



EKORNES AS

Sustainability Report

2019

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Message from the CEO

The UN global compact membership gives Ekornes a framework for a sustainable development of our business. The framework grant us the potential to pursue our opportunity to building a greener, fair and inclusive society.

Ekornes has throughout the year performed several adjustments for a more sustainable production of our quality products. The biggest achievement in 2019 was launching the flame retardant free foam in our Stressless production.



Throughout 2019 we achieved to phase out fossil fueled heating at our factories in Norway. This has been one of our main environmental goals since 2014, and we are proud of this accomplishment. The facilities are heated by offcuts from our own production and electricity from the Norwegian electricity grid. By this solution of enhancing the usage of byproducts from own production and using renewable energy from the Norwegian grid we are sustainably producing our comfortable furniture.

We opened our new IMG factory in Lithuania in 2019, an important step towards the European market. The factory is a modern and energy-efficient facility which will strengthen IMG's presence in Europe, improve distribution and support a wider range of products.

Additionally, we continued our wide-ranging logistics project this year, by enhancing the use of sea transportation for our Stressless products transport. By this transition to more sea-freight, with direct pick-ups by our own quay, our total carbon footprint is reduced significantly.

Roger Lunde
CEO

This is Ekornes

Ekornes is the largest furniture producer in Norway and owns the brand names Ekornes®, Stressless®, Svane® and IMG. Stressless® is one of the world's most well-known furniture brands, while Ekornes®, Stressless® and Svane® are the best known in the Norwegian furniture sector. IMG is best known in Australia and the USA.

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

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



Our Values

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

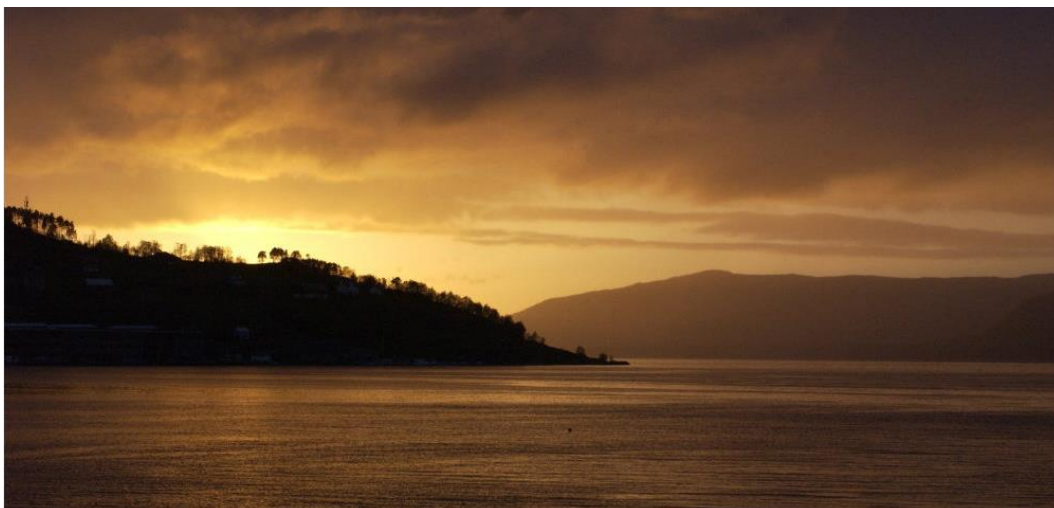
Honest is in our DNA. Honesty means that we can always be trusted. Honesty is the basis for our integrity and the respect we have for each other. We create a good working environment through honesty and respect, and it is the foundation for creating good relations with our stakeholders. We are committed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

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

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

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

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



Our Sustainability Policy

The environment

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

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

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

Corporate citizenship

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

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

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

Ekornes Code of Conduct

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

Anti-Corruption

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

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

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

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

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



Organization and follow-up

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

Compliance

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

Whistleblow

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



The people

As at 31 December 2019, Ekornes employed a total of 2 287 people, of which around 50% were employed in Norway.

Ekornes recognizes that its employees are the group's most important resource. The Group therefore wishes to promote a healthy, safe and fair working environment, offering equal opportunities regardless of gender, ethnicity or religion, in line with prevailing legislation and regulations.

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

Equality

Ekornes places great emphasis on meeting the objective of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act. Through physical access and the formation of work tasks, working hours and workplaces, the company has conducted arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation. Providing individual adaptation is also contributing to lower absence rates. One way of providing individual adaptation is through the *Green working stations*. These working stations are designed for eased work for employees with smaller disabilities.

