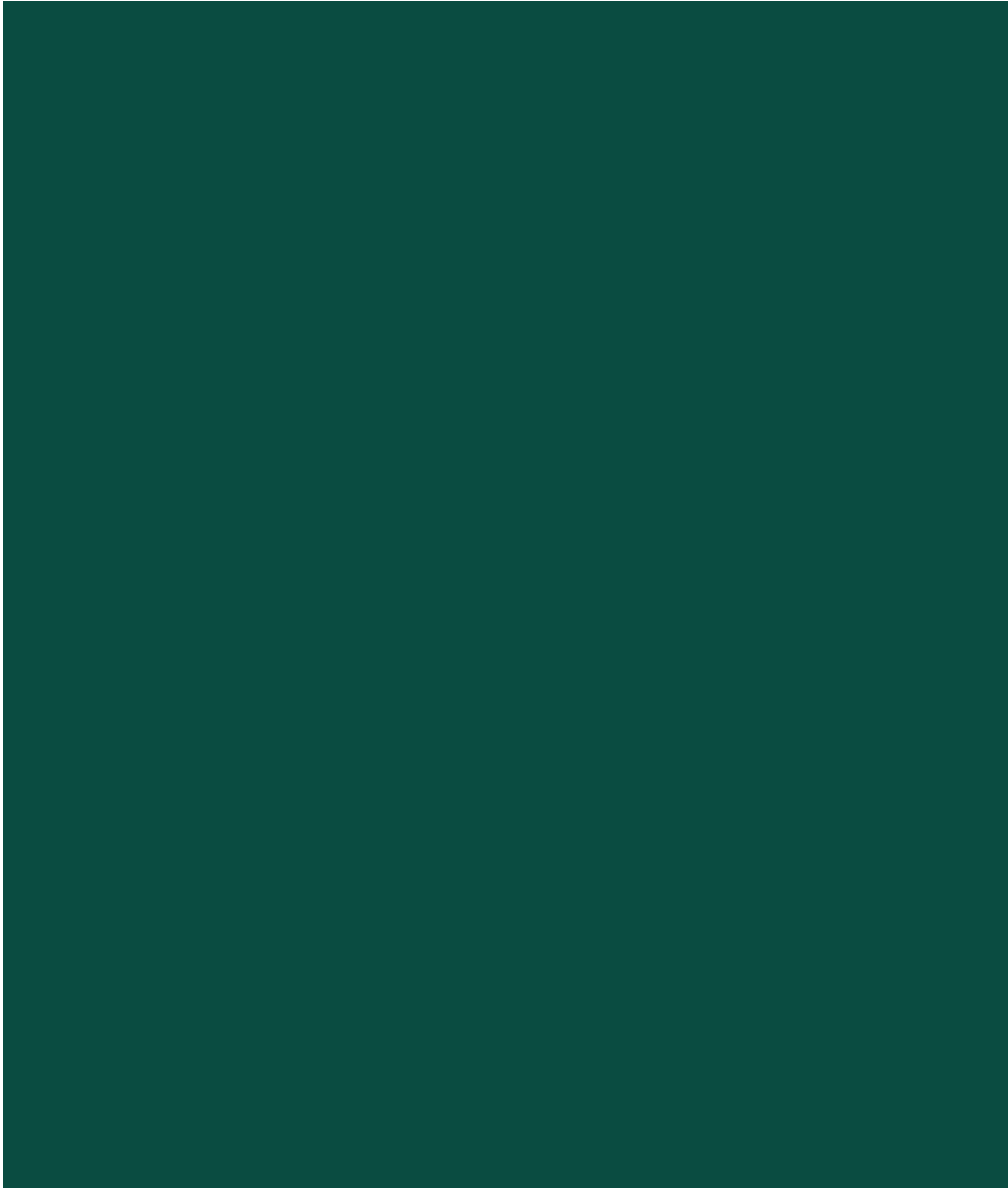


## Corporate Sustainability report 2017



This sustainability report is originally a part of Flokk's annual report.  
The GRI index at the end of the document refers to pages in the full  
annual report as well as this sustainability report.  
The page numbering mirrors the original document.



JÄRNIA

# The Environment and Corporate Social Responsibility

With ‘Sustainability’ as one of four dedicated cornerstones, Flokk has a long history on constantly striving to reduce its global environmental impact. With nearly 40 years of structured focus on the environment, we have succeeded to be an industry leader in the development of sustainable products, and hold this position as we grow. We are deeply conscious of our producer responsibility beyond earning money from selling smart seating solutions: We want to preserve nature and the people involved – by helping to protect people’s health and wellbeing, taking care of our shared environment and practicing corporate social responsibility.

**Flokk** aspires to be an environmentally conscious market player whose products, services and processes generate minimal greenhouse gas emissions, do not present a risk to health or the environment, and result in minimal waste. We are equally concerned about social responsibility as the environment, and therefore at the same time aspire to be a responsible social actor. We urge our employees to be good ambassadors for the company, who conduct themselves in an ethical and responsible manner, and take external stakeholders and the society in which we operate into consideration. These attitudes must be visible in everything we do, throughout our entire value chain, from sourcing of raw materials and product development to production, sales and end-of-use.

Flokk wants to have a clear corporate identity and a positive reputation.

**We want to be known for our three core values:**

- 1. Customer focus
- 2. Innovation
- 3. Focus on results

This requires that we are able to create a culture of innovation with massive focus on our customers and goal-oriented work to achieve results. Our corporate culture must encourage commitment and provide motivation, understanding and direction for all our employees. It must contribute to a good working environment that generates added value for our employees, customers and owners, as well as all of the other stakeholders who are involved in our work, either directly or indirectly.

**The Corporate Sustainability Report – GRI Report**

Flokk published its first environmental report in 1996. In addition to its formal annual report, Flokk has since 2010 reported sustainability in accordance with the guidelines issued by the Global Reporting Initiative (GRI) on significant aspects of finance, the environment and corporate social responsibility. Among several reporting standards, we believe that GRI is the standard that best seeks effective integration of triple bottom line reporting – “People, Planet and Profit”.

GRI is an international format that enables comparisons to be made between different companies within the same and different industries. Flokk’s Corporate Sustainability Report is an expression of our desire for transparency on how we continuously work to improve our environmental and social performance, the results we have achieved, and how, through dialogue, we handle our corporate social responsibilities where we operate, in relation to internal and external stakeholders. We report according to GRI G4 format.

In 2017, Flokk acquired the Swedish companies Malmstolen and Offecct, and the Swiss company Giroflex. Altogether adding three new brands to Flokk Core brands HÅG, RH, BMA and RBM. Malmstolen, Offecct and Giroflex are not covered by this year’s corporate sustainability report.

# Stakeholders - Dialogue

Flokk manages to be profitable and makes its living by offering people sustainable products with a focus on innovation, ergonomics, design, high quality and good health and wellbeing. We have systematically accumulated important knowledge of what it takes to be a market leader, what is expected of us and our deliveries, and the impact our production and operations have on external stakeholders. At the same time, we also constantly have to adapt to our growing organisation’s impact, and to a rapidly changing society where requirements and expectations are increasing in line with greater public awareness in every market. In order to be successful in sustainable business, we depend on a constructive two-way dialogue with everyone involved, internally and externally, throughout the value chain.

Our communication strategy emphasises high ethical standards, as well as transparent relationships and regular dialogue with our most important stakeholders throughout the year. As we see higher expectations in general on how to deal with stakeholder responsibility, we continuously work on improving our dialogue. In 2017 we released our new Environmental Communication Procedure, refining Flokk’s communication plan towards internal and external stakeholders, with clear and systematic routines on how to identify and follow up stakeholders with relation to our significant environmental aspects.

Our stakeholders are entities or people who have an impact on our business and operations, or who are affected by our activities, products and services, with the risks and opportunities inherent in these:

- Owners
- The Board and Group Management
- Colleagues and New employees
- Trade unions
- Consultants
- Customers, Importers and Dealers
- Local communities
- Suppliers and Transporters
- NGOs and Organisations
- Authorities
- Industry associations
- Academia

A more detailed overview of our dialogue with priority target groups is provided in the Stakeholder Matrix, page 102. In Flokk we have a basic principle to be

holistic in our sustainability efforts. That’s why we take basis in our products’ life cycle when we uncover stakeholders, so that the entire value chain and its surroundings are represented.

Well aware that more than 95% of the total environmental impact of our products is generated before parts and components even arrive at our factories, we make sure we pay particular attention to stakeholders in these phases: our designers and product developers, suppliers of raw materials and components, transporters, etc.

We also make a conscious effort to involve key stakeholders in order to define the most important factors that this report should cover.

**Involvement In Organisations**  
Flokk participates in various trade-related associations and organisations. Through these participations we maintain a good overview as to national and international trade framework and continue to exercise influence in the industry (see also page 102 – Stakeholder Matrix).

We are active members of the Confederation of Norwegian Enterprises (NHO) through the trade association the Federation of Norwegian Industries, Furniture & Interiors – Furniture Committee, where our chief executive, Lars I. Røiri, is a deputy member of the Board. We are heavily involved in the Norwegian Rooms furniture cluster where our SVP HR, Lillevi E. Øglænd Ivarson, is a board member.

**Involvement In Projects**  
As a pioneer in sustainability we have to stay ahead of the industry and participate in a number of projects of a strategic nature. A summary of these is provided below:



The project “Leading in Environment and Quality” – a project under the umbrella of the Federation of Norwegian Industries, Furniture & Interiors, initiated in 2016 and continues through 2018. Flokk is one of 22 participating companies. The goal of the project is to improve the competitiveness of the companies and industry through increasing efforts to counter the challenges of today and tomorrow within the environment and quality.

“Business Model Innovation for Circular Furniture Flow” – a major Swedish research project aimed at developing circular business models for the furniture industry. The first stage of this project is completed, providing valuable insights and confirmed our leadership in the field of sustainability in terms of actual performance, as well as in transparency. The second stage was initiated in 2017. We see it imperative to prepare ourselves for a more circular future, and our continued participation here, is one of several measures.

Following the study completed by Swerea in 2016 (described in our GRI report 2016) our research focus on improving our capabilities for using post-consumer recycled material in our products - rather than turning to bio-based plastics - is strengthened. Further research and innovation effort has been initiated in 2017 within the Floke program (see fact box/right). In addition, the project From 50% recycled to 100% Circular product development for sustainable furniture applied for external funding in 2017, at writing of this report we are informed that funding is granted from Norwegian Research Council, effort will pick up in Q2 2018.



**Floke by Æra** – a seasonal innovation program, with the aim to demonstrate how today’s societal challenges can be tomorrow’s innovation opportunities.

**Floke 2018 - Plastic in the whale**  
A dead whale with 30 plastic bags in the stomach landed on the Norwegian coast in the winter of 2017.

Marine littering is one of the world’s fastest growing environmental problems, and today there are more than 150 million tonnes of plastic in the sea. If we continue in the same way as now, there will be more plastic than fish in the sea in the year 2050. To have a living ocean in the future it is critical that we find solutions today to prevent more plastic from finding their way to the sea, and while cleaning up what is already there.

**Floke** brings together actors from the entire value chain, multiple sectors and communities. The aim of the innovation program is to develop a portfolio of concepts that can be realized in alliances - and create value for both business and society.

Throughout this season, we will explore how we can reduce low-value plastic use, get better control of the products throughout the lifetime, and meet consumer needs in new ways without generating waste.

**Æra** is a Norwegian strategic innovation studio, transforming insight into ideas and ideas into business.



# Stakeholders Matrix

Internal			Internal	
STAKEHOLDERS	MUTUAL INFLUENCE / IMPACT	FORUM FOR DIALOGUE - FREQUENCY	KEY TOPICS 2017	RESPONSE
Owners	The private equity investment firm Triton AB acquired Flokk in October 2014. Triton's purpose is to achieve the greatest possible profitability by focusing on companies with the potential to create sustainable, long-term value through changing economic cycles.	Triton maintains a clear, structured dialogue with Flokk in the form of monthly telephone conferences and an annual ESG forum (ESG - Environmental, Social and Governance) for professional and strategic exchanges between its various portfolio companies. Flokk reports to Triton on key ESG KPI's bi-annually.	Triton generally focuses heavily on the environment, corporate social responsibility and governance (ESG). Two focus areas worth mentioning: A - Compliance with EED - EU Energy Efficiency Directive, and follow up on identified energy efficiency measures on relevant sites. B - Systemizing our supplier evaluation on sustainability and social responsibility topics, integrated in the contracting and Supplier Performance tracking and follow-up.	A - Flokk has completed energy audits according to EN 16247 in all EED qualified countries, plus Norway. With this benchmark established, focus is now on following up actual energy efficiency improvements. B - Final choice of management tool for transparent & navigable access to sustainability and social responsibility practices throughout the value chain has been on hold in 2017 due to other prioritisations, will be done in 2018.
The Board and Group Management	The Board strives to ensure that the company acts ethically in all parts of the organisation and throughout the value chain, and thus safeguards its leading position vis-à-vis the environment.	Bi-monthly board meetings: in addition to the CEO and CFO, these are attended by respective members of Group Management on a rolling basis. The Board only works with the company via Group Management. The company has established a risk, environment, and quality (REQ) forum which meets two to four times a year. ISO Management Review is integrated in the REQ agenda, in which the VP Environment reports on status of ESG work and environmental goals to Group Management.	Development of digital tools and marketing practices. Portfolio development. Development of internal and external value chain.  Follow up on the integration of Zwolle into Flokk Environmental Management System - ISO 14001:2015.	Raised level of innovation in portfolio development, including key sustainability topics. Continued migration of post-consumer recycled plastics in component production
Employees and Trade Unions	79% of our employees are located in Norway, Sweden and The Netherlands. The employees exercise significant influence on Flokk through their productivity, creativity, competence, involvement and general efforts as company employees.  The company exercises significant influence on the employees through compensation & benefits, general working conditions as well as the company culture. In addition to this the company influences the employees' immediate environment: family, friends etc..	The employees are heard via various formal bodies linked to the trade unions, board work, working environment committees, Corporate Executive Council etc. In Sweden the employees have two representatives on the Board. In Norway they have three. 35% of our employees are members of a trade union.  Our corporate culture is characterized by dialogue, transparency, trust and mutual respect. All employees have an annual scheduled appraisal talk where objectives are agreed in relation to the company's overall strategy and the department's action plan. In addition Personal Development Goals are set.	Communication, dialogue and follow-up. A working environment survey involving all of the company's employees is conducted every two years. The surveys are followed up by a wide-ranging process that involves participation in order to improve the working environment further through specific measures. In 2017 a 360 evaluation of all managers was conducted, giving valuable information in order to continuously develop our Managers. The company has an extensive induction program for new employees.	In 2017 we have continued the monthly newsletters for all employees at the factories at Røros and Nässjö. The goal is to keep the employees up-to-date on business status, important decisions and progress in relation to goals. Regular General Meetings take place four times a year and departmental meetings are held at least every second month. Monthly Highlights giving a short overview of Company activities throughout the value chain is published monthly to all employees and posted on the intranet.
External			External	
Customers, Importers and Dealers	Flokk has three customer groups: dealers, importers and end users. Dealers represent the public face of the company vis-à-vis end customers and users, and exercise considerable influence over the company's reputation. We also depend on the individual dealer's efforts to achieve our goals. In turn, dealers are dependent on good processes and products to achieve their own targets.	Due to implementing an additional brand BMA in 2016, we did not distribute a common customer survey to all markets in 2017. This will be done during February 2018.	Response time improved by implementing the Customer Service Module of Super Office to be the tool for e-mails / requests. Measurements on response time will be available during 2018. Order registration from screen is ok, and EDI solution from the main dealers will be ready from 2018.	We will include environmental and CSR topics/questions in next survey 2018.



External

STAKEHOLDERS	MUTUAL INFLUENCE / IMPACT	FORUM FOR DIALOGUE - FREQUENCY	KEY TOPICS 2017	RESPONSE
Suppliers and Their Workers	Flokk supplier portfolio are divided into two main categories: direct materials (DM) and indirect materials and services (IM&S – including transport). Suppliers have significant influence over Flokk on a general basis. The main focus has been on DM suppliers and how we can develop suppliers and value chains to increase our competitiveness and performance vis-à-vis customers and markets. The focus is on ensuring that we work on measuring and improving performance with those who need this, and increasing the activities/business and involvement of suppliers who prove that they can maintain a high and predictable level of performance. Supplier Performance is considered to include Quality, Delivery, Risk (including environment and CSR) and Cost, and is key element of strategic planning and execution (Sourcing/Contracting).	<p>Key suppliers should receive a minimum of follow-up and structure, where together we can look at performance status, improvements and opportunities. This is done via structured meetings. Such meetings are also held with low performing suppliers, to maintain the desired level of performance to ensure adequate corrective measures are implemented.</p> <p>For internal coordination of the Supplier Performance and actions, we have a monthly status meeting (Supplier Performance Status). Performances are documented and analyzed. As soon as a supplier is identified as low performing, we coordinate temporary deviation of the supplier, and new contracts are put on hold (New Business on Hold). This way we manage to focus the resources where it is most needed.</p>	<p>2017 has been influenced a lot by integrating the BMA brand and its suppliers to our material supply. Many new suppliers with a various level of performance and commercial commitment. Focus has been to secure a high level of contracted supply, based on the well-performing BMA suppliers. To do this, we focused on the most critical suppliers and value chains first, and made specific plans and actions for maximizing the total Supplier Performance, by implementing the “Flokk sourcing process”.</p> <p>By moving manufacturing of BMA from Zwolle to Nässjö, we had some suppliers struggling to adopt to the new set-up, but most suppliers are now well performing and adopting to the new situation. Even with a lot of extraordinary efforts and support, we did not succeed in getting the main plastic supplier to Røros back on track on performance, and a controlled phase-out was required, and final delivery made during Q2 2017.</p>	<p>To develop and strengthen the focus, dedication and the positive development of the Supplier Performance, we have made further process development towards the team and the suppliers, not only to work more with improving «Low-Performers», but also to strengthen the opportunities and further development of the cooperation with the high performing suppliers.</p> <p>Visit and evaluation of China suppliers show that the long-term cooperation with a small number of suppliers in a limited area is giving a steady and well performing supply base. We only had one supplier we considered to need more specific actions, and such action was made during 2017.</p>
Local Communities	The main local communities are defined as Røros in Norway and Nässjö in Sweden. Even though Zwolle is regarded as a production site, the influence of the company as an employer in Zwolle is limited. In Nässjö the company is an important employer in the municipality and participates in the development of the business sector in the region. At Røros the company is a cornerstone company and an important contributor to the local community. As one of the largest employers in these communities, Flokk has long been an important actor. For more information about local communities, see also page 156.	There is no formal forum for dialogue between the local communities and the company, but there is close cooperation on matters that affect both parties. The company holds important positions and actively participates in municipal and local business sector projects. The factories at Røros and in Nässjö enjoy good partnerships with local schools and accept pupils on work experience placements and apprentices for longer periods of time. At Røros the company is a member of the local trainee program and employs trainees. At Røros we are also a member of the business forum in the Mountain Region and Røros Business Park. In Nässjö the company is a member of the municipality’s business forum Nässjö Näringsliv AB, in which our Managing Director is Chairman of the Board.	Flokk has contributed financially to culture and sports projects in the local communities, in addition to the statutory taxes and duties. At Røros the company has continued to participate in the ‘Growth 2020’ project which aims to contribute to business growth in the region. In Nässjö the focus has been on the ‘Reshoring Swedish Industry - Driving Forces and Obstacles’ project, and on projects/cooperations working with integrating refugees and persons with impaired functionality in both Swedish culture and industry (see page 156).	<p>The ‘Growth 2020’ project at Røros focuses on the challenges associated with falling population numbers and the need for jobs in the region.</p> <p>In Nässjö, sustainability and social development have been focused in several projects.</p>
NGOs and Organisations	Flokk is a member of the Norwegian Organisation Ethical Trading Initiative Norway (IEH / ETIN) and collaborates with other environmental organisations as needed.	Representatives of the purchasing and environment departments are invited in some seminars and courses run by IEH . We actively participate in the environmental foundation ZERO’s Fossil Free plastics forum.	IEH is generally interested in increasing the focus on responsible supply chains. In 2017, we continued to work with, and financially support, ZERO on surveying potential and possible producers of fossil free plastics.	Our annual reporting to IEH is integrated in this corporate social responsibility report. We contributed input about our increasing use of recycled plastics to the ZERO Fossil Free forum.
Industry Associations	A - Federation of Norwegian Industries, Furniture & Interiors (NHO - Confederation of Norwegian Enterprise). B - Norwegian Rooms furniture cluster. C - Confederation of Swedish Enterprise.	A - Annual General Meetings, board meetings. Member of the steering committee of EPD Generator project. Member of the Technical Committee, the industry’s highest organ for environmental and quality issues. B - Board member in the cluster, quarterly board meetings. C - Involved in research projects cross Swedish players in our market.	A - Pilot member of “Leading on Environment and Quality” project (see page 100). Various work on improving the EPD generator, research agenda, advice in individual cases, networking and skills enhancement. B - Downstream innovation, circular economy. C - Research project on circular business models for furniture industry.	A - Strengthening collections and models documented with complete environmental product declaration. We influence the EPD regime in a positive direction B - Academic training on MBA level established in collaboration with the Norwegian School of Economics and the Norwegian University of Science and Technology, 5 employees participating. C - Second stage was kicked off late 2017.



