

Continued work on strategic sustainability targets

SUSTAINABILITY REPORT FOR 2014

PRESIDENT'S STATEMENT

During the year we have continued our focus on attaining the strategic sustainability targets that have served as our guiding principles since 2011. The sustainability targets focus on our work on ethics and values, a sustainable value chain from social and environmental aspects and on systematically reducing the environmental impact of our products. In simple terms these can be summed up as better management of resources, working for good labour conditions and reducing unnecessary complexity in product design and material choices. Complexity is also about supplier structure and our production units.

Managing resources might seem obvious but there are many obstacles in the way and hidden forms of waste too. Target-oriented work, as early as the design stage, which takes environmental footprint, working conditions and lifetime as well as recycling seriously, produces results. To attain results more quickly improvements have also been made to the existing range. The more systematic work in recent years on sustainability issues and resource management has contributed towards cutting costs and creating environmental gains, as is shown in our accounts. In the space of a few years, the efficiency of

the Group's production structure has been improved in a way that reduces our climate footprint. We have fewer production units that do more in terms of value creation. In 2014 we have completed successful work on focussing on value creation in our own manufacturing at Fora Form in Norway. All final assembly is now gathered in one place. The result will be close to a 50 percent cut in electricity consumption on an annual basis, as well as a marked reduction in internal transport. This is one example of how questioning habitual structures produces results in which environmental and financial benefits go hand in hand.

Lammhults Design Group's most important sustainability areas will be reviewed as part of the work launched on our strategic priorities for 2016–2018 and in line with GRI G4. This is taking place in dialogue with our most important stakeholders. Here the foundations are laid for work and priorities in the years ahead, and thus also for our upcoming sustainability reports. The report we are submitting on our work carried out in 2014 is the last to be reviewed under GRI 3.1. The audit of the management standard ISO 14001 currently underway and to be completed in 2015, together with the new version of ISO 9001, will also help to support



Systematic work on sustainability issues and resource management in recent years has helped to cut costs and create environmental gains.

our work on strategy and on continuing to integrate business development and sustainability. In 2014 customer and staff surveys have been carried out, which has given us a good basis for prioritised areas for improvement.

The Swedish furniture industry, through TMF, has developed new Möbelfakta criteria since 2010. From 2015 onwards additional steps will be taken by increasing the demands on more systematic work on surveying, risk analysis and monitoring suppliers. This facilitates our work on creating a uniform way of working on risk analysis, audits and follow-up of our social responsibility. The Norwegian furniture industry has been working with scientists at Ostfold Research for several years to develop a lifecycle calculation tool that meets the requirements of the EPD system and ISO 14025. This tool means actual environmental performance can be calculated and reported. The tool provides good support in product development where it has now started to be used.

We can see that public procurement is increasingly being used as an instrument for attaining social policy goals regarding environmental and social accountability. This is entirely in line with our interests and the focus we have worked on. To improve our knowledge and clearly set out

our commitments on social responsibility, we signed up to the UN Global Compact in February 2014.

In Sweden the "Green List" has been a source of inspiration for purchasing sustainable furniture for many years. Its stringent requirements, including on documentation, help to ensure that aims concerning a non-toxic environment, a higher proportion of ethical procurement, traceability for wood raw materials and solutions that contribute towards sustainable development are promoted. These requirements also mean that an increasing proportion of material and components are based on recycled materials and that solutions with a long lifetime and a healthy value chain are rewarded. I see a bright future ahead for Lammhults Design Group's products and interior design solutions that are developed to meet high demands and expectations. These come from shareholders, employees in value chains, retailers, users and prescribers.

ANDERS ROTHSTEIN,
PRESIDENT AND CEO

Lammhults Design Group's products have a tradition of responsible and sustainable design and production. The quality of our products and their long lifetime are a prerequisite for sustainable consumption.

Lammhults Design Group's vision for sustainability

Our ambition is to be a trailblazer while complying with international standards and legal and market requirements. Business ethics, high morals and integrity are crucial and are integrated in Lammhults Design Group's operations and constant striving towards sustainable development. We take environmental, social and financial aspects into account when creating and offering products and services. We examine the environmental, social and financial impacts and reduce risks in our own organisation, in our products and in the value chain. At the same time, our product quality must always meet the requirements and expectations of our customers.

