



CSR REPORT
2016/2017

ege[®]

THE URGE TO EXPLORE SPACE

Cover

Fishing nets account for one tenth of the waste in the ocean. Abandoned fishing nets can drift for months or years and be a threat to sea life. At ege we use Aquafil's ECONYL® yarns produced from used fishing nets and other waste materials. Once the fishing nets are collected and cleaned, they are physically and chemically broken down and reborn as strong and hardwearing yarns for textile floorings.

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ABOUT THE REPORT



Welcome to egetæpper's Corporate Social Responsibility (CSR) report for the financial year from 1 May 2016 to 30 April 2017.¹ The report presents our statutory social responsibility report, cf. Section 99a of the Danish Financial Statements Act. The report also serves as our Communication on Progress report for the UN Global Compact.

By tradition, the CSR report covers the business activities that take place at the factories in Herning and Gram. At these factories, we have worked with data collection for more than 20 years, and our CSR policy is fully implemented here.

In accordance with Section 99a of the Danish Financial Statements Act, the CSR report must cover the entire Group. We have therefore commenced the implementation of the CSR policy and the establishment of data collection systems at the other four factories in which egetæpper acquired the majority interest after 2010. We expect that next year's report will include data from the overall Group. This year's report covers the factories in Herning and Gram.²

Data for CO₂ emissions include our factories in Herning and Gram, as well as Bentzon Carpets, Hammer Tæpper and Litspin, and our subsidiaries. Carpet Concept, which has been owned by egetæpper for less than a year, will be included as from next year. Bureau Veritas has verified all of the environmental data concerning EMAS in Herning and Gram. Firm of auditors EY has ensured compliance with Section 99a of the Danish Financial Statements Act. The rest of the CSR report has not been verified by any third party.

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¹ The previous CSR Report was published on 1 July 2016. The next report will be published and submitted to the Danish Environmental Protection Agency in July 2018.

² These factories are registered in accordance with the EU's environmental regulation, EMAS (Eco Management and Audit Scheme), under registration number DK000012. The EMAS verification is undertaken by Bureau Veritas Certification.

GROWTH IN A CHANGING WORLD

Recent years have seen major changes on the global stage, in the ege Group and under CSR auspices. The UK's planned exit from the EU has impacts which affect egetæpper's business activities, which has compelled us to hold back on a number of investments and strategic plans. We are working to strengthen the business, however, so that future challenges continue to lead to positive results and sustainable solutions.

In November, we were very pleased to announce the acquisition of Carpet Concept of Germany, which is a market leader for the production and sale of woven carpets to the contract market in Germany. Without any doubt, this has strengthened egetæpper's position in this key market.

In Denmark, new sections of the Financial Statements Act, which affect egetæpper, have entered into force, which has caused us to study risk management within CSR. This has opened our eyes to new opportunities and put focus on the relation between egetæpper's business model and our CSR work. We have therefore commenced the implementation of our CSR policy and relevant CSR initiatives at all factories in the Group. Among other things, from now on we will collect data from our factories both in Denmark and abroad, and base our CSR report on this data. This will give us a better overview and open up new opportunities to create a sustainable future.

Supply chain management is one of the areas in which we have maintained a strong focus during the year. We have decided to further expand our CSR activities concerning a number of strategically important suppliers. The aim is to develop partnerships and optimise product development towards greater

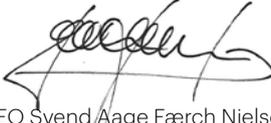
sustainability at product level and in the value chain. In the years to come, partnerships with suppliers will therefore be strengthened.

Employees' welfare is still on the agenda, and during the year a large number of initiatives took place at department level, in order to ensure greater job satisfaction. At the end, satisfied employees are vital to a company's success, and we are therefore pleased to note that we continue to celebrate many employees' 30th, 40th and 50th anniversaries at egetæpper.

In overall terms, CSR work during the year has focused on strengthening and developing the existing initiatives at egetæpper. It gives us great pleasure to see how the good initiatives are spreading like ripples on the water in the Group, and in our value chain. Based on the good results achieved, we still expect to achieve our goal to be the carpet manufacturer in the world that is best at CSR. Our benchmarking measurements show that we are already well on the way to achieving this.