# Materiality and Boundaries

One important element of a corporate sustainability report is to assess which aspects it is relevant to report on. According to GRI G4 this means ”defining material aspects that reflect an organisation’s significant economic, environmental or social impacts or which substantially influence the assessments and decisions of stakeholders.”



Based on a total assessment of materiality, we have decided to report on the following:

**10 Important Topics For The Report:**

- Finance
- The environment - philosophy, management and strategy
- Climate - energy and GHG (‘CO2’) emissions
- Resources - materials and waste
- Circular economy
- Health and safety - chemicals
- Responsible supply chain
- Attractive workplace
- Local communities
- Product liability and certification

In the matrix on the next page we have listed detailed aspects covering all topics, and highlighted which of these aspects that cover the requirements in GRI G4.

In this work, we benefit from our long tradition as a pioneer in sustainability in which, through years of experience, we have established a solid and future-oriented foundation in the form of our own environmental philosophy and strategy. Based on this, we have over many years identified internal and external aspects by involving key stakeholders through various forums for dialogue (see Stakeholder Matrix page 102) and in-depth interviews. This has enabled us to acquire fundamental insights into which aspects that are important for both the company and external stakeholders.

**Sustainability Survey**

Few years ago Flokk conducted a survey on attitudes towards sustainability, which covered all of our stakeholders, internal and external. As global awareness on the environment, climate and ethical principles has increased tremendously last years, we took a broad approach in order to capture possible merging trends among the people involved in our value chain.

This confirmed, among other things, that our focus areas are still important to our stakeholders. The circular economy was highlighted in particular. Our comprehensive efforts throughout our value chain are more important than ever, especially with respect to suppliers. At the same time, we saw indications of higher expectations concerning our reporting on human aspects such as customer health, human rights, local communities, and how we internally can contribute to a healthy and attractive workplace.

This year’s report contains primary data on 79% of the workforce in Flokk Core, i.e. full-time employees in Norway, Sweden and the Netherlands.



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attractive workplace.

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Contents of the Report

We have given weight to ensuring that the report addresses those areas where we have access to data and can influence the result. However, this does not mean that our actual corporate social responsibilities are limited to just these factors.

One fundamental aspect for any company is ensuring that it generates profitability and always complies with the current laws and regulations of each country in which it operates.

Embedding and control in Group Management and their approach to the selected aspects are covered on an ongoing basis in the report and in their proper context.

Flokk believes it is especially important to report on the focus areas:

- **Climate** – the energy consumption and GHG emissions associated with our products and factories in Norway, Sweden and the Netherlands.
- **Resources** – the consumption of materials and waste associated with products and packaging, as well as waste from the three factories.
- **Health** – the use of chemicals in products and production, as well as HSE in our factories.

Environmental aspects associated with

		1-4 influence degree for	
CATEGORY		Total overview of chosen aspects (bold: aspects reported according to GRI G4)	Flokk Stake Holders
FINANCE		Results	42
		Market Presence	32
		Use of local suppliers	43
ENVIRONMENT		Use of materials	42
		Circular Economy (closed life cycle)	43
		Energy consumption	43
		Water consumption	11
		Biodiversity	11
		Emissions (CO <sub>2</sub> )	43
		Waste	43
		Environmental impact of products and services	42
		Compliance with laws and regulations	44
		Transport	33
		Chemicals	42
CORPORATE SOCIAL RESPONSIBILITY	Workplace	Attractive workplace	34
		Labor/Management relations	34
		Health and safety	43
		Training and education	43
		Diversity and equality	43
		Supplier assessment for labor practices	42
	Human Rights	Discrimination	43
		Child labor	34
		Forced or compulsory work	34
		Freedom of association and collective bargaining	34
		Indigenous rights	34
		Supplier human rights assessment	44
	Society	Local community – involvement	34
		Anti-corruption	43
		Anti-competitive behavior	33
	Product Liability	Customer health and safety	43
		Information and transparency on products and services	34

In the Materiality matrix we have listed all important aspects chosen for this year’s report, as formulated and categorized by the GRI format. We have also highlighted the so-called materiality aspects we report directly according to GRI G4, where at least one among several indicators should be answered for each selected aspect. In the right columns we present the degree of influence on the selected aspects for both our company and our external stakeholders.

Flokk believes a company’s most important corporate social responsibility is to be profitable. Being profitable enables us to protect jobs, contribute to society through taxes and duties, invest for a sustainable future and otherwise be a good member of the community. However, how we achieve this profitability is not unimportant. The way in which we follow up our suppliers, our employees, our customers and society as a whole entails a mutual and binding influence that means we bear not inconsiderable responsibilities.

**Flokk** creates long-term value for owners and society as a whole through efficient commercial activities based on the principle of sustainable development.

We want to be a positive contributor to society for the employees and the company’s partners and subcontractors. Our heavy focus on research and development makes an important contribution to this value creation. Profitable operations enable the

company to create jobs both directly in the company and indirectly at the company’s partners and subcontractors who deliver goods and services to the company’s value chain. The company is a significant employer in the municipality of Nässjö in Sweden and participates in the development of the business sector in this region, while at Røros in Norway the company is a cornerstone company and an important contributor to the local community.

Figures in MNOK	2011	2012	2013	2014*)	2015	2016	2017
Revenues	1 091,0	1 010,5	1 002,6	1 037,0	1 180,0	1 299,5	1 730,0
Operating costs	872,0	806,8	798,1	881,0	985,1	1 088,0	1 515,0
Employee wages and benefits	228,3	228,8	239,0	260,8	297,0	335,2	449,6
Interest to lenders	33,4	46,3	35,3	46,1	52,2	43,0	41,8
Interest to shareholders	63,1	70,5	76,2	12,5	40,3	45,4	47,9
Taxes	32,9	9,6	23,2	14,5	20,0	35,3	19,9
Social security contributions	29,7	30,7	31,3	34,5	38,2	43,1	60,2

Income and Costs

Flokk achieved operating revenues of MNOK 1 730 in 2017. Operating costs amounted to MNOK 1 515; payroll costs and social benefits for employees accounted for MNOK 510 of this. This represents 34% of operating costs.

in 2017, which is interest on shareholder loans that is not paid out but accrues to the shareholder loan. The interest paid to lenders amounted to MNOK 41.8 in 2017.

Payments To Public Authorities

Distribution of the group’s tax costs by country:

Return For Owners And Lenders

The return for owners was MNOK 47.9

Taxes

Costs by country

Figures in MNOK	2011	2012	2013	2014*)	2015	2016	2017
Norway	20,2	1,6	14,3	(13,5)	(7,8)	29,0	(9,9)
Sweden	8,9	8,6	6,6	20,4	17,7	(3,0)	19,8
Denmark	3,3	(1,2)	3,2	5,4	6,0	5,2	5,9
The Netherlands	(0,9)		(0,2)	0,6	2,1	0,8	1,5
Belgium					1,3	0,8	(1,9)
Germany	0,7		(0,3)	0,6	1,3	4,0	2,6
UK	(0,3)	0,5	(0,9)	2,0	1,3	0,4	1,4
France	1,0	0,3	1,2	0,6	0,8	0,5	1,3
Switzerland			(0,3)	(0,6)	(1,0)	(0,5)	(1,6)
Singapore		(0,2)	(0,4)	(0,4)	(0,4)	(0,5)	0,1
China				(0,5)	(0,9)	(1,2)	(1,3)
USA							1,9
Australia				(0,1)	(0,4)	(0,1)	0,1
TOTAL	32,9	9,6	23,2	14,5	20,0	35,3	19,9

\*) Pro forma figures. Reflects the figures for 2014 if the acquired companies had entered into the Group from 1.1.14.

Retained Earnings

In the short and long term, free liquidity will be used to invest and repay debt rather than pay dividends. This will result in flexibility to

invest further in research and development, as well as in growth-promoting measures in the markets in which the company operates.



# The Environment – Background

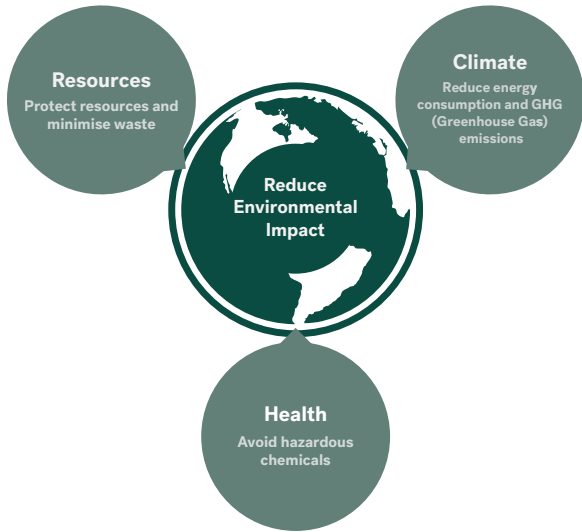
Flokk is an environmentally conscious producer of sustainable furniture solutions for the contract market. The environment has been a high priority for almost 40 years, and already in 1990 we employed a 100% dedicated environmental manager (HÅG) – way before customers and the general public showed interest in the environmental performance of our company and our products in general.



We have a long history with high focus on energy efficiency, reducing carbon emissions and reducing our use of non-renewable materials, and in recent years we have intensified our work on avoiding chemicals that are hazardous to health and the environment. We have accumulated extensive knowledge about solutions, materials and processes that have less impact on the environment throughout the value chain. Flokk’s products are thus resource-efficient with a low carbon footprint, a high share of recycled and recyclable materials, and a minimum content of chemicals. Flokk’s products are sustainable, with circular design for easy disassembly, source separation and recovery – to keep materials in a closed loop.

### Minimising Environmental Impact – Three Focus Areas

A global joint effort is needed to minimise the environmental impact on our planet. In Flokk we are dedicated to contribute! We structure and communicate this complex work by breaking down our environmental efforts into three equally important focus areas: Climate, Resources and Health. The entire value chain counts, that’s why we consider how we can reduce the environmental impact throughout the whole life cycle of our products (see figure page 114).



### Climate – GHG (CO<sub>2</sub>) Emissions and Energy

Climate change is seen as the largest global environmental challenge today. Human-related emissions of greenhouse gases (GHG) are contributing to general temperature increase and extreme weather such as flood, draught and hurricanes, leading to melting of glaciers, augmentation

of ocean level and desertification. Carbon dioxide (CO<sub>2</sub>) is the primary GHG emitted, mainly from combustion of fossil fuels for energy and transportation. Flokk’s impact on the Earth’s climate can be measured by the quantity of GHG emissions generated by our global operations. How we run our factories and offices has a significant impact on the environment. This is reported on in more detail on page 122. In 2017, we completed a series of energy audits on our main sites, identifying important measures to be even more energy efficient.

Flokk’s GHG emissions are closely linked to the energy consumed in production processes at our suppliers, and to our transporters. In order to determine and communicate our products’ climate impact, we measure and report our product’s environmental performance through a Environmental Product Declaration (EPD), see page 159. EPD is a life cycle analysis that quantifies the energy consumption and the associated GHG emissions caused by a product throughout its life time: from extraction of raw materials, via processing, transport and production, to use and disposal. All our EPD’s are available on our website.

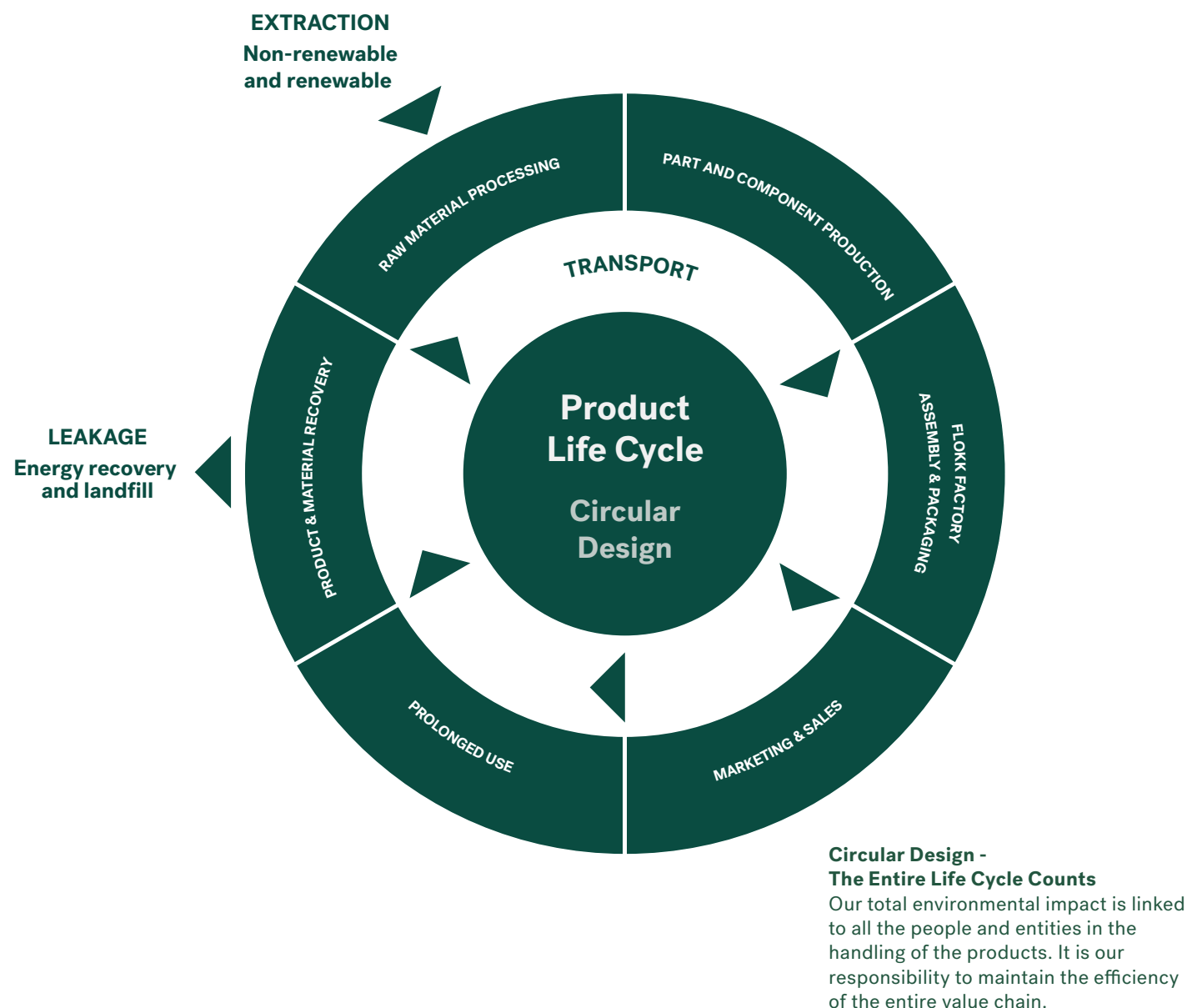
### Resources – Materials and Waste

The Earth’s resources are limited, and our generation’s consumption of non-renewable resources is far from sustainable. The 2nd of August 2017 marked the Earth Overshoot Day – the date when humanity’s demand for ecological resources and services exceeds what the Earth can regenerate that year. From that date we are living on resources intended our coming generations for the rest of that year, and in 2017 it would take 1.7 Earths to globally support humanity’s demand on nature. The problem is obvious, we only have one globe!

At Flokk we continuously strive to develop products with reduced weight, fewer number of parts, and increased share of recycled materials, see page 120. Our products’ weight per cent of recycled materials are also declared in the EPDs. Our best chairs today contain about 50-60%: HÅG SoFi - 58%, BMA Axia 2.2 - 56%, HÅG Capisco - 50%, RH Logic - 47%.

It is important to minimise waste from both processes and products, and waste should





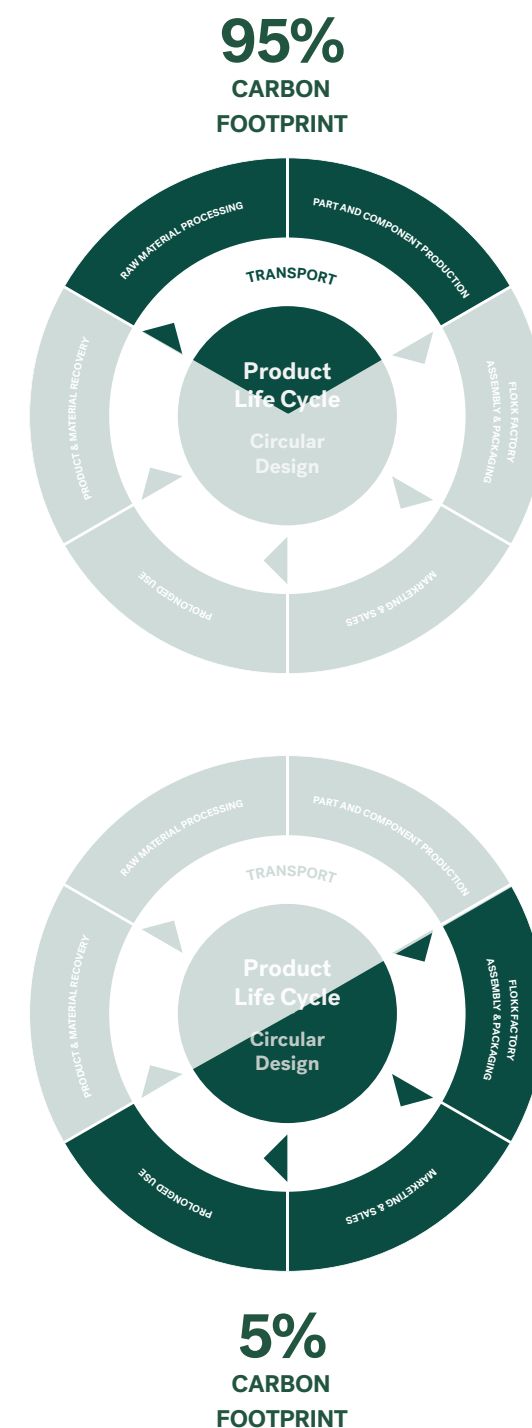
be considered a resource. Our products are easy to disassemble, and materials are marked to enable sorting for recycling. This way we contribute to increase the share of materials being recycled or recovered in a closed loop. We are continuing our efforts in developing a circular business model to facilitate systematic return and take-back system of our products, see page 134.