Lammhults Design Group is to run its operations in line with the principles of the UN Global Compact and ISO 26000, the leading standard for social responsibility, and its principles on ethical behaviour, respect for the rule of law, respect for international standards and expectations, respect and consideration for the requirements and expectations of stakeholders, responsibility, transparency, the precautionary principle and respect

for human rights. Lammhults Design Group's vision for sustainable development and social responsibility must permeate the entire organisation, the value chain and our products and services.

GOVERNANCE AND STRATEGY

The Group's governance is predominantly steered by the Codes of Conduct and policies which have applied since 2011. These documents will be revised in 2015 in conjunction with work on the strategy for 2016-2018. The steering documents are founded on the guidelines of the 10 principles of the UN's Global Compact on human rights, labour, the environment and anti-corruption, plus the guiding standard ISO 26000. Our Code of Conduct rests on the UN's Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and its 27 principles, and the UN Convention against Corruption.

We want to ensure a clear link between strategic corporate management of our business areas and companies and actual improvements in terms of finances, the environment, people and society. Direct responsibility for the environ-

ment, the working environment and ethics is taken locally by each company. To develop work on sustainability and increase the transfer of knowledge and learning between the companies, there is a strategic Sustainability Council within the Group. All the Group's companies in Sweden and Norway currently meet the requirement of being certified under the environmental management system ISO 14001. The management systems at Lammhults Möbel and Abstracta are certified and approved under ISO 9001, ISO 14001 and OHSAS 18001.

We look forward to the new versions of the management standards which in 2015 will gain a uniform structure plus an expanded view of the importance of the value chain and a strong emphasis on goals and monitoring progress towards them.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Our most important stakeholder groups are identified 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.

The Group's companies are members of industry organisations in the countries in which we run our production. In Sweden TMF, the national trade and employers' association of the wood processing and furniture industry, carries out extensive work on the environment and sustainability.

TMF runs Möbelfakta, an established and updated reference and labelling system for furniture that sets ambitious criteria in terms of function, lifetime, environmental considerations and social responsibility. The requirements on the regulatory framework for social responsibility in the supply chain have been tightened up from January 2015, which is welcomed. There are higher requirements on risk assessments and monitoring compliance with the requirements. The environmental criteria reflect high external standards and are based on the guidance of the former Swedish Environmental Management Council (SEMCo), with the technical requirements based on the international product standards (CEN and ISO) and social responsibility based on the UN Global Compact. A revision of the environmental requirements is in progress and is expected to be completed in 2015. The Group is represented on the technical committee that heads the development of Möbelfakta.

Work within the industry has created an excellent basis for clearly setting out and establishing what is considered material in terms of environmental performance of products, product quality, product safety, resource management and good working conditions throughout the production chain. This creates a sound footing for our priorities.



COMET SPORT

Design Gunilla Allard. Lammhults.



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

Sustainability goals



Lammhults Design Group is committed to the implementation, disclosure, and promotion of the UN Global Compacts principles including the guiding standard for social responsibility, ISO 26000 and its principles:

- Ethical behaviour
- Respect for the rule of law
- Respect for international standards and expectations
 - Respect and consideration for the requirements and expectations of stakeholders
 - Responsibility
 - Transparency
- The precautionary principle
 - Respect for human rights

Ensure that Lammhults Design Group's core values and social and environmental principles are recognised and integrated in the operations of each company

Our Code of Conduct rests on the UN Global Compact and its ten principles. During the year internal training and workshops on our Code of Conduct continued. The management systems in the companies are developed and followed up through internal audits, external audits and checks in line with their plans. The CEOs also have to certify that the Code of Conduct is implemented and

that systematic work is being carried out in conjunction with every Möbelfakta declaration. Lammhults Design Group signed up to the Global Compact in February 2014. This provides a foundation for our undertakings and gives good guidance in work to ensure compliance with our Codes of Conduct and to take preventive measures.

Ensure that we have a socially and environmentally sound and responsible supply chain

We do this by using suppliers who work systematically on methods to ensure their social and environmental responsibility in their operations. Of the Group's external purchasing of materials and components, suppliers in the Nordic countries accounted for 56 percent, the rest of Western Europe for 24 percent, Eastern Europe for 16 percent, while purchases in Asia (China) accounted for

4 percent. An external audit of our social responsibility in China was carried out in 2014 with good results. In 2014 purchasing was moved from China to Europe to enable traceability of wood raw materials and to ensure a chroming process free from hexavalent chromium. In 2015 we will develop consistent procedures for sustainability audits within the Group.