We hope that you enjoy reading the CSR report, in which we present the results for the year and describe how egetæpper will tackle the CSR challenges in the coming years.

Herning, Denmark, 30 June 2017


CEO Svend Aage Færch Nielsen


CFO John Vestergaard

PROFILE

egetæpper is one of Europe's leading manufacturers of unique carpets of high quality, with a strong focus on the environment. The company, which was founded in 1938, has moved with the times and possesses the carpet industry's most modern technology. egetæpper can supply carpets with any imaginable design and within the industry's shortest lead time.

The Group comprises six factories and 13 subsidiaries that handle sale and production, as well as agents and distributors in 57 countries. Worldwide, egetæpper has 691 employees.

The carpets are sold primarily to five business segments

- Hotels
- Offices
- Healthcare
- Institutions
- Transport
- And to homes



EGETÆPPER'S BUSINESS MODEL

egetæpper develops, produces and sells carpets on the global market. We work persistently to maximise sustainability in all internal and external processes in the value chain, in order to create maximum value for customers, employees and shareholders, as well as the environment and society in both a global and local perspective

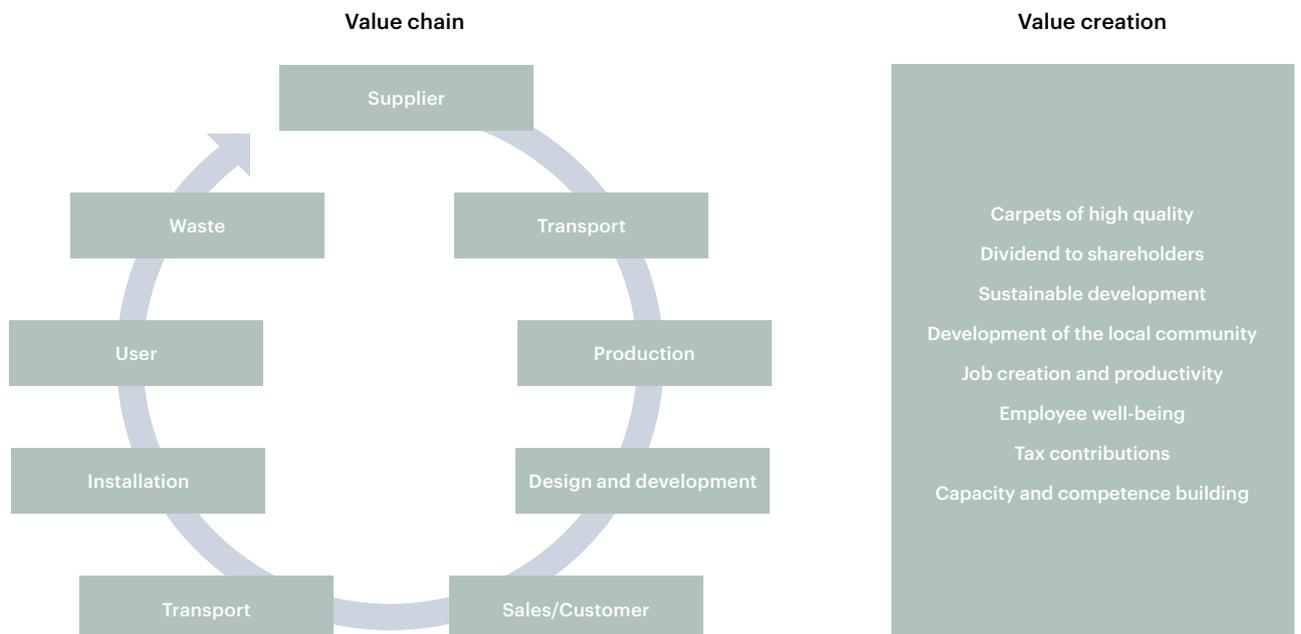
egetæpper's business foundation is implemented via nine strategic action areas, which include CSR. CSR initiatives are divided into further seven CSR focus areas, which together contribute to

supporting the business strategy and ensuring that egetæpper creates good financial results and achieves its business objectives. The CSR report is built on these seven focus areas.



When the business model is implemented in practice, our value chain is created. The value chain is the series of activities that

are performed with the aim of giving our product the greatest possible value for the customer and society.