### Health – Chemicals

As we produce 'body close' products, health is for us closely linked to the effect that the use of chemicals in products and processes has on all people involved and on the environment throughout the value chain. Today, chemicals are used in almost all contexts. The furniture industry uses chemicals as fire retardants, in paints and

glue, and in the production of textiles, foam and other plastics. The problem is, that some of the chemicals that ensures the best results for products are also harmful. 60 years ago you could find traces of six or seven synthetic chemicals in the blood, today however you can find traces of between 200–400 synthetic chemicals.

We continuously strive to uncover and substitute unwanted chemicals in our products, in our production, and at our suppliers, without diminishing the properties of our products. We set the industry's most strict requirements, both for ourselves, our partners and our suppliers. Our most important chair collections are GREENGUARD certified; a guarantee that the products contribute to a healthy indoor



# The Environment - Management and Strategy

## Environmental Management

Flokk has a proud legacy in environmental improvements & innovation. Our current philosophy builds on a solid foundation of the best from what the various previous companies of our 4 brands and 3 subsidiaries have represented and performed. Thus building up a common sustainability thinking for all brands. The environmental and corporate social responsibility work is performed by a dedicated unit of the company's product development department in Products & Brands. The Environment Department has a support function, is responsible for, and collaborates on, a defined set of sustainability efforts across all departments and locations. The Environment Manager reports to the Development Director, who represents the area in Group Management. The group's owners focus heavily on environmental, social and governance (ESG), have a good dialogue with the Environment Department, and require bi-annual status reporting (see Stakeholder Matrix, page 102).

The Environment Department maintains a strategic overview of the group's environmental impact and actively helps integrate sustainability into the group's three-year strategy plans. The strategy sets out a framework and provides guidance on our overall ambitions for the environment and corporate social responsibilities. The strategy is revised every year by the Environment Manager in cooperation with Group Management before an updated version is presented to the Board.

## Our Vision, Mission And Core Values

The company's vision, mission and core values are anchored in Group Management. HR & Organisational Development is responsible for developing the company's corporate culture in which the vision,

mission, and values are key. In connection with the change of company name and identity to Flokk in 2017, new vision, mission and core values were established, that better capture the ambitions and aspirations of the company. A value identity program is planned for 2018, a companywide process to make this framework actionable for all employees.

## Annual Environmental Targets

The group's environmental management system is ISO 14001:2015 certified. As part of this work, the Environment Department is responsible for defining the group's most important environmental aspects and conducting an annual review of which operational factors impact the external environment. Annual environmental goals are drawn up for the various sites through this process, in close cooperation with the local employees and people in charge. The environmental aspects and goals are followed up each quarter by Group Management.

The environmental goals for 2017 were based on environmental aspect analysis of the factories at Røros, in Nässjö and Zwolle, as well as the head office in Oslo, and are presented on an ongoing basis in this report in its proper context.

## Long-Term Environmental Goals

Given our three focus areas – climate, resources and health – the annual environmental goals are intended to help ensure the group's long-term goals are realised. See next page.



We operate according to the following set of strategic environmental goals where the emphasis is on ensuring the greatest possible correspondence with the current global strategy, goals, and action plans:

### LONG-TERM ENVIRONMENTAL GOALS



#### CLIMATE - GHG (CO<sub>2</sub>) EMISSIONS AND ENERGY

Reduce average energy consumption per produced product by 20% within 2020 (based on 2010 figures)



100% renewable energy within 2020

Flokk will contribute to achieving:

- The UN's Sustainable Development Goals (SDG) no. 7 and 13
- The EU's long-term goal of cutting greenhouse gas (GHG) emissions by 40% by 2030 in order to reach the 2-degree target



#### RESOURCES - MATERIALS AND WASTE

Increase share of recycled materials/plastic waste used in the products to an average of 60% by 2020



100% certified or reused wood, paper & cardboard within 2022

Facilitate that our products end their life cycles being disassembled, and that over 90% of the components undergo recycling or material recovery



Flokk will contribute to achieving:

- The UN's Sustainable Development Goals no. 12, 14 and 15
- The EU Plastics Strategy launched in Jan'2018, utilizing Flokk's year-long experience on circularity efforts (see page 134).



#### HEALTH - CHEMICALS

The products and their manufacture should be free of chemicals that are hazardous to the environment and/or health

- Flokk will contribute to achieving the UN's SDG no. 3
- Together, the EU countries are the largest producers of chemical products in the world and the EU also leads the way in regulating chemicals through the REACH framework. We apply the REACH rules when we set the strictest demands in the industry for ourselves, our partners and our suppliers.



#### COMPETENCE - COMMITMENT

We will reach our long-term goals through professional and multi-stakeholder partnerships and initiatives - UN's SDG no.17

Our employees should be ambassadors for, and have in-depth knowledge of, our Environmental Policy, performance and goals



## Set new standards



## Responsible supply chain

The choice between new virgin & fossil based material, laying hands on fertile farmland through use of bio-plastics, and clearing the planet of even more plastic waste, to us appears very clear: We will continue our efforts to clean the planet. A third material mix of post-consumer recycled polypropylene was developed and introduced in 2017, the introduction enabled further growth in consumption of actual waste in our value chain from an already substantial level. Extensive ongoing product development builds on our latest knowledge in this field, and will provide a leap in consumption through 2018.



## Environmental Strategy

Flokk's general environmental strategy has for years been to push borders and set standards by executing significant and tangible improvements in our environmental performance. We believe we outperform the industry in general, would be surprised but inspired if someone achieved even better results. We aim to constantly reduce our carbon footprint, increase the proportion of recycled materials, and completely avoid chemicals that are hazardous to health and the environment. In order for our strategy to succeed, we have to address our environmental goals throughout the value chain.

## Design Philosophy

The company's vision and mission provide the strategic basis for "The Design Philosophy", which is maintained as a platform for any development of products and communication materials. The design philosophy serves as a guide for the company in relation to everything to do with the values we bring to our customers and is the responsibility of "Design Management"/ "Products & Brands". The editor function is performed here, while the content is contributed by the foremost in-house expertise in the respective areas covered by the philosophy.

## Risk and Opportunities

Flokk Group is an expanding Group. This expansion is resulting in numerous positive effects such as the acquisitions of the Swedish entities Malmstolen AB and Offecct AB, together with Giroflex AG in Switzerland has been finalized during 2017. Together with the earlier acquisition 2015 of BMA in Benelux market has Flokk Group strengthened the market position and the effectiveness of our work on mastering the circular economy.

Nonetheless, a global structure and the expansion of production, sales and distribution, in which the entire value chain and all of our suppliers are addressed, entails some risks, as well as opportunities, when it comes to maintaining our role as a pioneer in sustainability:

- Extended supply chain, choice and follow-up of suppliers in relation to the environment, and corporate social responsibility.

- Building up and developing a sustainable supply chain and transport that at the same time ensures profitable lead and delivery times.
- Challenges relating to choosing long-term solutions for reuse and recycling. Our products are already designed for recycling, but our processes are not. Spreading our products internationally across different countries and cultures will not make things less complex.
- Locating sales offices and showrooms, containing technical equipment for video conferences as a good alternative to travelling. When travelling is still necessary Flokk tries to offer smart travel alternatives for employees and customers with the Showrooms where ever they are facilitated.

# Environmentally Efficient Products



## FIVE (5) CIRCULAR DESIGN CRITERIA

- 1. Low weight**  
Fewer materials – weight optimization
- 2. Few components**  
Integrated functions – resource efficient solutions – fewer tools – less processes – less packaging and transportation
- 3. Right choice of materials**  
Avoid harmful substances – increased use of renewable and recycled materials
- 4. Long life span**  
Reduce need to replace our chairs – timeless design – high quality – flexible adjustments – changeable wearing parts
- 5. Design for disassembly**  
Keep materials in closed loop – easy to dismantle – easy to sort for recycling with marked parts

## THREE (III) FOCUS AREAS

- I. Climate**  
Lowest possible carbon footprint
- II. Resources**  
Reduced use of resources and minimised waste
- III. Health**  
Reduced use of hazardous chemicals

**5-III Principles For Sustainable Design**  
At Flokk we want our products to have a leading environmental performance, taking into account environmental consequences in a life cycle perspective, from extraction of raw materials, to end-of-use and material recovery. Already in 1993 we defined our five (5) circular design criteria, the framework for our product development, still valid today! By designing properly and choosing the best solutions for each of these criteria, we achieve a sustainable product with improved performance on our three (III) focus areas; climate, resources and health; 5-III!

**1. Low Weight**  
One major factor is to use less materials

and resources through weight optimization and smart dimensioning of parts and components. Low weight also has a health aspect, in the sense that products are handled and carried by people during a long life time.

**2. Few Components**  
The best solutions are often the simplest. We thoroughly rework new ideas before they are put into production, and we strive to integrate functions into fewer components. This in turn results in fewer tools and processes, simpler assembly, less packaging and transportation. We want our solutions to be more resource-efficient than traditional products we are competing with in the market.

**3. Right Choice Of Materials**  
We strive to increase our use of recycled and renewable material. They have the lowest impact on the environment, by keeping materials in closed loop, with low carbon footprint due to less energy consumption during processing. We want to avoid materials that are hazardous to health and the environment in products, production and at our suppliers.

**4. Long Life Span**  
One of the most important things we can do is to reduce the need to replace our products. The longer they last, the longer it takes before they have to be replaced by new ones. Long life time contributes to reduce global resource and energy

**Product Improvement Programs**  
The environmental performance of our existing products can always be improved. One way is to exchange materials and suppliers, another way is to increase the share of recycled materials in order to lower the carbon footprint from more energy efficient processes. We work on removing glue and staples to fasten textiles in older products, by implementing clever changeable solutions from our newer products.

**Eco-Design Tools**  
With the aid of our own developed eco-design tools, we manage to maintain our focus on the environment in our work on improving existing models and developing new products. In addition to in-depth expertise in materials and processes, the tools are largely based on mapping our EPDs' carbon footprint analyses. We have developed a CO<sub>2</sub>-calculator which enables us to estimate realistic carbon footprint of a product, even in early concept stages. This tool provides an important basis for making decisions concerning our choice of (new) materials and solutions.

With our Modular EPD tool, we keep an overview of the carbon footprint per module in most of our chairs. This enables us to break down into a particular chair, and visually analyse how the carbon footprint contribution is distributed throughout the chair. This is a great help to identify which

consumption. We want all our products to have long and worthy lives through high quality, timeless design, flexible adjustment options, and replaceable wearing parts (see figure). We are one of few manufacturers that offer products with a 10-year guarantee.

**5. Design For Disassembly**  
We rather think 'cradle to cradle' about a product, instead of the traditionally 'cradle to grave'. Materials must be kept within a closed life cycle at end-of-use in order to be made available for a new life in new products. This is why our products are designed easy to dismantle without the need for special tools. Plastic parts are marked to facilitate sorting and recycling.

parts and components we should focus our efforts in order to improve the environmental performance of a specific chair.

### Removable cushions in RH portfolio

- Back cushion**  
Pull the handle up and push the cushion upwards
- Seat**  
Place your knees in the cushion, grab the fabric on the cushion and pull loose the corner from the chair



Circular design - Most RH chairs have removable seat and back cushions - 'click on / click off' - to enable easy replacement of wearing parts, thus prolong the lifetime. This feature allows easy dismantling and sorting as well - enabling reuse, refurbishment or recycling at end-of-use.



# Climate - GHG (CO<sub>2</sub>) Emissions and Energy

Climate change is seen as one of the largest global environmental challenges today, with human-related emissions of greenhouse gases (GHG) contributing to general temperature increase and extreme weather. Flokk’s impact on the Earth’s climate is measured several ways.

We keep records of GHG emissions generated from operations at our factories and sales offices, including business travel and transport to customers. These represent the emissions we can directly influence and control, and are reported in this very chapter. In addition we measure the quantity of GHG emissions generated throughout the entire life cycles of our products, including raw material extraction and component production at suppliers, however this is reported through our EPDs (Environmental Product Declarations) and not covered in this chapter.

FLOKK 2017
2 560 tCO <sub>2</sub> e Total GHG emission
12 109 MWh Total energy consumption
496 598 Number of products produced

Flokk’s total GHG emissions have remained stable for a period, however in the last two years we see an increase due to acquisitions with additional production sites and increased travelling due to merging processes, and growing activity in general.

We see a slight increase in our total energy consumption as well, however, we do see a satisfying decrease of 6% in Flokk’s total energy consumption per produced unit. This is a result of our continuous focus on how we can be more energy efficient despite our growing footprint, balancing energy consumption versus number of produced products.

We report our GHG emissions in accordance with the global standard in the Greenhouse Gas Protocol Initiative. All collected data is converted into tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e) to enable comparisons, divided into three well-defined scopes. We include energy consumption (MWh) as well.

**Scope 1**  
Covers our direct GHG emissions associated with fuel consumed by our own and leased vehicles - service & sales operations, as well as our consumption of oil and natural gas for heating our offices and factories. This represents **37%** of Flokk’s total emissions in 2017.

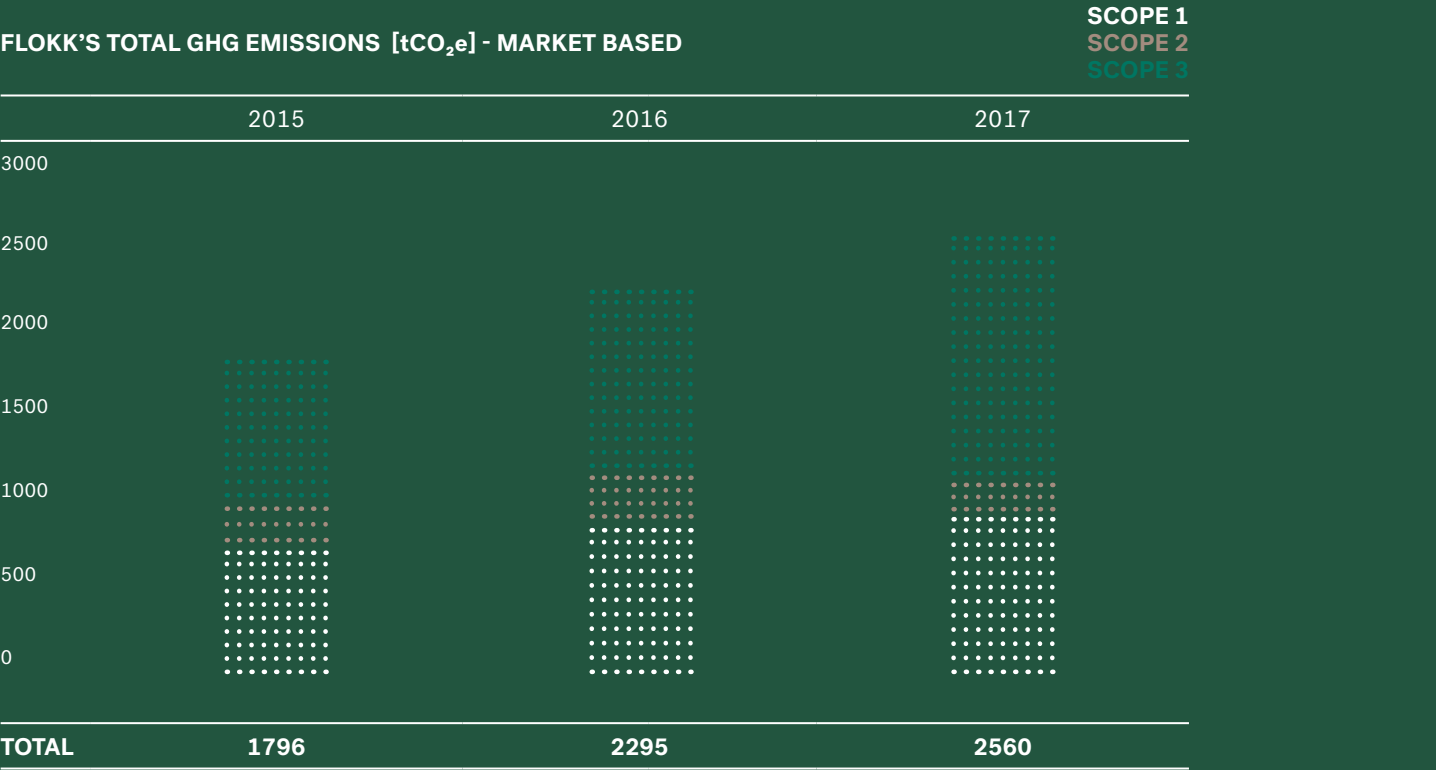
**Scope 2**  
Represents our indirect GHG emissions generated by the purchased energy - electricity and district heating - used at all of our sites. This area accounts for a modest **9%** of the company’s total emissions since 94% of all purchased electricity comes from renewable sources. (1 kWh hydroelectric power = 0 tCO<sub>2</sub>e).

**Scope 3**  
Shows our other indirect GHG emissions associated with transporting products to customers from the factories at Røros, in Nässjö and in Zwolle, as well as our employees’ business travel by air. This area accounts for **53%** of the company’s total emissions, which clearly shows where we have the greatest impact on the climate. For future reports we will aim at including upstream value chain as well in Scope 3 (as reported in our EPDs). Employees’ travels to and from work are not represented either.

