



# **Ege Carpets Sustainability Report 2021/2022**

**ege<sup>®</sup>**

# ABOUT THE REPORT

Welcome to Ege Carpets’ Sustainability Report. The report covers the financial year from 1 May 2021 to 30 April 2022 and includes all production units in the group. The report is based on our ambitious Sustainability Strategy, and the figures in the report are presented as total figures for the group. However, consumption data is calculated individually for each production unit.

In March 2022, we closed the German production unit, Münchenbernsdorf. Due to the closure, it was not possible to obtain certain figures from this production unit.

The report includes our statutory Corporate Social Responsibility Report, cf. Section 99a of the Danish Financial Statements Act.<sup>1</sup> 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.

The figures in the 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.

**Questions concerning the Sustainability Report can be addressed to:**

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<sup>1</sup> See Annex 1 for further details of Section 99a.



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# Major plans

**After two years in the shadow of Covid-19, things are up and running again. Ege Carpets has undergone major changes during this period, so we are ready to tackle the challenges of the future. A new management is in place, and we have transitioned from multi-brand to one-brand, and streamlined our organisational structure. We are grateful for the adaptability and flexibility shown by our employees. Now there is full speed ahead in the transition to more sustainable production.**

During the past year, major decisions were required to be made. Regrettably, we had to close a factory in Germany and bid farewell to many good colleagues. We have merged some of our subsidiaries under one common management. We have removed a number of positions and created new ones that better match the new profile.

After a turbulent few years, we are now looking ahead to the future. We have ambitious growth goals and continue to aim at becoming the world's best carpet manufacturer when it comes to CSR. Becoming more sustainable, while also producing far more in the future, makes extra high demands of our development process.

We are starting from a good position, however. The first year as one-brand has exceeded all expectations. All contract carpets throughout the group have been Cradle to Cradle Certified® at Bronze level; a feat that no other carpet manufacturer has achieved.

Combining CSR, Environment and Quality and Product Development under the same manager has strengthened the interdisciplinary sustainability collaboration, with a sharper focus on the most important projects. We expect to take major new steps in the next few years concerning recycled raw materials, CO<sub>2</sub> reductions and recycling of used carpets.

Our Sustainability Strategy is being rolled out across the group. During the next few months, the last two carpet factories will achieve ISO 45001 and DS 49001 certification. They will then hold full quality, environment, working environment and CSR

certification. This will ensure us a good common foundation for resolving new challenges in the future.

One of the biggest challenges is global warming. At the end of 2021, a scientific definition of 'carbon neutral' was adopted. This definition makes it crystal clear that most companies are a long way from being carbon neutral. Ege Carpets is no exception. This obliges us to abandon the goal of becoming carbon positive by 2030.

Yet this does not mean that we have lowered our sights; quite the contrary, in fact. We have realised that by committing to Science Based Targets we can reduce our CO<sub>2</sub> emissions by even more than we initially intended. We have taken on this commitment.

Our commitment to Science Based Targets will speed up the internal transition from natural gas to electricity in our production. This is an incredibly tough challenge, but it is the right thing to do. It supports the necessary transition to a more sustainable energy source, while in the longer term releasing us from dependence on Russian gas, which was a highly topical issue in the spring of 2022.

The world is currently in a fragile situation. There is war in Europe. We are still recovering from the coronavirus pandemic, and the climate crisis is demanding our attention. More than ever before, there is a need for companies with the courage to take the lead in the green transition. These are companies that dare set ambitious goals, even if they do not always know the solution, and do not give up when the going gets tough. This is where you will find Ege Carpets.

Herning, 5 July 2022



CEO Rune Stephansen








EGE GROUP

Ege Carpets is a leading Danish carpet manufacturer that supplies high-quality tufted and woven design carpets and carpet tiles to the global market. The group consists of four Danish production units and a yarn spinning mill in Lithuania. For more than 25 years, sustainability has been a core element of the business.

There is great variation in the carpets manufactured by the different production units and which technologies they use. There

is also variation in how far they have come in terms of social responsibility and the Sustainability Strategy. Fortunately, the production units that so far have made less progress are also the units requiring the least energy and water consumption. This makes it easier to raise them to the same high level of ambition as the rest of the group.

Production unit	Production
<div></div> <div><b>Herning North</b> Established in 1938 Group headquarters</div>	<p>Modern technology whereby the dye is injected into the carpet, making it possible to deliver any design within the industry’s shortest delivery time.</p> <p>Beautifully designed tufted and woven carpets in standard and special designs, primarily for hotels and offices.</p> <p>Carpet production this year: 3,922,091 m².</p>
<div></div> <div><b>Gram</b> Established in 1905 Acquired by Ege Carpets in 1983</div>	<p>Modern technology whereby the dye is applied in a water bath, making it possible to deliver plain-coloured carpets within the industry’s shortest delivery time.</p> <p>Beautifully designed tufted and woven carpets in standard and special colours, primarily for hotels and offices.</p> <p>Carpet production this year: 2,352,619 m².</p>
<div></div> <div><b>Røjle</b> Established in 1976 Acquired by Ege Carpets in 2010</div>	<p>The world’s biggest manufacturer of exclusive, flat-woven carpets.</p> <p>Carpet production this year: 1,470,846 m².</p>
<div></div> <div><b>Herning South</b> Established in 1948 Acquired by Ege Carpets in 2014</div>	<p>Beautiful Colortec and Graphic carpets for luxury hotels and the cruise industry in particular. Special focus on four- and five-star hotels and the marine segment.</p> <p>Carpet production this year: 379,742 m².</p> <p>Herning South owns 33% of Foamtex, which produces backing for carpets.<sup>2</sup></p>
<div></div> <div><b>Litspin</b> Established in 2000 Acquired by Ege Carpets in 2012</div>	<p>Production of wool yarns for Ege Carpets’ production units.</p> <p>Yarn produced this year: 1,020,444 kg</p>

<sup>2</sup> Foamtex provides data for Ege Carpets’ greenhouse gas accounts, but is otherwise not included in the figures for the Sustainability Report.

THE GROUP IN FIGURES

1,085,311,000  
DDK revenue

8,310,289  
m² carpets

5  
factories

1,020,444  
kg yarn

11  
subsidiaries

585  
employees

27  
nationalities

10.95  
years seniority

47.84  
average age

5,756  
tonnes CO<sub>2</sub> in scope 1 & 2

103,232  
tonnes CO<sub>2</sub> in scope 3

13,097  
mwh electricity consumption

13,097  
mwh renewable energy (offset)

32,289  
mwh natural gas consumption

19,800  
mwh biogas (offset)

# Science Based Targets

After dedicated efforts over many years to reduce our CO<sub>2</sub> emissions<sup>3</sup>, with fine results, in 2019 we set the goal to be carbon positive for Scope 1 and 2 by 2030, and that we would ensure carbon-neutral transport of carpets to customers under Scope 3.<sup>4</sup>

At that time, there was no international definition of "carbon positive" and "carbon neutral". In late 2021, however, the Science Based Targets Initiative published a new standard that clearly defined the concepts, based on scientific methods. This made it clear that we need to change course and find a new way of working to reduce our CO<sub>2</sub> emissions.

CO<sub>2</sub>: Expected reduction targets

**46.2%** **28%**  
in scope 1 & 2 in scope 3

## Commitment to Science Based Targets

We have selected the most valid tool we know: Science Based Targets. Based on the scientific methods under Science Based Targets, we will work to keep our CO<sub>2</sub> emissions at a level that supports the Paris Agreement's goal to keep global warming below 1.5° C. In the spring of 2022, we submitted our commitment to the Science Based Targets Initiative and the process of setting the targets will take place during the next year. We expect approval of a target to reduce CO<sub>2</sub> emissions by 46.2% in Scope 1 and 2, and by 28% in Scope 3, by 2030. The calculation is made on the basis of the CO<sub>2</sub> emissions in our base year, which is 2019.<sup>5</sup>

At first glance, this may seem less ambitious than becoming carbon neutral or carbon positive, but it is not. On the contrary, in fact. Science Based Targets run much deeper than our previous plan, and in practice we will reduce CO<sub>2</sub> emissions by far more tonnes than according to the original plan.

## Original plan

In our previous statements for the greenhouse gas accounts, Scope 1 and 2 amounted to approximately 4,000 tonnes of CO<sub>2</sub>. Our original plan was to reduce CO<sub>2</sub> emissions from our own facilities as much as possible and then buy climate credits for the remainder. This plan was already well underway. The electricity consumption of all production units is fully covered by investments in renewable energy, and 61% of natural gas consumption is covered by investments in biogas. We have also completed many energy saving projects, which together have cut 32% of the CO<sub>2</sub> emissions in Scope 1 and 2. In our assessment, all that remained was to achieve 100% biogas, and to invest in proprietary plant to produce renewable energy.

In Scope 3, we solely considered transport of carpets out to customers, with the goal of becoming carbon neutral by using new technology and improving the planning of shipments. Over-

all, transport of carpets out to customers amounts to approximately 5,000 tonnes of CO<sub>2</sub>.

## The new plan

Our commitment to Science Based Targets entails far greater energy optimisation than so far assumed in Scope 1 and 2. Biogas investments cannot be deducted from emissions, which makes our extensive natural gas consumption a tremendous challenge. There is no other option than to electrify production as much as possible. This requires major investments and the conversion of machinery. It must also be ensured that the electricity grid has the necessary capacity.

At the same time, we have set ambitious goals for the group's growth. This means that in the coming years we will produce far more than we do today. This will lead to increasing CO<sub>2</sub> emissions, which still need to be reduced by 46.2% compared to the base year. This means that emissions in Scope 1 and 2 in 2030 may not exceed 3,337 tonnes of CO<sub>2</sub>, even though we produce far more. Moreover, this must be achieved without using climate credits from the purchase of biogas. This will be tough.

Scope 3 also needs to be taken into consideration. So far, we have only considered the transport of carpets out to customers. Under Science Based Targets, this is not sufficient. This year, we have therefore mapped all relevant CO<sub>2</sub> emissions in Scope 3.<sup>6</sup> The full Scope 3 covers everything from extraction of raw materials to their processing, manufacturing our product, and disposal after use. It also includes the intermediate transport phases. This means that the total life cycle throughout the value chain is counted in Scope 3. This calculation caused the CO<sub>2</sub> emissions in Scope 3 to increase from around 5,400 tonnes to around 128,000 tonnes. By 2030, they must now be reduced by 28% to approximately 92,000 tonnes of CO<sub>2</sub>. This is why the new target is significantly more ambitious than the old one.

<sup>3</sup> In this report, "CO<sub>2</sub> emissions" concern all greenhouse gases.

<sup>4</sup> See Annex 2 for details of Scope 1, 2 and 3 in the Greenhouse Gas Accounts.

<sup>5</sup> Our financial year does not follow the calendar year. When we refer to 2019 as the base year for Science Based Targets, this is actually the 2019/2020 financial year. In our calculations, the year 2030 likewise concerns the 2030/2031 financial year. We do this to ensure that all emissions in the relevant financial year are included the statement, rather than just eight months.

<sup>6</sup> The mapping is based on screening of all Scope 3 categories according to the Greenhouse Gas Protocol. See Annex 2 for more information.



The reductions in Scope 3 generally concern two major items: switching to recycled raw materials and recycling used carpets. We are already dedicated to both, and we expect great progress to be made within the next few years. We see many opportunities within Scope 3, but certainly also many challenges.

#### **Aiming for the moon ...**

There is no doubt that the shift to Science Based Targets will be difficult. Many unknown factors can impede the process; from the question of whether we can successively achieve the major production transformation required, to the enormous demand for recycled raw materials that will come in the future. Nevertheless, this is the right way to go and we are looking forward to getting started.

We firmly believe that it is important to set ambitious goals and work hard to achieve them; well-knowing that it can be difficult to reach every goal. Overall, more can be achieved in this way than by setting the bar lower, to be on the safe side. This is why we dare to aim for the moon. As for all other goals, we will communicate openly about our work with Science Based Targets, the progress we make and the challenges we face.

The Science Based Targets Initiative expects the reductions to take place linearly at an annual rate of 4.2%. If this is not possible, further reductions must be made in the following years. We already know that, in our case, the reductions will come in leaps and bounds rather than linearly. When we succeed in switching from natural gas to electricity for the large production machines, for example, this will be a great leap forward. The same applies when we replace a virgin raw material with a recycled alternative for relevant carpets.

#### **About Science Based Targets**

Science Based Targets is a voluntary initiative developed by, among others, the UN Global Compact, the World Wildlife Fund, the World Resources Institute and the CDP. The aim is to ensure that global warming is kept below 1.5° C in accordance with the Paris Agreement.

Science Based Targets are calculated on the basis of a number of scientifically substantiated average factors, which show by how much all companies must reduce CO<sub>2</sub> emissions on an annual average basis, to achieve the global goal of a temperature increase below 1.5° C. No account is taken of the compa-

nies' size, industry or the extent of CO<sub>2</sub> emissions from the company.