Increase the proportion of sustainable wood raw materials in our products and support sustainable forestry

In order to Möbelfakta-label or Nordic Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry. This was already introduced as a Group criterion when developing new products. During the year, more volume products have been Nordic Ecolabelled or approved by Möbelfakta.

The proportion of wood used by Lammhults Möbel which is FSC/PEFC certified now exceeds 90 percent of all wood raw materials. A considerable amount of the processing of wood raw materials is carried out by the Group's suppliers, which accounts for difficulties in exactly quantifying the proportion.

Reduce the environmental impact of our products and services

One of our measures is to increase the number of products documented as compliant with the criteria and standards of Möbelfakta and/or the Nordic Ecolabel or equivalent sustainability, environmental and social responsibility criteria. Lammhults has continued its work and during the year has Möbelfakta-labelled a further 13 products, while the volume products Campus and Spira have now been approved under the stringent requirements of the Nordic Ecolabel. Work continues on Nordic Ecolabelling of additional selected products. Currently the companies in Sweden have a total 36 products labelled by Möbelfakta. The production units in Sweden and Norway are heated using bio-based district heating and electricity consumption in Sweden is entirely based on hydroelectric power. The Group's companies in Sweden have cut

greenhouse gas emissions from energy and heating by approximately 20 percent in terms of CO₂ equivalents compared with the previous year. It is true that it has been a mild year, but work on energy efficiency improvements is producing results. For all the companies, total energy consumption has been cut by 16 percent compared with 2013. Restructuring in Denmark, with steel processing and powder coating being outsourced, has led to a reduction equivalent to 10 percentage points of total consumption. Extensive work has been carried out in 2014 at Fora Form's production unit which enables all assembly to be gathered in one place from 2015. The result will be to halve electricity consumption on an annual basis from 2015 onwards.



CAMPUS

Design Johannes Foersom & Peter Hiort-Lorenzen. Lamhults.



EMPLOYEE TURNOVER IN NUMBER PER AGE GROUP

	AGE GROUP					TOTAL
	< 30	31-40	41-50	51-60	> 61	
2014 Started	7	13	6	1	0	27
2014 Ended	9	6	9	10	2	36
2013 Started	4	2	5	3	0	14
2013 Ended	8	7	3	10	11	39

ATTENDANCE AND SICK LEAVE IN SWEDEN, NORWAY, DENMARK AND GERMANY

	2014	2013
Time worked	96.3%	95.8%
Sick leave < 14 days	2.0%	2.1%
Sick leave > 14 days	1.7%	2.1%

AGE DISTRIBUTION OF EMPLOYEES IN THE GROUP

	AGE GROUP					TOTAL
	< 30	31-40	41-50	51-60	> 61	
2014 No.	44	78	108	88	35	353
2013 No.	48	62	104	81	30	325

NUMBER OF EMPLOYEES PER REGION

2014	MEN	WOMEN	TOTAL	2013	MEN	WOMEN	TOTAL
Sweden	117	75	192	Sweden	122	77	199
Norway	36	26	62	Norway	8	8	16
Denmark	15	27	42	Denmark	18	30	48
Germany	23	11	34	Germany	23	15	38
Other countries	14	9	23	Other countries	13	11	24
TOTAL	205	148	353	TOTAL	184	141	325

EMPLOYEE TURNOVER, NUMBER BY GENDER AND REGION

2014	MEN	WOMEN	TOTAL	TURNOVER %	2014	MEN	WOMEN	TOTAL	TURNOVER %
Sweden	16	5	21	11%	Sweden	18	3	21	11%
Norway	0	0	0	0%	Norway	1	0	1	5%
Denmark	6	6	12	29%	Denmark	2	5	7	15%
Germany	0	1	1	3%	Germany	1	3	4	11%
Other countries	1	1	2	9%	Other countries	3	3	6	25%
	23 (64%)	13 (36%)	36	10%		25 (64%)	14 (36%)	39	12%



SONEO
Design Abstracta.



OUR SOCIAL RESPONSIBILITY

Our stakeholders

The stakeholder perspective characterises Lammhults Design Group's work on sustainability, which is carried out in an on-going dialogue with our stakeholders. In 2014 customer and employee surveys were carried out across all companies. Action plans were drawn up with the aim of improving customer and employee satisfaction.