RISK ANALYSIS

As a socially responsible company, we consider it important to work with risks and prevention. Based on the value chain, we have undertaken an extensive survey of CSR risks in egetæpper's business activities. This survey made it clear that we are on the right track. The risks on which we have focused for a number of years no longer present a significant risk, since we have

initiatives and actions in place that can reduce risk. These e.g. concern electricity consumption and CO₂ emissions.

There are areas, however, that require review in more detail, in order to investigate the need for further action to be taken.

Value chain	Identified risks	Current action
Supplier	The ultimate stages of the supply chain often lie outside the company's control. Furthermore, serious problems may arise in the ultimate stages.	All of egetæpper's direct suppliers have signed our Code of Conduct, which sets requirements to ensure that their sub-suppliers also comply with our requirements.
Transport	The transport sector may face such problems as underpayment, poor working conditions and failure to comply with legislation.	All of egetæpper's transport providers have signed egetæpper's Code of Conduct, which requires them to fulfil our requirements and also current legislation.
Production	Production work can sometimes be physically demanding and be monotonous and repetitive, with dust, heat, noise and tight deadlines.	For many years we have worked to create a good physical working environment, using e.g. protective and auxiliary equipment, surveys of employee's psychosocial welfare, and workplace assessments.
Design and development	The relation between quality and the environment can sometimes come under pressure. For example, some of the dyes which yield the right quality can have a negative environmental impact.	We have strong focus on using dyes and auxiliary chemicals that do not have a negative environmental impact, among other things through our Cradle to Cradle work.
Installation	The flooring industry is challenged by physically demanding work and attrition among flooring fitters.	We hold installation courses and sell tools to flooring fitters in order to equip them for this work in the best possible way. We also focus on developing products that are much less arduous to handle, such as lightweight carpet tiles.
Users	Factors such as trends, fashion and price influence the demand for carpets. This increases the risk that users pick other, less sustainable, suppliers.	We place a lot of emphasis on highlighting the advantages of carpets from egetæpper.
Waste	Waste consumes resources and has a negative environmental impact.	We have strong focus on reusing materials and resources. For instance, our Cradle to Cradle initiative focuses on the circular economy.

In future, we will perform an annual survey and assessment of CSR risks in our business activities, in order to ensure that we can stay abreast of the situation and take action in the right places.

Due diligence and risk management

egetæpper's management system is based on recognised standards to ensure that initiatives are evaluated and de-

veloped continuously, and that new goals are set each year. The management system is based on the Plan - Do - Check - Act model. In practice, this means that egetæpper works constantly with due diligence³ processes internally within the organisation, e.g. as objectives, action plans, follow-up and adjustments. This is a fixed element of our day-to-day operations.