Based on these average factors, the company commits to reduce CO<sub>2</sub> emissions by 4.2% annually by 2030. This is what it takes, in purely scientific terms, to keep global warming below 1.5° C. The base year thus determines the total percentage reduction, from start to finish. The earliest base year is 2015. CO<sub>2</sub> reductions made before the base year do not count.

It is permitted to buy climate credits related to electricity consumption, but only to the extent that the company itself cannot make sufficient reductions without climate credits. It is not permitted to deduct climate credits for biogas in the accounts. Nor is it possible to deduct forest or afforestation. The CO<sub>2</sub> reductions must thus, to the extent possible, constitute real reductions in the companies' production and value chain.

Once it is committed to Science Based Targets, the company has two years to develop specific action plans to ensure that the target can be achieved. Progress is reported annually to the Science Based Targets Initiative, which must approve both targets and action plans.

As of April 2022, 2,811 companies were committed to Science Based Targets. Most of these are major international groups. In this context, Ege Carpets is among the smaller companies that have made this commitment.

#### **Changes in the greenhouse gas accounts according to Science Based Targets**

The commitment to Science Based Targets also entails adjustment of the calculation method applied to our greenhouse gas accounts. We have been preparing greenhouse gas accounts since 2009, but are now switching to the scientific method on which Science Based Targets are based.

To ensure a basis for comparison with previous years, we have recalculated the greenhouse gas accounts for the last three years. This entails that we can no longer deduct the biogas investments in Scope 1, and that we include the entire value chain in Scope 3, whereas previously we solely considered the transport of carpets to customers. The figures presented in this report thus differ significantly from previous figures. The greenhouse gas accounts are presented on pages 39-40.





# UN SUSTAINABLE DEVELOPMENT GOALS

Seven years have passed since the UN launched the 17 Sustainable Development Goals (SDGs). Since 2015, the SDGs have served as a guideline for how states, companies and people can contribute to curbing the negative development that includes climate change, excessive consumption, pollution, poverty and inequality in the world.

At Ege Carpets, we have incorporated the SDGs directly into our Sustainability Strategy. Our primary focus is the SDGs to which we can contribute as much as possible. These are goals that can be linked directly to our strategy and core activity: the manufacture and sale of carpets.

So far, our focus has been on SDG no. 7, 12 and 14. In view of our commitment to Science Based Targets, it is now also relevant to include SDG no. 13.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable Development Goal no. 12:  
Responsible Consumption and Production

12.2:

By 2030, achieve the sustainable management and efficient use of natural resources.

12.5:

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.6:

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

We are dedicated to the concept of the circular economy. We have most focus on this in Herning North and Gram, where the most energy- and resource-intensive processes take place, but there are also initiatives at all production units in the group. Through Cradle to Cradle product certification, we are also creating more sustainable carpets that generate less waste and increase recycling, while protecting water resources during production, investing in renewable energy, and ensuring that the company takes social responsibility. All of the carpets for the contract market are Cradle to Cradle Certified® at Bronze level. In this way, we are making a high-level contribution to creating more responsible production and consumption.

SDGs 13 and 7 both concern the climate. We believe that we contribute directly or indirectly at a high level to the underlying targets, although by their nature the targets are directed more towards the national level. For many years, we have invested in renewable energy to cover our electricity consumption. Every year, we buy climate credits, in the form of GO certificates from offshore wind turbines, equivalent to our actual electricity consumption during the year. All of our production units are included in agreements to ensure that 100% of electricity consumption is covered by the investments.<sup>7</sup> We also invest in biogas to offset our

<sup>7</sup> It should be noted that this concerns the total purchase of renewable energy across the entire group, which offsets the group's total electricity consumption.

13 CLIMATE ACTION

Sustainable Development Goal no. 13:  
Climate Action

13.2:

Integrate climate change measures into national policies, strategies and planning.

7 AFFORDABLE AND CLEAN ENERGY

Sustainable Development Goal no. 7:  
Affordable and Clean Energy

7.1:

By 2030, ensure universal access to affordable, reliable and modern energy services.

7.2:

By 2030, increase substantially the share of renewable energy in the global energy mix.

consumption of natural gas. We thereby contribute to the goal of achieving sustainable energy, which in the long term will hopefully help to lower prices and increase global availability.

With our commitment to Science Based Targets, we are also taking the work on climate action to a new level. We will realign production processes so as to significantly reduce CO<sub>2</sub> emissions, just as we will replace raw materials and ensure greater recycling of waste, to reduce emissions. This will enhance our climate action and contribute to keeping global warming below 1.5° C in line with the Paris Agreement.

While SDG 7 primarily relates to Scope 1 and 2 in the greenhouse gas accounts, SDG 13 concerns Scope 3 and reducing CO<sub>2</sub> emissions in the value chain.

14 LIFE BELOW WATER

Sustainable Development Goal no. 14:  
Life Below Water

14.1:

By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.

The world's oceans are filled with plastic waste. This presents a major threat to fauna and the environment. For us, however, plastic waste is an important resource that we can use in our carpets. Used fishing nets and other industrial nylon waste can be regenerated as yarns for the carpet industry, and used plastic bottles can be recycled in felt backing for our carpets. A large proportion of the carpets we produce therefore contain regenerated plastic waste. This reduces the amount of plastic waste in the oceans, while also reducing CO<sub>2</sub> emissions from the production process, since it is less energy-intensive to process plastic waste than virgin materials. The aim is for all of our nylon carpets to be produced with regenerated yarn, thereby contributing to achieving the Life Below Water goal at a high level.

The infographic displays 20 sustainability achievements in hexagonal tiles, organized into three color-coded groups: blue, orange, and yellow.

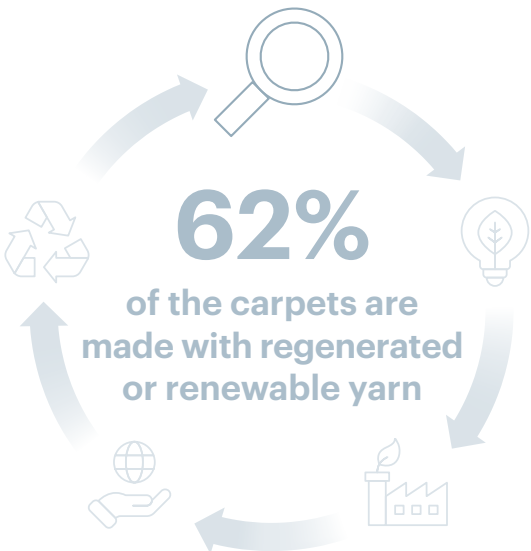
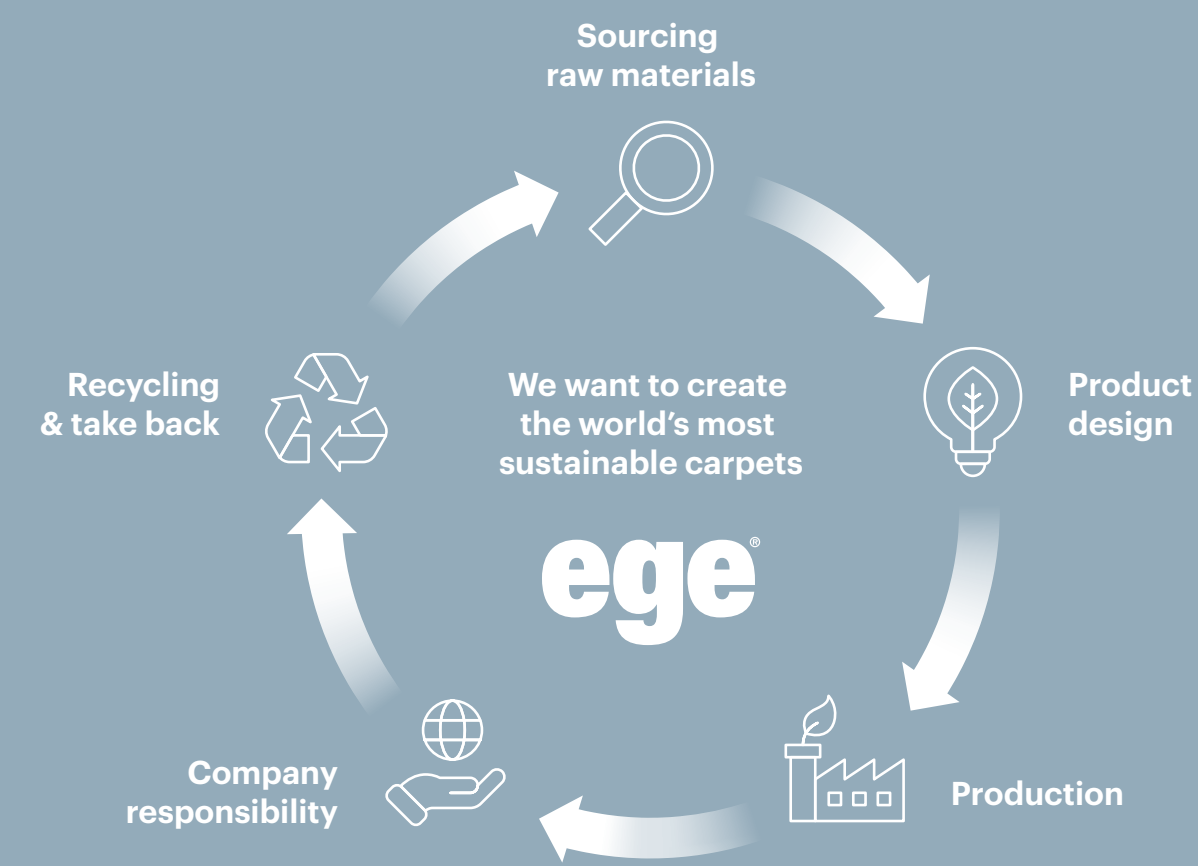
- Blue Tiles (10 items):**
  - 100% renewable energy: Electricity consumption across the group is covered 100% by investments in renewable energy.
  - 83.2 million used plastic bottles in carpets: Ecotrust is our felt backing that consists of 100% recycled plastic bottles. We used 965,5 tonnes of Ecotrust this year. In addition, 423 tonnes of carpet base and 275 tonnes of secondary backing of used bottles were used.
  - 2,495 tonnes of yarn from used fishing nets: 39% of our carpets are made from ECONYL yarn that consists of regenerated fishing nets, used carpets and other industrial nylon waste.
  - 420,000 labels on Ecotex fabric: The carpets from Herning North and Gram are delivered with a fabric label on the reverse, with information about quality, design and labelling schemes. All labels are Ecotex-certified.
  - 463 tonnes of thickener recycled: The water from the washing process in the dyeing plant at Herning North is cleaned and reused. We draw the thickener from the water and reuse it.
  - 100% recycled plastic in carpet tubes: The Danish production units only use carpet tubes made from 100% recycled plastic. This year we purchased 966 km of carpet tubes.
  - 95.7 tonnes of recycled polyester in white backing: On some carpets, Herning South uses a white felt backing that consists of 75% regenerated polyester fibre.
  - 5,766 pallets for recycling: Herning North, Herning South and Münchenbernsdorf sell used disposable pallets to companies that recycle the pallets. Pallets that are not suitable for recycling are chipped and incinerated.
  - 1,214 kg food waste for biofuel: Food waste from Herning North is converted into biofuel.
  - 85-90% recycled material in carpet base: When carpets are produced, the yarn is tufted down into a carpet base. Two types of carpet base from Herning North consist of 90% recycled industrial waste. This year, we used 423 tonnes of recycled carpet base.
- Orange Tiles (10 items):**
  - 750 kg used IT equipment recycled: Used IT equipment is sent for recycling in Sweden.
  - 86% residual dye is constantly recirculated: At Herning North, the dye in the dyeing system is recirculated. This year, we recycled 1.35 tonnes of pure dye and 6 tonnes of chemicals in this way.
  - 13,536 m³ of recycled water: At Herning North and Gram we clean and recycle the water from selected production processes.
  - 33,114 m² surplus goods are passed on: Large offcuts, smaller residual rolls and discontinued goods are donated or sold cheaply for use as e.g. mats. We thereby avoid this turning into waste.
  - 61% biogas outweighs natural gas consumption: We use a lot of natural gas in production. To offset this, we invest in biogas. Today, 61% of the group's natural gas consumption is covered by investments in biogas.
  - 44 tonnes of plastic packaging is recycled: Raw materials are delivered on pallets wrapped in plastic foil. All of the plastic foil is collected and sold to a Danish packaging manufacturer, for recycling as new plastic packaging.
  - 70% recycled cardboard in carpet tile boxes: Carpet tiles are packed in cardboard boxes containing 70% recycled cardboard. This year we used 254.7 tonnes of carpet tile boxes.
  - 34.7 tonnes of shredded yarn waste is recycled: Every year, we send yarn waste from the Litspin yarn factory to Belgium, where it is recycled 100%.
  - 1,364 MWH of heat is recirculated: At Herning North and Gram, surplus heat from production is collected and sent into the district heating system. This is equivalent to heating 341 homes.
  - 47 tonnes of cardboard cones are recycled: Yarn is delivered on cardboard cones. The cardboard cones from all of the group's Danish production sites are sent for recycling or returned to the supplier.
- Yellow Tiles (1 item):**
  - 918 m. Seaplast carpet tubes: Carpet tubes for internal use in Herning North now consist 100% of used fishing nets.