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.

In 2014 more than 90 percent of employees participated in at least one performance review. Organisational development is in progress within the companies. During the year forms and 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 2014 numbered 353 people, 58 percent men and 42 percent women for the whole Group. Staff turnover at own request has fallen and is equivalent to 6 percent. Total sick leave has fallen, amounting to 3.7 percent. Gender distribution, age distribution, total staff turnover and sick leave are shown in the table to the left.

Suppliers

The Group has units in Sweden, Norway, Denmark and Germany. We largely use local suppliers in the respective



X-WORKS

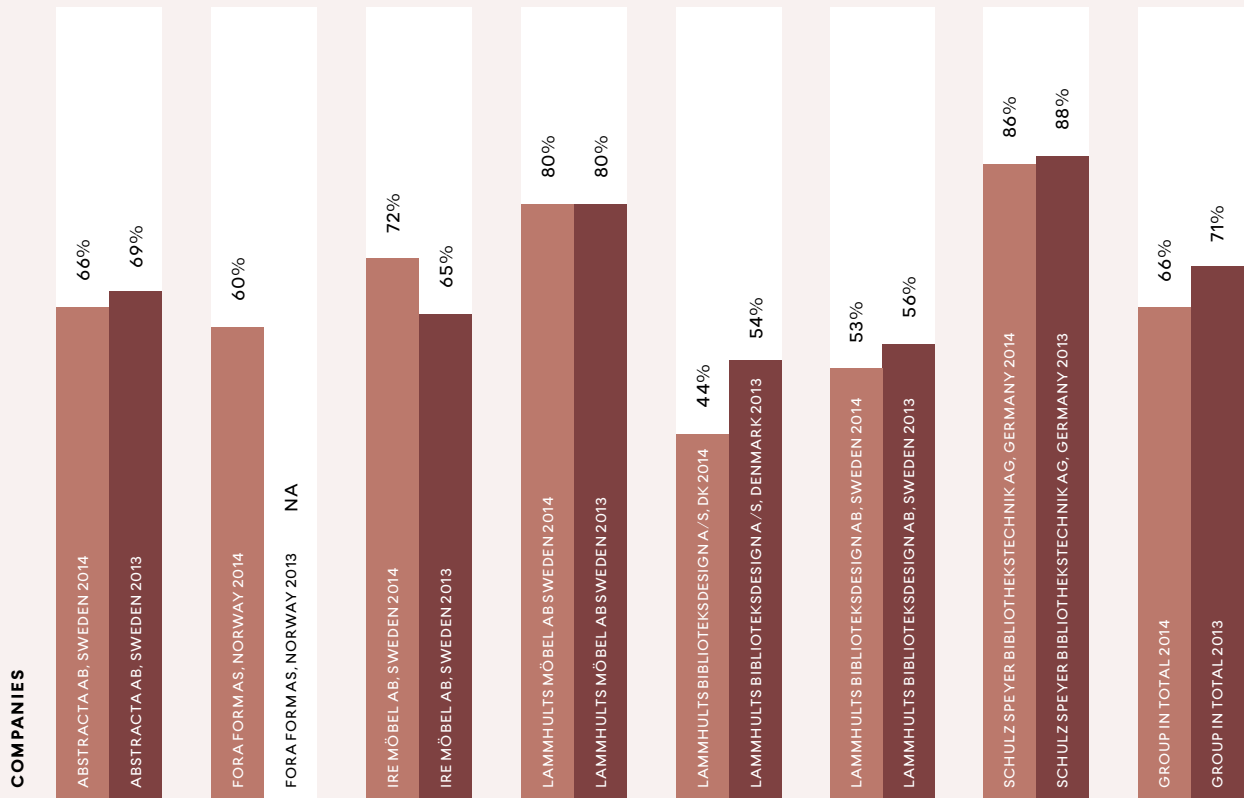
Partnership between Lamshults Möbel and the design colleges Malmsten Furniture Studies/Linköping University, Beckmans College of Design and the Bergen Academy of Art and Design.

country. For the Group as a whole, local suppliers accounted for 66 percent of purchasing in terms of value in 2014. The only country on the list of Risk countries published by the Business Social Compliance Initiative (BSCI) in which we have suppliers is China. Of the total purchase value, purchasing in China accounted for 4 percent. In addition to our own audits, external audits of suppliers in China were also carried out in 2014 with good results. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers. Our requirements for suppliers are summarised in the Code of Conduct for suppliers, which was revised in 2011. A review of Möbelfakta's criteria on social responsibility in the supply chain was carried out during the year. The new criteria which apply from 2015 onwards mean higher requirements in terms of more systematic work on surveying, risk analysis and monitoring suppliers. The work which has now begun to apply these requirements will also strengthen and support developing a more consistent approach for taking our responsibility.

