other things concerns life-threatening illness, operations and organ donation.

	Men	Women	Salaried employees	Hourly-paid employees
egetæpper Herning	2.6%	3.4%	2.6%	3.1%
egetæpper Gram	2.0%	2.0%	1.0%	2.0%
Bentzon Carpets	12.0%	9.0%	1.0%	15.2%
Hammer Carpets	4.3%	6.8%	1.6%	7.6%
Carpet Concept	4.6%	5.4%	2.6%	9.0%
UAB Litspin	1.0%	3.0%	0.0%	4.0%

*The figures for absence due to illness do not include long-term illness for periods longer than 30 days. Employees from international sales companies are not included in the figures as we do not currently have an internationally comprehensive system to register absence due to illness in subsidiaries.

Occupational injuries and accidents*

Overall, the number of notified occupational injuries and accidents leading to absence has almost doubled since last year.

Going forward, it is therefore important to focus even more on this area throughout the Group.

	Notified occupational injuries and accidents leading to absence	Lost hours	Deaths
egetæpper Herning	6	479	0
egetæpper Gram	4	122	0
Bentzon Carpets	1	239	0
Hammer Carpets	4	534	0
Carpet Concept	3	592	0
UAB Litspin	3	656	0
Total	21	2,622	0

*Employees from international sales companies are not included in the figures as we do not currently have an internationally comprehensive system to register occupational injuries in subsidiaries.

Compliance with legislation

	Results
Non-compliance with legislation	0
Non-compliance with environmental legislation	0
Non-compliance with product health and safety legislation	0
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

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 CALCULATION

Scope 1: Direct greenhouse gas emissions

Direct greenhouse gas emissions 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 originating from 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. In ege Group, we 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 true picture in relation to the base year. ege Group's base year is an average of the 2006/2007 and 2007/2008 financial years.

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 egetæpper's district heating emissions. Where possible, factors for the individual countries are applied. Transport by air and rail is divided into national and international transport. With regard to CO₂ emissions for the air travel ordered via egetæpper Herring and by Hammer Carpets, environmental accounts are received from Via Egencia. To calculate goods transport for Herring 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.

ENDNOTES TO THE TABLE ON PAGE 42-43:

- i** Last year, an incorrect figure, that was significantly lower, was stated here. The figure has now been corrected.
- ii** The hot summer in 2018 gave a major natural gas saving for Bentzon Carpets.
- iii** At egetæpper Herring, a number of regrettable circumstances led to increased water consumption. See page 41 for details.
- iv** At Bentzon Carpets, more products have been produced with heavier materials than last year. Therefore, more kg of materials were used this year, even though overall production was reduced by a few m².
- v** At egetæpper Gram, the volume of renewable raw materials doubled from 7,110 kg to 14,037 kg, due to an increased order intake for wool products. Wool is considered to be a renewable raw material.
- vi** Some of the products from Bentzon Carpets are backed elsewhere in the Group, so that the products are also packaged elsewhere. The packaging consumption of Bentzon Carpets has therefore almost been halved.
- vii** The purchase of renewable packaging by egetæpper Gram has been moved to egetæpper Herring's procurement department. A large decline is therefore seen under egetæpper Gram.
- viii** At egetæpper Herring, our production has become more efficient, so that less waste is produced.
- ix** The figure for recycling at Bentzon Carpets has been halved compared to last year. This is because some of the waste registered under recycling last year has now been moved to thermal recovery.
- x** The figure for thermal recovery at Bentzon Carpets has increased significantly because, for the first time this year, it includes pallets that have been turned into wood-chips for incineration, as well as scrapped carpet rolls.
- xi** The amount of waste sent to landfills is significantly lower for egetæpper Herring compared to last year. This is because backing waste was previously sent to landfills because the incineration plants could not handle the backing rolls. Now we cut up the backing rolls, so that the waste can be sent for thermal recovery instead.
- xii** At Bentzon Carpets we have replaced some roofing tiles that contained asbestos. These have been sent to landfills.
- xiii** At Bentzon Carpets, waste oil is collected over time and emptied as needed. The waste oil container was emptied this year.
- xiv** At Litspin, water is used to cool down the buildings in the summer. Since 2018 was a very hot year, water consumption increased. Furthermore, Litspin produced more woollen yarn from the UK, which requires slightly more water in the production process.
- xv** At Hammer Carpets we recycled almost twice as much raw material as last year. This is because production increased by almost 100,000 m², and also because regenerated fibres now account for 80% of the material, compared to 50% last year.
- xvi** Some of the yarn residues that were previously sent for external recycling can now be used internally in our own production at Litspin.
- xvii** Last year, Carpet Concepts included Econyl yarn here, as it is a regenerated material. However, this is not the same as a renewable material. This misunderstanding has now been corrected.
- xviii** Last year, Litspin included nylon here. This error has now been corrected.
- xix** The increase in packaging is because Hammer Carpets has seen a significant increase within the pre-cut service concept, whereby we cut out carpets in special dimensions for cabins in the marine segment. As one carpet tube per cut-out is used, this has increased packaging consumption.
- xx** Last year, we made adjustments to the weaving mill at Carpet Concept, which led to increased oil consumption. The figure is therefore significantly lower this year.
- xxi** The replacement of oil in an entire process at Litspin means that in future approximately 200 extra litres of oil will be used annually.
- xxii** Due to a switch to other carpet types, we have not been able to recover as much in Carpet Concept as in previous years.
- xxiii** This year, a larger proportion of our yarn waste at Litspin has been sent for recirculation in Belgium because we could not recycle it ourselves.
- xxiv** In the hope of finding a buyer for yarn residues, over time we have accumulated a stock of this at Litspin. Since it has not been possible to find a buyer, the yarn residues have now been sent for thermal recovery instead.
- xxv** In 2017/2018, we undertook cleaning up, so that the figure for landfill and hazardous waste was significantly higher than normal in this year. In 2018/2019, the volume is therefore considerably lower.
- xxvi** Due to new restrictions, we may no longer supply wastewater from the coating line at Carpet Concept to a wastewater treatment plant, and therefore it is sent to a landfill instead.
- xxvii** Hazardous waste is collected in a relatively large container, which we have not managed to fill this year. No hazardous waste has therefore been delivered from Hammer Carpets. The hazardous waste container was last emptied in 2017/2018.
- xxviii** We store chemical residues in a one-tonne tank at Litspin and only empty it when it is full. The tank was emptied in 2018/2019, which has led to a great increase in hazardous waste.
- xxix** This year, Litspin produced more woollen yarn from the UK, which requires slightly more water in the production process. This also results in more wastewater.

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Bentzon Carpets

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CARPETS

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