

A more sustainable life in the kitchen

2017 has been an eventful year, and Nobia have taken many important steps in continuing to integrate social, economic, and environmental sustainability in its value chain.

Some of the most significant events were our formalising of a Group function for sustainability, consisting of a Head of Sustainability and a central sustainability team, and establishing a network of sustainabil-

ity ambassadors in all markets. We also adopted our first Group-wide sustainability strategy, and initiated work on product development and sourcing with a focus on sustainability.



2017

An active year

Sustainable progress

- ▶ Group-wide sustainability strategy adopted
- ▶ Group-wide environmental and climate policy adopted
- ▶ Group sustainability function established
- ▶ Transition to renewable electricity in Nobia's production facilities
- ▶ 20 per cent reduction in carbon emissions per produced cabinet
- ▶ 5 per cent reduction in emissions of volatile organic compounds (VOC)
- ▶ Nobia's Darlington production facility received the RoSPS Gold Award for first-class health and safety work
- ▶ Nobia's production facilities in Darlington, Dewsbury, Halifax and Morley received five out of five stars in the OHSAS 18001 review
- ▶ Nobia joined the UN Global Compact initiative
- ▶ Nobia identified strategic areas to contribute to the UN Sustainable Development Goals
- ▶ Nobia appointed "prime company" in sustainability in the oekom Corporate Rating



Our sustainability initiatives are based on the understanding that every link in the chain is important, from supplier to employee to customer.

"We want to be the leading and most successful kitchen specialist that inspires people to realise their kitchen dreams, at the same time as we contribute to sustainable development. This requires not only sound kitchen expertise but also an understanding of current and future needs in the kitchen, which in turn requires active sustainability initiatives.

Sustainability is a strategically important issue for us. Our sustainability initiatives are based on the understanding that every link in the chain is important, from supplier to employee to customer. This is why we have adopted our first Group-wide sustainability strategy whose purpose is to contribute to sustainable growth through our value chain. The strategy is built on four long-term focus areas where we see that we can make a difference and contribute to creating value both for society and for our shareholders."

Morten Falkenberg, President and CEO

As Europe's leading kitchen specialist, we can inspire thousands of people to be more sustainable in the kitchen, every day.

"Global warming, deforestation, and overconsumption of natural resources are a few of the great challenges of our time. These challenges can have serious consequences for our lifestyle, our economies, and the environment we depend on. If we are to be able to solve these global challenges effectively, major changes are required in society. Our industry can have a significant effect on people and the environment through our value chain, especially on issues concerning timber from sustainable forestry, responsible sourcing and product development.

Our impact on people and the environment varies across the value chain. As a major player in the kitchen industry, we can contribute to promoting more sustainable forestry, respect for people and the environment, and more sustainable use of resources even outside our home markets through our choice of materials, supplier relationships, and product development.

As Europe's leading kitchen specialist, we can inspire thousands of people to be more sustainable in the kitchen, every day. The kitchen is a place where we spend a great deal of time, and where there are major opportunities to live more sustainably. This applies to everything from solutions that reduce water, energy, and food waste, to exciting solutions for urban agriculture.

An increasing number of our customers in the construction industry are building homes where the environment is in focus, from the first draft to the completed building. This presents many opportunities for us to contribute to more sustainable development over the long and short term."

Amanda Jackson, Head of Group Sustainability

Strategy that looks to the future

We are aware of the global challenges society faces. Global warming, deforestation, overconsumption of natural resources and inadequate labour conditions present challenges for large parts of the business sector. These are challenges that require responsible leadership, as well as active and systematic work. Therefore, we have developed a sustainability strategy for 2017–2020.

The strategy is built on four long-term focus areas and goals for the next three years. A sustainability strategy is our medium- to long-term itinerary, linking together our core operations with our ambitions to contribute to the UN's Sustainable Development

Goals. Based on our materiality analysis and analysis of the UN Sustainable Development Goals, we have identified the following strategic areas to contribute to the goals and to develop our operations.

Sustainable innovations

Vision

We develop kitchen solutions that support people, the planet, and our operations through continuously improving the environmental and social performance for our products, and we enable our customers to live more sustainably in their kitchens.



Goal 2020

We have implemented a sustainability scorecard to develop the sustainability performance of our new kitchen products as regards materials, design, and functionality.

Reduced carbon emissions

Vision

We promote a value chain with low carbon emissions by reducing the carbon emissions from our products. Through a twofold energy strategy, we focus on energy efficiency and the transition to renewable sources of energy.



Goal 2020

100 per cent renewable electricity in all our production sites on all markets. We strive to reduce carbon emissions from transport and operations.

Safeguard and protect forests

Vision

We contribute to the elimination of deforestation, reducing greenhouse gas emissions, and protecting biodiversity and people's livelihoods by promoting sustainable forestry and the provision of timber from sustainable sources.



Goal 2020

100 per cent of timber from sustainable sources such as wood from forests certified by the FSC or PEFC, recycled wood or wood from our preferred suppliers.

Responsible sourcing

Vision

We build relationships with suppliers that are best in class at sustainability. By promoting responsibility and transparency in our supply chain, we are contributing to a more sustainable future.



Goal 2020

We have guaranteed a new programme for suppliers that includes risk assessment, an audit programme, and a channel for reporting breaches of our Code of Conduct for Suppliers. We strive to work further down the supply chain.