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. The Group's Code of Conduct will be revised in 2015, at which time the work on anti-corruption will also be examined and evaluated. It will take a few more years before guidance and the ISO 37001 standard for systematic management work against corruption are launched. However, good guidance does exist in the form of the OECD's guide "Good Practice Guidance" and in legislation such as the UK Bribery Act. The UN Global Compact has also published guidelines for anti-corruption work that help to increase knowledge and risk-awareness to strengthen work in combatting and preventing corruption.

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS



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 96 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. An external audit was carried out in 2014 to complement our own audits. No issues were raised regarding the working environment or human rights in this audit.

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 between Lammhults Möbel and the design colleges Malmsten Furniture Studies/ Linköping University, Beckmans College of Design and the Bergen Academy of Art and Design was carried out. The working title was X-works 2.0. In total 26 students in final year classes worked on the project. At the Stockholm Furniture Fair in February 2015 5 students were selected who have been given the chance to work with Lammhults' development department for a year. The aim is also to set up long-term cooperation with one or more of these students.

DISTRIBUTION OF ECONOMIC VALUE PER STAKEHOLDER

For us, sustainability and sustainable development are about creating financial value in the form of profitable growth in which social and environmental responsibility are integrated in our operations. We seek to create financial value for shareholders, employees and other stakeholders. We will do our bit towards positive social development and invest with a sensible, long-term perspective.

CREATED AND DISTRIBUTED ECONOMIC VALUE

Economic value generated directly	2014	2013
Income	756.0	598.7
Total economic value generated directly	756.0	598.7
Economic value distributed		
Operating expenses, of which the major share to our suppliers	519.3	411.9
Salaries and remuneration to employees	172.3	147.6
Payments to financiers, net	4.4	2.2
Social welfare charges to the public sector	30.7	26.1
Payments to the public sector in the form of taxes	8.4	0.8
Total economic value distributed	735.1	588.6
Net economic value	20.9	10.1
Dividend to shareholders	12.7	8.4
Retained in the businesses	8.2	1.7

OUR ENVIRONMENTAL RESPONSIBILITY

During the year Lammhults Möbel has Nordic Ecolabelled more versions of the Campus and Spira chairs. Both are volume products which has an impact on the external environment and the work environment. Lammhults Biblioteksdesign has also Nordic Ecolabelled accessories for shelving systems during the year. In 2014 a total of 16 products in the Group were approved by the Möbelfakta label. Work continues to obtain additional ecolabels such as the Nordic Ecolabel and Möbelfakta in 2015 This applies to new products as well as the existing range. Our work is characterised by constant improvements.

The companies' energy use is shown in the table on page 37. All the units in Sweden are heated using district heating based on biofuel, which is an eco-friendly option. The Norwegian units are heated by district heating and geothermal heating. The units in Denmark and Germany are heated using fossil fuels (gas and oil respectively). In total, renewable sources account for 71 percent of the Group's total energy needs in terms of all electricity and heating. The companies in Sweden have ecolabelled electricity based on hydropower. Comparing consumption for heating from one year to the next requires standardisation with what are termed "degree days". In Lammhult, where the Group has considerable operations, 2014 was a milder year than normal with degree days equivalent to 88 percent, while the figure for 2013 was 94 percent.

Electricity consumption in the Group has been cut further with a reduction of 9 percent on the previous year. During the year a project was run at Fora Form in Norway to improve the efficiency of the assembly unit in Ørsta.

The project was successful and a smaller assembly unit was sold in early 2015. All assembly is now gathered within one unit, which will mean a reduction in energy consumption of approximately 50 percent compared with the previous situation.