12

13

# Sustainability strategy towards 2030

Overall, our Sustainability Strategy and 2030 goals have not changed, apart from the CO<sub>2</sub> emission goals. Nonetheless, the narrative for our strategy now has a different visual profile. We now illustrate sustainability work as a circular model, because circularity is the essence of sustainability.



The goals have slightly different headings and are compiled in new ways that match the circular model, but the ambition has not changed significantly: we still want to create sustainable carpets.

In general, the 2030 goals concern our standard carpets for the contract market, including standard carpets in special designs. This concerns 85-90% of the carpets in the group. This means that carpets for homes and carpets that are not a standard item in our product range are not included. It has been decided that as from next year these products will also be included in the statements concerning the 2030 goals, so as to include the entire portfolio.

The goals related to Science Based Targets differ from this by including all emissions in the group and not just emissions related to our standard carpets. The goals related to Science Based Targets therefore also affect almost every phase of the circular model. We have not yet developed 2030 goals for Company respon-

sibility, but we have many good social responsibility initiatives. Going forward, we will consider whether goals should also be created for this area.

SOURCING RAW MATERIALS primarily concerns the materials we buy. We want to transform waste into resources and to use renewable materials where this is possible and makes good sense. The aim is for all carpets to be produced using yarn from regenerated or renewable materials, and for 75% of all raw materials to be recycled or renewable.

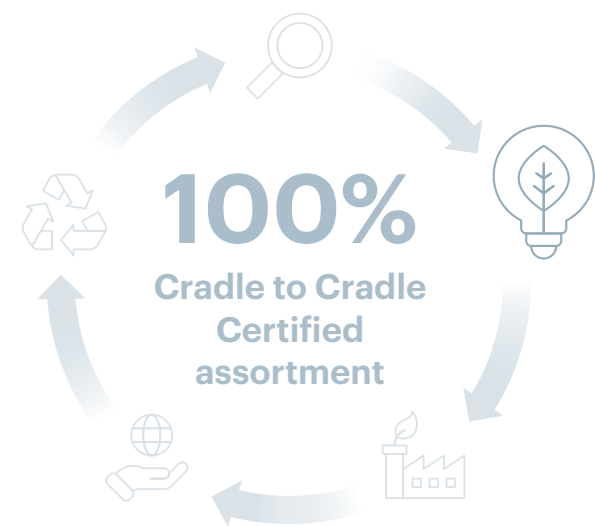
We are fully engaged in replacing the yarn for a number of carpets. 39% of the carpets are created with 100% regenerated yarn, while 23% consist of 80 percent wool, which is a renewable material. This is an overall increase of 6% compared to last year.

However, a carpet consists of many different raw materials in addition to yarn, including backing, glue, dyes and calcium carbo-

SOURCING RAW MATERIALS			
	2030 goal	Status April 2021	Status April 2022
Recycled and renewable materials	<b>100% of the carpets are produced with regenerated or renewable yarn.</b>  <b>In total, 75% of raw materials must be recycled or renewable.*</b>	56% of the carpets are produced with yarn of regenerated or 80% renewable material.  In total, 24% of raw materials are recycled or renewable.	62% of the carpets are produced with yarn of regenerated or 80% renewable material.  In total, 33% of raw materials are recycled or renewable.
Science Based Targets	<b>Reduce CO<sub>2</sub> emissions by 28% in Scope 3, primarily through the purchase of recycled raw materials.</b>		This is a new goal. Status will not be assessed until next year.

\* Calculated as an average for all carpets.





nate. We focus on finding recycled alternatives wherever possible. On average, 33% of all the raw materials in our carpets are recycled or renewable. Turning to the individual carpets, the distribution looks very different. For example, we have a wool carpet with a 70% regenerated felt back. This carpet comprises 69% renewable and recycled materials. For other carpets, we have not really started yet.

A large share of our CO<sub>2</sub> emissions originate from the raw materials we buy. To help keep global warming below 1.5° C, we need to buy raw materials that emit less CO<sub>2</sub>. Recycled raw materials are the solution because they have a lower carbon footprint. Since this is a new goal, we will not begin to assess its status until next year.

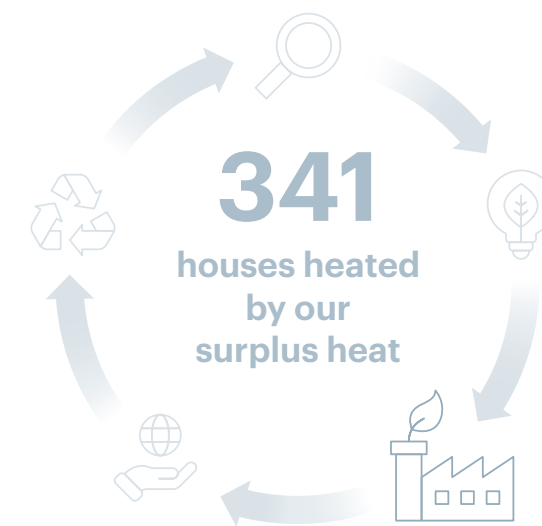
We can state, however, that 94.7% of all CO<sub>2</sub> emissions related to our activities lie in Scope 3, and the raw materials account for 54%. Besides replacement of raw materials, the recycling of used carpets will also have a significant impact on CO<sub>2</sub> emissions in Scope 3. The total emissions for all three Scopes are shown in the greenhouse gas accounts on pages 39-40.

PRODUCT DESIGN is about creating carpets that are as sustainable as possible. For us, sustainable carpets are carpets

that are Cradle to Cradle Platinum certified. The first important goal has been achieved: we are the only carpet manufacturer in the world to hold Cradle to Cradle certification of all our carpets. Now we need to raise them to the next level. Fortunately, we can see that this is already well underway. In conjunction with the latest Cradle to Cradle certification, all of the constituent substances in the carpets were mapped and assessed, right down to the 100 millionth level, and we can see that many of the elements that were previously at the lowest level now qualify for Gold level.

At the same time, we are dedicated to finding a solution to the carpet industry's biggest problem: carpet waste. In Scandinavia, carpets are burned after use, but in most of the world carpets are deposited in or on the ground, which is a really bad solution. We want to help solve that problem. New carpet structures designed for recycling must be created. Last year, we worked on developing monoproductions that would be easy to melt down after use because they solely consist of one material. Unfortunately, they did not meet the fire prevention requirements, so the project has been shelved. We are now testing a recycled glue from used car windows, which will make it easier to separate the front and back after use. Read more about this on page 26.

PRODUCT DESIGN			
	2030 goal	Status April 2021	Status April 2022
100% Cradle to Cradle certified	All carpets for the contract market are Cradle to Cradle certified at Platinum level.	52% of the carpets for the contract market are Cradle to Cradle certified at Bronze level.	100% of the carpets for the contract market are Cradle to Cradle certified at Bronze level.
Designed for recycling	All carpets are designed for full recycling after use.	Two monoproductions that will be easy to recycle have been developed and tested in the use phase and the laboratory, respectively.	The monoproductions did not achieve approval. Instead, we have switched to recycled glue that will facilitate separation after use.



PRODUCTION			
	2030 goal	Status April 2021	Status April 2022
Closed loops in production	Recirculation of materials and resources to create closed loops.	82% of dyes recirculated.  Respectively 24.5% and 39.8% of water recycled in our two dyeing systems.  1,233 MWH of surplus heat recirculated as district heating.	86% of dyes recirculated  Respectively 25.8% and 41.8% of water recycled in our two dyeing systems.  1,364 MWH of surplus heat recirculated as district heating.
Science Based Targets	Reduce CO <sub>2</sub> emissions by 46.2% in Scope 1 and 2, primarily through electrification of production processes and renewable energy.		This is a new goal. Status will not be assessed until next year.

PRODUCTION is the stage of the circular model over which we have most control. Here, the code words are closed loops and more sustainable production processes.

We have our own methods to keep some of the surplus resources from production in circulation. At two production units, we dye the carpets ourselves, a process which requires large amounts of dye and water. The dye is circulated constantly in a closed system, which ensures that 86% of the dye is reused.

The water from the dyeing systems is collected and purified, after which we reuse as much as possible in our own plant. We have specific targets for how much water from the dyeing systems should be reused, but we are far from reaching that target yet. We also reuse up to 3,300 m<sup>3</sup> of water from other processes for cleaning.

We work with heat recovery at two production units. The heat is sent out into the district heating system, where it heats up houses in the local area. This year, we produced 1,364 MWH, which corresponds to the heating requirement of 341 homes.<sup>8</sup>

The CO<sub>2</sub> emissions from our production come, among other things, from natural gas used to power the backing furnaces. To help keep global warming below 1.5° C, we want to switch from natural gas to electricity for these furnaces. Electricity also entails CO<sub>2</sub> emissions, but this can be compensated by purchasing climate credits. We already invest in climate credits from offshore wind turbines, which ensures that we buy wind energy equivalent to the electricity we use in production. As production becomes even more electrified going forward, we must buy equivalently more renewable energy to compensate for this. Al-

<sup>8</sup> Based on annual consumption of 4,000 KWH for a household of four people.





ternatively, we must invest in equipment to produce renewable energy ourselves, which we are currently investigating.

Until we succeed in electrifying production, we do not expect to see decisive reductions in CO<sub>2</sub> emissions under this Science Based Target. On the other hand, there will be a big leap when the process is completed. We hope that the first leap will come within a few years as a shift from natural gas-powered boilers to electrical boilers.


RECYCLING & TAKE-BACK is also about keeping materials in circulation, but in this case we look beyond our own facilities. There is a lot of waste that we cannot recycle ourselves. We are constantly looking for partners that can convert our waste into resources. Among other things, we send residual yarn, carpet offcuts, scraps of yarn from the machines, cardboard cones, plastic packaging, pallets and food waste for reuse and recycling. Read more about this on page 13 and page 26.

However, there are also many other types of waste that we have not yet begun to investigate, such as furniture, IT equipment and

building materials. Some of this waste is sent for recycling, but we do not yet have an overview of this.

Finally, there is disposal of used carpets. These are the carpets that are sold and then used for a number of years. When customers no longer need the carpets, they are sent for incineration or landfill. Both of these lead to high CO<sub>2</sub> emissions. To help keep global warming below 1.5° C, it is vital to find ways to recycle used carpets instead. The more carpets are recycled on disposal, the lower the CO<sub>2</sub> emissions per m<sup>2</sup> of carpet sold will be.

We are working to find partners who can buy used carpets for recycling. Read more about this on pages 26. We use Science Based Targets as a tool to measure the carbon footprint. Since this is a new goal, we will not begin to assess its status until next year. We do not expect major reductions in the recycled carpets goal until stable take-back solutions are available that can ensure the recycling of larger quantities of used carpets. We also expect that the greatest CO<sub>2</sub> reductions in Scope 3 will actually come from the purchase of recycled raw materials.

 <b>RECYCLING &amp; TAKE-BACK</b>			
	<b>2030 goal</b>	<b>Status April 2021</b>	<b>Status April 2022</b>
<b>Recycling of waste from own production units</b>	<b>All waste is reused, recycled or composted.</b>	27% of production waste is reused or recycled.	30% of production waste is reused or recycled.
	<b>Non-recyclable waste are sought to be phased out.</b>	71.5% of all waste is thermally recycled.	65% of all waste is thermally recycled.
<b>Science Based Targets</b>	<b>Reduce CO<sub>2</sub> emissions by 28% in Scope 3, partly by recycling used carpets.</b>		This is a new goal. Status will not be assessed until next year.





## THREEFOLD GOOD NEWS



### World record: 100% Cradle to Cradle Bronze Certified® range

For Ege Carpets, Cradle to Cradle is not a choice. It's the only way forward! We are the first carpet manufacturer in the world to only offer Cradle to Cradle certified carpets to the contract market.

Cradle to Cradle is based on the vision that human activities may not have a negative impact on our planet. Circular principles and healthy materials must therefore be built into all products. Production must take place without depleting drinking water resources, and renewable energy technologies must be promoted to reduce the climate impact. Social responsibility must also be built into the business strategy.

We believe that Cradle to Cradle is the key to a sustainable future. This is why we have gone all-in on Cradle to Cradle, with the goal that all of our contract carpets are Cradle to Cradle Certified® at Platinum level by 2030.

### Climate compensation via mangrove forests

More customers are taking an interest in the carpets' carbon footprint. Even though we make every effort to reduce CO<sub>2</sub> emissions, it is not yet possible for us to produce carbon-neutral carpets. We have therefore established collaboration with Norwegian CEMAsys, which makes it possible to climate compensate for carpets' carbon footprint throughout their life cycle by planting mangrove trees.