Magnet

Our sustainability initiatives

Our responsibility runs through the value chain, and our sustainability initiatives are based on the Group's economic, environmental and social impact. A central strategy containing Group-wide policies and principles has been developed.

Materiality analysis and stakeholder dialogue

Understanding the expectations of key stakeholders is crucial for being able to meet current and future customer needs. Nobia meets with stakeholders in various forums during the year. A systematic stakeholder dialogue is also conducted annually to jointly identify essential sustainability aspects that create the basis for a materiality analysis. In 2017, all our employees, 11 corporate customers, our six largest shareholders, six suppliers, employee representatives and professional associations were invited to participate in a stakeholder dialogue survey. The stakeholders were identified based on the groups that our operations affect, and the groups that affect our operations. Based on the stakeholder dialogue, impact analysis, and internal workshops, the following material sustainability issues have been identified and prioritised:

- Developing kitchen solutions for current and future needs
- Sustainable choice of materials
- Reduced climate impact and economising resources
- Responsible sourcing
- Secure work environment
- Business ethics and transparency

The following important sustainability topics were raised in the dialogue:

Stakeholder	Material issues	How we are working
Employees	Economising resources and secure work environment.	Page 34–35, 37–38
Corporate customers	Responsible sourcing and reduced climate impact.	Page 34–36
Shareholders and investors	Reduced climate impact and business ethics.	Page 34–35, 39
Suppliers	Secure work environment and economising resources.	Page 34–35, 37–38
Employee representatives	Secure work environment and sustainable choice of materials.	Page 33, 37–38
Civil society and professional associations	Sustainable materials and economising resources.	Page 33–35



Responsibility in the value chain

Our commitment to a sustainable development is both long-term and business-oriented and comprises all operations in our value chain. Our main impact on people and the environment relates to how the products we sell are manufactured, and how they enable a more sustainable living.

By continually analysing the trends and drivers that affect our industry, our customers' industries and our operating environment – as well as in dialogue with our stakeholders – we identify sustainability-related risks and opportunities. Some of the significant sustainability risks for us are:

Significant sustainability issues	Sustainability risks	How we are working
Developing kitchen solutions for future and current needs	Nobia's customers either require or will require sustainable production processes and materials from sustainable sources. This could entail business-related risks for Nobia of not working to meet existing and anticipated customer requirements.	Page 32
Sustainable choice of materials	Wood is the main component of our products. Rapid changes to our environment, and increasingly intensive forestry, place new demands on how nature should be conserved. The use of wood from sources that are involved in forest-related conflicts, or wood that comes from illegal felling, would entail major risks for people, the environment, and our credibility.	Page 33
Reduced climate impact and economising resources	Global warming is a threat to the health of forests in many areas of the world. The risks of damage to forests increases with a warmer climate, which also involves risks for more severe storms and more forest fires that could devastate large areas of forest. Since wood is the main component of our products, this result in long-term risks regarding materials supply.	Page 34–35
Responsible sourcing	Our supply chain extends across different markets, and entails numerous relationships. This brings the risk of deficient supervision of, for example, working conditions at our subcontractors.	Page 36
Secure work environment	Work accidents or serious environmental incidents at Nobia's work sites could have a significant impact on our employees, the local environment, and our brand.	Page 37–38
Business ethics and transparency	Nobia is active in many markets, and has a broad employee base. This entails a risk of employees in Nobia not acting in accordance with the Code of Conduct.	Page 39



Our value chain

Product development

We wish to contribute to a more sustainable development by helping our customers lead more sustainable lives in the kitchen. Sustainability is thus a key focus within innovation and product development.



Purchasing

Our suppliers operate on different markets and can impact both people and the environment where they operate. We assess and monitor our suppliers on social, environmental and ethical issues. Wood is the main component in our products. Our suppliers of wood are mainly in Europe and all must comply with our policies on sustainable forestry.



Waste and recycling

We strive to minimise all waste from our manufacturing. At the same time, we endeavour to help our customers to reduce their environmental impact by assuring smart solutions for food storage and recycling.



Sales

We have extensive experience of designing kitchens and helping our customers on the journey from inspiration to installation with the aim of ensuring a safe and sustainable kitchen solution for current and future customer needs.



Use

Our kitchen solutions can enable our customers to live more sustainable lives in the kitchen. To safeguard that our products are safe to use and for the environment we carry out tests, both internally and by external experts. We have Eco-labelled products in our assortment. Eco-labelled products have been assessed based on how they impact the environment from source to end of life.



Manufacturing

We have 13 production facilities in six European countries. In our manufacturing we follow a Lean-based process which includes, among other things, a systematic work on health, safety and environmental issues to prevent work related accidents, reduce energy consumptions, material use and reduce emissions and waste. We also work actively to create a culture where our vision of zero work related accidents can be realised.



Transport

Effective distribution in the product flow from supplier to customer is important to minimise the environmental impact from transportation. Studies and analysis of distribution are carried out in close collaboration with carriers and with help from external experts to optimise and find new solutions.



Environment Social Economy

Governance

Sustainability is an integrated part of our business and all our employees have a responsibility to contribute to our sustainability agenda, which extends beyond our direct business. Our commitment has been implemented in our policy framework and working methods. At Group level, we have a central sustainability function and in each market where we produce our products we have people working with sustainability related issues.