Ekornes has Inclusive Working Life agreements for all Norwegian entities for the period 2019–2022. The Inclusive Working Life scheme stems from a tripartite agreement between employers' organizations, trade unions and the government, to make it possible for everyone who is able and willing to work.

Health

The Group had a sickness absence rate of 3.2% in 2019, a 0.2 percentage point increase from 2018. Long-term sickness absence (over 16 days) accounted for the bulk of the sickness absence. In the Norwegian part of the Group, efforts related to the Inclusive work life scheme, the workplace rehabilitation committee and individual follow-up have been implemented with a view to reducing the sickness absence.

Safety

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 18 lost-time injuries in 2019, up from 11 injuries in 2018. This gives an H1-value for the period of 4.0, compared to 2.6 the year before. In 2019, efforts to automate a variety of work processes continued. This has led to a further reduction in the amount of manual and physically hazardous operations.

Industrial safety – Emergency preparedness

All the Norwegian factories have an organized industrial safety capability. The industrial safety team at the Ikorntnes and Tynes has their own fire trucks and firefighters, making the facilities less vulnerable. Emergency response plans are drawn up at each factory and the necessary drills and training have been carried out at all facilities.



Labour unions

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

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

Education

The competence of its workforce is Ekornes' most important resource. It is therefore crucial that Ekornes is capable of both retaining and attracting competent staff, and of developing its existing competence base. Emphasis is placed on making Ekornes an attractive workplace, which offers opportunities for advancement within the Group. Craft apprenticeships are a key area for Ekornes in Norway. In 2019, Ekornes was an approved training company within seven craft disciplines and employed 20 apprentices. During the year, ten people passed their final exams to become qualified craftsmen or women. Close cooperation with lower and upper secondary schools, as well as the various training offices, are important for maintaining the high quality of the vocational training provided.

A number of training measures were implemented in 2019, both as a result of statutory requirements and to boost the Group's level of competence. Ekornes has established a good dialogue with several university colleges in Norway and participates in numerous events at which business meets students. Over the past three years, Ekornes has staged

a summer internship programme for students from a variety of disciplines. The internship lasted for five weeks from June to August. During the period, the participating students were allocated a project to complete, and were given guidance by mentors in a variety of disciplines. The summer internship programme offers the company an opportunity to showcase its operations, but also a chance for employees to learn and be challenged by young students.

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

Robot partnership

The vocational high school of Sykkylven has since 2006 been supplied with an industry robot by Ekornes for educational use. Training takes place both in the company and at the school: vocational teachers are trained and undertake internships at Ekornes to increase their breadth of knowledge and sharpen their skills. On the other hand, Ekornes employees also take courses at the school. School students have excursions to the factories where Ekornes provide guided tours of the plants and training in a variety of topics.



Shared value creation

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

For several years, employees engaged in Stressless® production have donated Christmas gifts to worthy causes in the local community through a special fund. Decisions regarding the allocation of these Christmas donations are taken by a committee made up of employees. In 2019, the donations were given to various local initiatives, particularly to two of the local rescue groups and several outdoor activity initiatives. In addition, Ekornes sponsors and participates in activities for children and teens in those districts in which it has production facilities.

The products

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

Quality

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

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

The furniture is tested by the following criteria:

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

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



The production

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

Ekornes focus on the areas where the impacts of improvements are greatest. In the furniture industry this is related to the production of polyurethane foam, surface coatings and adhesives as well as leather and fabrics. Ekornes strives continuously to reduce its use of chemicals and promote environment-friendly solutions. Among other things, Ekornes has contributed to the development of a new environment-friendly adhesive to produce laminated wood and all J.E. Ekornes' surface coatings facilities now use water-based products. Where necessary, Ekornes has made use of independent expertise to monitor requirements and set the standards needed to ensure compliance.

Wood and coating

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

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

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



Foam

Ekornes produces its own polyurethane foam. This benefit provides Ekornes with first-hand knowledge of the challenges of foam-making as well as full control on what chemicals are added to the foam. The foam is free from halogenated flame-retardants, organotin components or organic solvent-based release agents and glue. The plants in Norway are designed to re-use the residual foam generated from trimming, in order to make rebonded foam. This enhances the use of byproducts from the production by making components in rebonded foam.