Mangrove trees absorb five times more CO<sub>2</sub> than other trees, and only five mangrove trees need to be planted to offset one tonne of carbon emitted. This is an effective and inexpensive form of climate compensation. The project provides employment for the local population in Myanmar and helps to bring flora and fauna back into areas that have otherwise been under pressure.

Contact us if you would like to find out what it would cost to climate compensate your project.



### Ege Go2Work gets particularly vulnerable people into jobs

Ege Go2Work is a special production line in Gram, where all employees are hired on special terms. The line is operated in collaboration with Haderslev Municipality's Job Centre and Bostedet Diagergaard (residential facility). The employees are residents of a residential facility for the disabled, and also people who are in a competence clarification process after a period of sick leave. In the autumn of 2021, we partnered with the Danish Refugee Council to offer jobs to Afghan embassy employees who had fled Kabul.

The tasks are simple, but important. Employees remove residual yarns from empty cones and send them back to the supplier for recycling. The cardboard cones are recycled. This year, Ege Go2Work ensured the recycling of more than 200 tonnes of waste that would otherwise have been incinerated.

There is capacity for ten full-time employees on the special production line in total, but in practice this requirement is covered by up to 30 different employees, who each work the hours they can. After a standstill period during the Covid-19 pandemic, Ege Go2Work is now fully up and running again. To ensure that even more people can have the opportunity to work on the line, we have just hired a full-time employee to head this initiative. This year, four permanent Diagergaard residents were affiliated to the line, as well as three alternating employees via the job centre in Haderslev. In addition, 10 Afghan refugees worked on the line.

## THREE MAJOR CHALLENGES

### Dilemmas presented by recycled materials

The circular mindset requires more and more recycling of materials. Our goal is for 75% of the materials in our carpets to be recycled or renewable. But recycled materials also present dilemmas concerning quality and constituent substances that are not always appropriate.

Even though all materials in our carpets are lawful, Cradle to Cradle would like a few constituent substances in our tile backing made from 100% recycled plastic bottles to be phased out, instead of being kept in circulation. The only alternative material is virgin plastic. In our view, this is a less appropriate choice. We are therefore retaining the used plastic bottles, with the consequence that we cannot currently achieve more than Bronze level under Cradle to Cradle.

Another dilemma is that the constituent substances in recycled materials are not always 100% known. This can present problems in relation to product labelling schemes, where known constituent substances are a prerequisite for authorisation. This can also be problematic with regard to future legislation on product passports. The quality and durability of the product is typically also affected by the combination of constituent substances, which makes it more difficult to find suitable recycled materials.

Last but not least, it is unfortunate that we actually downgrade the materials when we recycle them in our carpets. The materials will have a longer lifetime than if they had become direct waste, but for as long as we cannot recycle our carpets after use, the carpets are the last stop for the materials used to make them. The circular model will not be complete until we have found a method for 100% recycling of the carpets.



### Reuse of used carpets

More and more customers want to enter into an agreement for us to take back their carpets after use. However, there are no facilities to break down the carpets into fractions suitable for recycling.

We have been working to resolve this problem for several years and have now intensified our efforts. Three departments, Product Development, CSR and Environment, have been combined under one manager to optimise development projects and initiatives. We are experimenting with new materials in carpet construction, and are in the process of implementing new production processes to make it easier to separate the carpets after use.

We are also involved in various projects for the reuse and recycling of carpets. We collaborate with Convert, among others, which has built a factory for the shredding of used carpets. We are constantly looking for partners who believe they can recycle our carpets, and where possible, we refer customers to partners for the collection and resale or recycling of used carpets.

### Lack of female managers

The carpet industry is traditionally a male-dominated industry. As we want to eliminate this, for several years we have worked to attract female executives and managers, as members of our Board of Directors, and as employees. For example, we specifically ask recruitment firms to actively look for female candidates.

Unfortunately, this has not been successful. Despite determined efforts and a special emphasis on selecting female applicants for interview when a position is to be filled, only one external female candidate accepted a management job this year. In addition, one female employee was promoted to a management position without an application process. We did not meet our own goals in this area. On this basis, we have updated our policy, guidelines and action plan to ensure more female managers in the future.





# GREAT ACCOLADES AND AWARDS

In 2021, we received a number of awards and accolades for our sustainability work. We are proud and grateful for this recognition of our efforts, which gives us new energy and makes us even more determined not to give up. Potential new employees also consider this to be very positive.



### Sustainability Innovation Award from EY and the Danish Chamber of Commerce

For our ability to think holistically in our approach to sustainability. It is incorporated into every aspect of process and product development, showing how innovation, responsibility and the bottom line can walk hand in hand and make a difference.



### Circular Economy Prize from SDG Tech Awards and Sustainary

For our ability to take a circular approach to the design of our carpets. We use yarn made from regenerated fishing nets and other industrial nylon waste, and have developed our own patented tile backing, which consists 100% of used plastic bottles.



### Feel Good – Furniture Prize from Danish Design Awards

For our popular ReForm A New Wave collection, which is created from regenerated fishing nets and used plastic bottles. A New Wave is inspired by the harsh untouched landscape on the west coast of Denmark and the prize was awarded for an attractive, sustainable solution for interior design projects.



### EcoVadis Platinum Rating

EcoVadis is the world's largest independent rating agency for corporate sustainability performance. A Platinum score puts Ege Carpets among the Top 1% best companies rated by EcoVadis. They have assessed 90,000 companies in total.

The ECONYL® yarn is made from regenerated fishing nets, industrial waste and old carpets



ege®  
sustainable design  
at your feet



# Exciting initiatives

## Putting wild nature back on the map

In collaboration with the Danish Nature Fund, Herning Municipality, Herning Vand and private landowners, Ege Carpets is transforming almost 100 hectares of land around our headquarter in Herning into permanent wild nature.

The first physical steps were taken in the spring of 2021, when we converted part of the large lawns in front of the factory into a wide belt of wildflowers. This drew a lot of attention in the local community, and during the summer months passers-by often stopped to enjoy the sight, take photos and pick flowers.

At the same time, Herning Vand began excavation to establish two large climate lakes to mitigate the risk of future flooding in the area, where climate change is expected to lead to increased amounts of rain. A new watercourse has been established, to carry rainwater into the large rainwater basins, which we call climate lakes.

The soil excavated to make way for the lakes has been used to create a high vantage point overlooking the upcoming natural area. This gives a more varied landscape and together with the newly established lakes creates new habitats in the area, for the great benefit of biodiversity.

The next step will be fencing-in the remaining area and preparing for the release of free-roaming animals. Initially, this will be

horses and cattle to graze the area. Experience from other "rewilding" projects shows that the large grazing animals have an amazing ability to provide habitats for a wide variety of other species: plants, insects, birds and animals.

Access roads and paths will be established for the local community, who are welcome to visit the area, and benches will be set up and a picnic facility established. The project provides good opportunities for nature experiences in an urban area, while also stimulating visitors' interest in wild nature and biodiversity.

We also invite nature to come inside by using large window panes to open up the facade from our production hall towards the forest. This will bring more light and life into the building, for the benefit of employees, and also give visitors the opportunity to view modern carpet production in a company with a strong focus on creating sustainable products.

The ambition is for the future landscape to appear as natural as possible. This will be an almost primordial landscape in which nature and animals determine how everything develops. We are very excited about the biodiversity project and look forward to inviting customers and visitors out into the beautiful wild nature.

## Large-scale biodiversity – 100 hectares of land converted into wild nature



New windows in the facade invite nature into the production hall.

Newly established vantage point that creates variety in the landscape.

Newly established climate lake to collect rainwater protects from flooding in the event of future heavy rainfall.



Free-roaming grazing animals are set out throughout the fenced area.

The production unit Herning North, which also constitutes the group's headquarter.

Newly established collection basin and watercourse lead rainwater into the new climate lake.

Our iconic bisons are allowed to stay in their enclosure.

## A number of red-listed species have been seen in the area:

Kingfisher, vulnerable  
Yellowhammer, vulnerable

Golden plover, critically vulnerable  
Common swan, vulnerable

Lapwing, vulnerable  
Starling, vulnerable



**Waste recycling**

Last year, for the first time, we calculated how much of our production waste is recycled. For a number of years, we have sold carpet offcuts for recycling in equestrian facilities in Belgium and France. However, we have by no means been able to sell as much as we would like. We are therefore pleased to have made contact with a potential new buyer from the Netherlands, who can take all of our backing offcuts. The company makes surfaces for environmentally certified equestrian tracks, as well as sports equipment such as punching bags. It will be a big step in the right direction if the company can take the volumes they promise.

Another exciting news might be provided by our supplier of regenerated yarns. It may be possible for some of our carpet structures to be used in their recycling processes. We have therefore entered into a cooperation agreement for selected carpets to be sent to them after use. The plan is for the carpet to be broken down into small fractions that can be recycled. The yarn is made into new yarns, while the backing can be recycled in other ways. We hope to initiate the plan during 2022, when we will launch new carpet collections that match this purpose.

A take-back system for used carpets is at the top of the wish list of most carpet manufacturers, and we are truly excited to get started.

**Big gains from minimising waste**

When we talk about waste, we mean spillage. The large amounts of production waste are mainly due to the fact that the edges of the finished carpets are trimmed after production. This applies particularly to tufted carpets, which is the type of carpets of which we sell most, as well as carpet tiles that are punched out in the right sizes after production. We do not currently record these waste streams separately, but our preliminary studies indicate that there may be over a thousand tonnes of waste annually.

We are therefore currently looking at options to reduce waste. We have successfully reduced 9 mm offcut to 6 mm offcut be-

tween each punched carpet tile. On an annual basis, this reduces the waste volume by 32 tonnes, while allowing for the production of an additional 12,800 m² of carpet tiles from the same amount of raw materials.<sup>9</sup> This is a win-win situation.

However, similar attempts to reduce the width of the carpets before the tiles are punched out have not yet been successful, because the carpets cannot be held in place firmly in the machine if the width is reduced, and the punching thereby risks being skewed. Nonetheless, the trials to reduce waste from carpet production have revealed that major gains can be made in this area, and we continue to look for optimisation opportunities.

**Benefits of recycled raw materials**

Even though many of our carpets are produced from regenerated yarn and a backing of used plastic bottles, this is far from enough to achieve the goal that 75% of the raw materials in the carpets must be recycled. This is why we are constantly looking for other types of recycled materials that can be used.

One of the most promising projects is to replace the glue in the carpets with a recycled glue derived from used car windows. Besides increasing the recycling rate by 5-10%, this glue could also make it easier to separate the front and back of the carpet after use, which would be a huge step forward for recycling used carpets in the future.

We can thus kill two birds with one stone if we manage to switch to a recycled glue. However, this is not as easy as it sounds. There is a risk that the quality will deteriorate and also the question of whether our machines can handle the new glue. Every time a trial fails, subsequent extensive cleaning of the systems is required. This delays production and complicates the process. This is why we have not yet achieved our goal.

Another, equally exciting project is the replacement of the glue furnace with a powder system that can glue the front and back of the carpet together using recycled thermoplastic. This could increase the recycling rate by up to 10%, while the thermoplastic

will allow for the separation of the carpet after use by reheating with infrared rays. There are also significant environmental improvements to be made in the powder plant, providing for conversion from natural gas to electricity. However, there are still many unknown factors in the project, so there is no guarantee that it will succeed.

**Other business areas**

Carpets are our specialty and main business. Our activities are based on developing, producing and selling carpets. But customers are also increasingly demanding other interior design solutions for their floors, as well as alternative ways of creating good acoustic solutions in e.g. open-plan offices. We have therefore expanded into a few other business areas in recent years: LVT floors and acoustic rooms.

We do not make these products ourselves, and they represent such a small share of our revenue that we have not yet included relevant data in the Sustainability Report. If sales evolve into a larger part of the business, we will include data for these products too.

We sell LVT floors, which are beautiful vinyl tiles, primarily in the Danish market. Most of the LVT floors are produced in China and sold under the name of ege Planum. LVT flooring can be a good supplement for interior design solutions where customers prefer not to have carpets. LVT floors often contain PVC, which we do not otherwise use in our products. We are therefore in the process of securing the development of new PVC-free versions of the LVT floors in the ege Planum series, and we look forward to seeing whether this becomes popular. Besides the ege Planum series, we sell LVT flooring from Amtico, which is produced in the UK. Sales of LVT flooring account for 3% of our revenue.

The Rooms acoustic rooms are an exclusive series of building blocks that can be combined into individual freestanding workplaces, conference rooms and meeting zones in large office landscapes. The series comprise a wide selection of modules, surfaces, collections and colours that provide a wealth of opportunities to create spaces for uninterrupted conversations, concentrated work and relaxed meetings. Rooms also serve

as sound absorbers, since strategic location of the modules in the floor plan dampens noise in the surrounding room. Rooms are produced in the Czech Republic, and we are investigating the possibility of gaining eco-labelling of the products. Sales of Rooms account for 3% of our revenue.