CO₂ emissions have been cut by 32 percent. One contributory factor is outsourcing steel processing and varnishing at the unit in Holsted, equivalent to 25 percentage points. This is reported in the table on page 37. 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 transport 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). The packaging materials and raw materials in coatings and adhesives are shown in the table on page 37. The report shows that corrugated board and wood (based on renewable raw materials) dominate as packaging materials and account for approximately 97 percent of all packaging materials.

Water is used to a very limited extent in manufacturing processes, and the volumes reported primarily reflect the number of employees per company.

Waste is reported in the table on page 37. The table shows that material recycling is the dominant method of waste management, which is important for a sustainable society. 68 percent of total waste has been able to be recycled through material recycling.

MATERIAL USE & ENERGY CONSUMPTION

MANUFACTURING FACILITIES	ABSTRACTA AB SWEDEN	FORA FORM AS NORWAY	IRE MÖBEL AB SWEDEN	LAMMHULTS MÖBEL AB SWEDEN	LAMMHULTS BIBLIOTEKSDSIGN AB SWEDEN	LAMMHULTS BIBLIOTEKSDIGNA/S DENMARK	SCHULZ SPEYER BIBLIOTEKSTECHNIK AG GERMANY	TOTAL 2014	TOTAL 2013	INDEX*
PACKAGING MATERIALS										
Corrugated board (kg)	122,383	60,696	17,022	98,370	6,700	3,300	1,399	309,870	208,422	120%
Plastic (kg)	2,077	612	1,371	2,487	1,210	1,729	571	10,057	30,047	31%
Wood (kg)	22,576	0	0	1,909	0	23,239	563	48,287	29,392	164%
OTHER RAW MATERIALS										
Powder coating (kg)	0	0	0	4,530	0	22,865	0	27,395	25,852	106%
Liquid coating (kg)	0	0	0	2,272	0	0	0	2,272	2,555	89%
Glue (kg)	4,405	2,180	2,463	1,860	0	0	0	10,908	10,538	83%
Water consumption (m3)	401	351	326	605	290	253	270	2,496	2,782	77%
ENERGY										
Oil (kWh)	0	0	0	0	0	0	199,510	199,510	252,890	79%
Natural gas (kWh)	334,730	0	0	0	0	902,154	0	1,236,884	2,076,800	60%
Electricity (kWh)	746,064	747,087	244,920	923,815	283,000	276,439	69,338	3,290,663	3,632,385	88%
District heating (kWh)	1,499,431	474,759	497,700	1,263,730	280,000	0	0	4,015,620	4,425,803	90%
CO2 emissions from heating and electricity (kg)	142,812	96,533	169	34,121	3,400	301,681	79,646	658,361	962,464	58%
WASTE										
Hazardous waste (kg)	0	170	54	18,835	0	0	0	19,059	9,917	190%
Landfill (kg)	14,900	0	0	0	0	1,460	0	16,360	40,150	41%
Material recycling of steel (kg)	4,720	21,600	0	31,000	0	42,400	0	99,720	172,403	45%
Material recycling of aluminium (kg)	1,020	0	0	20	0	0	0	1,020	8,940	11%
Material recycling of wood (kg)	48,080	45,260	0	28,240	4,560	0	12,920	139,060	123,240	76%
Material recycling of plastic (kg)	3,120	2,026	0	3,010	0	0	0	8,156	6,160	100%
Material recycling of corrugated board (kg)	17,410	18,234	1,530	21,030	2,960	4,860	0	66,024	60,180	79%
Material recycling of paper (kg)	880	0	320	4,910	1,027	0	6,590	13,727	12,958	106%
Burnable waste (Energy recovery) (kg)	32,960	20,560	10,740	27,120	14,600	8,510	7,440	121,930	124,075	82%

* Index concerns comparable units (excluding Fora Form which was not included in 2013).

ABOUT THE REPORT

Our annual report on our work is made in line with the Global Reporting Initiative (GRI) guidelines G3.1 level C. Economic and social indicators cover the whole Group. The environmental aspects include all the production and distribution units. The sales companies have a marginal impact on the environmental indicators. The report for 2014 includes Fora Form AS, acquired in October 2013, for the first time. The environmental impact of sub-contractors' factories is not covered by the report. Reporting on the financial year 2014 will be carried out in line with GRI G4. A GRI cross-reference table is provided as an annex to the report, available only in electronic form on the website www.lammhultsdesigngroup.com