Last year the foam department in J.E. Ekornes started the development of flame retardant free foam. In 2019 this project was implemented, and flame retardant free foam was set as standard from the Stressless factories. The factories still deliver foam which passes Crib 5 testing for customers demanding this, such as the offshore industry. To grasp the developments in the profession of foam-making Ekornes participate at several arenas across Europe to gain knowledge on how to go forward.



Steel and sourced components

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

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

Ekornes use polished cast aluminum for the signature and Starbase. The main outer frame of the Star Base chairs is subjected to galvanic surface treatment in order to

withstand the strains from the Glide system. The partner for galvanic surface treatment is locally based and utilize a modern closed loop process, ensuring zero emissions to water. Setting standards for emissions and a respectful, safe and healthy working environment is part of the dialogue Ekornes have with its suppliers of sourced components.



Leather and fabric

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

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

Ekornes continued as a member of the Leather working group (LWG) in 2019. This organisation focus on sustainable valuechains in the leather industry. In addition, Ekornes has an ongoing internal leather sustainability project which was launched in 2016. The aim of the project is to increase the internal knowledge in Ekornes on the environmental impacts associated with leather. Throughout the process the project will gain insight from reputed institutions and the industry to set new standards for chemical management, animal welfare, deforestation and other leather supply chain sustainability matters.

The supply chain

The Ekornes Group supply chain and sourcing team set the standard for suppliers and follow up regularly by contact, visits, risk-assessment and audits. Ekornes perform audits at the suppliers' facilities in order to generate a good cooperation, and secure that all partners in the supply chain are in compliance with the UN Global Compact principles. Ekornes' operations rely on suppliers of raw material and distributors from all over the world. This means that the company must face different cultures and legislations for business operations in different regions, which can be challenging. Towards our business partners, Ekornes states the company expectations through the *Ekornes Supplier Code of Conduct*. The Supplier Code of Conduct is reflected upon the UN Global Compact principles as an overreaching framework and are supported with internationally acclaimed conventions and norms embodied in national laws and regulations. Regarding human rights and labour, the Ekornes Supplier Code of Conduct sets expectations regarding:

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

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



The environment

By engaging in sustainable production, the Ekornes Group reduces the environmental impact of its products measured over their entire lifespan. For Ekornes, a sustainable piece of furniture is one that is robust, and that does not need to be replaced often. A high-quality piece of furniture will also have a high second-hand value. In recent years, considerable resources have been devoted to increasing the focus on continuous improvement, and a number of improvement measures were implemented on the production side in 2019. This contributes to a sustainable development not only of the products, but of the Group as a whole. Any move that helps to increase quality or reduce raw materials wastage, time and energy is a step in the right direction.

Emissions

Ekornes strives for a total emission reduction for the group and its facilities. Transport is seen as a significant factor as the finished goods are transported globally. The Stressless segment has therefore focused on increasing the share of finished goods that are transported by sea, rather than by road. The goal is set for 70 per cent of all such transport to be carried out by sea, while 30 per cent goes by road. In 2019, 61 per cent of the global transportation were shipped by sea.

Ekornes also produces emissions to air in connection with internal transport between the company's factories and in connection with business travel. These emissions is included in the total emission calculation for the group. Through the Group travel policy, Ekornes has paved the way for a reduction in business travel, which may lead to a reduction in the Group's greenhouse gas emissions over all.

