



Governance and strategy

SUSTAINABILITY REPORT FOR 2015

Sustainability is well-integrated in the companies' core processes and business development. Policies and Codes of Conduct are approved by the Board and give clear guidelines and set requirements.

The steering documents are founded on the guidelines of the UN's Global Compact's 10 principles on human rights, labour, the environment and anti-corruption, plus the guiding standard ISO 26000.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

A stakeholder analysis has been carried out. It identifies a total of 16 stakeholders. Our most important stakeholder groups are found in and around our value chains. These are shareholders, customers, employees, suppliers and partners, plus society in the form of government agencies, the education sector, the media and the local communities in which we run our operations. For the environmental aspects, the national environmental goals adopted by the Swedish Riksdag have been viewed as a stakeholder in conjunction with the materiality analysis.

An updated materiality analysis regarding environmental aspects was carried out during the year. The most important aspects from the point of view of the company and its stakeholders are shown below and can basically be summed up as a "Lifecycle approach".

LAMMHULTS DESIGN GROUP'S OVERALL SUSTAINABILITY GOALS

Lammhults Design Group works towards four comprehensive sustainability goals to achieve sustainable business and social development, and on-going improvement.

1. Ensure that Lammhults Design Group's core values and social and environmental principles are recognised and integrated in the operations of each company.
2. Ensure that we have a socially and environmentally sound and responsible supply chain
3. Increase the proportion of sustainable wood raw materials in our products and support sustainable forestry
4. Reduce the environmental impact of our products and services

OUR SOCIAL RESPONSIBILITY

Employees

The skills of our employees and their ability to develop and manufacture products and solutions for good and stimulating environments for work, learning, meetings and interaction are at the heart of the Group's operations. Consequently, we strive to create good workplaces and a stimulating working environment characterised by commitment and involvement. Developing leadership and employeeship is crucial. One important tool is regular performance reviews which form a basis for the development of every individual employee.

Organisational development is in progress within the companies. During the year working methods have continued to be developed to encourage greater participation, involvement and commitment among employees.

Lammhults Design Group values ethics, diversity and equality. We want the composition of our human resources to reflect the world around us and our customers. The Group's employees in 2015 numbered 352 people, 57 percent men and 43 percent women for the whole Group. Staff turnover at own request amounted to 8 percent.

Total sick leave amounted to 4.5 percent, of which 1.9 percent was short-term sick leave.

Suppliers

We largely use local suppliers in the respective country in which the companies operate. The suppliers supply material, components, semi-manufactured or finished articles. For the Group as a whole, local suppliers accounted for 66 percent of purchasing in terms of value in 2015. Of the Group's external purchasing of materials and components, suppliers in the Nordic countries accounted for 53 percent, the rest of Western Europe for 27 percent, and Eastern Europe for 17 percent, while purchasing in Asia (China) amounted to 3 percent. In total 124 suppliers account for 80 percent of direct materials.

Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers.

Möbelfakta' criteria for social responsibility in the supply chain have been tightened up and even more systematic work on surveys, risk analysis and follow-up has been established.

Anti-corruption and human rights

Risk analyses of breach of the company's Code of Conduct regarding bribery and offences against legislation and regulations have previously been carried out for all the

companies in the Group. This risk analysis also covers risk of inappropriate gifts or other favours provided for personal gain or to benefit another party and not for the best of the company. In 2017 the new ISO 37001 standard on anti-bribery management systems is expected to be launched. A risk analysis of offences against human rights, freedom of association, child labour and forced labour was previously performed. For the Group's companies whose own production is in the Nordic countries, and with 97 percent of the supplier base located in Europe, where rights and freedom of association are protected by law, there is judged to be no major risk. Some of the companies have suppliers in China. Here there is judged to be a risk and measures have already been put in place, which are followed up by factory visits and inspections.

OUR SOCIAL ENGAGEMENT

Several of the companies in the Group have established partnerships with schools and educational institutions for study visits, work experience and dissertations. These partnerships are of great value and have an impact on our business and future development. There are several good examples of the importance of these networks for recruitment and for developing products and services. In 2014 a high profile partnership began between Lammhults Möbel and the design colleges Malmsten Furniture Studies/Linköping University, Beckmans College of Design and the Bergen Academy of Art and Design. At the Stockholm Furniture Fair in February 2015, five students were selected who have been given the chance to work with Lammhults' development department for a year. Several new examples of furniture were presented at the Stockholm Furniture Fair in February 2016. A new generation of creative designers are making an impression and building future partnerships.

SIGNIFICANT ENVIRONMENTAL ASPECT	FOCUS AREAS FOR ACTIVITIES AND ACTION PLANS
Limited climate impact	Design for long product lifetime, reduce energy consumption, increase the proportion of renewable raw materials, increase the proportion of recycled materials and design products for greater recycling and replaceability.
Living forests	Ensure the purchase of wood materials from sustainable forestry
Non-toxic environment	Reduce the use of chemicals by complying with Möbelfakta's and the Nordic Ecolabel's criteria.

OUR ENVIRONMENTAL RESPONSIBILITY

Product development and design for a long lifetime and with well thought-out materials and solutions that can be replaced or renewed creates conditions for a circular economy. A lifecycle approach is a fundamental aspect of the design process. Here there are challenges as well as opportunities! One crucial issue for the future is the climate challenge. Therefore the Group is focussing on choice of materials, and use of resources and working to reduce our climate impact, as shown below.