Sustainability is an integrated part of our operations and is pursued at various levels, from the Board's approval of Group-wide policy and principles to operational reviews and goal-oriented work in business units and countries. The Group-wide sustainability strategy and our policy framework govern and guide the work.

We monitor compliance with and results of our sustainability framework both annually and on a continual basis. Through our annual reporting, we follow up on and communicate the results of our commitments in social, economic, and ecological sustainability. We also continuously monitor compliance through our management system and reporting of rules violations.

The UN Sustainable Development Goals and Agenda 2030

In September 2015, Agenda 2030 was adopted and the global Sustainable Development Goals were adopted. The Sustainable Development Goals and Agenda 2030 aim at eliminating poverty and hunger; realising human rights for all, achieving gender equality and empowerment for all women and girls, and ensuring lasting protection for the planet and its natural resources. The goals are integrated and indivisible and balance the three dimensions of sustainable development: economic, social, and environment.



Our policy framework and external commitments

Framework

- Environment and climate policy
- Policy for sustainable forestry
- Code of Conduct
- Supplier Code of Conduct
- Sustainability strategy

External commitments

- CDP Forestry
- CDP Climate change
- Modern Slavery Statement
- The UN initiative Global Compact
- The UN Sustainable Development Goals
- Sustainability reporting in accordance with the Global Reporting Initiative (GRI)
- The Global Forest and Trade Network, UK (GFTN, UK)





Solutions for current and future needs

Sustainability is a focus area for Nobia's product development. This means that the issue of sustainability is important both in our innovation processes and in our product development. Sustainability aspects are also becoming increasingly important for Nobia's customers. The construction of eco-friendly buildings is increasing, which in turn is increasing demand for eco-labelled kitchens and products that meet eco-building standards.

We offer Nordic Eco-labelled products and products that meet eco-building standards such as BREEAM and Nordic Eco-labelled single-family houses, apartment blocks and preschool buildings. Nobia currently has 21 (16) Nordic Eco-labelled kitchen platforms in different colours that are sold by Marbodal, Norema and Sigdal.

Nobia is represented in the technical committees of the Swedish Federation of Wood and Furniture Industry (TMF). TMF is a member organisation of the Confederation of Swedish Enterprise, and the work of the technical committees includes participating in the development of standards governing product safety, resistance and environmental performance as well as participation in the EU's standardisation committees. Nobia's involvement in TMF is based on a desire to be at the forefront of product design and products that meet rigorous requirements in terms of safety, life of products and low environmental impact.

Nobia's products should be safe to use throughout their entire useful life. Ergonomics are taken into consideration in all our product development, and relevant tests are carried out both in-house and by accredited testing institutions in line with EU standards before a new product enters the production phase. Common tests include stress and durability tests to minimise the risk of accidents and guarantee a high level of safety and quality. All cabinets and frontals in the UK have been approved in

accordance with the Furniture Industry Research Association's (FIRA) furniture requirements for safety. FIRA is the largest furniture association in the UK. It is a non-profit membership organisation run by the furniture industry.

As a part of the work on implementing our sustainability strategy, a project to develop a sustainability scorecard was initiated in 2017. The purpose of the work is to be able to measure, monitor, and develop the social and environmental sustainability criteria of our products through the development and implementation of a sustainability scorecard.



Consumers are increasingly aware of their impact on the planet and expect companies to take responsibility throughout the value chain. We want our customers to feel proud not only of our products' design, function, and quality, but also of how it impacts people and the environment.

Amanda Jackson,
Head of Group Sustainability

Case



Amanda Jackson

Product sustainability scorecard

In 2017, closer collaboration between the functions for product development, sourcing and sustainability was initiated to strengthen the sustainability perspective in everything from product innovation and product development to supplier relationships and choice of materials. The development of a sustainability scorecard was an important part of this collaboration.

The sustainability scorecard, which was developed in 2017, is an internal tool that will enable evaluation of our products based on several different criteria regarding material, design, and function. In 2018, the implementation of the sustainability scorecard will be initiated.



Sustainable choice of materials

Wood and wood products are the main components of our products. Wood is durable, renewable, and recyclable. It is an environmentally smart material, provided that it comes from sustainable forestry or other sustainable sources such as recycled wood. During the year, the amount of wood material used in our production amounted to some 256 thousands of tonnes (245).

Our suppliers of wood and wood products are mainly based in Europe. All our suppliers of wood and wood products must follow Nobia's policy regarding sustainable forestry and sign our declaration on wood. This declaration contains requirements relating to: compliance with forest legislation, known origin and details of source, and not illegally harvested timber; not wood from intact natural forests or high conservation value forest, not timber from protected areas or from plantations in tropical and sub-tropical regions and not wood from tropical trees except those that are certified.

Nobia is a member of the Global Forest and Trade Network (GFTN) in the UK. GFTN is a part of the World-Wide Fund for Nature, WWF, and a union of companies and organisations that have committed to pursue or support responsible forest management. GFTN works to coordinate national and regional initiatives to increase responsible forest management and its members undertake to increase sourcing of wood and wood products from sustainable sources and to disassociate themselves from forest products that are illegal or originate from controversial sources.

Nobia strives to increase the share of wood certified by FSC (Forest Stewardship Council), and in 2017 the share of certified wood was approximately 42 per cent (36).