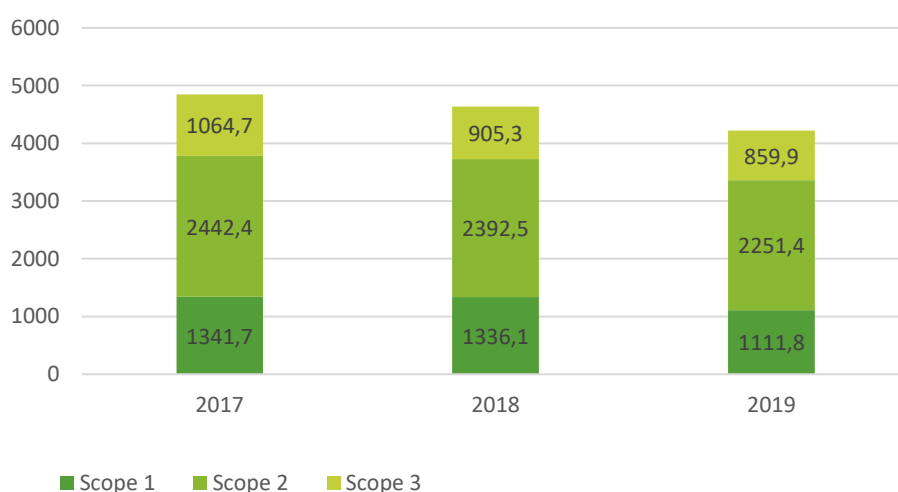
Ekornes monitor the emissions from the production. There are conducted emission measurements on an annual basis, to be compliant with local regulations. Ekornes additionally map the environmental emission impact of operations, such as business travels, the production and material usage. Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. Three of Ekornes' Stressless factories are subject to licences granted by the local County Governor. There are also some emissions of diisocyanate gas and carbon dioxide from the production of foamed plastic at factories in Norway, Thailand and Vietnam. Stressless' main facility is located at Ikkornes close to Sykkylvsfjorden. The company has therefore made discharges to water as a measurable parameter. Ekornes shall not have any unwanted incidents resulting in discharges to water. The production processes involving water consumption are performed in closed-loop systems. Discharges to water are normally channeled through our own and local authority waste treatment facilities, or it is delivered to an approved recipient. In recent years, the IMG factories in Thailand and Vietnam have increased the recirculation of water from their surface coating facilities in order to reduce their overall water consumption.

In 2019, Ekornes' greenhouse gas emissions totalled an estimated 4 223 tonnes of carbon equivalents. This is a reduction of 8,9 per cent from last year.

Ekornes reports its greenhouse gas emissions in three “scopes”. For Ekornes, emissions in Scope 1 (direct emissions) derive from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions deriving from the generation of electricity by a third party. Scope 3 is associated with the treatment of waste, air travel and authorized business use of motor vehicles.

The table below shows a breakdown of annual emissions by “scope” and confirms a reduction in total greenhouse gas emissions from 2017 to 2019.

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



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

Ekornes’ has the latter years had an ongoing project in mapping the logistics of the entire value chain with the aim of finding opportunities for improvement and increased efficiency. In addition to increasing the use of transport by sea, there will be fewer external warehouses and subcontractors. In the longer term, this will cut time spent on administration and increase the focus on development, quality, cost-effectiveness and the environment. By this transition to more sea-freight Ekornes CO₂ emission, will be reduced by approximately 40 %. At the end of the year 2019, Ekornes reached its target, shipping 70% of our outbound by sea. By utilizing the opportunity that our main factory is located by the fjord, the overall per cent of the global transportation were 61 percent.

Energy usage

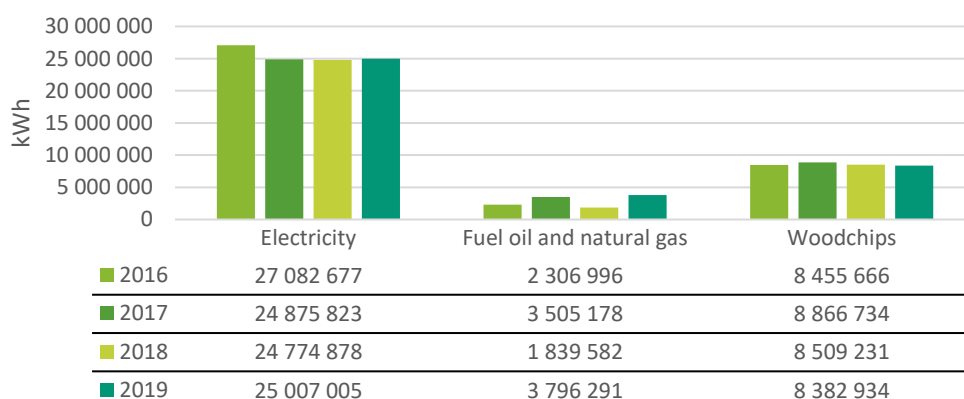
Energy and heat One of Ekornes’ environmental goals is to phase out fossil fuel oil in the heating of its factories by the end of 2020. Ekornes has throughout 2019 phased out fossil heating at the Aure facility. A factory which is heated with wooden offcuts from

own production and electricity. In recent years, the company has additionally upgraded the heating system at its Ikornnes facility to achieve this goal.