**CSR-certified under DS 49001**

In 2013, we became CSR-certified under DS 49001 for the first time. This is a Danish standard based on ISO 26001, which is one of the most comprehensive international standards within CSR. Unfortunately, ISO 26001 has not yet been transformed into a certifiable standard, and therefore we have adopted the Danish version instead.

DS 49001 concerns everything from human rights and working conditions to environmental conditions, good business practices, good management and consumer relations, as well as local community development and involvement. The standard thereby ensures that the company cannot solely consider a few focus areas as part of its CSR work. Everything has to be incorporated into the management system, and this has certainly helped drive our development within CSR. We are therefore pleased that soon the last two Danish production units will be included in the DS 49001 certification. This will be in August 2022.

As DS 49001 is a Danish standard, it is unfortunately not possible for our yarn spinning mill in Lithuania to be certified under this standard. However, they work according to the same principles, policies and guidelines as the rest of the group.

**New competence development programme**

Last year, our HR department changed its name to People and Performance, and since then, the initiatives have really gained momentum. The team has been expanded and a number of exciting new programmes are available to employees.

*Our values in practice*

All employees in the group are invited to a course on Ege Carpets' values. The course concerns how we work with the values on a day-to-day basis and how we should conduct ourselves in order to live up to them.

<sup>9</sup> The calculation is based on the assumption that the tile machine runs at full capacity throughout the year, which is usually the case.





#### *Positive time management*

We now offer a course in positive time management to all employees who would like to learn how to use their time more efficiently and to optimise their task management. This can hopefully help prevent stress and create a better framework for day-to-day problem solving.

#### *Project management*

We also offer employees a course in project management, to ensure successful projects, and to keep the parties involved engaged in the project along the way. This can increase efficiency and success rates, for the benefit of everyone involved.

#### *Presentation technique*

Presentations are an important aspect of some employees' working lives, and we therefore offer a course that focuses on how to compile an interesting presentation and to make a good impression. The course also includes concrete tips and tricks for the work in PowerPoint.

#### *Management in practice*

Finally, this year all production managers attended a course in Management in practice, which is a subject under the professional diploma programme. They took examinations in the subjects on which they worked. The course is approved for 10 ECTS credits.

All the new initiatives and programmes are presented to employees on a new intranet, to which all production units and subsidiaries have access. Here, they can check out internal news,

sign up for relevant courses, view beautiful carpet installations and get updated on sales figures. There is even a "CEO's corner" where our CEO posts a new video every month on relevant topics and thoughts relating to the company's operations and development.

A total of 108 employees attended internal supplementary training this year, while 47 attended external supplementary training.

#### **The war in Ukraine**

In the winter of 2022, Russia went to war against Ukraine. This has created great uncertainties in the world, in terms of the security of supply of energy, food and raw materials, and has also affected us as human beings. It is hard to witness the horrors and losses that war brings.

Ege Carpets strongly condemns Russia's actions and we adhere to the EU sanctions against Russia. We have thus cancelled all orders from Russia and have ceased our longstanding cooperation with a Russian agent who promoted our interests in the country.

We have contacted various aid organisations and offered to donate carpets for use in tents in refugee camps, but there has currently been no need for this. We have also donated DKK 50,000 to the work of the Red Cross in Ukraine. In Gram, we will offer Ukrainian refugees living in the area employment under Ege Go2Work, if the authorities are open to this cooperation. In this way, we hope to make a small positive difference in a very difficult situation.

# ORGANISATION AND MANAGEMENT

Our goal is to be the carpet manufacturer best at CSR in the world. This requires a strong organisation and a fixed framework. Social responsibility and sustainability are therefore an important part of the foundation for the entire company.

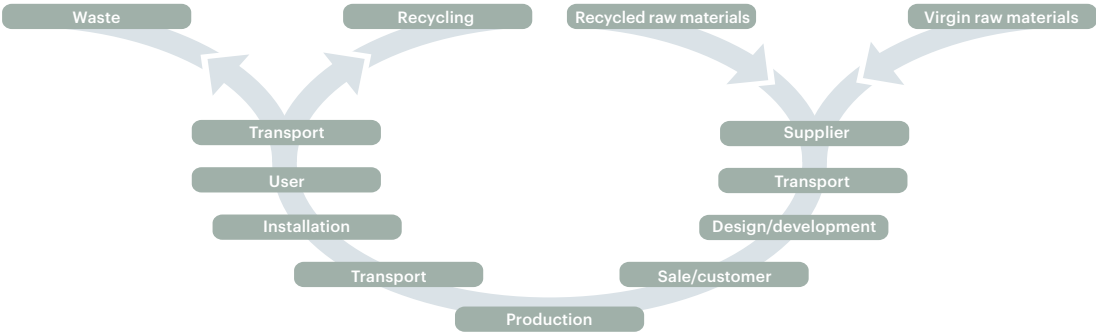


### CSR policy sets the game rules for everyone

We use the group’s CSR policy to ensure that our business model, production processes and products help create a more sustainable society, both now and in the future. We comply with all legislation, as well as the international conventions to which

we are subject, including the European Convention on Human Rights and the Rio Declaration on Environment and Development. Under our CSR policy, we wish to contribute to achieving the UN Sustainable Development Goals and the UN Global Compact, which we actively endorse. All employees worldwide

### Value chain



have been presented with the CSR policy, to ensure that everyone is familiar with the game rules for the entire group.

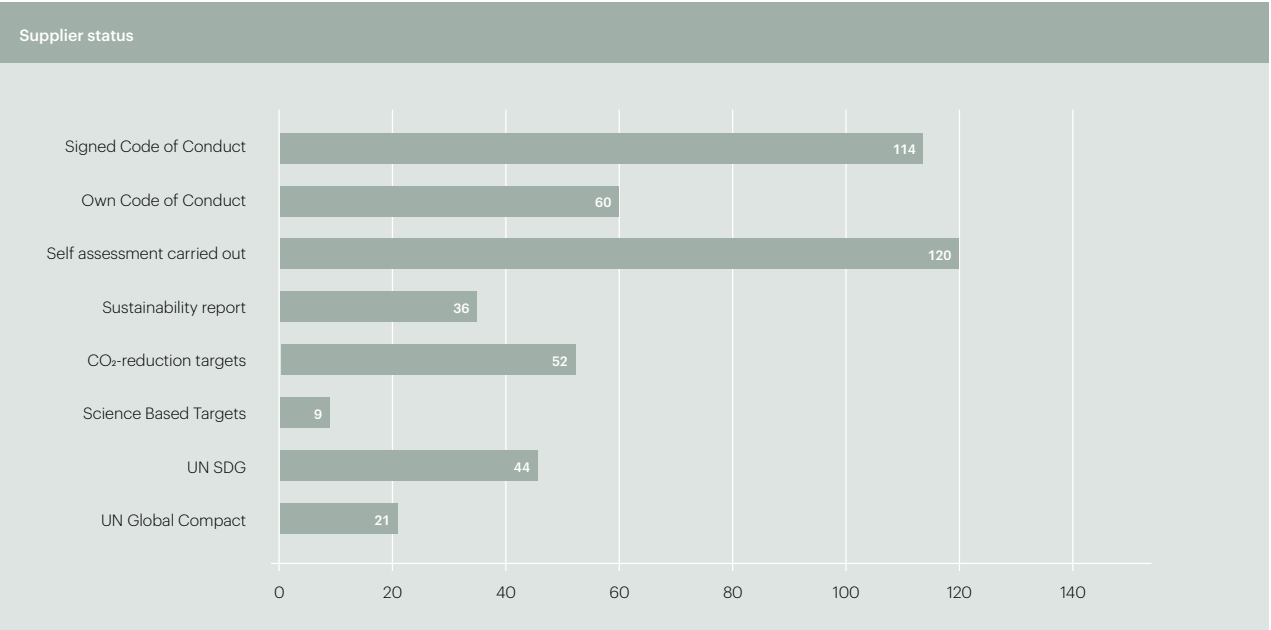
### From business model to practice

Ege Carpets’ Executive Board holds the overall responsibility for the CSR policy and strategy. A Sustainability group comprising the CEO and representatives from Product Development, Procurement, CSR, Quality and Environment follows up on the strategy and ensures the projects’ progress. Complex CSR issues are dealt with as required by a CSR Steering Committee.

The strategic CSR work is conducted in practice by the group’s CSR department, while the individual production units are re-

sponsible for ensuring the progress of local initiatives. This constellation ensures broad support from all relevant players in the group.

The implementation of the business model in practice creates our value chain. Our value chain starts with the supplier, where the raw materials are extracted, for subsequent transformation into carpets in our production facilities. We then deliver the finished carpet to the customer, where the carpet is used for a number of years and then discarded when it is time to replace the flooring. 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.



### Supply chain management strengthens efforts

Supply chain management is particularly important when it comes to sustainability, human rights and anti-corruption. There may be a risk of human rights violations and corrupt behaviour in the value chain, while on the environmental side, most of the

environmental impacts relating to our carpets arise before the raw materials arrive at our production units. Considering CO2 emissions in isolation, we can see that 63.5% of the emissions related to our carpets originate from raw materials and transport from the supplier to our production units.



We therefore have a strict supply management system that is structured according to the UN Guiding Principles. The system requires all suppliers to sign a Code of Conduct that, among other things, requires them to focus on human rights, good working conditions, sustainability, reuse and recycling, CO<sub>2</sub> reductions, the circular economy, animal welfare and anti-corruption.

We also require suppliers to comply with national and international legislation and international conventions. These include the European Convention on Human Rights, the Rio Declaration on Environment and Development, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Suppliers are also encouraged to contribute directly to the UN's 17 Sustainable Development Goals and to endorse the UN Global Compact. We specifically require that suppliers set the same requirements in their own value chains as are stipulated in our Code of Conduct. We also ask suppliers to complete a comprehensive self-assessment, as the basis for risk assessment of the individual supplier.

It is sometimes the case that suppliers decline to sign our Code of Conduct or to complete the self-assessment. In this case we instead ask them to provide other documentation that they fulfil our requirements. This might be their own Code of Conduct or various company certificates. On this basis we individually assess whether the supplier can be approved.

Our supply chain management system includes 141 suppliers, of whom the majority supply materials for our products. 114 suppliers have signed our Code of Conduct. 60 suppliers have their own Code of Conduct, which they have sent to us. 24 of the 60 suppliers prefer not to sign our Code of Conduct on the grounds that they comply with their own code instead. 122 suppliers have completed the self-assessment. Two suppliers have not yet responded or provided sufficient documentation to us. Work is now under way to bring these suppliers on board.

A new review of all suppliers this year showed that good progress is being made on sustainability and social responsibility in our value chain. See a selection of the results on page 31.

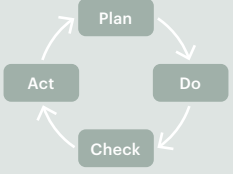
Joint governance system and certifications

The entire group is subject to a joint governance system, which is based on recognised standards. Herning North and Gram were the first to start with ISO 9001 in 1992, and gradually three other governance standards have been added. As new production units have been incorporated into the group, the governance standards have also been implemented in these units. The next step will be taken in August 2022, when the last two production units in Denmark will achieve both working environment and CSR certification.

The management system is practised according to the Plan – Do – Check – Act model, on which the management standards

	ISO 9001 Quality	ISO 14001 Environment	ISO 45001 Occupational health and safety	DS 49001 CSR
Herning North	✓	✓	✓	✓
Gram	✓	✓	✓	✓
Herning South	✓	✓	August 2022	August 2022
Røjle	✓	✓	August 2022	August 2022
Litspin	✓	✓	Expected in 2023	Not possible*

\* DS 49001 is a Danish standard and can therefore only be implemented in the Danish production units. There is no equivalent international CSR standard that is certifiable.

Due diligence model	Due diligence tools	Social and employee conditions	Environmental and climate conditions	Human rights	Anti-corruption and bribery
	Management system	ISO 45001	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
		Supplier management			

are based. In practice, this means that we focus constantly on due diligence processes in the form of objectives, action plans, follow-up and adjustments. This is an integral element of the everyday work in all production units. During Covid-19, the focus on these tasks was reduced temporarily, but work has now been fully resumed in all areas.

Communication about sustainability

The concept of "sustainability" is under intense pressure in communication terms. After many years of freedom to describe products as sustainable without requiring this to be documented, wide-scale EU regulation of the area is now underway. This is a good and sound process to ensure that every company thinks carefully before describing their products as sustainable. It also presents a number of challenges when, like Ege Carpets, a company has worked with this particular concept in its strategy and marketing for many years.

We have always placed great emphasis on being factual and transparent in our communication about sustainability. We describe the success stories and also the challenges we find difficult to solve. We have 12 different eco-labelling schemes and declarations as evidence of our carpets' environmental impacts according to a multitude of different standards that are available to download from our website. We are in the process of ensu-

ring that EPDs (Environmental Product Declarations) are drawn up for all the carpets. An EPD includes a life cycle analysis that, going forward, is one of the conditions for describing a product as sustainable. We have many other initiatives, all of which aim to make carpets more sustainable.