In our endeavours to find new sustainable material, we maintain close dialogue with our suppliers regarding new innovative materials. In 2017, Nobia began a partnership project with Swerea-IVF concerning sustainable material, to pursuing innovation regarding how textiles can be used as future materials for furniture and kitchens. The project focuses on recycling textiles in the furniture industry, where they can be used as raw materials for production of new textiles, plastic, composites and unwoven material.

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We want to be part of the future and develop our business relations in a long-term, sustainable direction that benefits our business and our stakeholders. We can do this in many ways. For example, by using our opportunity to influence the promotion of using wood and raw wood products from forests that are responsibly and sustainably cultivated. This way, we can create change far beyond our own operations.

Kevin Gilbert, Acting Director of Sourcing

Case



Timber from sustainable forestry

In 2017, we initiated a collaboration project between our Sourcing unit and the Sustainability function to further strengthening our sourcing routines towards purchasing timber that comes from more responsible and sustainable forestry. With this, we want to contribute to balancing the production of renewable raw forestry material with the protection of biological diversity, land and water, cultural environments, and other ecosystem services we, as a society, need.



Reduced climate impact and economising resources

At every step of the value chain, we strive to find resource- and energy-efficient solutions that help us, our business partners, and our customers to reduce our climate and environmental impact, and to act in a more sustainable manner.

Our environmental impact primarily arises from the manufacturing, surface treatment, installation and transportation of kitchens, in the form of emissions from energy consumption and transportation of wood, wood products, chemicals, packaging materials and waste. Nobia strives to reduce its environmental impact by conserving resources, introducing more efficient heating systems, optimising transportation and restricting the use of hazardous chemicals. Goals and priorities are set at regional level using the Group-wide sustainability strategy as a basis. Environmental activities are integrated into the operations of each region and production unit. 11 of 13 production facilities are certified in accordance with the ISO 14001 standard for environmental management.

Efficient use of resources

Continuous efforts are being made in production to optimise the flows using a Lean-based programme referred to as Nobia Lean System. More efficient resource

Production units	ISO 14001
Tidaholm, Sweden	Yes
Ølgod, Denmark	Yes
Bjerringbo, Denmark	Yes
Farsø, Denmark	Yes
Eggedal, Norway	In progress
Nastola, Finland	Yes
Darlington, UK	Yes
Halifax, UK	Yes
Morley, UK	Yes
Dewsbury, UK	Yes
Grays, UK	No
Freistadt, Austria	Yes
Wels, Austria	Yes

utilisation is achieved through such optimised processes, meaning energy, emissions and costs can all be reduced. In 2017, we ran 95 improvement projects (30) under our Lean system and 64 employees (57) in production were trained in our Nobia Lean System.

Energy and climate

We strive to find new solutions to reduce the climate impact of our operations. For example, we are working to reduce our direct greenhouse gas emissions, caused chiefly by heating, cooling, electricity in connection with manufacturing, and transportation. To reduce our environmental impact, Nobia continuously introduces modern systems for cooling, heat recovery and ventilation into production.

During the year we have transitioned all our production sites to renewable electricity. As a result, Nobia reduced its carbon emissions per produced cabinet by 20 per cent (13) in 2017.

About 5 per cent (5) of Nobia's total expenses are attributable to transportation from factory to customer, making this a key focus for resource optimisation to reduce both environmental impact and costs. Surveys and analyses of transport flows are implemented in close cooperation with logistics companies but also with the assistance of external experts,

Greenhouse gas emissions, heating and manufacturing, thousands of tonnes, CO₂



Greenhouse gas emissions, transportation, thousands of tonnes, CO₂



Energy consumption, electricity, GWh



to identify economic and environmental benefits. Freight load optimisation can help reduce both costs and carbon emissions. During the year we have initiated dialogue with carriers regarding carbon emission reduction plans and further optimizations throughout the transportation flow.

Nobia has been reporting to CDP since 2007 – an independent organisation promoting transparency in terms of companies' carbon emissions and climate strategies. 2017 Nobia was awarded a rating of "C", the same as in 2016.

Emissions of solvents

The reduction of solvents is a key issue in Nobia's environmental work. Emissions of volatile organic compounds were reduced by 5 per cent (11) in 2017. Solvents are mainly used in surface treatment and when cleaning painting facilities. Initiatives to reduce the use of solvents include replacing them with water-based and UV-tempered surface coatings and reducing the number of changeovers in production equipment, which both reduces the amount of cleaning required and raises productivity. In 2017, the percentage of water-based and UV-tempered surface coatings totalled about 60 per cent (58).

Packaging and waste

Timber pallets, corrugated board, shrink-wrap and plastic tape are the main components of the packaging materials used by Nobia.

During the year, wood waste amounted to about 31 thousands of tonnes (29). The

amount of waste – excluding wood waste – was about 5 thousands of tonnes (8), of which some 38 per cent (29) went to external recycling, about 51 per cent (63) to landfill or incineration and about 11 per cent (8) comprised hazardous waste.

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Köksvägen is a new road built into the production facility in Tidaholm that now re-directs lorry traffic from the town centre and reduces transportation through our community.