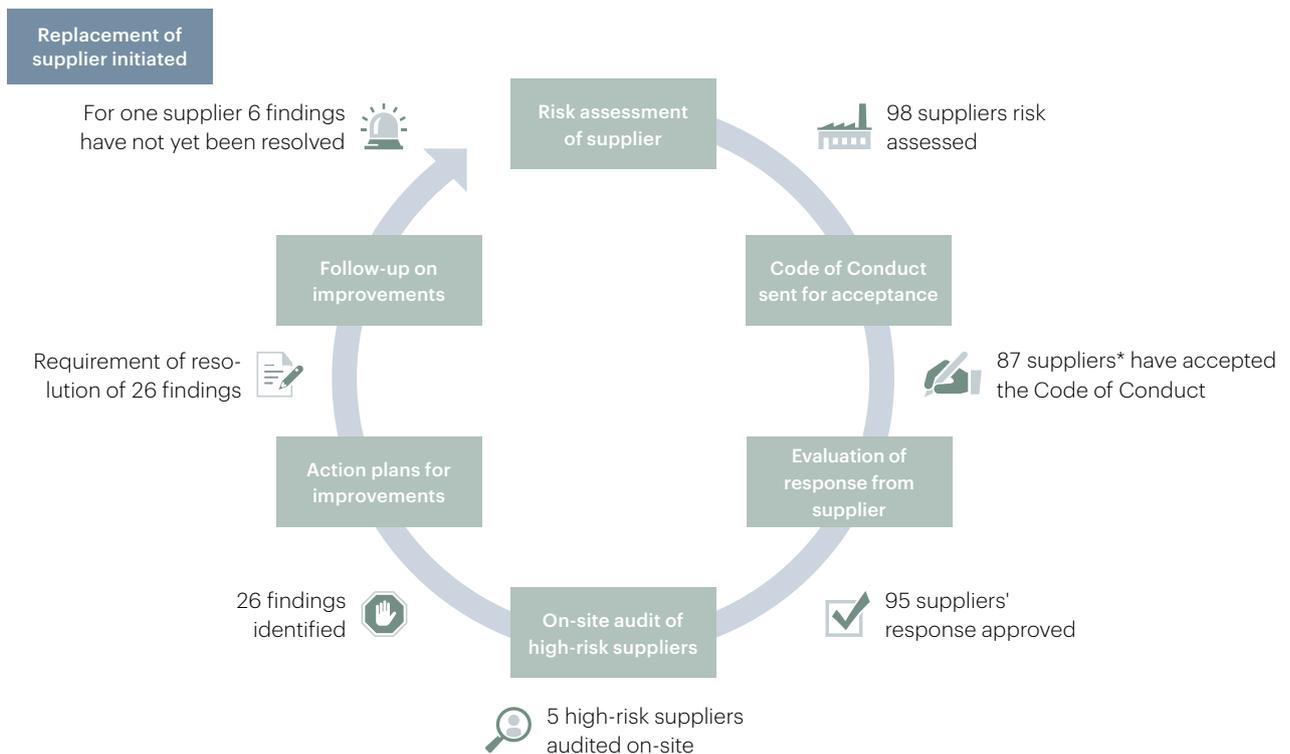
³ Due diligence is an accounting expression which means taking due care, at the right time.

Due diligence model	Social and employee conditions	Environmental and climate conditions	Human rights	Anti-corruption and bribery
Due diligence tool	DS/OHSAS 18001	ISO 14001 EMAS	DS 49001	DS 49001
Overall due diligence processes	Internal audit External audit Management evaluation Objectives Action plans			
Examples	Occupational accidents Occupational injuries Welfare	Environmental accidents	Supply chain management	Anti-corruption Whistleblower scheme
	Supply chain management			

Example of due diligence

Individual due diligence processes are particularly important elements of our social responsibility, since they concern areas

which are subject to greater risk than the rest. This e.g. concerns supply chain management. We use due diligence to ensure risk minimisation.



* Certain suppliers do not wish to sign egetæpper's Code of Conduct, e.g. because they have their own code, which they refer to. In these cases, egetæpper assesses whether the supplier's own Code of Conduct matches egetæpper's, and whether the supplier has other documentation showing that they fulfil our requirements. In this case, the supplier is approved without a signature being required.

CSR: From business model to practice

egetæpper's Executive Management Board holds the overall responsibility for the CSR policy and strategy. A CSR steering group, comprising the Executive Management Board, management group and selected employees, meets several times a year to follow up on the CSR work and clarify complex issues. The CSR department develops and implements CSR goals and activities. This constellation ensures the broad support of all relevant players in the organisation.

MANAGEMENT EXCELLENCE

We have called egetæpper's business strategy Sustainable Carpet Design 2022, and sustainability is considered to be a guiding light for the entire Group. Nonetheless, many of our CSR initiatives have been concentrated primarily on the factories in Herning and Gram, which have been the company's core business for many years. In future, relevant initiatives will be implemented at all of the Group's factories. We will also collect data for the CSR report from all factories, so as to create a full overview of negative impacts and positive initiatives throughout the Group.

Excerpt from egetæpper's CSR policy

The fundamental basis for our CSR policy is that we comply with all of the legislative requirements, regulations and standards to which we are subject [...]

1.7 Organisation management

As part of egetæpper's management philosophy, we wish to have an open dialogue with our stakeholders. We will therefore engage actively in dialogue with employees, customers, architects/designers, municipalities, suppliers and our owners on topics and activities that fall within and which are of significance to CSR. We will also ensure that our CSR work is made available to the general public and to everyone who works for or on behalf of egetæpper.

We welcome development, and the openness in relation to our stakeholders which this ensures. We consider our stakeholders to be an important channel for information concerning which CSR initiatives we should work with. At suitable intervals we therefore conduct major questionnaire surveys of the seven CSR focus areas.