We therefore believe we have both the documentation and the business model in place to be able to say that we work ambitiously with sustainability. Going forward, we nonetheless still have to be careful about calling our carpets sustainable.

We maintain an ambition to help create a sustainable future and an ambition to create sustainable carpets. We believe we are still a leader in a wide range of sustainability areas, and now we need to learn how to communicate properly about this.

Tax policy in a business-driven perspective

We attach importance to pursuing a transparent tax policy. We handle all tax-related matters in accordance with the law and pay the correct tax in the countries in which we operate. The business opportunities in each market determine our activities; and not the amounts of tax we pay. We adhere to the applicable transfer pricing rules, which entail that tax is paid in the country in which revenue is generated. Tax evasion is not permitted.

# Risks and opportunities

Every company faces both risks and opportunities on an ongoing basis. It is part of the game to make the right choices at the right times, in order to grow the business. Yet every choice has consequences; not only for the company, but potentially also for the local community, employees, the environment, the value chain, etc. We therefore conduct an annual risk analysis in which we evaluate our own processes and goals, and the consequences of our choices for society.

## Environmental impacts

### Risks / opportunities

In our efforts to achieve Cradle to Cradle Platinum certification, it may be necessary to choose virgin materials even though recycled materials could be used. This is due, among other things, to the better traceability of virgin materials. This is a dilemma to which we have not yet found the solution.

### Actions

- We have investigated all constituent substances and now know precisely where to take action.
- We cooperate continuously with suppliers with regard to substitution.
- In our Code of Conduct, we impose strict requirements concerning constituent substances and documentation.

## Restructuring of the organisation

### Risks / opportunities

The organisation has been subject to major restructuring. Among other things, we have closed a factory in Germany. Management has been replaced and several positions have been discontinued. This has affected the employees who were made redundant and led to some uncertainty among the remaining employees, so that the many changes may have increased stress levels.

### Actions

- On the closure of the factory in Germany, all affected employees were guaranteed pay for an extended period of time.
- When employees are made redundant, it is assessed individually whether they need help to find a new job.
- All managers are encouraged to talk to employees about how they are doing.
- Courses in project management and positive time management are now offered, which can help alleviate job-related stress.

## Recycling and waste

### Risks / opportunities

Carpet waste presents an environmental problem as it is either incinerated or deposited in landfills. When recovery becomes possible at some time in the future, this will keep valuable materials in circulation and ensure new business opportunities.

### Actions

- Our goal is to achieve recycling of carpets by 2030.
- We are active players in a number of collaborations to ensure the recycling of used carpets and carpet waste.
- We are working to develop carpets that can be separated into the constituent substances after use, in order to facilitate recycling.
- We work to minimise waste in production.

## CO<sub>2</sub> emissions

### Risks / opportunities

A survey of CO<sub>2</sub> emissions throughout the value chain has shown that the actual CO<sub>2</sub> emissions in relation to our products are far more extensive than we have previously reported.

### Actions

- We are committed to Science Based Targets and are working to set new reduction targets.
- We will reduce CO<sub>2</sub> emissions through electrification of production processes, renewable energy, recycled raw materials and recycling of used carpets.
- We offer the possibility of climate compensation for the carpets in interior design projects.

## Safety

### Risks / opportunities

Despite a strong focus on safety, every year a few employees are injured during working hours. We also often see dangerous situations in which safety rules are circumvented. This presents the risk of more employees being injured.

### Actions

- Instructions for personal warnings in the event of breaches of safety rules are being implemented.
- Production management has been tasked with investigating how the safety mindset can be enhanced.
- Cross-organisational collaboration on occupational health and safety is under construction.
- The last two Danish production units are to be subject to working environment certification in August 2022.



## Equal pay for equal work

### Risks / opportunities

Production employees are sometimes 'loaned' to other production units in the group during busy periods. Their pay does not change, even if the place of work does. Since pay is not synchronised between the production units, this means that equal pay for equal work does not apply when employees work in other units. This leads to discontent.

### Actions

- The collective agreements are respected and the rules in this area are followed.
- Management is working to find a solution to the problem.

## Pandemic

### Risks / opportunities

Covid-19 has exposed society's vulnerability to pandemics. Even though the consequences of the Covid-19 pandemic were less extensive than last year, the pandemic has affected order intakes, while employee health and safety concerns have changed work patterns and habits. This affects employees.

### Actions

- We have applied a precautionary principle, with requirements for testing, hygiene, masks, social distancing and working from home.
- Visits and business trips have been curtailed.

## War in Ukraine

### Risks / opportunities

The war in Ukraine has created a great deal of uncertainty about the supply of natural gas, on which we are so dependent. Rising energy prices and increasing raw materials prices also affect the group's finances. This can lead to uncertainty among employees with regard to job security and the future in general.

### Actions

- Through our commitment to Science Based Targets, we will work to convert production from natural gas to electricity.
- There are currently no plans for cutbacks due to the war in Ukraine.



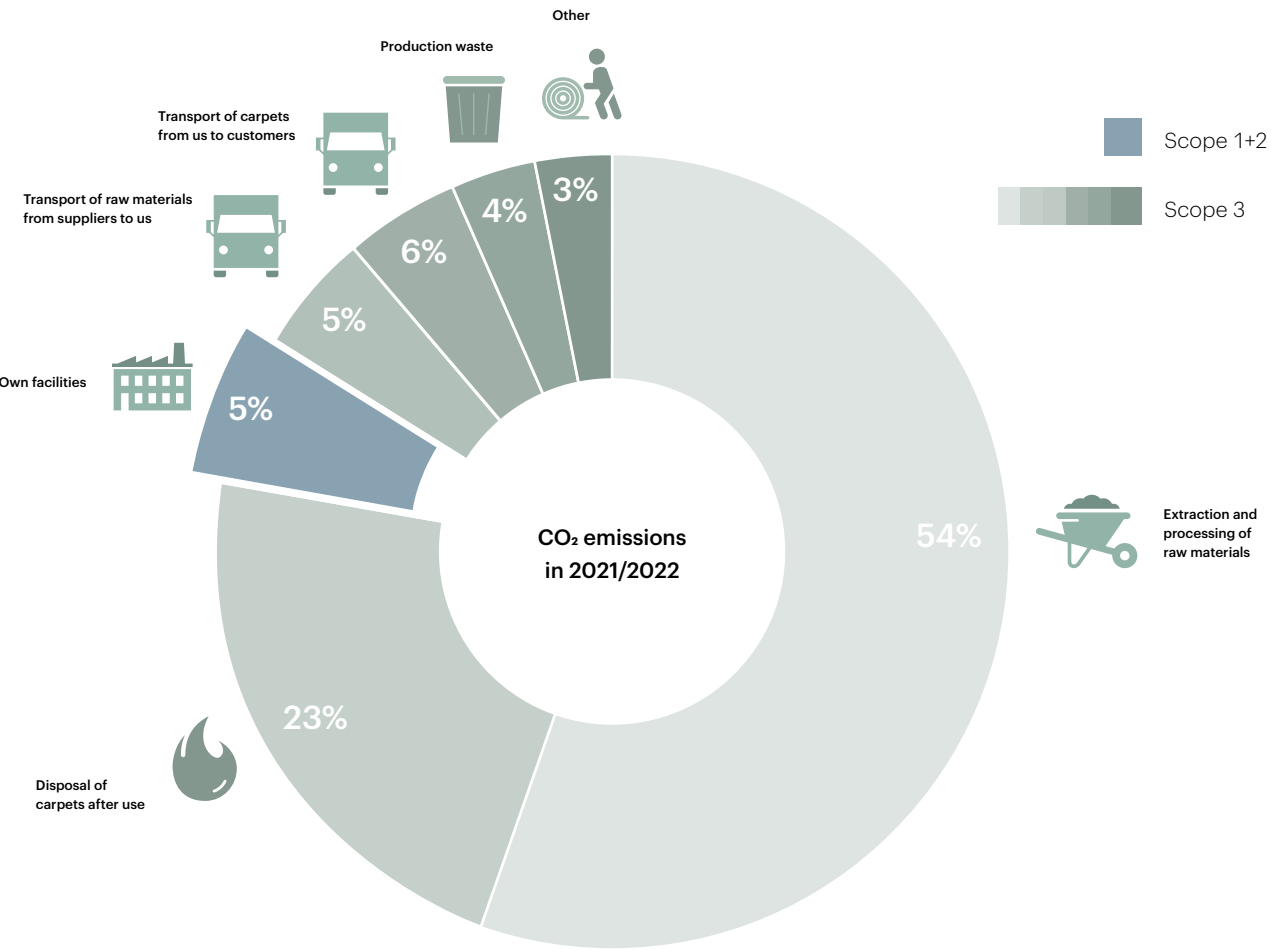


# Greenhouse gas accounts

Due to our commitment to Science Based Targets, the method of calculating the greenhouse gas accounts must be adjusted. For example, under Science Based Targets it is not permitted to deduct biogas investments from natural gas consumption, as we have done so far. Likewise, Scope 3 now includes emissions from far more categories than before.

We have therefore recalculated the greenhouse gas accounts for a three-year period. All figures for 2020/2021 and 2021/2022 are

the actual emissions based on data we have collected. The figures for Scope 3 in 2019/2020 are the result of a theoretical reversal for all the new categories because we do not have access to some of the data for this year. The other 2019/2020 figures are actual emissions based on data we have collected.



<sup>10</sup> See Annex 2 for details of the calculation basis applied to the greenhouse gas accounts.

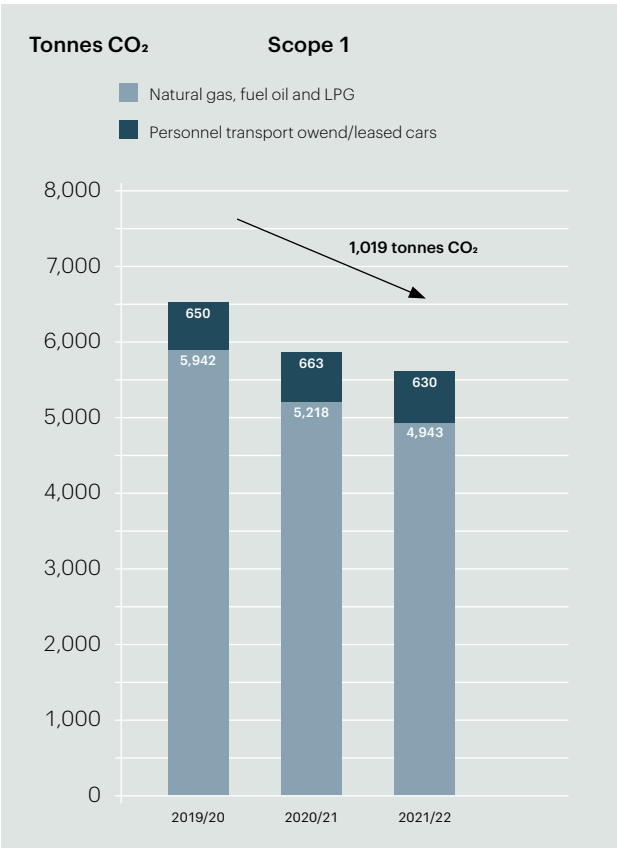
## Scope 1: Direct greenhouse gas emissions

Scope 1 contains the emissions for which we are directly responsible. These are emissions arising from the consumption of natural gas, oil and LPG, as well as passenger transport in leased and owned company cars. For a number of years, we have worked to minimise the negative impacts of natural gas consumption by purchasing climate credits in the form of investment in third-party-verified biogas certificates. We continue to do this, and this year the biogas investments cover 61% of natural gas consumption. But this can no longer be deducted in our greenhouse gas accounts. The greenhouse gas accounts therefore now show the actual natural gas consumption without the use of climate credits.

A new feature is that we also include passenger transport in leased company cars in Scope 1. Previously, this was in Scope 3. By combining all passenger transport in company cars in Scope 1, we get a picture of the total emissions from this source.

We expect the Science Based Target Initiative to approve a target to reduce CO<sub>2</sub> emissions in Scope 1 and 2 by 46.2% by 2030, compared to 2019/2020. We have not yet made and submitted the final calculations for this commitment.

This year we have emitted 5,573 tonnes CO<sub>2</sub> in scope 1.