Yamina Helenius Head of Quality and Environment at Nobia Production Sweden AB

Case



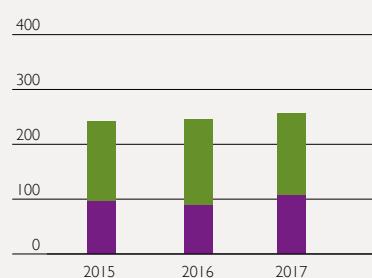
Köksvägen – a project to reduce traffic in Tidaholm

In a joint effort with Tidaholm Municipality we have built Köksvägen (Kitchen Road), into our Swedish production facility in Tidaholm. The new road re-directs lorry traffic from the town centre and reduces transportation through the community. The road reduces noise from transportation and improves air quality for residents near the facility. The road was inaugurated at the beginning of the year.

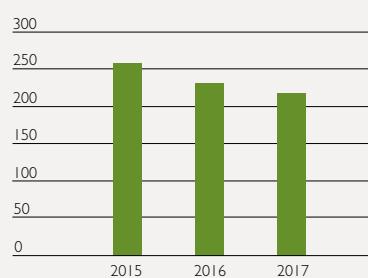
Energy consumption, heating, GWh



Use of materials, wood and FSC-labelled wood, thousands of tonnes



Emissions of solvents, tonnes



■ FSC-labelled wood and materials ■ Wood and materials



Responsible sourcing

A sustainable supply chain and good relations with our suppliers are crucial for offering attractive products to our customers. That is why we are continually working on creating open, effective partnerships with responsible suppliers.

Supply chain

Nobia has around 560 suppliers (715) in its supply chain, of which the great majority are based in Europe. The core components of the products, such as chipboard, MDF, paint, hinges, drawer units, edging and worktops, are supplied by European companies. Nobia has several suppliers of appliances for different customer segments and its ambition is to always be in a position to supply products from the leading appliance companies. Product categories manufactured in Asia include screws, some interior fittings and LED lighting, and these products are purchased principally via European wholesalers based on detailed product descriptions that include EU requirements and local regulations.

Supplier audits

Centralised sourcing provides Nobia with the opportunity to apply a structured work method in terms of setting requirements, and monitoring and developing suppliers' work. Purchased materials and components are carefully specified and suppliers are risk assessed, inspected and evaluated in accordance with the company's guidelines on the environment, work environment, human rights and business ethics. There is a department responsible for supplier evaluations within Nobia's sourcing organisation. The suppliers selected for evaluation and the scope of the audits are determined based on a risk assessment. Suppliers considered high-risk are prioritised in this process.

Our supply chain extends across different markets, and entails numerous relationships. To govern this complex environment, our policy framework and processes guide

us in our business and operations and help our suppliers develop in the field of sustainability, and thereby support our ambition to promote business ethics, respect for human rights, and the environment.

A new tool for assessment and risk classification of suppliers based on a number of parameters regarding human rights, work environment, anti-corruption and the environment was developed, and the implementation process was started in 2017. 48 supplier audits (79) were carried out in total, of which 20 were in-depth audits (32). The number of supplier audits was lower in 2017 than 2016 due to the intensive work on developing the new tool for supplier assessment. The implementation will be performed in 2018.



Our new risk assessment tool provides us with an excellent opportunity to identify suppliers with higher sustainability risks in new and existing supply chains so that we can better direct our energies towards necessary audits and streamlining our work, which will lead to greater sustainability.

Tony Brocklehurst, Senior Quality Engineer, head of Nobia's supplier audit programme

Case



Tony Brocklehurst

New supplier audit programme

One important success factor for us is a sustainable supply chain. It is especially important for offering our customers attractive and sustainable products, but it is also an opportunity for us to contribute to more sustainable development.

We have a team based in the UK and in Asia working on supplier evaluations. It works in close collaboration with our purchasers and our sustainability function. Its activities include everything from risk assessments and evaluations to physical supplier audits covering topics such as human rights, health and safety, labour conditions, the environment, business ethics and quality.

To reach further down the supply chain, a new tool was developed for assessing and risk classifying suppliers' and subcontractors' sustainability performance in 2017. The tool gives us the possibility of influencing the supply chain, and over the long term contributing to a positive effect on people working with and for us as well as for the environment.



Our employees should have a safe, secure workplace

Nobia's employees are our main asset. Attracting, engaging, and developing our employees is a crucial success factor for our operations. That is why we work purposefully towards creating a safe, secure work environment where our employees' engagement is utilised and creates, together with good management, a company which you can be proud to work for.

Nobia mainly has permanent employees; only approximately one per cent of our employees are limited-term. The workforce can be divided up into employees working in production and logistics, and those working in administration and sales. Nobia principally has employees in six European countries; all our employees are covered by collective agreements in each of these countries except the UK. Our employees are represented in a European Work Council (EWC). The EWC is a European information and consultation council.