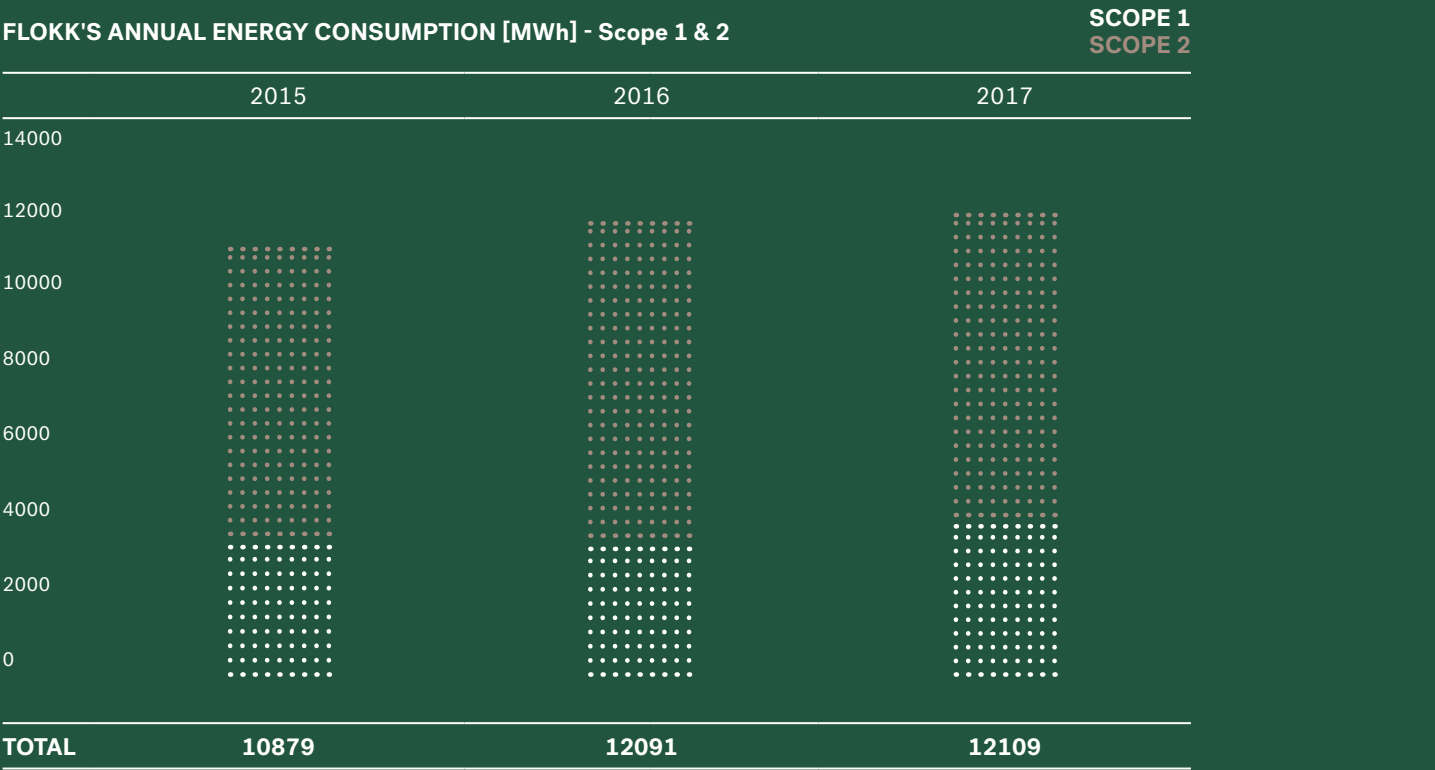
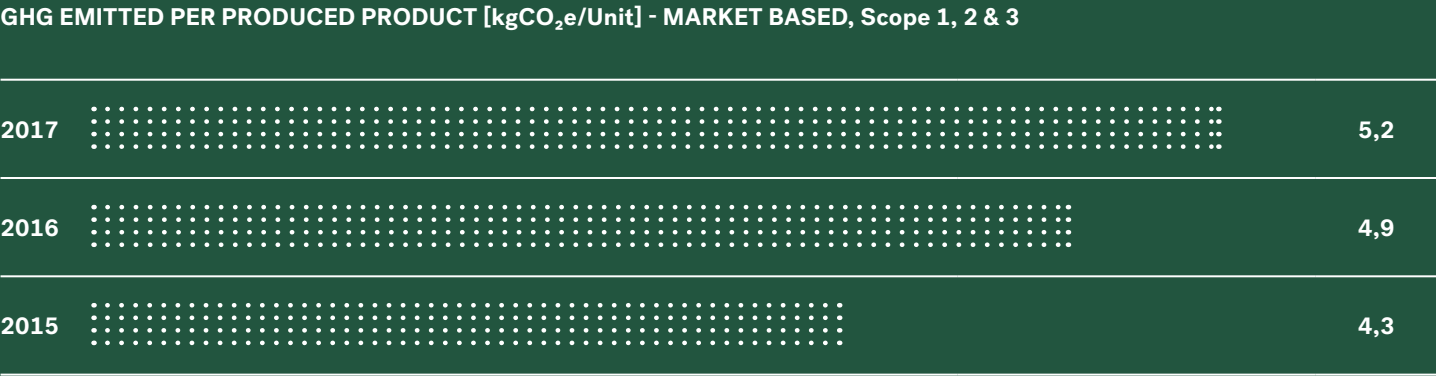
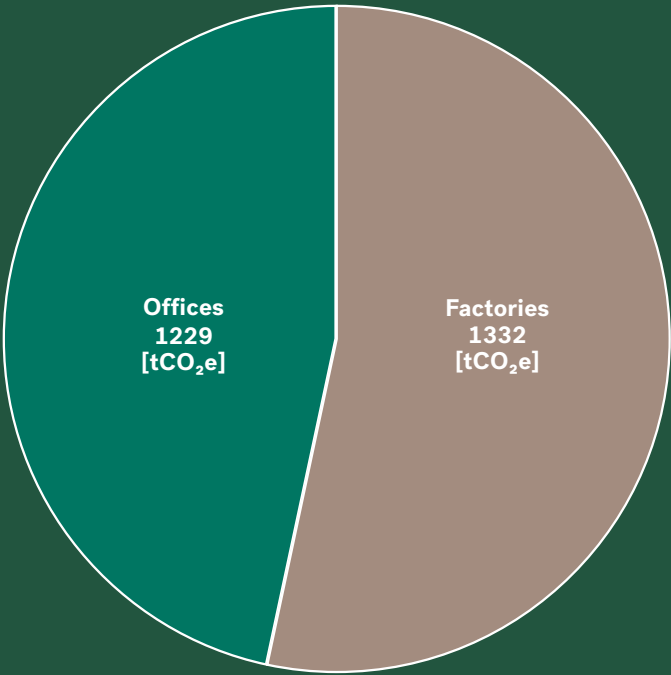
Carbon dioxide (CO<sub>2</sub>) is the primary GHG emitted from human activity, mainly from the combustion of fossil fuels for energy and transportation. The greenhouse gas emissions are measured in CO<sub>2</sub>- equivalents. CO<sub>2</sub>- equivalents are the amount of all climate gases such as CO<sub>2</sub>, N<sub>2</sub>O, CH<sub>4</sub>, CF<sub>4</sub>/ C<sub>2</sub>F<sub>6</sub> emitted from a system, weighted in relation to CO<sub>2</sub>. The amount will give an indicator on how much the system will contribute to climate change.

## RENEWABLE SHARE OF TOTAL PURCHASED ELECTRICITY

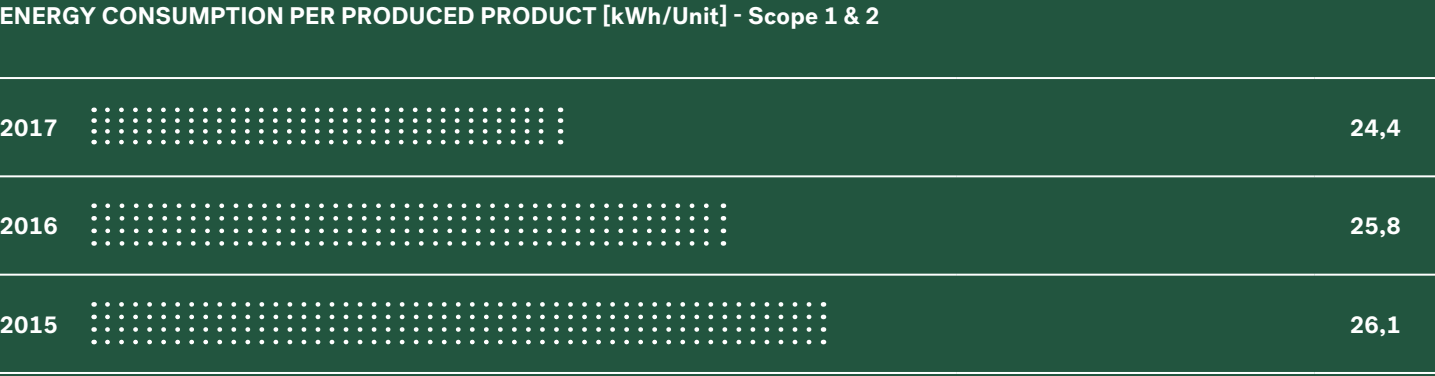
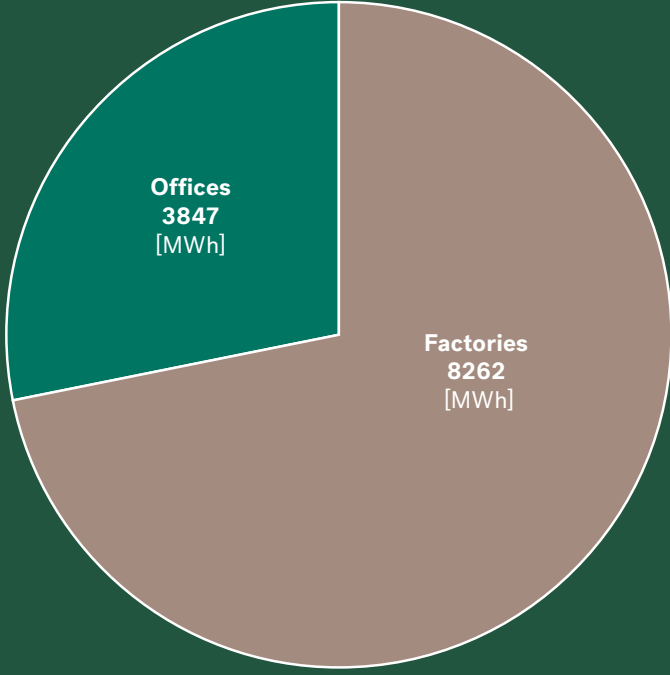
2015	<div></div>	94%
2016	<div></div>	92%
2017	<div></div>	94%
Goal 2020	<div></div>	100%



2017 GHG EMISSIONS [tCO <sub>2</sub> e] - MARKET BASED		
	Offices	Factories
SCOPE 1		
Burning oil, natural gas	15	174
Transportation	678	90
SCOPE 2		
District heating	9	38
Electricity	193	0
SCOPE 3		
Employees air travel	334	0
Goods transportation	0	1 030
TOTAL	1229	1332



2017 ENERGY CONSUMPTION [MWh]		
	Offices	Factories
SCOPE 1		
Burning oil, natural gas	80	917
Transportation	2 703	361
SCOPE 2		
District heating	87	1 196
Electricity	976	5 788
TOTAL	3847	8262



## Travel and Transportation

Business travel by air accounted for **13%** of Flokk’s total emissions, almost **14%** increase from last year

In order to reduce business travel, we continuously expand our videoconferencing capacity, such as integrating voice and video into one common platform. We focus on training and communicating the environmental benefits, and share user guidelines on our new intranet site. We encourage our employees to travel eco-friendly to and from work as well, through various local programs at each site, such as car-pooling, bicycle to work etc. Employees’ travel to and from work are not included in Flokk’s total emissions.

Sales & Service travels by car accounted for **30%** of Flokk’s total emissions, about **20%** increase since 2016.

We see a potential in improving the fuel efficiency of our company car fleet, and will explore opportunities here in 2018.

Goods transportation by trucks with trailers 33 t+ accounted for **40%** of Flokk’s total emissions, around **23%** increase from last year.

For outbound transportation of products to customers, we focus on a high degree of flat packing. We also transport fully assembled chairs, assuming that we can deliver full lorry loads to the same customer. In other cases where we cannot completely fill vehicles, we chose to be environmentally efficient by filling up the unused space with other flat packed products that can be delivered along the same route.

We want our transportation partners to have a strong commitment to the environment. The choice of Schenker for delivering products to our customers is partly due to their deliberate approach to lower their impact on climate and the environment. In 2017 we enhanced our dialogue with Schenker, with the aim to take more control on specific results related to Flokk, focusing on Euro emission standards on vehicles, emission, pollution and eco-driving, and to explore possibilities for increasing share of railway transport. We will continue this work in 2018 with Schenker, and kick off with our largest transportation partners Transbaltika and Jan Krediet.

### Energy Efficiency

Flokk adheres to the EU’s EED - Energy Efficiency Directive. In 2017 we followed up measures on our qualified EU locations, based on findings from energy audits according to EN 16247. In December 2017 we also completed an energy audit in Norway in order to be at the forefront of future EEA directives, with measures to follow up in 2018.

GOALS 2017	Reduce annual average energy consumption per produced product by 2% (20% by 2020)
	Perform Energy Audit EN16247 in Norway, to be up front EEA (EØS) directives (EED)
	Roll out global corporate energy efficiency action plan based on EED measures
	Follow up new transportation contracts - identify improvement areas
RESULTS 2017	Flokk’s total energy consumption per produced product reduced with 6% (since 2016)
	Energy Audit done in Norway - Final report received with relevant measures
	Røros - energy consumption per produced product reduced with 8,9% (since 2016) <ul style="list-style-type: none"> <li>New windows in office wing / Lower temperature during nights &amp; weekends</li> <li>New paint shop</li> </ul>
	Nässjö - energy consumption per produced product reduced with 9,6% (since 2016) <ul style="list-style-type: none"> <li>New door (remote controlled) to reach our waste handling outdoor, saves lots of energy</li> <li>New LED lights to the main office instead of regular fluorescent lightning</li> </ul>
	Kicked-off environmental dialogue with transportation partner Schenker - needs more close follow up
GOALS 2018	Roll out corporate energy efficiency action plan based on EED measures (not done in 2017)
	Røros - evaluate and implement measures from Energy Audit 2017 - Light, ventilation & compressor control
	Nässjö - investigate business case on major energy efficiency measure: roof insulation on building
	Establish dialogue with all major transportation partners - KPI tracking & improvement areas

# Resources - Materials

Each year we produce almost half a million new products, counting 496 598 products in 2017. With an average weight of 15–20 kg, our operations obviously require large quantities of raw materials and components. Despite the increased global awareness of the planet’s limited resources, our generation consume far more than our share of the Earth’s non-renewable resources, in a way we are stealing from future generations. In Flokk we therefore continuously strive to increase our use of renewable and recycled materials, as well as reduce the weight and number of components.

**Renewable And Recycled Materials**  
Renewable and recycled materials have the least impact on the environment. Not only do they contribute to keep materials within a closed loop, the processing of recycled materials requires significantly less energy as well. With one of our visitor chairs as an example; by replacing the plastic material used in the back and seat from virgin polyamide (9,2 kg CO<sub>2</sub>e) to recycled polypropylene (1,23 kg CO<sub>2</sub>e), we managed to reduce the carbon footprint with 87% for each kg material we replaced!

This is why we develop a product to contain as high a share of recycled materials as possible. There are a few challenges though! Cosmetic and technical properties of recycled plastic are poorer than those

of virgin plastics, and in visual or critical components that require colour range or great strength we sometimes need to use virgin plastics. Given this, we must at the very least ensure that these are recyclable.

**Recycled Versus Recyclable Content**  
In Flokk we find it important to differentiate between the terms ‘recycled’ and ‘recyclable’ materials, which has two different meanings. Paper, metals and plastics are all recyclable materials since they can be reused. It is easy to achieve a large proportion of recyclable content – actually most furniture producers can claim that their chairs are more than 95% recyclable. In our case PUR foam and wool textiles are the only materials that are not 100% recyclable.

However, it is the share of already ‘recycled’ materials used in a product that gives the ultimate environmental benefit. When it comes to recycled plastics, the larger share of post-consumer plastics we use, the more we contribute creating a need for returning waste from the market after actual use. Some post-industrial plastics - recovered from production scrap - is still needed though, to ensure required strength properties.

**Reinforced Recycled Plastics**  
As we stay firm with our strategy to increase the share of recycled polypropylene, we want to explore development of reinforced recycled waste plastics, collected from land and the ocean. This will create great potential of replacing virgin with recycled material in critical strength components. After applying for external funding in 2017, we have now been granted funding from Norwegian Research Council. In Q2 2018 we will kick off a new research project From 50% recycled to 100% Circular product development for sustainable furniture, in collaboration with our research partner SINTEF.

**Chemicals**  
Choosing the right materials also involves avoiding materials with a chemical composition that are hazardous to health and the environment in our products, and in our own and our suppliers’ production processes. Flokk takes the responsibility to maintain strict control of the use of chemicals throughout the value chain. We set among the strictest environmental requirements in the industry, the so-called ‘negative list’, and all of our suppliers must commit to fulfilling our requirements in order to become a supplier to Flokk. We strive to avoid directly toxic chemicals and chemicals that are carcinogenic, toxic for reproduction or mutagenic, i.e. result in birth deformities.

We have for many years stopped using what we call ‘banned’ materials in all our new products, such as glue, PVC and chrome surface treatment of chair and table legs. Instead we put great effort into developing attractive alternatives, such as our new Polyethylene powder coatings with metal look – matching the shiny and tough surface obtained from chroming. For our older portfolio we set strict requirements concerning the components of glue and paint, which otherwise could contain substances such as formaldehyde and bisphenol.

Plastics	21,4%
Aluminum	17,6%
Steel	16,4%
Traded Products	16,0%
Fabrics & Leather	8,9%
Foam & Chemicals	7,4%
Assembly	7,3%
Packaging	3,2%
Wood	1,7%
Electronics	0,2%

Distribution of material categories, purchased by Flokk in 2017.

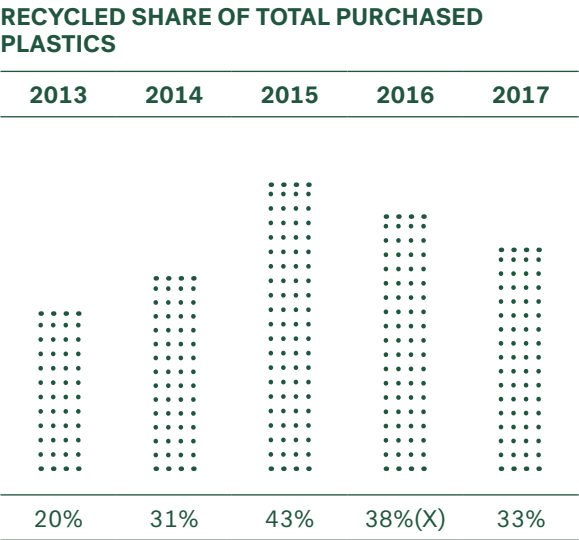


**Plastics**  
Plastics are primarily fossil-based, produced from oil, and thus to a large extent, regarded as non-renewable materials. In addition to the extraction of limited resources, the production and processes involved contribute to GHG (greenhouse gas) emissions.

In 2017, Flokk purchased 1 840 tonnes of plastics, which accounted for 21% of our total purchases of materials.

Most of our plastic parts and components are made of polypropylene (PP), polyamide (PA) and polyoxymethylene (POM). All parts that weigh more than 50 g are type marked to simplify sorting of parts for recycling.

**607 tonnes**  
of recycled plastic waste  
purchased by Flokk in **2017**  
(517 tonnes in 2016)



(X) – last year we reported 42% and not 38% by mistake, due to wrong calculations on purchased recycled PA.