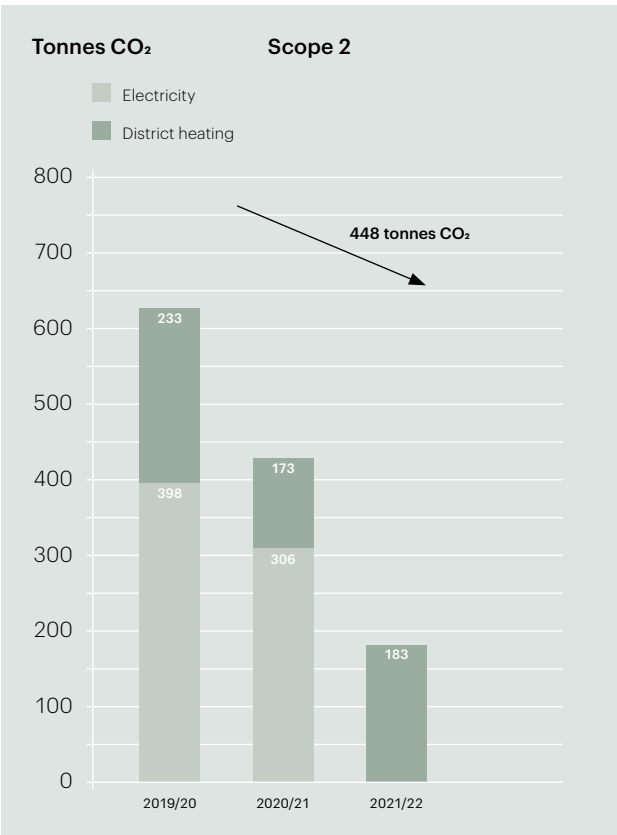


## Scope 2: Indirect greenhouse gas emissions

Scope 2 contains the emissions originating from purchased electricity and district heating. For more than ten years, we have been working to minimise the negative impacts of electricity consumption at our production units by purchasing climate credits in the form of third-party-verified GO certificates for wind energy. The wind energy investments cover 100% of the electricity consumption of our production units. Investments in wind energy can still be deducted in greenhouse gas accounts after our commitment to Science Based Targets. We therefore have almost no emissions in Scope 2.

A new aspect is that the energy consumption of our showrooms and sales offices around the world is now included in Scope 2 in the greenhouse gas accounts. This was not previously the case, as we do not own the buildings in question. The figures for the energy consumption of showrooms and sales offices are estimated, as we often only rent part of the building, and are thus only responsible for part of the building's energy consumption. As stated, we expect the Science Based Target Initiative to approve a target to reduce CO<sub>2</sub> emissions in Scope 1 and 2 by 46.2% by 2030, compared to 2019/2020.

This year we have emitted 183 tonnes CO<sub>2</sub> in scope 2.





Well on its way!

26,512 tonnes

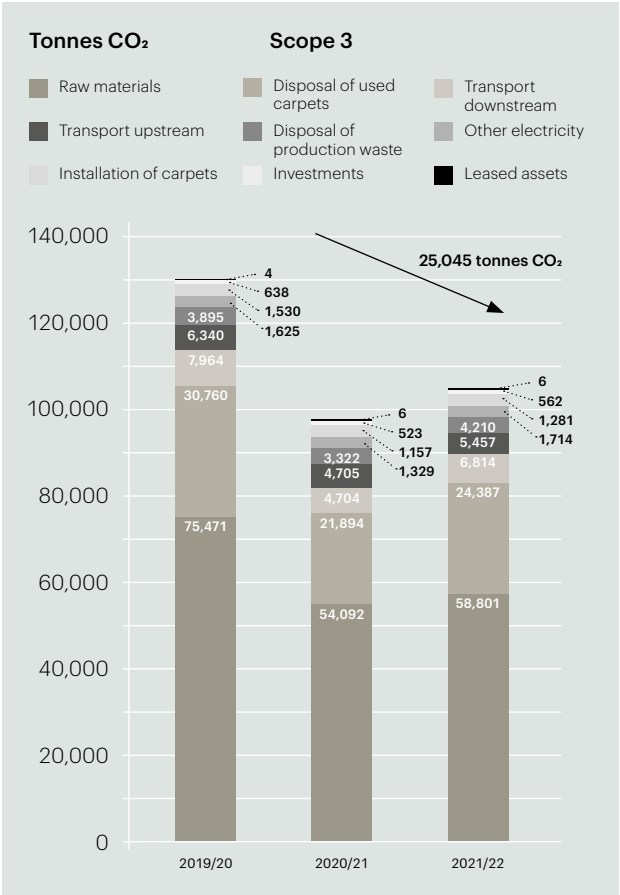
total CO<sub>2</sub>-reduction  
since 2019

Scope 3: Other indirect greenhouse gas emissions

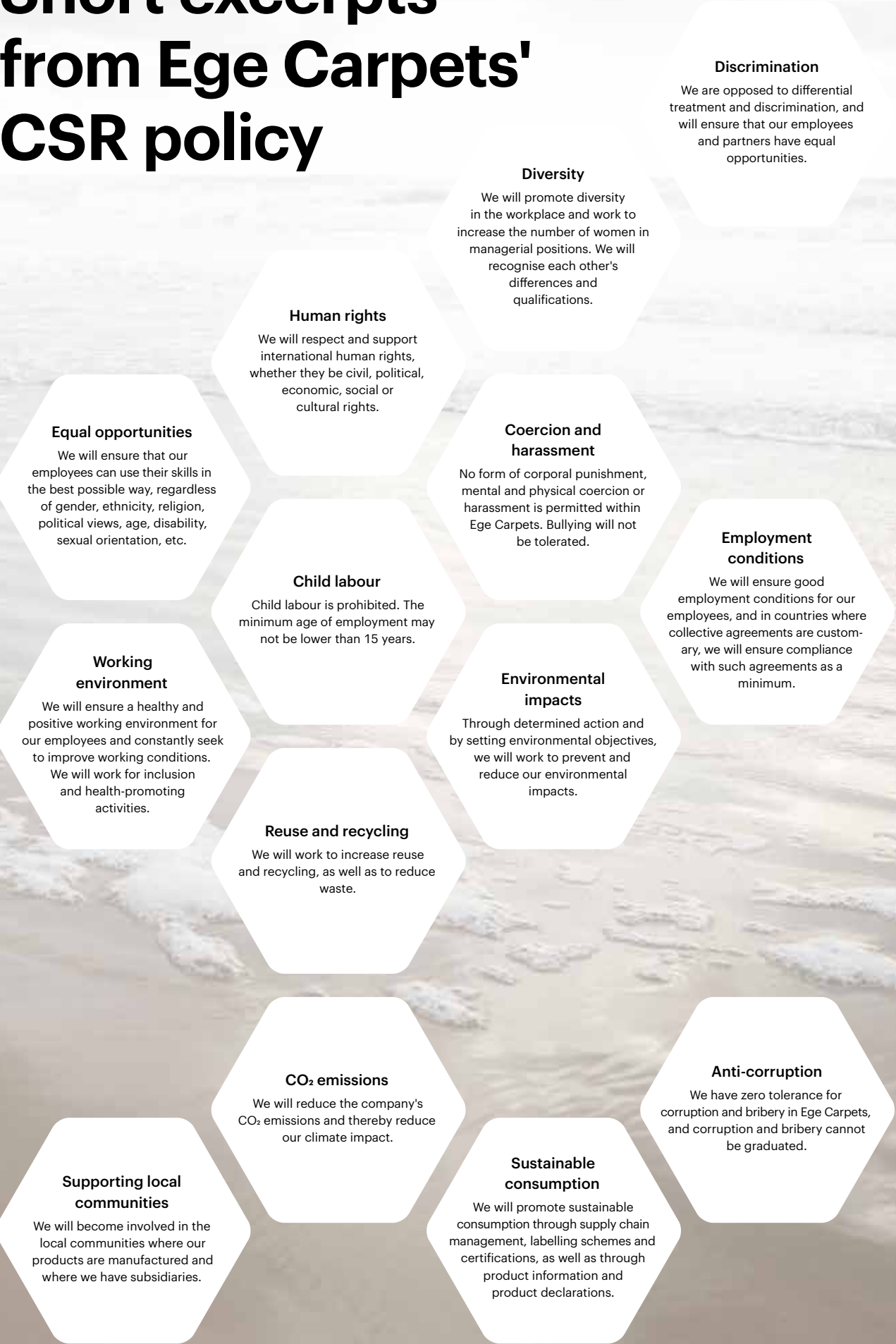
Scope 3 may include emissions from 15 different categories, which together cover the entire value chain. A survey of all relevant emissions related to our products has shown that it is relevant to include nine categories in our greenhouse gas accounts, which previously solely included one category. Now our Scope 3 includes: extraction and processing of raw materials, transport of raw materials from suppliers to ourselves, production waste, transport of carpets from us to customers, installation of the carpets, disposal of the carpets after use, and investments, as well as the sourcing and transport of the fuel reported under Scope 1 and 2. This increases our emissions in this Scope to new heights.

We expect the Science Based Target Initiative to approve a target to reduce CO<sub>2</sub> emissions in Scope 3 by 28% by 2030, compared to 2019/2020. We have not yet made and submitted the final calculations for this commitment.

This year we have emitted 103,232 tonnes CO<sub>2</sub> in scope 3.



Short excerpts  
from Ege Carpets'  
CSR policy



PRODUCTION INPUTS AND OUTPUTS

There is some variation in how many carpet production processes take place in the individual production units. While Herning South, Røjle and Münchenberstorf only undertake tufting/weaving of carpets, dyeing and backing for the entire group take place at Herning North and Gram, and all tiles are cut out at Her-

ning North. This is reflected in the consumption figures, which are significantly higher for the production units that handle the most production processes. See Annex 3 for details of the calculation basis applied to production inputs and outputs.

TOTAL INPUTS & OUTPUTS	Group 2019/2020	Group 2020/2021	Group 2021/2022
Total carpet production	9,077,759 m²	6,813,130 m²	8,125,298 m²
Energy consumption	kWh	kWh	kWh
Electricity consumption, production units	13,751,129	10,897,889	13,097,036
Electricity consumption, other buildings*	-	-	76,267
Investment in renewable energy	13,525,647	10,970,281	13,173,303
Natural gas	32,242,903	28,282,578	32,289,027
Investment in biogas	8,247,965	13,200,000	19,800,000
District heating production units	1,824,000	1,555,570	1,336,900
District heating, other buildings*	-	-	276,008
Oil	187,757***	267,100***	245,541
Water consumption	m³	m³	m³
	91,896	75,972	91,906
Water recovery	m³	m³	m³
	15,452	13,666	13,536
Recycled raw material	Kg	Kg	Kg
In the product	3,884,914	2,891,677	3,509,491
Consumption of materials	Kg	Kg	Kg
For carpet production	25,000,053	19,190,945	22,277,874****
... of which renewable raw materials**	1,489,816	1,009,515***	1,168,821****
Packaging in total	923,527	595,692	738,933****
... of which renewable packaging	372,843	266,940	362,566****
Operation and maintenance in total	253,685	118,551	117,857****
Waste	Kg	Kg	Kg
Recycling and reuse	560,552	682,517***	1,287,695
Thermal recovery	2,479,550	2,135,485	2,783,268
Land fill	44,567	8,670	159,720*****
Destruction, hazardous waste	45,691	42,183	51,319
Discharge	m³	m³	m³
Wastewater	69,877	62,138	77,714

\* Other buildings concerns, consumption in showrooms, subsidiaries and flats that we own or rent. This is compiled for the first time this year.  
\*\* We produce our own wool yarns at Litspin. To avoid counting the wool yarn twice in the total statement, correction has been made for this in the group statement.  
\*\*\* The figure has changed from last year's report, as we have discovered an error in the statement from last year.  
\*\*\*\* Note that figures from Münchenbernsdorf are missing from the statement, as these could not be obtained this year due to the closure of the factory.  
\*\*\*\*\* The large increase is due to the closure of Münchenbernsdorf, where, among other things, large quantities of machine parts have been discarded.

HERNING NORTH AND GRAM

INPUTS AND OUTPUTS PER PRODUCTION UNIT	Herning North			Gram		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	360,000	360,000	360,000	72,000	72,000	72,000
... of which built-up area	58,062	58,062	58,062	27,000	27,000	27,000
Production	m² of carpets	m² of carpets	m² of carpets	m² of carpets	m² of carpets	m² of carpets
	4,236,765	3,055,217	3,922,091	2,309,655	1,967,521	2,352,610
Energy consumption	kWh	kWh	kWh	kWh	kWh	kWh
Electricity consumption	7,995,423	6,417,888	7,568,154	2,558,528	2,296,346	2,543,093
... of which renewable energy	7,995,423	6,417,888	7,568,154	2,558,528	2,296,346	2,543,093
Natural gas	20,897,899	17,708,416	21,087,198	8,144,235	7,357,229	8,866,044
... of which bio-natural gas	5,935,003	9,325,557	13,939,276	2,312,962	3,874,443	5,860,724
District heating	0	0	0	379,544	709,570	600,900
Oil	0	0	0	33,843**	74,081**	63,070
Water consumption	m³	m³	m³	m³	m³	m³
	69,822	57,118	70,910	20,129	17,022	19,519
Water recovery	m³	m³	m³	m³	m³	m³
	6,723	6,891	5,377	8,729	6,775	8,159
Recycled raw material	Kg	Kg	Kg	Kg	Kg	Kg
In the product	3,076,832	2,442,031	3,046,975	415,587	269,445	300,682
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	13,599,378	10,526,115	12,829,302	7,288,145	6,031,627	6,415,666
... of which renewable raw materials	522,749	428,070*	602,246	13,323	38,148	42,554
Packaging in total	570,981	424,264	549,874	198,866	130,450	135,662
... of which renewable packaging	319,058	258,142	353,366	0	0	0
Operation and maintenance in total	107,903	81,624	76,798	33,973	33,356	15,880
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling and reuse	95,634	326,846*	456,545	205,127	221,147	386,796
Thermal recovery	1,608,480	1,399,645	1,811,655	522,330	567,140	600,969
Land fill	13,420	7,960	17,920	0	0	0
Destruction, hazardous waste	40,754	40,872	46,972	0	0	0
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	57,013	50,566	64,869	11,416	9,988	12,079

\* The figure has changed from last year's report, as we have discovered an error in the statement from last year.  
\*\* By mistake the figure was not included in the statements in previous reports.