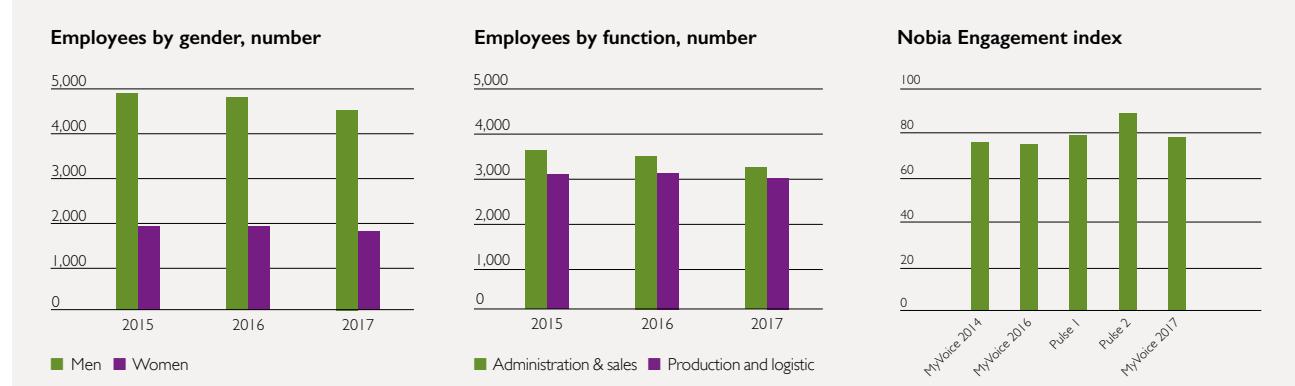
Safe and secure work environment

Employee safety is our top priority, and Nobia has a vision of zero accidents in the workplace and no work-related injuries. Preventive measures are taken to minimise the risk of accidents, injuries and sickness absence. 7 of our 13 plants also have OHSAS 18001-certified management systems for work environments. OSHA 18001 is an internationally acknowledged standard for detecting and preventing risks, and improving the work environment in other ways. Nobia's Darlington, Dewsbury, Halifax and Morley production facilities received five stars in the 2017 OHSAS 18001 review.

Safety initiatives in production have been further intensified, and the production management teams at the facilities have daily follow-up meetings at which safety is at the top of the agenda.

Near-accidents and accidents are reported to management daily. Managers and employees are continually trained in health and safety. 75 operational site related accidents (91), resulting in at least eight hours of absence occurred during the year. This corresponded to 13.04 workplace accidents per million hours worked (16,37). The most common accidents were trips, strains and cuts. All accidents are analysed, and measures are taken to prevent all similar accidents from happening again. Nobia defined a Production Site Safety measure in 2016, to report on work-related accidents. From 2017 this measure is used in the sustainability report.

Employees per country in 2017	Number
UK	2,955
Denmark	1,333
Sweden	705
Finland	391
Austria	363
Norway	293
Employees in subsidiaries	6,040
Employees of Parent Company (Sweden)	47
Employees in the Group	6,087



Employee engagement

Employee engagement is a mainstay of successful operations. Previously, we measured employee engagement once a year, in the annual MyVoice employee survey. In 2017, we began measuring engagement more regularly, through quarterly 'pulse checks'.

The pulse check survey was conducted for the first time in March 2017, with a response frequency of 78 per cent; during the second round in June 2017, 88 per cent of our employees responded to the survey. In the larger MyVoice survey conducted in September, questions were also asked regarding leadership, team effectiveness, health, and discrimination. The engagement index in this year's MyVoice survey is 77 (75).

Employees are informed of the results on various occasions, in group meetings or at larger information meetings. Managers discuss an action plan jointly with their employees to continue work on the team's areas of improvement over the next year.

Practice makes perfect

Over the year, local initiatives were taken to find and help talented students and involved employees develop at Nobia, and thereby meet the company's future challenges. The Magnet apprenticeship programme is a part of the effort, and the programme was one of the winners of the North East Regional finals of the 2017 National Apprenticeship Award in the UK.

Leadership

Leadership is an important cornerstone in our business strategy; its purpose is to motivate and involve all employees to work

towards joint visions and goals that are set high. In many cases, employee engagement is a reflection of involved and competent managers. Over the year, several different initiatives were thus taken to develop managers at Nobia, thereby further increasing engagement in the company. Among those initiatives was the Nobia Excellent Leader model, in which 40 workshops with 715 participants were arranged in 2017.

Equality and diversity

Nobia promotes equality, diversity and equal treatment and endeavours to have an even gender balance among employees in senior positions. The Code of Conduct maintains that no employee should be discriminated against due to age, ethnicity, social or national origin, skin colour, gender, sexual orientation, religion, political views, disability or any other reason.

Discrimination issues are a part of our Code of Conduct training. Equality and diversity are also an integral part of our recruitment process, succession planning and leadership development. We aim to work on creating an inclusive business culture in all parts of our operations, where people can make use of their full potential.

The Board of Directors consists of nine elected members, including the CEO, and four employee representatives. Of the elected members of the Board of Directors, 44 per cent are women and 56 per cent are men. In Group management, the division between women and men is 17 per cent and 83 per cent, respectively. In 2017, 23 per cent (21) of the top 100 senior executives in the Group were women, and 77 per cent (79) men.

Case

Good leadership generates the power to grow

Over the last few years, we have worked intensively on leadership to create a strong foundation for Nobia, and thereby grow as a company and achieve our vision.

With the help of viewpoints from managers from all of Nobia in combination with analyses of strategy and challenges, we have developed a competence model for leadership: "Excellent Leader." The model provides a structure and a common language to describe, in a specific and useful manner, what leadership Nobia needs.

The first part of implementing the model was carried out by introducing it to all the senior managers at Nobia. Questions such as leadership at Nobia, what it means for us as a company, and why it is important were studied during a half day group session.