We introduced recycled plastics into our products as early as 1995. Today, these account for 33% of all the plastics we purchase. The majority is recycled polypropylene (PP) – with 592 tonnes purchased in 2017 (484 tonnes in 2016). Our use of recycled plastics went up by weight, partly due to increased sales of RH Logic and BMA Axia series. However, new product mixes from acquisitions, combined with increased sales on products containing virgin, can explain why the share of recycled plastic was higher in 2015 and 2016. In order to reverse that trend, we will boost the migration of recycled plastics into our best selling products in a near future.

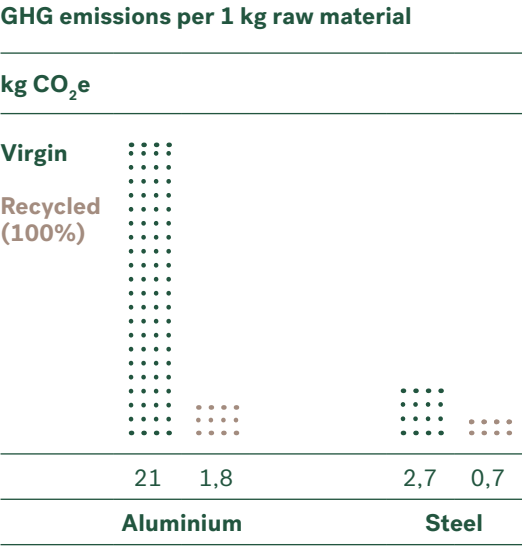
None of our new product collections contain PVC parts. All of our largest plastics suppliers must comply with our environmental requirements, and commit to not using any hazardous chemicals in plastic materials.

We have great focus on strengthening our ongoing efforts on recycled plastics further. After applying for external funding in 2017, we have now been granted funding from Norwegian Research Council. In Q2 2018 we will kick off a new research project in which we will investigate the feasibility of reinforcing recycled post-consumer plastics, collected from land and the ocean.

**Metals**  
The production of virgin metals is a highly energy intensive process from a life cycle perspective, and contributes significantly to GHG emissions. In 2017, purchases of metals (mostly steel and aluminium) accounted for 34% of Flokk’s total purchases of materials.

In order to limit environmental impact, our die-cast aluminium parts contain an average of 95% of recycled aluminium. We can thus mould a footbase to one of our chairs using less than 10% of the energy required for processing virgin materials. And the quality, durability and finish is just as good.

Our steel parts consist of around 30% recycled materials.



No solvents are used in our finishing processes, which are based on powder coating. We have stopped using chrome surface treatment in all new projects, and our ambition is to remove chroming entirely from our older core portfolio within 2020.

**Padding**  
The padding materials we use are largely based on polyurethane foam. The furniture industry is facing the challenge that polyurethane (PUR) is not 100% recyclable. However, some down-cycling possibilities do exist, like transforming the used foam into carpets or insulation materials, although most of the used PUR foam is burned in industrial incinerators. We have carried out a few research and pilot projects on finding alternatives to PUR over the years, but still there are no 100% perfect alternatives available, with no compromise on comfort or sustainability. We will closely monitor the promising ongoing commercialisation of CO<sub>2</sub>-based PUR.

Our standard PUR foam articles comply with the strict requirements of the Nordic Swan Ecolabel, and do not contain any harmful flame-retardant substances.

**Fabrics & Leather**  
Our standard collection consists of durable textiles and leather with good environmental properties.

We offer wool and synthetic textiles, and one of our bestsellers Xtreme is made of 100% recycled polyester. The structure of polyester fibres provides good flame-retardant properties without chemical additives.

We have strict chemical requirements ensuring that no hazardous substances are used in the production of our standard upholstery. Chrome is not accepted in the tanning of the leather we use for our products, and BMA adapted to this from August 2017.

8 out of our 10 standard upholsteries are certified with various eco labels, such as the EU Ecolabel (‘Flower’), Oeko-tex® or The Blue Angel.

**Water**  
Our only direct production process that requires water is the cleaning of metal parts in surface treatment at the factory at Røros.

**3 964 m³**  
water consumption in three main factories in 2017

Water from the cleaning process at Røros is cleaned in-house, and discharged into the municipal sewage plant. In 2017 the discharged amount was 397 m3.

Every other month, water samples are taken to verify that the discharge is in accordance with national legal requirements. For 2017 no deviations were observed in these analyzes.

All our facilities (factories, HQ and sales offices) are connected to the municipal drainage system.

**Wood**  
Even though wood is one of the few materials that is 100% renewable, poor management of this resource can result in environmental destruction such as deforestation, the eradication of flora and fauna, and large GHG (Greenhouse Gas) emissions.

We carefully select our suppliers of wood, and choose to work exclusively with European companies delivering wood issued from forests in Europe. Some of our suppliers own their own forests, while some purchase wood from nearby areas; however all wood used in Flokk’s products is from traceable European, sustainably driven forestry. Certain products use FSC certified wood.

The glue, lacquer and stain applied to our wood products do not emit harmful substances into the indoor climate, due to low levels of volatile organic compounds (VOC).

**Packaging**  
Our products are delivered to customers flat packed in cardboard boxes. In 2017, our two factories in Scandinavia sent a total of 1 035 tonnes of packaging out into the market. This consisted of 70% cardboard, 20% plastics, 2% expanded polystyrene (EPS) and 9% other materials such as tape, bubble wrap, etc. Numbers for Zwolle are still not available in needed fraction details.

In 2017 we continued a project aimed at achieving better transport effectiveness. Target is to define measures to reduce damage sustained during transport, and at the same time achieve a balance between recycled materials and adequate quality. We are also looking into possibilities to eliminate expanded polystyrene from all packaging.

As a temporary solution, the cardboard packaging we use in Nässjö now contains 88% recycled fiber, against a former 97%. We see challenges in using a high proportion of recycled cardboard due to lower quality, thus the risk of poorer product protection. In fact, damage sustained during transport due to a higher share of recycled cardboard is responsible for some proportion of the complaints we receive.

Flokk is a member of several national take-back schemes such as “Grønt Punkt” in Norway and FTI in Sweden.



Each year we report how much packaging we send out into the market and pay a charge in relation to this. The charge ensures old packaging is collected and recycled.

GOALS 2017	Increase share of recycled PP from 51% to 57%
	Investigate recycled PP reinforced with recycled / renewable fibres
	Nässjö – continue packaging efficiency project + reduce material use and eliminate EPS
RESULTS 2017	Introduced new developed third material mix of post-consumer recycled PP - will increase total share
	Increased amount of recycled PP from 484 to 592 tonnes - due to sales of RH Logic and BMA Axia
	Reduced share of recycled PP from 51% to 43% - due to new product mix and sales of RBM Noor (virgin PP)
	Applied for (and granted in 2018!) major research funding to develop sustainable reinforced recycled PP mix
GOALS 2018	Roll out aggressive plan for migration of recycled PP - increase annual amount to 700 tonnes
	Kick-off & drive 3-year research program together with SINTEF with aim to boost use of recycled materials
	Carry on packaging efficiency project (postponed from 2017), and aim to reduce material use and eliminate EPS





# Circular Economy



Flokk has a long experience with circular economy. At our disassembly line, returned chairs are taken apart, parts and components undergo recovery and refurbishment for reuse into “Second life” chairs, or if no good, returned to suppliers and partners for recycling.



Although the circular economy has existed for many years, it has gained massive global attention over the last few years, in line with the rising awareness that the Earth’s resources are limited, and that we are surrounded by plastic waste, at land and in the ocean. As an alternative to the traditional linear economy (take, make, waste), a circular economy aims to do more with less. To keep resources in use for as long as possible, to keep materials in a closed loop at the end of their service lives – through controlled take-back schemes, reuse and recovery – in order to make them available for second life products. Circular economy is very much about design for controlled recovery of products, and considering waste as a valuable resource.

As part of their ambitious work for a sustainable future, the EU adopted in January 2018 the first-ever Europe-wide strategy on plastics. This foundation for a new circular plastics economy is part of EU’s action plan for circular economy, launched late 2016. It is hoped that the plastic strategy will transform the way products are designed, produced and used, as well as pointing out needed directions on infrastructure for collection, sorting

& recycling, material traceability and development of quality standards for sorted plastic waste and recycled plastics.

Already in 1993 Flokk launched its circular design criteria (‘5-III principles for sustainable design’ - see page 120), way ahead of the industry. Since that time we have focused our work accordingly on minimising our environmental impacts, and we have pioneered on many of the circular economy principles. Today, we buy over thousand tonnes of recycled plastics and metals each year. Our products have a 10-year guarantee and a long life time beyond this. They have changeable wearing parts, are easy to disassemble with standard tools, and parts are marked for easy sorting for recycling. The materials of our products are more than 95% recyclable, and our long-term goal is to facilitate that more than 90% of the components are actually being reused or recycled.

**Closing The Circle**  
In order to better meet current and future market demands for increasingly fully circular solutions, Flokk is working on solutions to ensure our products are actually being returned, by taking control of the

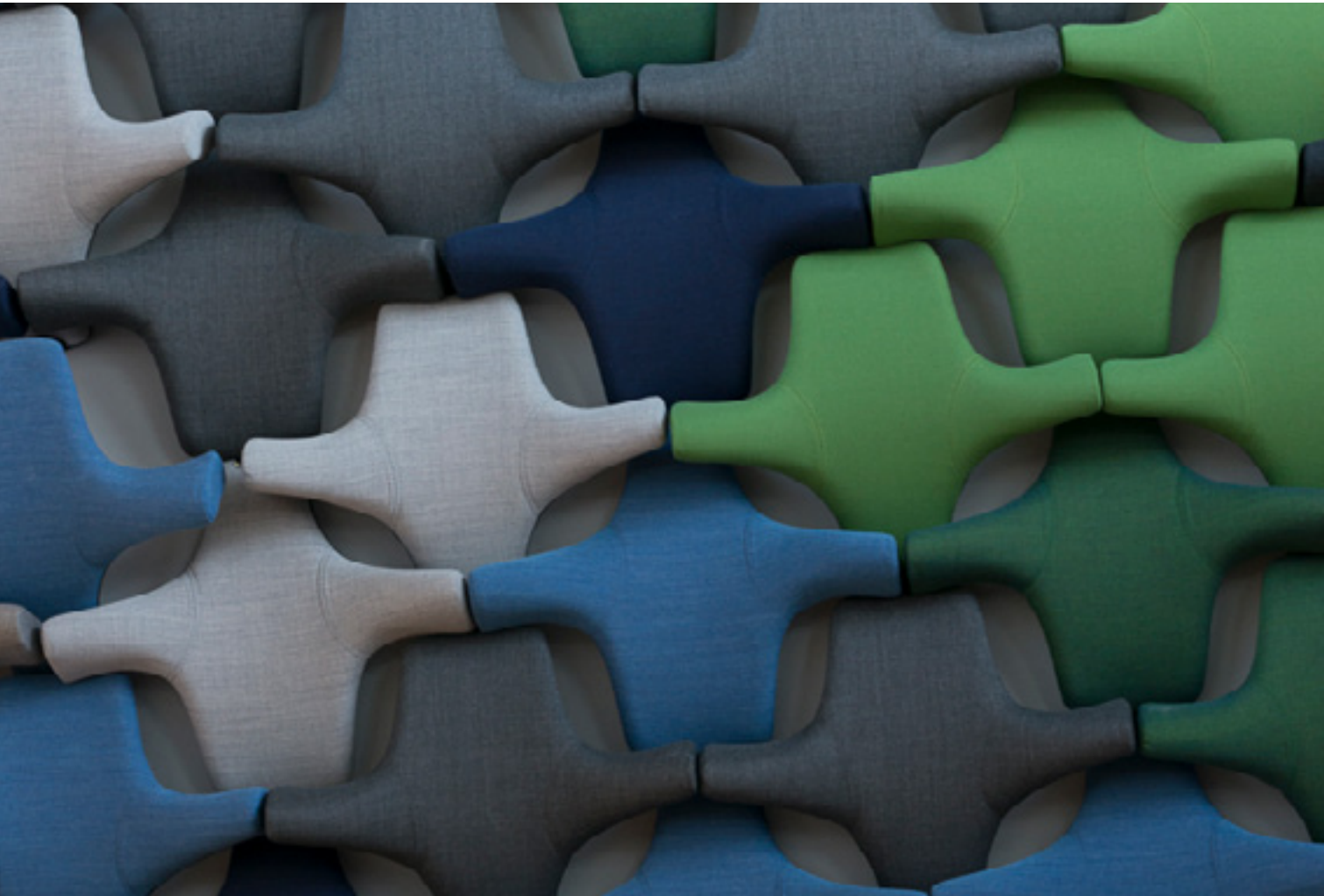
chairs and tables in the usage phase, and by facilitating systematic reuse and recovery of our ‘recycle ready’ products.

We have participated in a major Swedish research project since 2015 – “Business Model Innovation for Circular Furniture Flow”, aimed at developing circular business models for the furniture industry. This project was finalized early 2017. Stage 2 of the project received funding from Swedish Vinnova and kicked-off early 2018, with a mix of old and new participants, aimed at generating scaled market pilots. Our largest dealer in the Swedish market, as well as all the major public procurers in Sweden are part of the project, as such we see it as an absolute necessity to co-develop some of our circular offerings in this setting.

The ‘Seating as a service’ pilot, which commenced Q4 2016 has continued throughout the year generating valuable insights and a healthy revenue stream. We are currently looking into widening this pilot to include more customers and a more standardized offering.

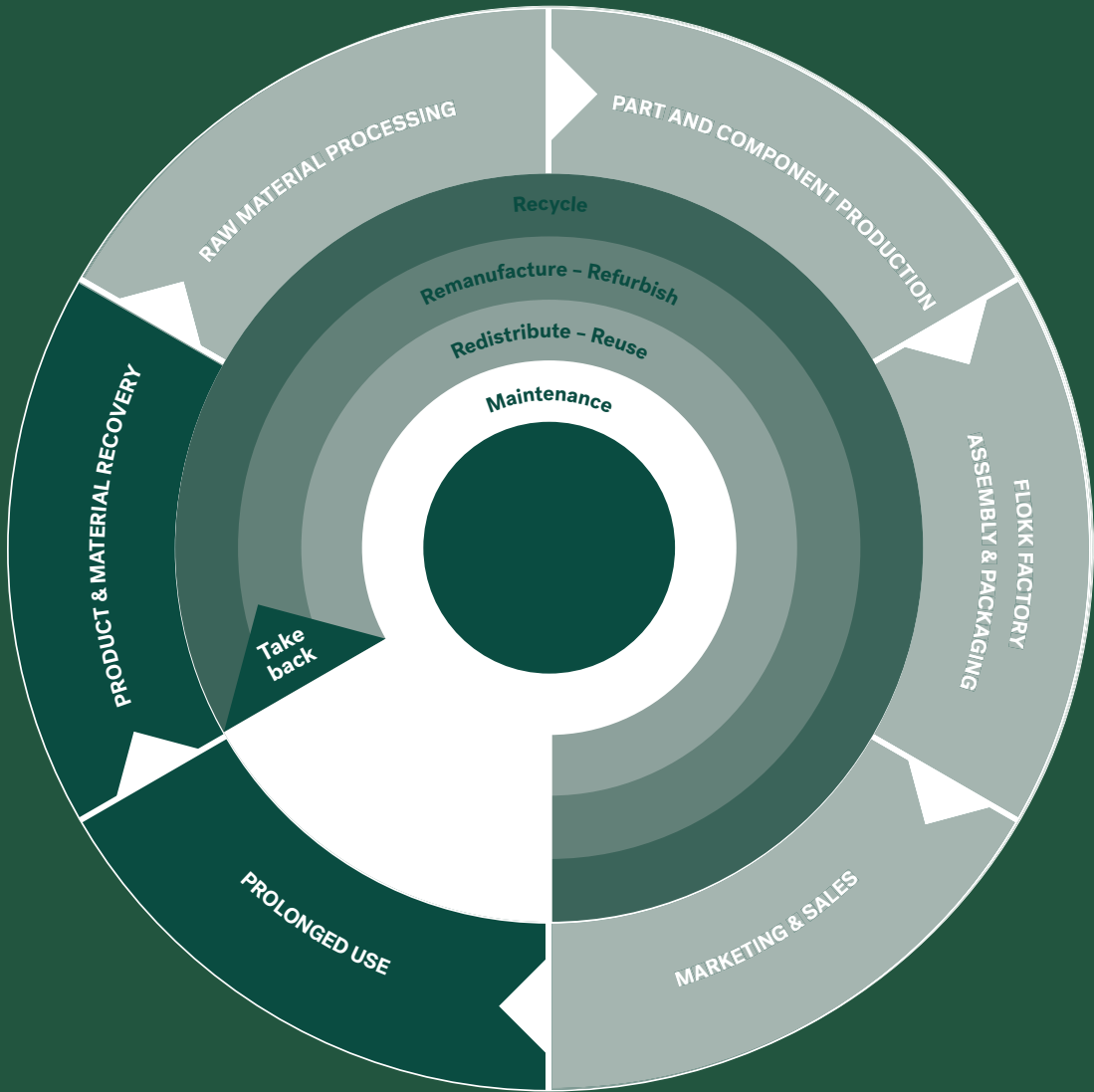
We now also include a circular business model test as a principle in new product development, ensuring that future products are feasible for future circular needs, as well as optimized within the existing business logic. We are also exploring how to ensure full traceability of our chairs and secure a circular value chain.

In the Netherlands we have practiced circular economy for many years and built up a functioning system for taking back chairs. Our factory in Zwolle has a dedicated disassembly line where returned chairs are taken apart. Parts and components are controlled and cleaned, and either reused in ‘second life’ chairs, or defective parts are sent back to suppliers for recycling into new raw material. In 2017 we have met some challenges on finding partners that are willing to receive material for recycling, mainly due to lack of profitability. We will continue our work to solve this in 2018 and the years to come.





GOALS 2017	Complete 2nd stage of Scandinavian research project – follow up Pilot projects
	Expand circular deal in the Netherlands / take-back to include Axia 24/7 chairs
	Find and initiate return flow solutions for upholstery and PUR foam
RESULTS 2016	Completed 2nd stage of Scandinavian research project
	Launched several efforts encompassing circular economy adaptation
	Built generic business model testing capability
	Not managed to include Axia 24/7 chairs in our take-back in the Netherlands yet
GOALS 2018	Successfully engage in new industry collaborations for new circular offerings
	Launch next stage of seating-as-a-service pilot solution
	Find and initiate new return flow solutions
	Continue exploring potential take-back expansion





# Resources - Waste

The waste generated by Flokk comes from two sources. Firstly, we have the waste that is directly linked to products, in the form of packaging, transportation protection and used products. We fulfil our responsibilities for packaging as described on page 132, and are constantly striving to ensure that our products are reused, recycled and recovered at the end of their service lives, as described on page 134.

In our work on reducing the waste quantities, we use a take-back scheme for the cardboard packaging our suppliers use to pack their components in. This way we ensure that the packaging is reused several times instead of being recycled after one use. However, in 2017 we had a significant increase in cardboard waste (Nässjö +40 tonnes and Røros +70 tonnes), mainly due to a new supplier of plastic components with no routines for returning cardboard, but also as an effect of increased production volume. We will focus to solve this issue in 2018.