Joint management system is paving the way

The process of expanding the CSR work is based on Section 99a of the Danish Financial Statements Act, as well as the wish to create a joint management system for all factories in the Group.

Our management system is based on a number of certifications under various different management standards.

ISO 9001 Quality. We have just upgraded to the 2015 version, which has sharper focus on management, risk management and dialogue with stakeholders.

ISO 14001 Environment. We will upgrade to the 2015 version next year.

DS 49001 CSR. The system achieved new certification this year.

DS/OHSAS 18001 Occupational health and safety management.

Herning and Gram hold certification in accordance with all of these management standards, while Bentzon Carpets is ISO 9001-certified, Litspin in Lithuania is ISO 14001-certified, and in 2017 Hammer Tæpper will follow suit with ISO 14001. In time, all factories will be a fully-integrated element of egetæpper's management system, and will hold certification in accordance with relevant management standards. It is an important priority to ensure a common standpoint. Risks can be minimised by understanding each other across factories and departments, and by sharing a common starting point for the business of which we are part.

Increasing the number of female managers

Since 2015, egetæpper has had the goal of increasing the number of female managers in the Group. The Board of Directors now has equal numbers of male and female members, and at Group level, we have 30.5% female managers.⁴ We have thus achieved the goal of 30% female managers. As a new goal, by 2022 at the latest the ratio of female

⁴ Carpet Concept is not included in these statistics, because they have been owned by egetæpper for less than a year. From next year they will be included.



Svend Aage Færch Nielsen & John Vestergaard

managers must reflect the general gender breakdown of employees in the Group. This year, women account for 40% of the Group's workforce.

Tax policy in a business-driven perspective

egætæpper considers it important to have a transparent tax policy. To achieve our long-term financial objective of growth in revenue and earnings before income tax (EBIT), we have a strategic objective to selectively increase our market coverage, with focus on value-creating sub-segments. We primarily consider business opportunities in the individual market, and give less weight to the amount of tax paid. We adhere to the international transfer pricing rules, which entail that tax is paid in the country in which the revenue is generated.⁵

We wish to ensure that the Group's tax planning takes place on the basis of responsible commercial transactions and activities. This includes that:

- We will handle all matters concerning taxation in accordance with current legislation.
- We will pay tax on a correct basis in the countries in which we operate.

egætæpper's Executive Management Board and Board of Directors approve overall strategies and policies, and monitor compliance. Procedures are amended as required on the basis of amended statutory requirements.

WALK THE TALK

- By 2022 at the latest the ratio of female managers must reflect the general gender breakdown of employees in the Group. This will also be in focus in conjunction with new appointments and promotions at all management levels.
- ISO 14001 certification of Hammer Tæpper in 2017.
- Ensure data collection for the CSR report from all factories and subsidiaries in the Group before 2017/2018.

⁵ egætæpper is represented in a number of European countries, as well as Singapore and the USA, with subsidiaries. We trade with subsidiaries on the basis of the OECD Transfer Pricing Guidelines. The set-up for trading with subsidiaries has been prepared in collaboration with the firms of auditors KPMG and EY. This ensures that we operate in accordance with both Danish and local foreign legislation.

HUMAN RIGHTS

egetæpper's products are, traditionally, produced in Denmark, and we have always adhered closely to Danish legislation and collective agreements. Historically, we have not engaged very closely with the theme of human rights. This has changed since 2010, however.

Excerpt from egetæpper's CSR policy

1.1 Human rights

We will ensure non-discrimination and equal opportunities. This applies internally in relation to our employees, and externally in our value chain.

We will respect and support human rights: civil and political rights, as well as economic, social and cultural rights. In countries where there is a risk of human rights infringements, we will seek to take steps to avoid any infringements of human rights that affect the people with whom we cooperate and work in a business relationship.

UN Guiding Principles launched

A company that works seriously with CSR cannot avoid taking a position on human rights. This is why we endorsed the UN Global Compact in 2010; and in 2015 we set the goal of implementing the UN Guiding Principles before 2020. This year, Phase 1 has been completed with a risk analysis of human rights at egetæpper in Herning and Gram.