The next step was that all the managers in Nobia participated in local workshops for the purpose of understanding the importance of leadership, what it means for every person in their daily work, and what they as individual leaders need to work on. In total, 40 workshops with 715 participants in all were conducted in 2017.

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Leadership means something to everyone. Perhaps not always the same thing, or to the same extent. We often have views on what good leadership is, and what bad leadership is, but most agree that leadership is needed, leadership is important. Now, we have defined together what leadership means for us at Nobia, and it is time to make the journey together to become as good a leader as each of us can be.



Lotta Höjman, Director of Talent Management



Business ethics and transparency

For Nobia business ethics and transparency are a matter of respecting laws and regulations – as well as human rights – where we operate, paying taxes under applicable rules, and taking a clear stance against all forms of corruption. It is also a matter of ensuring internal governance and monitoring of business ethics issues, and ensuring that sourcing and sales are managed with integrity.

Anti-corruption throughout the value chain

The Anti-Corruption Code is a mainstay of our Code of Conduct. To ensure compliance with the Code of Conduct, employees are encouraged to report any conduct that breaches the Code. An anonymous communication channel has been set up for this purpose, but employees can report any cases outside this channel as well. 59 cases (25) were reported in 2017, of which 14 (5) were reported via the anonymous communication channel. The increase in reported issues may be a result of increased awareness from the Code of Conduct implementation and related training. The reported cases and other issues relating to the principles in the Code of Conduct have been handled and reported to the Board's Audit Committee.

We wish to advocate business ethics, assuming responsibility, and transparency throughout our entire supply chain. That is why in 2017 we implemented an anonymous communications tool for reporting behaviour that violates our Supplier Code of Conduct. Our Code of Conduct for suppliers regulates and governs Nobia's requirements for suppliers about working conditions, human rights, business ethics, environmental performance, and so on. Our suppliers in turn should pass on these expectations to their suppliers, to ensure observance throughout the entire supply chain. Through the new communications tool, suppliers can report any irregularities, completely anonymously, and there are internal structures for managing all cases.

Human rights

Respect for human rights, with a starting point in the UN's guidelines for companies and human rights as well as local labour legislation, is an important part of our work and is reflected in both our internal guidelines and processes as well as in our requirements for and monitoring of suppliers.

Every person who works for Nobia, directly or indirectly, is entitled to have their fundamental human rights met in accordance with the UN Universal Declaration of Human Rights.

- Read more about our work on the Code of Conduct for Suppliers, risk classification and monitoring of our suppliers on page 36.
- Read more about our work on creating a safe, secure work environment on page 37.
- Read more about our work on equality and diversity on page 38.

Our Code of Conduct

The Code of Conduct was developed in 2013, and was adopted by Nobia's Board of Directors in February 2014. The Code is implemented through repeated workshops and e-learning, as well as in daily work. It is available on the company's intranet and website, in English, Swedish, Danish, Norwegian, Finnish, and German. The Code is reviewed annually.

The Code is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises. It indicates the minimum level of acceptable behaviour for all employees and collaborating partners. The Code is based on the following principles.

- ▶ **Fair competition**
- ▶ **Anti-corruption**
- ▶ **Impartiality**
- ▶ **Human rights**
- ▶ **Respect for the individual**
- ▶ **Fair labour conditions**
- ▶ **Respect for the environment**

To ensure compliance with the Code of Conduct, employees are encouraged to report any conduct that breaches the Code via an anonymous communication channel called "SpeakUp."

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Nobia AB (publ), corporate identity number 556528-2752.

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017-01-01–2017-12-31 on pages 24–39 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, March 20, 2018

Deloitte AB, Daniel de Paula, Authorized Public Accountant

Summary sustainability indicators

About the Sustainability Report

Nobia has prepared a Sustainability Report in accordance with the Global Reporting Initiative (GRI) since 2012. The last report was published in March 2016. This Sustainability Report refers to the 2017 calendar year. Nobia believes that the information included in the Annual Report and on the company's website meets the requirements set by GRI-G4 level, Core. The Sustainability Report has not been subject to review or audit by an external party.

The GRI index can be found on page 112.

The contents of the Sustainability Report and the sustainability aspects presented summarise the sustainability initiatives of the last few years and are based on an internal stakeholder dialogue and materiality analysis. The environmental data is related to operations in our 13 production units and transportation. Calculations on carbon emissions from energy and transport are based upon the Greenhouse Gas Protocol. Sustainability data from our supply chain/ our supplier's operation is not included in the report. The following changes in boundaries and definitions have been made since the last report:

- Environmental data and social indicators for Poggenpohl (with the production site Herford) that was divested January 31, 2017 is not included in the data for 2017.

- Nobia defined a Production Site Safety measure in 2016, to report on work-related serious accidents that led to absence of 8 or more hours. The Production Site Safety measure will enable improved the data quality. Poggenpohl is excluded from the data for 2016 to enable comparison. This Performance Indicator enables two years of historical data. All our production sites are included in this Performance Indicator.

- Due to a correction of the reporting of data, the amount of waste excluding wood waste has changed. In previous years, data for wood waste for own incineration was included in the reporting of waste instead of heating for two production units. This has been corrected in this report.
- A deviation has been identified in the data for total wood for 2015 and 2016. No retroactive correction of data for total wood has been made in this report.