The production units in Sweden and Norway are heated using bio-based district heating and electricity consumption in Sweden, Denmark and Germany is entirely based on electricity from renewable resources (wind and hydro power). From March 2015 Fora Form in Norway has also been using environmentally certified electricity. Fora Form in Norway has also halved its electricity consumption thanks to production efficiency improvements with all production being gathered at one site since the start of 2015. Electricity consumption in the Group as a whole has been cut by 18 percent compared with the previous year for comparable units.

In 2016 energy consumption will be further reduced through the structural measures carried out during the year with the move of production for Ire to Lammhults and through further energy efficiency improvements such as invest-

ments in new ventilation and replacing old lighting. For all the companies, total energy consumption has been cut by 13 percent compared with 2014. In total, renewable sources account for 84 percent of the Group's total energy needs in terms of all electricity and heating.

The Group's companies have cut CO² emissions from heating and electricity by 41 percent compared with the previous year through efficiency improvements and switching to environmentally certified electricity.

Packaging materials mainly comprise renewable raw materials such as corrugated board and wood. Plastic is also used. The proportion of renewable packaging material was 96 percent in 2015.

Material recycling is the dominant method of waste management, which is important for a sustainable society. Material recycling amounted to 64 percent of total waste during the year.

In order to Möbelfakta-label or Nordic Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry. More volume products have been Nordic Ecolabelled or approved by Möbelfakta. The number of Möbelfakta-approved products has increased during the year by an additional 23 products and now amounts to a total of 56 products/ranges. Work will continue to obtain additional ecolabels such as the Nordic Ecolabel and Möbelfakta in 2016. This applies to new products as well as the existing range.

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS

Abstracta AB (Sweden)	69%
Lammhults Möbel AB (Sweden)	71%
Ire Möbel AB (Sweden)	75%
Fora Form AS (Norway)	69%
Lammhults Biblioteksdesign AB (Sweden)	50%
Lammhults Biblioteksdesign A/S (Denmark)	39%
Schulz Speyer Bibliothekstechnik AG (Germany)	82%
TOTAL	66%

REPORTING IS SHOWN IN THE TABLE ON PAGE 35.

CO² reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil. CO² emissions from transports are not reported as only a limited number of suppliers are currently able to submit an emissions report. When it comes to transport, we monitor the progress of our carriers in their transition to more environmentally friendly engines (EURO classes).

MATERIAL USE & ENERGY CONSUMPTION

MANUFACTURING FACILITIES									TOTAL 2015	TOTAL 2014	INDEX
	ABSTRACTA AB SWEDEN	FORA FORM AS NORWAY	IRE MÖBEL AB SWEDEN	LAMMHULTS MÖBEL AB SWEDEN	LAMMHULTS BIBLIOTEKSDESIGN AB SWEDEN	LAMMHULTS BIBLIOTEKSDESIGN A/S DENMARK	SCHULZ SPEYER BIBLIOTEKSTECHNIK AG GERMANY				
PACKAGING MATERIALS											
Corrugated board (kg)	113,759	54,523	15,898	96,283	11,411	2,376	3,300	297,550	309,870	96%	
Plastic (kg)	1,761	923	2,407	3,791	1,355	2,586	771	13,594	10,057	135%	
Wood (kg)	8,163	0	0	15,000	1,125	17,820	0	42,108	48,287	87%	
ENERGY											
Oil (kWh)	0	0	0	0	0	0	154,056	154,056	199,510	77%	
Natural gas (kWh)	274,478	0	0	0	0	765,490	0	1,039,968	1,236,884	84%	
Electricity (kWh)	748,190	373,985	242,437	955,539	174,000	171,405	36,760	2,702,316	3,290,663	82%	
District heating (kWh)	1,302,940	480,890	487,400	1,256,000	214,000	0	0	3,741,320	4,015,620	93%	
CO ² emissions from heating and electricity (kg)	116,643	23,540	123	33,912	6,079	159,687	50,304	390,288	658,361	59%	
WASTE											
Hazardous waste (kg)	2,454	20	0	20,284	0	0	0	22,758	19,059	119%	
Landfill (kg)	8,500	0	0	372	0	0	0	8,872	16,360	54%	
Material recycling of steel (kg)	21,900	9,700	0	76,960	0	28,840	0	137,400	99,720	138%	
of aluminium (kg)	4,180	0	0	1,650	0	0	0	5,830	1,020	572%	
Material recycling of wood (kg)	60,920	25,490	0	48,600	4,740	0	12,450	152,200	139,060	109%	
Material recycling of plastic (kg)	2,550	1,221	0	3,050	0	1,110	0	7,931	8,156	97%	
Material recycling of corrugated board (kg)	14,560	0	1,920	29,630	3,350	2,480	0	51,940	66,024	79%	
Material recycling of paper (kg)	1,980	10,989	480	4,770	400	0	10,730	29,349	13,727	214%	
Burnable waste (Energy recovery) (kg)	116,840	11,920	8,780	30,870	3,640	8,350	8,540	188,940	121,930	155%	
KEY FIGURES											
Proportion of waste for material recycling	45%	80%	21%	76%	70%	80%	73%	64%	68%		
Proportion of packaging material that is renewable	99%	98%	87%	97%	90%	89%	81%	96%	97%		

ABOUT THE REPORT

The Sustainability Report is inspired by the Global Reporting Initiative's G4 guidelines. Economic and social indicators cover the entire Group. The environmental aspects include all the production and distribution units. The sales companies have a marginal impact on the environmental indicators. The environmental impact of sub-contractors' factories is not covered by the report.

A GRI cross-reference table is provided as an annex to the report in electronic form at www.lammhultsdesigngroup.com