Ekornes aims to reduce the electricity consumption at its Stressless production plants by 10 per cent by the end of 2020. In 2019 the facilities had a stable energy consumption. The Group's Norwegian plants largely use bioenergy for heating. Woodchips, which is a by-product from the manufacturing process, constitute the primary energy source for heating at the factories on the northwest coast of Norway, while the Svane plant at Fetsund uses a combination of woodchips, electricity and gas. The factories in the USA, Thailand and Vietnam are less affected by ambient temperatures, and their energy consumption relates largely to their machine park. The use of daylight at the factories in Vietnam and Thailand has improved in the past year, which has reduced the need for artificial lighting. In recent years, the factory at Fetsund has switched to LED lighting in its premises, which has also reduced energy consumption. In May 2019, IMG finalised its new factory in Lithuania. This facility has an A+ energy certification, based on its use of geothermal energy and its high level of insulation.

The majority of the production in Ekornes is based in Norway, where hydro power accounts for 95% of electricity generation. Although this is clean, renewable power, reducing electricity use is one of Ekornes main environmental objectives. Ekornes is participating in the Tafjord Energi Arena network. Through the network, Ekornes learn from the experiences of other manufacturers in the Sykkylven area. A part of this network is training on energy management theory based on the principles of the ISO 50001 standard. The graph below shows the Ekornes Group's consumption of electricity, woodchips, fuel oil and natural gas in kWh. The graphics illustrate a stable energy consumption with an increase in usage of fuel oil and natural gas. Fuel oil has been phased out at the latter years, and at the Aure facility during 2019. The increase is reflected on a higher usage of natural gas for heating.

The Group's energy usage



Waste management

Furniture production generates waste. Efforts to reduce the volume of waste and to increase recycling are therefore important. Ekornes sorts all its waste at source in such a way that the bulk of the waste is reused, recycled or used for energy recovery at its own

plants. For the Svane and Stressless factories, sorting and recycling accounted for over 77 per cent of all recorded waste. This is a positive development from last year, when 75 per cent was recycled. Efforts are being made to convert the company's own waste into useful by-products that can be reincorporated into its manufacturing processes. The goal is to reduce the proportion of waste that cannot be exploited at its plants or recycled elsewhere down from approx. 2 kg per seat unit in 2015 to 1.5 kg by the end of 2020. Ekornes sorts all its waste at source in accordance with applicable regulations and in such a way that the bulk of the waste is recycled or used for energy recovery. Ekornes seeks to utilize as much as possible of its waste, either for heat production or as raw materials for its own production.

In addition to reusing some by-products from production at Ekornes' own factories, other by-products can represent valuable raw materials for other enterprises. Hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Investments in modern technology have helped to reduce the volume of offcuts. Remaining leather offcuts are collected and sold to producers of small articles. To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities. Efforts are also made to increase the individual employee's awareness in this area, so that everyone can contribute to target realisation. The table below shows the volume of waste in tonnes produced by the Group's facilities in Norway and the USA, and it is characterised according to the waste's value in use. The categories are landfill, mixed waste for energy recovery, wood for combustion at our own or external facilities, and reuse or recycling. Waste sent for reuse or recycling is waste that can be utilised by other parties.

To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities. Efforts are also made to increase the individual employee's awareness in this area, so that everyone can contribute to target realization.

Figures in tonnes per plant	Ikornnes	Tynes	Aure	Grodås	Fetsund	Morganton	Total	Total %
Landfill	0	0	1,44	0	10,2	0	11,6	0,3%
Mixed waste for energy recovery	338,6	62	18,64	108,0	0	152,3	679,6	19,4%
Wood for incineration at own or external facilities	1041,8	676,9	0,	437,7	0	91,4	2247,8	64,3%
Reuse or recycling	327,3	23,4	20,77	6,8	22,3	59,8	460,4	13,2%
Hazardous waste/ waste electrical items	93,9	0	0,96	0	0	2,7	97,6	2,8%
Total volume of waste from Ekornes plants excl. IMG	1801, 6	762,4	41,81	552,6	32,5	306,3	3497,1	100%

Recycle and use of byproducts.

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

The Local Environment

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

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

Environmental management

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



This sustainability report for the fiscal year of 2019 addresses the Ekornes Group legal requirements for business reporting specified in the Norwegian Accounting Act (“Regnskapsloven”) §3-3 c – Statement of corporate social responsibility.

The Sustainability report 2019 is additionally our Communication on Progress (COP) for 2020 to the UN Global Compact. Our Sustainability report reflects upon our consciously commitment to the ten principles of the UN Global Compact.