Contact person regarding the Sustainability Report: Amanda Jackson, Head of Group Sustainability, e-mail: amanda.jackson@nobia.com

GRI indicators¹⁾

GRI indicators	Economic Performance Indicators (SEK m)	2015	2016	2017
G4-ECI	Revenues	12,266	12,648	12,744
G4-ECI	Operating costs	7,923	8,315	8,362
G4-ECI	Employee wages and benefits	2,394	2,381	2,382
G4-ECI	Payments to government	538	528	530
G4-ECI	Community investments	216	230	248
G4-ECI	Payments to lenders	15	17	7
G4-ECI	Payments to providers of capital	294	421	505
G4-ECI	Economic value retained	886	756	710
Environmental Performance Indicators				
G4-ENI	Materials used: Wood, thousands of tonnes	241	245	256
G4-ENI	Materials used: Packaging materials, kg/ cabinet	1.3	1.3	1.2
G4-EN5	Energy intensity, Electricity consumption, kWh/ cabinet	8.6	8.3	8.2
G4-EN5	Energy intensity Heating, kWh/ cabinet	7.5	7.5	6.9
G4-EN15	Direct greenhouse gas emissions (Scope 1), thousands of tonnes CO ₂	22.1	22.5	21.4
G4-EN16	Indirect greenhouse gas emissions (Scope 2), thousands of tonnes CO ₂	19.3	14.3	2.9
G4-EN17 ²⁾	Other indirect greenhouse gas emissions (Scope 3), thousands of tonnes CO ₂	15.0	16.5	17.2
G4-EN18 ³⁾	Greenhouse gas emissions intensity: Transports, kg/ cabinet	3.0	3.0	3.1
G4-EN18 ³⁾	Greenhouse gas emissions intensity: Heating and manufacturing, kg/ cabinet	4.3	3.3	2.0
G4-EN21 ⁴⁾	NOx, SOx, and other significant air emissions: Volatile organic compounds, kg VOC/ 100 lacquered details	4.4	3.9	3.4
G4-EN23	Waste (excluding wood waste), kg/ cabinet	1.0	0.9	0.6
G4-EN23	Wood waste, thousands of tonnes	29	29	31
Social Performance Indicators including Society Indicators				
G4-LA6 ⁵⁾	Operational site related accidents resulting in at least 8 hours of absence, number	91	75	
G4-EN32, LA14, HR10	Supplier audits, number	45	79	48

1) New sustainability indicator 2017.

2) Includes transport emissions from factory to store and air travel emissions.

3) Includes Scope 1, 2 and 3 emissions.

4) Only VOC is reported.

5) Revised key figure. Data for 2015 is not available.

GRI index

Standard disclosures		Specific standard disclosures	
GRI	Description	GRI	Description
G4-I	CEO's comments	G4-DMA	Economic performance
G4-3	Name of the organisation	G4-ECI	Value generated and distributed
G4-4	Primary brands, products, and services	G4-DMA	Materials
G4-5	Location of organisation's headquarters	G4-ENI	Materials used
G4-6	Countries where the organisation operates	G4-DMA	Energy
G4-7	Nature of ownership, and legal form	G4-EN3	Energy consumption
G4-8	Markets served	G4-ENS	Energy intensity
G4-9	Scale of the organisation	G4-DMA	Emissions
G4-10	Number of employees	G4-EN15	Direct greenhouse gas emissions (Scope 1)
G4-11	Percentage of employees covered by collective bargaining agreements	G4-EN16	Indirect greenhouse gas emissions (Scope 2)
G4-12	Organisation's supply chain	G4-EN17	Other indirect greenhouse gas emissions (Scope 3)
G4-13	Significant changes during the reporting period	G4-EN18	Greenhouse-gas emissions intensity
G4-14	The precautionary approach	G4-EN21	Significant air emissions
G4-15	Externally developed initiatives subscribed to by the organisation	G4-EN23	Waste
G4-16	Memberships of associations held by the organisation	G4-DMA	Supplier environmental assessments
G4-17	Entities included in the report	G4-EN32	Percentage of new suppliers screened using environmental criteria
G4-18	Process for defining the report's content	DMA	Health and safety
G4-19	Material aspects	G4-LA6	Type of injury and rates of injury
G4-20	Aspect boundaries for each material aspect within the organisation	G4-DMA	Supplier environmental assessment using labour practices criteria
G4-21	Aspect boundaries for each material aspect outside the organisation	G4-LA14	Percentage of new suppliers screened using labour practices criteria
G4-22	Effects of any restatements of information in previous reports	G4-DMA	Supplier human rights assessment
G4-23	Significant changes from previous reporting periods	G4-HR10	Percentage of new suppliers screened using human rights criteria
G4-24	Stakeholder groups engaged by the organisation	G4-DMA	Anti-corruption
G4-25	Identification and selection of stakeholders	G4-SO5	Total number of confirmed incidents of corruption and actions taken
G4-26	Approaches to stakeholder engagement		
G4-27	Key topics and concerns raised through stakeholder engagement; how organisation responded		
G4-28	Reporting period		
G4-29	Date of most recent previous report		
G4-30	Reporting cycle		
G4-31	Contact point for questions regarding the report		
G4-32	The "in accordance" option and GRI index		
G4-33	External assurance		
G4-34	Reporting for governance structure of organisation		
G4-56	The organisation's values, principles, standards and norms of behaviour		