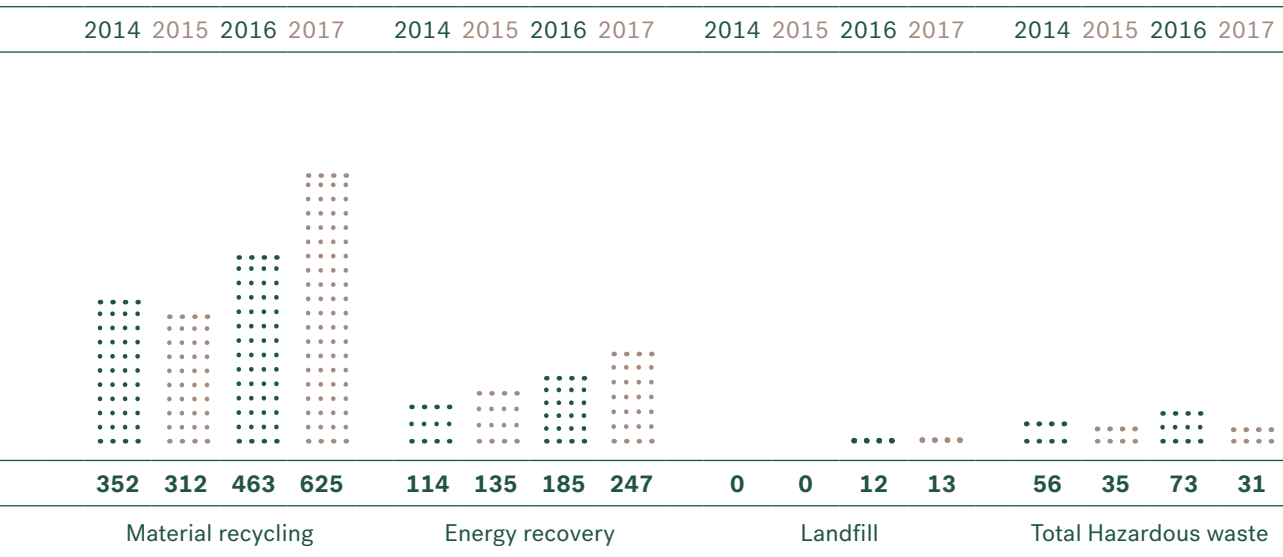
When we transport fully assembled chairs, we avoid using packaging. However, due to high risk of damage we need to protect our chairs with various types of protective covers. In 2018 we will continue establishing a reliable and effective re-collection system for all protective materials used.

Secondly, there is the waste generated during the production process. As part of our environmental requirements we request that suppliers have a plan for how they will minimise their waste quantities. As far as our own factories are concerned, we have established an efficient waste management plan in order to improve the systems for both collecting and sorting waste.

In 2017 we expanded our info whiteboards at each production site with environmental data, including sorting instructions, and we introduced sorting of 'hard plastic' at Røros. Waste sorting can always improve, and will be focus area in 2018 as well. In 2017 we had a significant reduction in hazardous waste. At Røros, the amount of oil-containing mass was reduced from 4 tonnes to 400 kg, and the amount of process water was reduced from 66 to 28.5 tonnes.

Today, 68% of our production waste (mostly metals and cardboard) is recycled, while 27% is incinerated in energy recovery. The remaining percentage of hazardous waste is declared pursuant to the requirements of the Waste Regulations and delivered to an approved reception facility. In 2016 we wrongly reported 73% production waste recycled due to wrong figures used for Nässjö, this should have been 63%.

WASTE FRACTIONS (tonnes)



GOALS 2017	Re-collect 80% protective materials used during transportation of fully assembled chairs
	Improve waste sorting in all facilities - office, canteen and production sites
	Eliminate disposable trays in some of our canteens
RESULTS 2017	Cardboard waste increased with 70 tonnes at Røros and 40 tonnes in Nässjö due to missing routine for returning packaging at new plastic part supplier
	Røros - reduced amount of oil-containing mass from 4 tonnes to 400 kg
	Røros - reduced amount of process water from 66 000 to 28 500 litres
	Røros - project ongoing to remove disposable plastic cups/plates in canteen
	Better waste handling in production sites due to improved marking of sorting fractions
GOALS 2018	Some re-collection of transport protective material put in place - starbase plastic covers
	Reduce cardboard waste with 50% - work with new plastic part supplier on reuse packaging
	Continue re-collection of transport protective material - gather overview, set KPI's and initiate
	Continue improve waste sorting in all facilities - office, canteen and production sites
	Nässjö - increase share of returned and recycled soft plastics to 10 tonnes (1.46 tonnes in 2017)

# Responsible Supply Chain

**With more than** 95% of our products’ environmental impact related to the phases before parts and components even arrive at our factories, there is no doubt that the choice of suppliers is crucial in our work on minimizing environmental impact. In Flokk we know that performance and attitudes are closely related, and therefore work hard to choose suppliers with the same values as us in order to create long-term, sustainable relationships.

**Localisation**  
Flokk has a certain number of suppliers in low-cost countries (Eastern Europe and China). We have a particular focus on these suppliers meeting the requirements in international regulations concerning human rights and working conditions.

Our suppliers, from whom we make purchases exceeding more than NOK 100 000, are largely located in Scandinavia (52% of APV (turnover)), Western Europe (18% of APV), and the Eastern Europe (24% of APV).

Asia is still home to a small proportion of our suppliers, with eight suppliers with whom we have worked for a long time. Our practice of recent years, involving more thorough follow-up of suppliers in Asia, is administered by our Senior Purchase and Operation Manager in China, who is responsible for evaluating the suppliers in the region. This is done through introductory visits to suppliers and their factories prior to signing new contracts, and through regular subsequent follow-up visits to the facilities.

**Supplier Selection**  
Since 2011, we have systemically worked on concentrating our purchasing from fewer suppliers, and we see the number of suppliers is decreasing. We now place new business and products with Key suppliers who account for a steadily increasing proportion of the total.

**Ten principles of UN’s global compact**

- Human rights (HR)**  
(Indigenous rights included)
- 1. Support and respect the protection of HR
  - 2. Make sure not to be complicit in HR abuses

- Working life**
- 3. Freedom of association and collective bargaining
  - 4. Eliminate all forms of forced labor
  - 5. Effective abolition of child labor
  - 6. Eliminate discrimination

- Environment**
- 7. Precautionary approach to environmental challenges
  - 8. Undertake initiatives to promote greater environmental responsibility
  - 9. Encourage development of environmentally friendly technologies

- Corruption**
- 10. Work against corruption in all its forms

We work actively towards both existing and new suppliers and sub-suppliers for all tiers on having a green profile. Before we sign an agreement with a new supplier, we will assure ourselves that we have a shared respect for human rights. We want our suppliers to exercise environmental responsibility, to offer good working conditions, and we have zero tolerance for corruption. All new suppliers must commit to complying with our Code of Conduct, which is based on the ten principles of the UN’s Global Compact. We also require signed contracts on our own strict “Environmental Requirements” (covering use of raw material and use of chemicals, process control and energy consumption).

There has been many changes to our supply chain in 2017. Further information concerning this can be found in the GRI-index on page 162.

**Supply chain control – Follow-up and assessments**  
In 2017, we continued progressing in our ongoing work on strengthening our control of the supply chain.

**Supplier Performance Status – SPS**  
We run monthly SPS meeting to monitor and evaluate supplier results, to coordinate actions and make sure to highlight issues regarding Quality, Delivery, Risk and Cost. Environmental and corporate social responsibility factors that have a negative impact on society, labour market practices, and human rights are covered by the Risk category. This meeting focus on monitoring the status, any actions needed will be made into the relevant fora (Category Review, Quality meeting etc).

Supplier performances are documented, analysed and discussed. As soon as a supplier is identified as low performing,

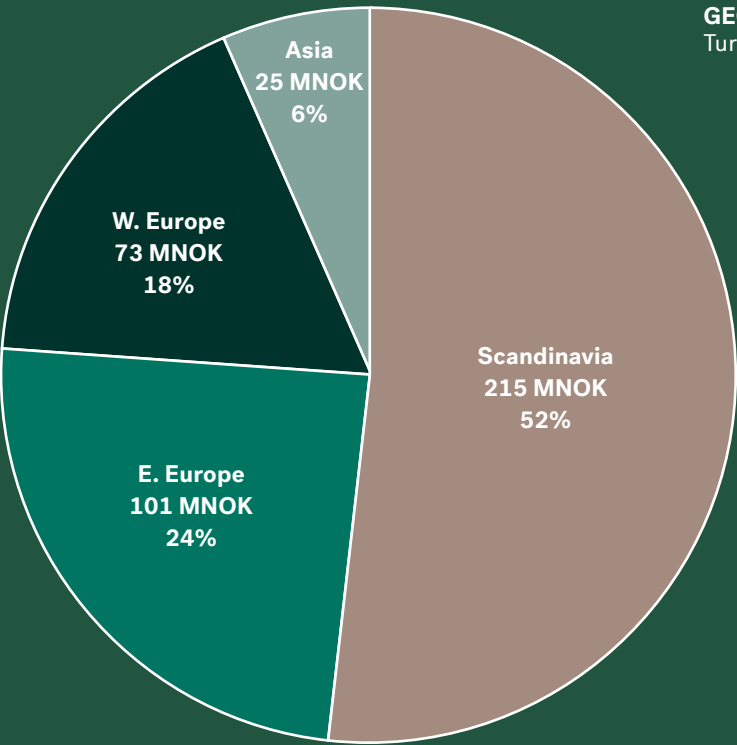
we coordinate temporary deviation of the supplier, and new contracts are put on hold (New Business on Hold). This way we manage to focus the resources where it is most needed.

In 2016 we visited 5 suppliers in Asia, to understand their performance and situation related to Social Responsibility/ environment. Main takeaway was that the running suppliers are on a good level, with adequate performance. Based on the visit, one supplier was showing some deviation from our expectations, and we have terminated this supply, and included this into an existing supplier relationship.

**Supply Chain Management Tool**  
We see a growing need to implement a supply chain management tool for transparent & navigable access to sustainability and social responsibility practices throughout the value chain. As we grow as a company, with 4 recent acquisitions, we need further alignment of supply chain until we make a final choice. Our target is to land this decision in 2018.

THE NUMBER OF SUPPLIERS BY REGION AND COUNTRY

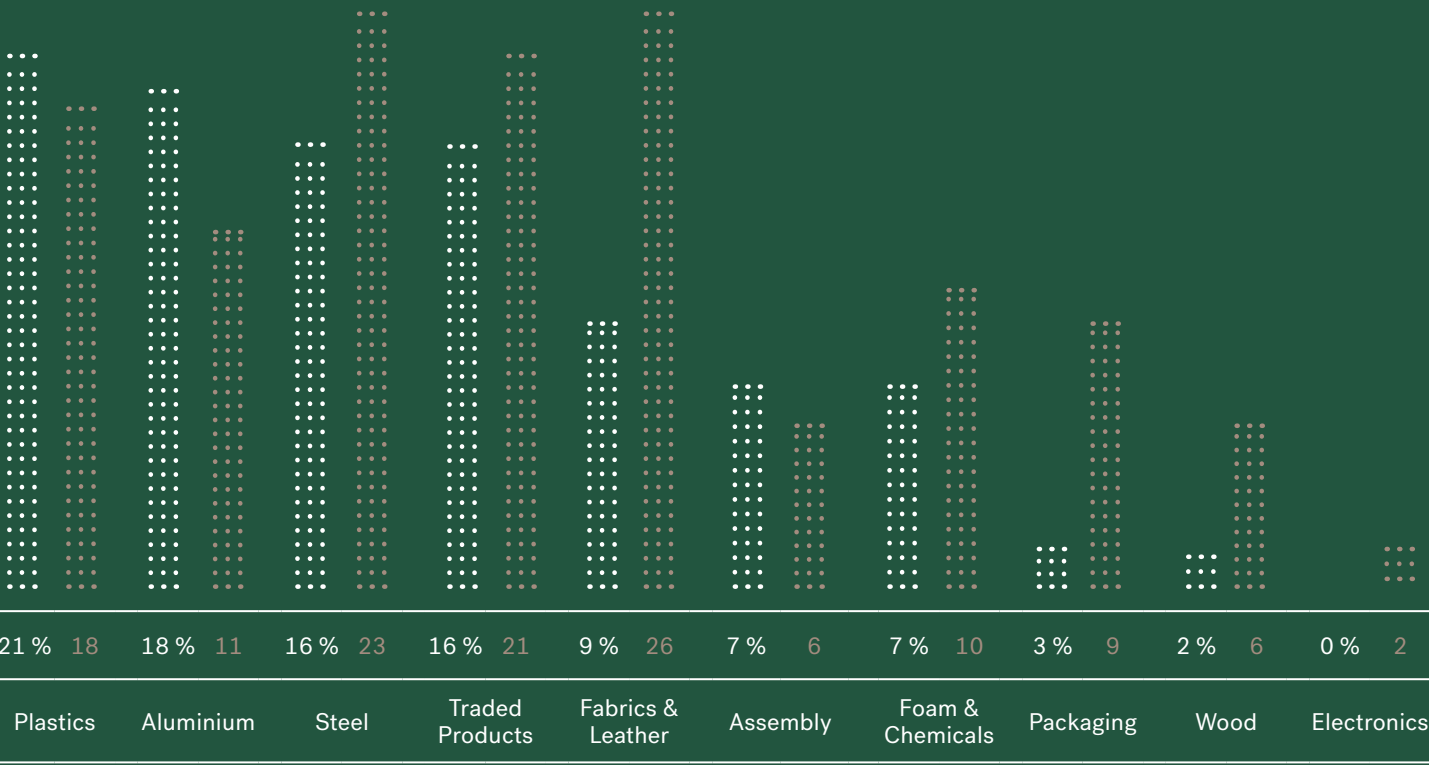
Region	Country	No. Suppliers	Total
Scandinavia	Denmark	9	62
	Norway	16	
	Sweden	37	
W. Europe	Austria	1	42
	Germany	12	
	The Netherlands	23	
	Italy	4	
	Uk	2	
E. Europe	Estonia	1	19
	Latvia	2	
	Lithuania	11	
	Poland	2	
	Romania	3	
Asia	China	7	8
	Taiwan	1	
	Thailand	0	
Other	Canada	1	1
TOTAL		132	132



GEOGRAPHICAL DISTRIBUTION OF OUR PURCHASES  
Turnover MNOK per region from suppliers

SHARE OF TOTAL APV (Turnover)  
+ Number of suppliers per material category

% Share of APV  
Number of suppliers





# Workplace – Workforce

**Flokk** wants to create a safe, fair working environment for its employees and acts responsibly with respect to our customers and society in general. We support and follow the principles of the UN's Global Compact.

## Code of Conduct

We apply a Code of Conduct towards our suppliers. In relation to our employees we have gathered the company's principles, values, standards and rules of behavior in a Code of Conduct – Employees. With this Code of Conduct we expect our employees to act as good ambassadors and treat colleagues, relations, the environment and surroundings with respect and courtesy. We clearly distance ourselves from corruption and bribes, and we support the work for free competition and fair trade.

The processes related to follow-up of employees, workplaces, human rights, corporate social responsibility and product liability are shared between the company's HR department and the department for Environment & Corporate Social Responsibility. The HR department is represented in Group Management by the Senior Vice President for HR & Organisational Development, while Environment & Corporate Social Responsibility is represented by the Senior Vice President for Products & Brands.

## The Overall Workforce

As of December 2017, the company had 833 employees. The percentage of women remains stable at 34%. 14% of Group Management are women and in the board 14% are women.

All our employees are directly employed by Flokk. We experience some seasonal fluctuations in production during the year, which means that we need to increase our

workforce with temporary employees to meet market demands. We experience this especially during the months of November and December.

Our four largest workplaces are the factories at Røros, in Nässjö and in Zwolle, as well as the head office in Oslo.

## Employee Turnover

The overall turnover rate for employees decreased from 13,2 % in 2016 to 9,2% in 2017. The main difference is related to an increasing workforce with low turnover.

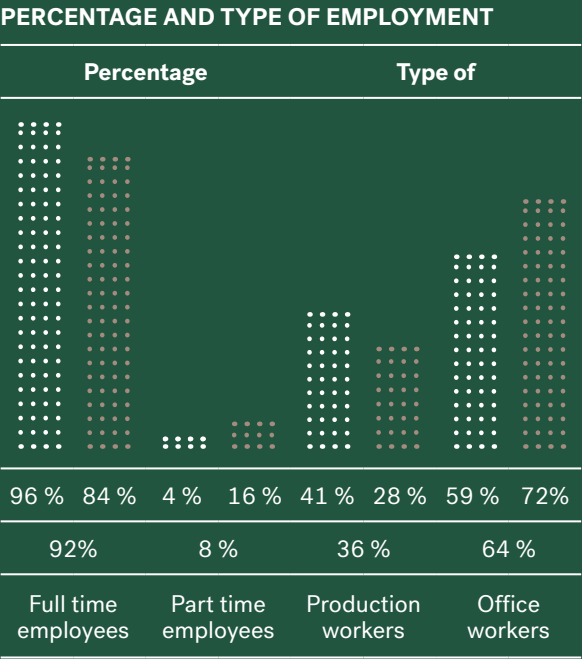
## Remuneration and Incentives

The Board of Flokk consists of representatives of the owners, of the company and external members. External board members receive a fixed annual director's fee for their board work. Group Management receive annual fixed salaries and they also have a bonus agreement, which is approved by the Board annually. The CEO has a severance agreement that provides entitlement to 24 months' salary in the event the CEO leaves the company involuntarily. Group Management's pension agreements are equal to that of the employees.