RØJLE AND HERNING SOUTH

INPUTS AND OUTPUTS PER PRODUCTION UNIT	Røjle			Herning South		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	10,000	10,000	10,000	48,029	48,029	48,029
... of which built-up area	7,234	7,234	7,234	17,276	17,276	17,276
Production	m² of carpets	m² of carpets	m² of carpets	m² of carpets	m² of carpets	m² of carpets
	1,631,202	1,349,928	1,470,846	668,273	277,801	379,742
Energy consumption	kWh	kWh	kWh	kWh	kWh	kWh
Electricity consumption	344,145	263,814	256,881	543,512	309,201	406,134
... of which renewable energy	344,145	263,814	256,881	600,000	600,000	600,000
Natural gas	326,524	365,288	341,737	0	0	0
... of which bio-natural gas	0	0	0	0	0	0
District heating	0	0	0	586,000	846,000	736,000
Oil	0	0	0	0	0	0
Water consumption	m³	m³	m³	m³	m³	m³
	148	154	149	394	211	177
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	52,174	48,318	62,696	248,197	61,311	95,767
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	1,264,182	1,038,095	1,196,474	1,343,033	652,781	712,583
... of which renewable raw materials	132,715	109,000	154,586	642,828	434,179	369,435
Packaging in total	33,540	4,769	5,196	80,747	20,321	36,083
... of which renewable packaging	27,540	0	0	0	0	0
Operation and maintenance in total	6,536	1,098	464	103,680	1,860	24,292
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling and reuse	87,040	57,180	37,360	66,628	18,680	44,770
Thermal recovery	33,980	29,800	148,512	228,570	63,820	119,500
Land fill	0	0	0	0	0	0
Destruction, hazardous waste	300	200	200	609	0	0
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	148	154	149	394	211	177







MÜNCHENBERNSDORF AND LITSPIN

Münchenbernsdorf closed in March 2022. We were therefore unable to obtain various data.



INPUTS AND OUTPUTS PR. PRODUCTION UNIT	Münchenbernsdorf			Litspin		
	2019/2020	2020/2021	2021/2022	2019/2020	2020/2021	2021/2022
Size of the company	m²	m²	m²	m²	m²	m²
Size of the company's site	49,632	49,632	49,632	44,687	44,687	44,687
... of which built-up area	13,840	13,840	13,840	10,282	10,282	10,282
Production	m² of carpets	m² of carpets	m² of carpets	Kg yarn	Kg yarn	Kg yarn
	231,864	162,663	185,000	774,733	493,311	1,020,444
Energy consumption	kWh	kWh	kWh	kWh	kWh	kWh
Electricity consumption	630,562	485,350	292,756	1,678,959	1,125,290	2,030,018
... of which renewable energy	350,592	266,943	190,291	1,678,959	1,125,290	2,030,018
Natural gas	2,874,245	2,851,645	1,994,048	0	0	0
... of which bio-natural gas	0	0	0	0	0	0
District heating	0	0	0	0	0	0
Oil	0	0	0	153,914	193,019	182,471
Water consumption	m³	m³	m³	m³	m³	m³
	684	935	41	719	532	1,110
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	70,590	54,458	-	21,534	16,114	3,371***
Consumption of materials	Kg	Kg	Kg	Kg	Kg	Kg
For carpet production	643,966	405,188	-	861,349	537,139	1,123,849
... of which renewable raw materials	2,859	118	-	689,748	466,180	935,387
Packaging in total	18,010	14,060	-	23,535	1,828	12,118
... of which renewable packaging	13,172	8,798	-	13,073	0	9,200
Operation and maintenance in total	1,200	250	-	393	363	423
Waste	Kg	Kg	Kg	Kg	Kg	Kg
Recycling and reuse	85,420	25,865	327,514**	20,703	32,799	34,710
Thermal recovery	58,830	61,340	72,118	27,360	13,740	31,780
Land fill	28,647	710	141,800**	2,500	0	0
Destruction, hazardous waste	1,430	1,111	2,800	2,598	0	1,347
Discharge	m³	m³	m³	m³	m³	m³
Wastewater	684	915	41	222	304	399

\* In fields marked - we have not been able to obtain data due to the closure of the factory.  
\*\* The large amount of waste is due to the closure of the factory, where, among other things, machine parts have been sent for recycling or have been discarded.  
\*\*\* The large decrease in recycled material in the product is due to better wool quality and more efficient production processes.



OTHER GROUP FIGURES

	Employees*			Managers		Position	
							
	Men	Women	Total	Men	Women	Salaried	Hourly-paid
2019/2020	417	276	693	78	31	351	342
2020/2021	379	231	610	74	28	326	292
2021/2022	354	231	585	64	21	281	304

\* Employee figures are based on number of full-time employees (FTE).

	Absence due to illness*	
		
	Men	Women
2019/2020	2.93%	3.99%
2020/2021	2.12%	2.61%
2021/2022	3.43%	4.16%



\* The figures for absence due to illness do not include long-term sick leave exceeding 30 days. The figures for sick leave do not include the subsidiaries, as sick leave is not recorded uniformly from country to country.  
\*\* The high sick leave rate this year is primarily due to Covid-19.

	Occupational injuries and accidents*	
		
	Number	Hours lost
2019/2020	17	2,142 hours
2020/2021	10	743 hours
2021/2022	14	1,723 hours



\* The figures concern notified occupational injuries and accidents at least one full day's absence.

	Discrimination	Child labour	Forced labour	Human trafficking
				
2019/2020	0 cases	0 cases	0 cases	0 cases
2020/2021	0 cases	0 cases	0 cases	0 cases
2021/2022	0 cases	0 cases	0 cases	0 cases

\* The figures for discrimination, child labour, forced labour and human trafficking are based on reported cases from all locations. The definitions of discrimination, child labour and forced labour are stated in the CSR policy, of which excerpts are presented on page 41. We define human trafficking as the trafficking and exploitation of vulnerable people through debt, violence and threats.

	Women managers*	Women on the Board of Directors	
			
The goal is	39.5%	40%	
2019/2020	28%	25%	** We have not achieved our 2022 goal for the proportion of female managers to reflect the proportion of women in the group. On this basis, we have updated our action plans and guidelines in this area. The goal will be maintained until 2027.
2020/2021	26%	25%	
2021/2022	24.7%**	25%	

\* We define a manager in accordance with section 3 of the Managers' Agreement from the Danish Association of Managers and Executives (Ledernes Hovedorganisation). A manager has employee responsibilities and/or transaction rights or other powers that oblige the company, and/or performs work functions associated with special responsibilities.

	Whistleblower cases*	Statutory offences	
			
2019/2020	0	0	** A subsidiary has received a small fine due to a calculation error in relation to payroll costs. The error has subsequently been corrected in collaboration with KPMG.
2020/2021	0	1	
2021/2022	0	1**	

\* The whistleblower figures are calculated on the basis of the number of approved reports. Cases that do not belong in the whistleblower system, such as complaints, are considered outside the whistleblower system and are therefore not included.

	Cases of corruption*	Training in anti-corruption**	
			
2019/2020	0	34 employees	All employees receive our anti-corruption guidelines. All employees with external contact attend an online anti-corruption training programme after their appointment.
2020/2021	0	21 employees	
2021/2022	0	11 employees***	

\* The anti-corruption figures are based on a survey of all locations in the group and reports in the whistleblower system.  
\*\*The figures are calculated on the basis of the number of employees that have taken the anti-corruption test.



# ANNEX 1: WHAT IS SECTION 99A?

On 1 January 2016, Section 99a of the Danish Financial Statements Act entered into force for Ege Carpets. Under 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 going forward in each policy area.
- If the company uses non-financial key performance indicators (KPIs), accounting policies for the KPIs in question must be included.
- Reporting in accordance with Section 99a must be reviewed by the auditor, to ensure that the company fulfils the requirements.

# ANNEX 2: CALCULATION BASIS APPLIED TO THE GREENHOUSE GAS ACCOUNTS

The greenhouse gas accounts are based on a number of data sources that make it possible to convert our energy consumption into CO<sub>2</sub> emissions. The CEMAsys calculation programme is generally applied. CEMAsys complies with international standards and meets the requirements of the Greenhouse Gas Protocol.

For electricity, the Energinet.dk declaration and the 125% method are used to calculate Danish emissions. The district heating plants' own emissions are used to calculate district heating emissions. Where possible, factors for the individual countries are applied.

## SCOPE 1: Direct greenhouse gas emissions

Direct greenhouse gas emissions from sources owned or controlled by the group. The calculations include:

- Drying furnaces that run on natural gas and oil. The furnaces are used for carpet production.
- Heating of buildings with natural gas and oil. The buildings are used for carpet production and sales.
- Transport of persons and goods in owned and leased company cars.

## SCOPE 2: Indirect greenhouse gas emissions

Indirect emissions are defined as the emissions originating from purchased electricity, heat and steam in the group. The calculations include:

- Electricity consumption in all buildings used for carpet production and the sale of carpets.
- District heating in all buildings used for carpet production and the sale of carpets.

## SCOPE 3: Other indirect greenhouse gas emissions

Other indirect greenhouse gas emissions include 15 different categories of activities that may be included when relevant. A full Scope 3 survey has shown that the following activities are relevant to include in the calculations:

- Extraction and processing of raw materials for the products, including packaging
- Transport of purchased raw materials for the products, including packaging
- Transport of sold products to customers
- Electricity-related activities not included in Scope 1 and 2
- Installation services for products sold, including waste disposal from the installation
- Disposal of production waste
- Disposal of the products after use
- Investments, including proportional Scope 1 and Scope 2 emissions from wholly or partly owned companies that lie outside Ege Carpets' operational control (Foamtex, of which Herning South owns 33%)
- Downstream leased assets, i.e. owned buildings used for rental activities

The following Scope 3 categories are not included in the calculations, either because they are not part of our business model, because the risk is very low, or because the amount of emissions is negligible in the overall greenhouse gas accounts:

- Upstream leased assets
- Franchise
- Capital assets
- Employees commuting
- Business trips

ANNEX 3:  
BASIS FOR CALCULATING INPUTS  
AND OUTPUTS IN PRODUCTION

The following table states the accounting policies applied to the data stated in the Input and output table for the individual production units on pages 43-45.

INPUTS AND OUTPUTS PRODUCTION UNIT	Herning North	Gram	Røjle	Herning South	München- bernsdorf	Litspin
Size of the company's site	BBR document	BBR document	BBR document	BBR document	Building register	Building register
... of which built-up area	BBR document	BBR document	BBR document	BBR document	Floor plan registration	Building register
Production m² carpet/kg yarn	Production quantity	Production quantity	Production quantity	Production quantity	Production quantity	Production quantity
Electricity consumption	Per invoice	Per meter	Per invoice	Per invoice	Per invoice	Per invoice
... of which renewable energy	Purchased certificates	Purchased certificates	Purchased certificates	Purchased certificates	Supplier statement	Purchased certificates
Natural gas	Per invoice	Per invoice	Per invoice	-	Per invoice	-
... of which bio-natural gas	Purchased certificates	Purchased certificates	-	-	-	-
District heating	-	Per meter	-	Per invoice	-	-
Water consumption	Per invoice	Per meter	Per invoice	Per invoice	Per invoice	Per meter
Water recovery	Per meter	Per meter	-	-	-	-
Reused raw material in the product	Consumption statement	Quantity purchased	Consumption statement	Consumption statement	Quantity purchased	Consumption statement
Materials consumption for carpet production	Consumption statement	Quantity purchased	Consumption statement	Consumption statement	Consumption statement	Consumption statement
... of which renewable raw materials	Consumption statement	Quantity purchased	Consumption statement	Consumption statement	Quantity purchased	Consumption statement
Packaging in total	Consumption statement	Quantity purchased	Quantity purchased	Per invoice + Consumption statement	Quantity purchased	Consumption statement
... of which renewable packaging	Consumption statement	Quantity purchased	-	-	Quantity purchased	-
Operation and maintenance in total	Consumption statement	Quantity purchased	Quantity purchased	Per invoice	Consumption statement	Per invoice
Recovery	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice
Thermal recovery	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice
Land fill	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice	Per invoice
Destruction, hazardous waste	Per invoice	Per invoice	Statement from waste processor	Statement from waste processor	Per invoice	Per invoice
Wastewater	Per invoice	Per meter	Per invoice	Per invoice	Per invoice	Per invoice



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