EMPLOYEE LOCATION	Men	Women	TOTAL
Australia	1	1	2
Belgium	7	3	10
China	4	4	8
Denmark	10	8	18
France	6	4	10
Germany	31	10	41
The Netherlands	35	23	58
Norway	165	83	248
Singapore	2	1	3
Sweden	86	45	131
Switzerland	4	3	7
Britain	12	6	18
United Arab Emirates	0	0	0
TOTAL NUMBER OF EMPLOYEES	363	191	554

WORK CONTRACT		AGE					
		Under 30		Between 30-50		Over 50	
		Men	Women	Men	Women	Men	Women
Consultants	6	1	0	1	2	1	1
Apprentices/Trainees	9	7	2	0	0	0	0
Temporary employees	12	2	1	2	5	0	2
Regular employees	527	45	14	184	100	120	64
TOTAL NUMBER OF EMPLOYEES	554						



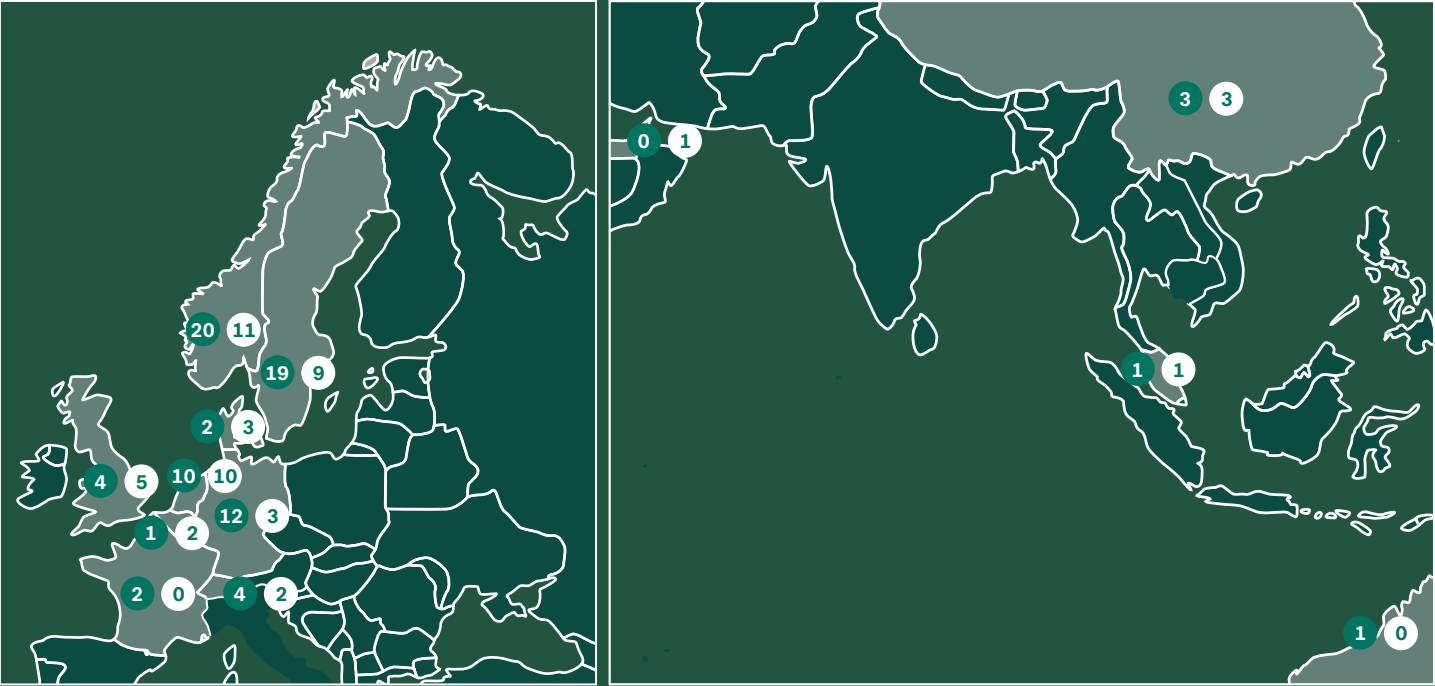
NEW EMPLOYEES 2017	Men	Women
Under 30 years old	23	8
Between 30-50 years old	23	17
Over 50 years old	4	4
TOTAL	50	29

NEW EMPLOYEES IN 2017	Men	Women	Total
Australia	0	1	1
Belgium	1	0	1
China	2	1	3
Denmark	0	2	2
France	1	1	2
Germany	10	2	12
The Netherlands	2	8	10
Norway	15	5	20
Singapore	0	1	1
Sweden	14	5	19
Switzerland	3	1	4
UK	2	2	4
United Arab Emirates	0	0	0
TOTAL	50	29	79

EMPLOYEES THAT LEFT THE COMPANY	Men	Women
Under 30 years old	5	5
Between 30-50 years old	19	11
Over 50 years old	7	3
TOTAL	31	19

EMPLOYEES THAT LEFT THE COMPANY IN 2017	Men	Women	Total
Australia	0	0	0
Belgium	1	1	2
China	1	2	3
Denmark	3	0	3
France	0	0	0
Germany	1	2	3
The Netherlands	5	5	10
Norway	9	2	11
Singapore	0	1	1
Sweden	7	2	9
Switzerland	1	1	2
UK	3	2	5
United Arab Emirates	0	1	1
TOTAL	31	19	50

New employees in 2017 Employees that left in 2017





# Workplace – Decent Work

In Flokk, the importance of a solid working relationship between the company and employee representatives is well-anchored in our corporate culture. This cooperation is based on a close dialogue over many years, which has resulted in a high degree of trust. The employee representatives are considered an important resource for the company.

### Trade Union Work

In Norway and Sweden (Flokk Core), 51% of our employees are organised in trade unions, which is a minor decrease compared to previous years. A total of 194 employees were trade union members in 2017. In the Netherlands a Works Council

WORKERS ORGANISED IN TRADE UNIONS IN NORWAY AND SWEDEN		
	Total Organised	Percentage organized of total employees
2013	198	52%
2014	199	53%
2015	190	52%
2016	178	56%
2017	194	35%

TRADE UNIONS WITH COLLECTIVE PAY AGREEMENTS	
Fellesforbundet (Norway)	85 members
Handel & Kontor (Norway)	13 members
FLT (Forbund for Ledelse og Teknikk)	8 members
IF Metall (Sweden)	53 members
Unionen (Sweden)	29 members
ECONA	1 members
Tekna	5 members

represents all employees. The Works Council is in regular dialogue with the company regarding company policies, organizational development and other relevant matters.

### Collective Pay Agreements And Collective Bargaining

At Røros and in Nässjö the company and the employee’s representatives meet on a regular monthly basis. In Zwolle a Working Council was established in 2016. Company representatives and employee selected Works Council members meet on a regular basis. Cooperation meetings between line representatives and immediate supervisors take place regularly to ensure two-way information and to resolve day-to-day challenges as quickly as possible.

Flokk’s success depends on the performance of its employees. We believe that the best way of creating motivation is through active involvement. In areas with a collective pay agreement, the participation of employee representatives is stipulated by the agreements, which state that employees must be involved and information provided as early as possible in the decision-making processes, giving employee representatives a genuine opportunity to influence decisions. The factory at Røros has one part-time employee representative in 70% of a full-time position.

### Freedom Of Association And The Right To Collective Bargaining

Freedom of association and collective bargaining rights apply to all of the company’s units regardless of country. Freedom of association is described in our Code of Conduct – Employees and in our People Policy, which states: ”Our employees have the right to join or establish trade unions according to their own wishes and bargain collectively. Employee representatives must not be discriminated

against and must have an opportunity to perform their trade union duties in the workplace in accordance with current laws and regulations.”

### Anti-Competitive Behavior

In 2017, Flokk was not involved in any court case concerning intellectual property rights or any other anti-competitive behavior.

### Corruption

Flokk expects all of its employees to avoid situations which may cause a conflict between the company and their personal interests. All forms of corruption and bribes are unacceptable. These attitudes are set out in the group’s Code of Conduct. Work against corruption specifically focuses on the units that are most vulnerable (sales and purchasing). Flokk did not record any breach of the corruption rules in 2017. Nor were any recorded in previous years. For this reason, the group has not been involved in any forms of sanctions associated with corruption.

The topic of corruption is described in our Code of Conduct – Employees, Ethical Guidelines and our Whistle-Blower routines, which describe how employees should provide notification if they discover internal corruption.

### Discrimination

Flokk aims to be a workplace with full equality between women and men. Everyone, regardless of gender, age, religion, ethnicity and background, has the same opportunities for employment and development. Further, women and men performing the same work will initially be paid the same salary, prior to assessing work performance.

In the case of new appointments and composition of teams/departments, the gender distribution in the department is taken into account and all managers strive for a working environment with variations in gender, age and background. The company actively works to prevent discrimination due to age, gender, disability, ethnicity, national origin, skin colour or personal beliefs.

### Equal Pay Policy

Flokk has a clear compensation policy on which the remuneration of our employees is based. The company practices two different pay principles:

1. Collective Pay Agreements  
Flokk has collective agreements in Norway and Sweden for union employees. In The Netherlands the company is following the indexation of the IF Meuble collective agreement. Each agreement governs pay based on the basic principle of equality, with differentiation in terms of seniority and qualifications. Within this area women and men receive the same pay, since the only differences made are in relation to seniority and qualifications. The remuneration level is above the minimum rates in the various collective pay agreements.

2. Individual Pay Assessments  
Individual pay assessments are based on each employee’s job description. This means that each position is treated individually. At the same time the pay for a position must be assessed and compared to the pay of comparable positions (HR is responsible for this process).

After reviewing the content of the position, the manager must evaluate the employee’s performance. This assessment must be based on:

- Qualifications
- Initiative
- Results achieved in relation to set goals
- Ability to work together, attitudes and positive contribution to the work environment
- Compliance with the company’s core values

Individual differences in pay must be objective, justifiable and non-discriminatory in relation to:

- Gender
- Age
- Ethnic heritage
- Religion
- Sexual orientation
- Disability

There must be a clear correlation between pay and development on the job, performance, ability to collaborate and attitudes. Differences can occur in pay between women and men since they may have been assessed differently in relation to the above principles. HR steers the remuneration process and ensures that no unfair pay differences occur between women and men, based on the elements outlined above.



# Workplace - Training and Education

Competence and the further development of this is essential for the success and progress of the company. Competence is an important means of developing our employees and the company. We therefore systematically map the competence and skills of the employees, analyse gaps and implement actions to close these.



## Knowledge and Skills

In 2017, Flokk spent NOK 2.100 000 on enhancing the skills of our 554 employees (ex Malmstolen, Offecct and Giroflex). Skills requirements are determined on the basis of the following:

- Group Management has defined the organisation's future skills requirements based on the company's strategic plan.
- Each part of the value chain must determine skills requirements based on the company's strategy goals .
- Department Managers are responsible for defining the required skills for the various job roles in their department.
- General skills requirements for all employees are addressed through induction programs for new employees (introduction/injection), General Meetings, department meetings and individually adapted training.

One important element of skills enhancement is carried out in the Individual Development Talk (IDT) which takes place annually in addition to a Mid-Year review where competence is especially in focus. In the IDT each Manager and employee agree a number of Personal Development Goals which must be updated at least twice a year through the IDT tool in the People@Flokk (an electronic Employee Management System – EMS). Each Manager is responsible for an earmarked budget for employee development and training.

Competence development and training are also an integral part of change processes and strategic efforts, whether these involve the launch of new products or changes to the actual sales process. In cases where internal programs do not meet the needs, external provision is used and paid for by Flokk.

## Training of New Employees – “Induction Plan”

Flokk is very conscious of the importance of solid training when new employees are being onboarded. All new employees receive an induction plan which defines training activities during their initial period of employment. Their line Manager is responsible for drawing up the training plan. The content of this plan will differ depending on job role. For example,

employees working in sales and supplier development will receive more anti-corruption training than employees in production. However, all employees receive training in key topics such as HSE and our vision, mission, values, and products, as well as environment and corporate social responsibility. New employees also receive a policy package containing the most important Group Policies such as the People Policy, Environmental Policy, Code of Conduct, and procedures relating to aspects such as human rights and anti-corruption.

# Workplace - Health and Safety

## Systematised HSE

The health, safety and welfare of our employees are fundamental priorities for Flokk. The company carries out systematic and preventive HSE work. The work is organised through formal cooperation bodies between the representatives of the employees and management. Local Working Environment Committees are in place in Oslo, Nässjö, Røros and Zwolle.

The safety deputies and other employees are important contributors to promoting a safe and responsible working environment and are involved in the planning and implementation of measures relevant to this. Regular meetings are held with the safety deputies. Two safety rounds are conducted per year in relation to the internal and external environment, fire prevention and electrical installations, respectively. Findings from these safety rounds are reported in the company’s incident system (TQM – Total Quality Management) and followed up with dedicated caseworkers and deadlines.

Risk assessments are carried out in connection with new processes, new equipment and changes to work assignments in order to eliminate factors that have a negative impact on health, safety and the environment. Over the years we have implemented various preventive measures based on the so-called PDCA cycle (Plan, Do, Check, Act), also known as the ‘quality wheel’, in order to register and prevent incidents, as well as to implement suggested improvements.

In our office environments we offer ergonomic workstations that can be customised to meet individual needs.

At Røros, we have run a campaign to register hazardous conditions where the aim was to avoid accidents. A new forklift is acquired

to the surface treatment department to reduce stress and improve the safety. Company Health Service has conducted a targeted health and safety survey amongst our upholstery employees where the aim is to reduce stress disorder for the employees. A physical therapist from the Company Health Service started in 2017 to conduct ergonomic inspection rounds on a monthly basis. Employees can ask questions about their workings situation and they get guidance on how to work smartly. In 2017 we continued upgrading the security systems on one of the larger mechanical presses and built a new lifting aid for fully assembled chairs to reduce manual lifting.

In Nässjö, we have continued the focus on increased safety concerning forklifts in the factory. Focus has been pedestrian segregation and installation of rack barriers. We have installed several protection cages surrounding machines. In addition, we have initiated regular audits regarding machine safety. Height adjustable tables have been installed on all workstations to ensure ergonomic working conditions. Finally, a new safer chemical storage has been installed.

In 2017, the production of office chairs moved from Zwolle, the Netherlands to Nässjö, Sweden, resulting in reduced activities in Zwolle. The remaining production lines are now re-organised in order to optimize material handling and the logistics process, reducing inventory capacity and labour time to a minimum (in Q2’2018 we will also rent out 50% of the current space available). For the loading and unloading of assembled chairs, various ergonomic improvements have been introduced such as a sliding ramp for unloading trucks, and a custom made “forklift” for moving multiple 24/7 chairs with protective wheel caps. On the

training side, the daily whiteboards meetings have been improved, extra focus is put on safety rounds and on training of in-house emergency officers.

Employee welfare also includes ensuring that employees are not exposed to harmful substances. We evaluate the risks associated with each chemical used in our facilities every year, and carry out continuous substitution of chemicals that have undesirable effect. As a result of this we have in the last few years managed to replace almost all of the harmful chemicals that were used in production with non-toxic alternatives.

## Physical Activity

Both the company and its welfare committees encourage employees to participate in physical activity and in 2017 many successful activities took place. At Røros we offered weekly physical exercise classes, and a mountain hiking trip for those who participated in the class on a weekly basis. In Oslo the employees take part in the Holmenkollen relay race each year and exercise prior to the race. A skiing technique course was also offered in 2017. In Zwolle many employees live nearby, and use their bikes or public transport to get to work. In Nässjö we have a gym at the premises

free to use for the employees before/after working hours.

## Sick Leave

Sick leave is recorded for all our parts of the organisation. The figures vary over time, but are in general lower than comparable industry. We have focused on reducing sick leave for many years and ensure employees who are on sick leave are closely followed up. Procedures for adapting work tasks and ensuring that employees can return to work quickly have also been implemented. The trend at Røros has been positive for a long period, but for 2017 we experienced a somewhat increasing trend, linked to long term sick leave, however non-work related. However the sick leave rate in Oslo decreased between 2016 and 2017, and is still on a very low level. Nässjö saw an increase between 2016 and 2017, due to long term sick leave cases. In 2017, the sick leave rate in Zwolle was 3,92 which represents a decrease of more than 60%. This is due to a more stabilized activity in 2017 in Zwolle.

SICK LEAVE				
	2014	2015	2016	2017
Røros	5,8	5,1	5,7	6,1
Nässjö	2,2	4,0	1,7	3,9
Oslo	2,7	1,8	2,6	2,3
The Netherlands				3,9



**Injuries and Occupational Illnesses**  
All injuries suffered by our production employees that result in more than one day’s sick leave, are recorded and followed up through the company’s quality system TQM. We also conduct risk assessments after all registered accidents and near accidents.

Røros had a lost day rate of 18,4 in 2017, representing a decrease from 2016. Nässjö had an increase from 0 to 90,3, mainly due to two personal injuries with a total of 17 days of absence. 2017 was the first year we registered this number in Zwolle, and they had a lost day rate of 28,5. In a total Flokk had a lost day rate of 45,4 in 2017. For the Zwolle site we are working on establishing similar health and safety routines as the Nässjö and Røros.

PRODUCTION SITES				
	2014	2015	2016	2017
Injury rate*	0	7	5	23
Lost date rate**	0	84	51	43

\* Injury Rate = Number of work-related injuries that led to absence (per million hours worked)  
\*\* Lost Day Rate = Number of absentee days due to work-related injuries (per million hours worked).

2017	INJURY RATE	LOST DAY RATE
Nässjö	53	90
Røros	4	15
Zwolle	14	29

Occupational illnesses are not registered since an individual’s medical situation usually involves multiple factors and is complicated. We have never experienced a work-related fatality at any of our facilities.

GOALS 2017	Eliminate chrome tanned leather from BMA supply chain
	Implement Supply Chain Management tool which enables improved chemical control at suppliers
	Implement replacement/phase-out plan for older products with undesired chemicals / materials
	Continue work on updating “Negative list” and defining “chemical footprint”
RESULTS 2017	The phase out process of chrome tanned leather kicked off in August 2017
	Substitution of undesired chemicals: 1 in Nässjö and 2 at Røros - both sites on target
	Removed gluing for BMA seats - no standard seats are now glued (backs still need to be glued)
GOALS 2018	Initiate program to replace chromed surfaces in RBM portfolio
	Complete elimination of chrome tanned leather
	Land decision on supply chain management tool, postponed due to growth/need to align supply chain





# Local Communities

We define our main local communities as Røros and Nässjö. Flokk is aware of our responsibility to be an active and socially conscious employer, as this has direct effect on the employees, their families and relations throughout the local communities.

At Røros, a town of approximately 5.500 inhabitants, Flokk is considered as a cornerstone company. In Nässjö (about 30.000 inhabitants), Flokk is one of the leading employers in the municipality. Focus areas are often business and social related issues, such as maintaining and developing solid transport services to the regions by air (Røros), road and rail. Flokk´s smaller production site in the Netherlands, in Zwolle (about 125.000 inhabitants), is located in an area that is easily accessible both by public transport and by car, and in the heart of BMA´s main markets Germany, The Netherlands and Belgium.

**Collaboration with government and local business sector**

As one of the largest employers at both Røros and in Nässjö, Flokk has for long been an important contributor in these communities. Flokk is working closely with the municipalities in both cities, as we see it as our responsibility to participate in the development of our local communities. It is primarily site managements that participate in these collaborations.

- Flokk is a member of the association Røros Næringsshage (business park) and Røros business forum.

- Flokk´s regularly provides input at Røros´ planning work for the municipality.
- Flokk AB is an active member of the association Nässjö Näringsliv AB (municipality´s business forum), where Flokk AB´s managing director is Chairman of the Board since 2015.
- As a result of the transfer of BMA production from Zwolle to Nässjö, 30 new employees have joined Flokk in the city, as well as an increased number of hired resources.

**Projects and participation**

For Flokk it is important to involve local talents, and to participate in developing our local communities. We often do this through participation in projects

- In Nässjö, Flokk AB has in 2017 continued to participate in the “Business Model Innovation for Circular Furniture Flow” project, focusing on development of lifecycle for products in new business models (see page 134 - Circular Economy).

- Flokk AB participates in the “Reshoring Swedish Industry - Driving Forces and



Obstacles” in Nässjö, a project that is funded by the EU and owned by the University of Jönköping. It involves understanding regarding bringing back work that has previously been outsourced from a company.

- In 2016 and 2017, Flokk AB in Nässjö has participated in a project with several other industrial companies in the area to increase the integration of arrived refugees who have industrial experience, providing work and language training.
- In Zwolle, Flokk is an Accredited Work Placement Company, and the R&D department facilitates scholarships for students in Industrial Product Design from Windesheim, University of Applied Science.

**Community Involvement and Inclusion**

In Flokk we understand the value and importance of supporting local NGOs in the local community. We therefore provide significant support in the form of sponsorships to various organizations within culture and sports.

- At Røros, Flokk actively seek to employ apprentices, accept work experience placements from schools and welcome visits from educational institutions. Our

motivation is to present ourselves as an attractive employer, and contribute to development of education possibilities.

- At Røros, Flokk has in 2017 sponsored sports teams, associations and various cultural activities such as “Vinterfestspillene” (The Winter Chamber Music Festival).
- In Nässjö, Flokk AB sponsored the Swedish Childhood Cancer Foundation.
- In Nässjö, Flokk has worked closely with another company called Samhall since 2005. Samhall runs and insourcing business and functions as a subcontractor and provider for our factory in Nässjö. Based on this agreement we employ around 15 people with various degrees of impaired functionality.
- In Zwolle, Flokk had a cooperative agreement with the WEZO Group, an organization which focuses on people who are relatively distanced from the labour market.

# Product Liability - Certificates

All of Flokk’s products are subject to specific EU requirements concerning ergonomics, usability, safety, stability and strength. These stipulate guidelines concerning design, dimensioning and material choice, and are subject to continuous evaluation and testing throughout the product’s entire development and usage phases.

### Product Quality and Guarantee

Our goal is to deliver perfect products. For this reason, we conduct thorough tests throughout our production processes. Our commitment is to ensure our customers’ complete satisfaction. Our level of technical expertise, combined with our honesty and sense of responsibility, mean that our customers can sit comfortably every time they choose a Flokk chair.

We demand high quality in everything we do, from materials and durability to ergonomics and design. We constantly strive to offer our customers work chairs and office chairs with a quality above their expectations, so that they get the most from their chairs and feel good too.



A Flokk chair is built to withstand stress and to last. Before it leaves our factory it undergoes rigorous tests and inspections. That is why we also give 10-year guarantees on most of our chairs.

### Environmental Certificates

The use of certificates is important both when it comes to communicate our strong environmental commitment and performance to the public, and with respect to guiding our customers in making the right choices. With more than 450 ‘green’ certificates in Europe alone, these are very difficult waters to navigate. Some certificates relate to business and companies, others to products – chemicals and content of recycled materials. Some focus on the usage phase only, while others cover the entire life cycle. Some are national, some are global. The certificates Flokk has chosen cover all the important aspects and areas. All our environmental certificates are available from our website [www.flokk.com](http://www.flokk.com)



### Environmental Product Declaration

If we are to succeed, we have to see the whole picture. We track our products’ environmental performance throughout their entire life cycles (LCA – Life Cycle Analysis), and publish the results in Environmental Product Declarations (EPD). The EPDs are rapidly gaining recognition in the furniture industry, due to their ability to document and communicate a product’s most important ‘green’ indicators, such as share of recycled materials, energy consumption and the associated GHG (Greenhouse Gas) emissions that are generated by production of one unit – from extraction of raw materials to the end of the product’s life time.



### The Nordic Swan Ecolabel

The Nordic Swan Ecolabel for furniture is awarded to products that meet strict environmental, quality and health requirements. The use of harmful chemicals is strictly regulated and a high content of recycled materials is required. In 2010, HÅG Capisco became the first office chair in the world to qualify for the Nordic Swan Ecolabel. In February 2018, HÅG SoFi received the Swan, after extensive work on a new recycled material-mix, needed in order to pass strength tests with the required share of recycled plastics.



### Greenguard

To ensure that our products do not harm the indoor climate by emitting hazardous gases (specifically volatile organic compounds such as formaldehyde in glue) they are tested in relation to the requirements of the US GREENGUARD Environmental Institute. The most important collections from HÅG, RH and RBM have been approved and certified.



### Svenske Möbelfakta

Möbelfakta is a Swedish certification scheme that is based on three areas of requirements: quality, the environment and corporate social responsibility. It sets external requirements such as CEN and ISO standards for quality and follows the environmental criteria of the Swedish Environmental Management Council, while the corporate social responsibility part is based on the ten principles of the UN’s Global Compact.



### Cradle To Cradle™

The Cradle to Cradle Certified™ program is an eco-label that evaluates several properties and assesses a product’s safety to humans and the environment and design for future life cycles. Designer and manufacturers are guided through a continual improvement process that looks at a product through five quality categories – material health, material reutilization, renewable energy and carbon management, water stewardship, and social fairness.

### Labelling

All our products have labels that provide information on the existing certification. They are also delivered with detailed user manuals and instructions for safe use, maintenance/cleaning and recycling.

Product Matrix: The overview on the next page shows products from Flokk’s core brands, and their associated tests and approvals, as well as the certificates and declarations they have attained.

Product Matrix

Note: this list of products is not a full overview of our portfolio. For a wider selection and more details, please read our Price lists available on our website.

	EN 1335	EN 1729	EN 16139 (13761)	IEC 61340 - ESD	GS, LGA	BS 5459	NPR 1813	ANSI BIFMA	EN 15372	MÖBELFAKTA	EPD, ISO 14025	THE NORDIC SWAN ECOLABEL	GREENGUARD	CRADLE to CRADLE™ Bronze certificate
HÅG CHAIRS														
HÅG Capisco	•		•	•	•					•	•	•	•	
HÅG Capisco Puls	•		•		•			•		•	•		•	
HÅG H03	•				•			•			•		•	
HÅG H04				•			•				•		•	
HÅG H05	•			•	•		•	•		•	•		•	
HÅG Futu	•				•		•	•		•	•		•	
HÅG SoFi	•				•	•	•	•		•	•	•	•	
HÅG SoFi mesh	•				•		•	•			•		•	
HÅG Tribute													•	
HÅG Inspiration	•				•			•		•	•		•	
HÅG Excellence	•				•			•		•			•	
HÅG Conventio			•		•			•		•	•	•	•	
HÅG Conventio Wing		•	•					•		•	•		•	
RH CHAIRS														
RH Activ	•			•	•	•		•		•	•		•	
RH Mereo	•				•		•	•		•	•		•	
RH Extend	•			•	•	•	•			•	•		•	
RH Logic	•			•			•			•	•	•	•	
RH Support				•							•		•	
RH Visit			•											
RBM CHAIRS														
RBM 300 / 500										•				
RBM 600 / 700 / 800	•													
RBM Noor			•		•					•	•		•	
RBM Noor Up			•								•		•	
RBM Ana		•	•							•	•		•	
RBM Ballet		•	•							•				
RBM Bella			•											
RBM Low-back Bella			•		•					•				
RBM Sweep			•											
RBM TABLES														
RBM Allround									•	•				
RBM Ultima									•					
RBM Standard folding table									•	•	•			
RBM u-Connect									•	•				
RBM e-Connect									•	•				
RBM Sweep table									•					
BMA CHAIRS														
BMA Axia 2.0 Series	•				•	•	•				•			•
BMA Axia Office	•			•	•		•							
BMA Axia Plus	•					•	•							
BMA Axia Focus	•				•		•	•						
BMA Secur24	•				•	•								
BMA Axia Visit / Invite			•											





This report is prepared in accordance with guidelines from Global Reporting Initiative (GRI), version G4. GRI is a voluntary, international network and is the most widely used international framework for reporting on corporate sustainability.

Flokk reports in accordance with GRI G4 'Core' level.

The GRI report has been reviewed and approved by Group Management. Selection of important topics is supported by the Group Management. The report has not been externally verified.

A list of GRI aspects and indicators is provided below with a reference to where the topics are discussed in this report (DMA - Management Approach/PA - Partially addressed).

INDICATOR	DESCRIPTION	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES
GENERAL STANDARD DISCLOSURES			
Strategy and analysis			
G4-1	Statement from the most senior decision-maker of the organisation and the Board about sustainability in the organisation and its strategy	15, 45-47	
G4-2	Key impacts, risks, and opportunities	15, 119	
Organisational profile			
G4-3	Name of the organisation	Cover, 170	
G4-4	Primary brands, products, and services	26-35	
G4-5	Location of organisation's headquarters	Cover, 170	
G4-6	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	2-3, 11, 41, 140-142	
G4-7	Nature of ownership and legal form	22-23, 75	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers)	2-3, 13, 41	
G4-9	Scale of the reporting organisation	3, 40-47	Number of employees/operations/products, revenues, debt and equity
G4-10	Total number of employees, by gender, age, type of employment, work contract and region	144-147	
G4-11	Percentage of total employees covered by collective bargaining agreements	148	
G4-12	Organisation's supply chain	114-115, 140-143	
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	1, 12-13, 40-47, GRI-index	Several changes in company capital and other real capital. Changes in the supply chain: SC-Leather, delivering to BMA transferred to Flokk supply chain (LTP+Wolls-dorf). Wanzun, final delivery to Flokk made, transferred to Dezhan, known supplier on contract and with more professional management and systems.MarboPur + Alex Kunststoffe delivering Foam to BMA, terminated and moved to Swedish suppliers. Lycro, delivering Plastic from Norway for decades to HÅG, made final delivery during 2017, after a long planned and controlled exit, based on Performance. Pre-assembly of BMA components moved out of Nässjö to LTT, new supplier in LT. Also other changes made to integrate BMA supply to Nässjö.
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	23-25, 119, 141, GRI-index	Work on "Risk management and internal control" as described on page 25 is based on the precautionary principles and continuous improvement
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	102-105, 116-117, 141, GRI-index	Member of IEH/ETIN - Ethical Trading Initiative Norway, Flokk Code of Conduct in accordance with the UN Global Compact, Long-term goals according to EU 2-degree target and selected numbers of the UN Sustainability Development Goals.
G4-16	Memberships in associations and/or national/international advocacy organisations in which the organisation is of strategic nature	100-105, 156-157	

Identified material aspects and boundaries			
G4-17	All entities included in the organisation's consolidated financial statements	3, 53-54, 64, 75	
G4-18	Process for defining report content and aspect boundaries	106-109	
G4-19	List of material aspects	109	
G4-20	Boundary of each material aspect within the organisation	PA 107-109, GRI-index	BMA is now covered in the Corporate Sustainability report at same level as the other core brands. Malmstolen, Offecct and Giroflex, aquired by Flokk in 2017, are not covered by this year's Corporate Sustainability report.
G4-21	Boundary of each material aspect outside the organisation	PA 107-109	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements (eg mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	97, GRI-index	BMA is now covered in the Corporate Sustainability report at same level as the other core brands. Malmstolen, Offecct and Giroflex, aquired by Flokk in 2017, are not covered by this year's Corporate Sustainability report.
G4-23	Significant changes from previous reporting periods in the scope, boundaries or measurement methods	97, GRI-index	BMA is now covered in the Corporate Sustainability report at same level as the other core brands. Malmstolen, Offecct and Giroflex, aquired by Flokk in 2017, are not covered by this year's Corporate Sustainability report.

#### Stakeholder engagement

G4-24	List of stakeholder groups engaged by the organisation	99, 102-105	
G4-25	Basis for identification and selection of stakeholders with whom to engage	98-99	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	102-105	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	102-105	

#### Report profile

G4-28	Reporting period for information provided: 2016	GRI-index	
G4-29	Date of most recent previous report: 2015	GRI-index	
G4-30	Reporting cycle: Annual	GRI-index	
G4-31	Contact point for questions regarding the report or its contents	169	
G4-32	Table identifying the location of the Standard Disclosures in the report	109, 163, GRI-index	"In accordance" option chosen for this report: GRI G4 'Core' level
G4-33	Policy and current practice with regard to seeking external assurance for the report	163, GRI-index	The report has not been independently verified. The structure and content of the report is however based on an independent gap analysis performed by DNV GL in 2015, to ensure quality transition from GRI 3.1 to GRI G4 format

#### Governance

G4-34	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	21-25, 116	
G4-36	Whether the organisation has appointed an executive level position(s) with responsibility for economic, environmental, and social topics and whether post holders report directly to highest governance body	21, 23-25, 116	
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	21, 23-25, 116-119	

G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	163	
G4-51	Remuneration policies for the highest governance body and senior executives. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	25, 144, 149	

#### Ethics and integrity

G4-56	Organisation's values, principles, standards and norms of behavior – codes of conduct	25, 97, 116, 140-141	
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#### SPESIFIC STANDARD DISCLOSURES - Identified material aspects & indicators

#### CATEGORY: ECONOMIC

##### Economic performances

DMA	Results	110-111
G4-EC1	Direct economic value generated and distributed	64, 140, 142

#### Market presence

DMA	Market presence	PA 149
G4-EC5	Standard entry level wage compared to local minimum wage	PA 149

##### Procurement practices / Use of Local suppliers

G4-DMA	Procurement practices	102-105, 140-141
G4-EC9	Proportion of spending on local suppliers	142

#### ENVIRONMENTAL

#### Materials

G4-DMA	Materials	113, PA 128-129, 133
G4-EN1	Materials used by weight or volume	PA 129-133
G4-EN2	Percentage of materials used that are recycled input materials	PA 129-133

#### Energy

G4-DMA	Energy	113, 116-117, 122-125, 127
G4-EN6	Reduction of energy consumption	45-46, 125-127

#### Water

G4-EN8	Biodiversity	132
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#### Biodiversity

G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	GRI-index	Flokk's factory at Røros is located next to the Kvitsanden protected landscape area, about 2 km west of the center of Røros. The Kvitsanden protected landscape area consists of a special shifting sands area containing both stable and mobile sand dunes. The area is an important element of the landscape, and has a very high conservation value. At our factory we are particularly aware of our environmental obligations, and have drawn up procedures to prevent all pollution of the local environment.
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Emissions (CO <sub>2</sub> )			
G4-DMA	Emissions (CO <sub>2</sub> )	113, 116-117, 122-125, 127	
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	122-127	
G4-EN16	Indirect greenhouse gas (GHG) emissions (scope 2)	122-127	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	122-127	
G4-EN18	Greenhouse gas (GHG) emissions intensity	45-46, 125-127	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	45-46, 125-127	

Waste			
G4-DMA	Waste	138	
G4-EN22	Total water discharge by quality and destination	138	
G4-EN23	Total weight of waste by type and disposal method	138	
G4-EN24	Total number and volume of significant spills	GRI-index	There has been no leakages to the environment in 2017

Products and services

G4-EN27	Extent of impact mitigation of environmental impacts of products and services	120-121, 126-127, 130-131, 133, 136, 158-159	
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Compliance

G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI-index	We have not identified any deviation with environmental laws and regulations in 2017
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Transport

G4-DMA	Transport	126	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	126	

Supplier assessment – Environment

G4-DMA	Responsible supply chain	140-143	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	141, GRI-index	All new suppliers screened based on the relevant environmental requirements and our CoC. Suppliers as part of the BMA integration mainly on contract or started transfere. Largest and most relevant suppliers are done (König, Timmerije, Rubitec, Wicro).
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	140-141, GRI-index	No significant actual and potential negative environmental impacts in the supply chain have been registered in 2017. A risk as a result of Supplier moving their production of rubber to China was evaluated and identified an unknown deviation in the compound, not being a result of the moving. Some content in some of the rubber compound was not known, and outside recommended levels. This deviation was corrected and Risk of nonconfirming raw material is limited. We keep on making external sample test to control against “master sample”. Also initiated efforts to establish new and more local supply for new R&D project to reduce dependency. Still the supplier (Betech) is performing well and we do not currently see specific risk in the operation.

SOCIAL – LABOR PRACTICES AND DECENT WORK

Working conditions employment

DMA	Attractive workplace	43-45, 144	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	146-147	

Labor / Management Relations

G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	GRI-index	Minimum 1-6 months depending on the type of function (office or production work), the employee's age, employment country and seniority
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Occupational Health & Safety

G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	PA 151-155	
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Training and Education

G4-LA9	Average hours of training per year per employee by gender, and by employee category	PA 150-151	
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Diversity and equal opportunity

G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	PA 144-147	
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Supplier assessment – Labor practices

DMA	Responsible supply chain	46, 140-143	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	141, GRI-index	All new suppliers screened based on the relevant environmental requirements, and our CoC. Largest and most relevant suppliers in BMA integration are done, and process and progress ongoing on the rest of the suppliers.
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	140-141, GRI-index	One supplier in China was considered as nonconforming 2016 and transfered to other supplier during 2017, under contract and with management system and performance according to Flokk expectations.  BMA supply chain on some sewed leather considered to be uncertain, lack of transparency, and unrealistic pricing levels. Re-engineering of components to enable sourcing and secure compliance to Flokk requirements is made.

SOCIAL – HUMAN RIGHTS

Investment

G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	PA 151	
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Non-discrimination			
DMA	Discrimination	43-45, 140-141, 149	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	GRI-index	No incidents of discrimination have been registered in 2017

#### Freedom of Associaton and Collective Bargaining

DMA	Freedom of Associaton and Collective Bargaining	140-141, 148	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	141, 148-149, GRI-index	No violations of, or cases in which the risk for incidents of violating, the right to exercise freedom of association and collective bargaining have been registered in 2017

#### Child Labor

DMA	Child Labor	43-45, 140-141, 149	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	140-141, GRI-index	No cases in which the risk for incidents of child labor have been registered in 2017. Long term supplier relationship, and performance follow-up and evaluation is made to monitor risk. Limiting number of suppliers and geographic spread to keep track on their working conditions and performance/Risk.

#### Forced or compulsory labor

DMA	Forced or compulsory labor	43-45, 140-141, 144	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	140-141, 144, GRI-index	No cases in which the risk for incidents of forced or compulsory labor have been registered in 2017. Long term supplier relationship, and performance follow-up and evaluation is made to monitor risk. Limiting number of suppliers and geographic spread to keep track on their working conditions and performance/Risk.

#### Indigenous Rights

DMA	Indigenous Rights	43-45, 140-141	
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	141, GRI-index	No violations of indigenous rights registered in 2017

#### Operations Assessment

G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	148-149	
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#### Supplier assessment – Human Rights

DMA	Responsible supply chain	43-45, 140-143	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	141, GRI-index	All new suppliers are screened based on the relevant environmental requirements, and our CoC including Human Rights. Largest and most relevant BMA suppliers are done, and process and progress to the rest of the suppliers.
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	141, GRI-index	No significant actual and potential negative impacts on human rights in the supply chain have been registered in 2017. Evaluation of supplier performance (including Risk) are made in monthly status, but also included in process steps, to secure compliance with our CoC

#### SOCIETY

##### Local Communities

DMA	Local communities	156-157	
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G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	102-105, 156-157	
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#### ANTI CORRUPTION

G4-SO4	Communication and training on anti-corruption policies and procedures	PA 150-151	
G4-SO5	Confirmed incidents of corruption and actions taken	GRI-index	No incidents of corruption have been registered in 2017

#### ANTI COMPETITIVE BEHAVIOUR

G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	148-149	
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##### Supplier assessment – Impacts on society

G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	141, GRI-index	All new suppliers are screened based on the relevant environmental requirements and our CoC, thus also potential impact on society. New suppliers as part of the BMA integration will need more time to contract and screen all suppliers. Largest and most relevant suppliers are done, and structured process and progress made to the rest of the suppliers
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	141, GRI-index	No significant actual and potential negative impacts on society in the supply chain have been registered in 2017

#### PRODUCT RESPONSIBILITY

##### Customer Health and Safety

DMA	Customer health and safety	43-45, 158-159	
G4-PR1	Percentage of significant product categories for which health and safety impacts are assessed for improvement	PA 158-159	

##### Product and services labelling

G4-PR3	Type of product and service information required by the organization’s procedures for product and information and labeling, and percentage of significant product subject to such information requirements	PA 158-159	
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#### Compliance

G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	GRI-index	No cases registered in 2017
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For comments and questions on Flokk’s work and reporting on the environment and corporate social responsibility, please contact:

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