All of the articles of the UN's Universal Declaration of Human Rights from 1948 have been reviewed carefully and cases of doubt have been discussed with managers, union representatives and the HR department. The analysis showed that in most cases we have good and extensive procedures to ensure that we avoid human rights infringements. However, individual problems were identified which require specific clarification, including the question of equal pay for equal work for salaried employees who negotiate their own pay. The starting gun has been fired on the issues to be clarified, and we expect to take a decision on the practice going forward in the coming financial year.

Human rights in the supply chain coming up

We already have focus on human rights among all suppliers by requesting them to sign our Code of Conduct. The next step, which is also Phase 2 in the implementation of the UN Guiding Principles, will be to engage in closer cooperation with strategically important suppliers in order to encourage them to consider human rights more closely in their own business, with the aim of due diligence. The third and final phase is for our suppliers in the first instance, to pass on the process to their sub-suppliers. There is no doubt that when the UN Guiding Principles are rolled out throughout the value chain this will strengthen both egetæpper's and the suppliers' own business and reduce the risk of infringement of human rights. We are also aware that this will be a difficult task. We are working on a plan with such tools as self-evaluation and closer dialogue.

WALK THE TALK

- Implementation of the UN Guiding Principles before 2020. During 2017/2018, in the first instance strategic suppliers will be urged to perform an internal risk analysis and due diligence process. After this the aim is for suppliers themselves to pass on the process to their sub-suppliers.



FAIR OPERATING PRACTICES

egetæpper attaches very great weight to responsibility. This also applies for collaborating relations in the value chain. We make high demands to our cooperation partners and expect them to live up to the same stringent requirements as ourselves.

Excerpt from egetæpper's CSR policy

1.4 Fair operating practices

We will operate on an honest and ethical basis in every respect. We will prevent and combat corruption and bribery, and are committed to a zero-tolerance approach to corruption and bribery. We will suppress illegal conduct and irregularities within and in relation to our activities, including non-compliance with this CSR policy. We give employees and other stakeholders the opportunity to submit anonymous reports via our whistleblower scheme.

We will promote social responsibility throughout our value chain.

Strengthened cooperation with strategic suppliers

After considering all suppliers as equally important for a number of years, we have realised that there is variation in the effort we can and should devote to individual suppliers. Some are less important, or we are so small a customer that we do not have any influence. On the other hand, others are so important that we will make a greater effort to push them towards sustainability.

We have therefore added a new dimension to the risk assessment of all suppliers. In future, they will be assessed on the basis of international country indexes for anti-corruption, human rights and environmental conditions, and also according to a categorisation of whether the items we buy are readily available products, volume products, bottleneck products, or strategic products. The measures towards the supplier are graduated by risk assessment and the resources available to us, so that e.g. strategic suppliers will experience greater involvement by egetæpper than suppliers of items that are readily available.

We also wish to add additional layers to the assessment of suppliers, so that they are not automatically subject to auditing simply because they are located in a country in which e.g. extensive corruption takes place. Instead, the assessment must be based on the experienced need, self-evaluation by the supplier, and conversations concerning risk management. On any suspicion of irregularities, e.g. in the event of concrete risks, based on our assessment we will initiate relevant measures.

Code of Conduct sets the standard

We are continuing the work of spreading awareness of egetæpper's Code of Conduct in the value chain. We are pleased that 97% of all suppliers to the factories in Herning and Gram have either signed our Supplier Code of Conduct or delivered sufficient documentation to be approved without requiring a signature. In order to minimise risks, the rest of the Group's suppliers must be involved in the work on the Code of Conduct in the coming years.

We have a separate Code of Conduct for suppliers of cleaning teams, craftsmen and other external employees. All suppliers have signed this Code of Conduct. We also have a Code of Conduct for distributors and agents, which they have all signed, apart from four partners who only recently received the Code of Conduct.



Training in anti-corruption

Anti-corruption is high on egetæpper's agenda. All employees are informed of our guidelines in this area, and all key persons and employees with external contacts have taken an eLearning programme, to train their ability to distinguish between right and wrong in the many grey zones concerning corruption and bribery. The programme is fully integrated at the factories in Herning, Gram and Litspin, and in all sales subsidiaries. Bentzon Carpets and Hammer Tæpper have implemented the first step comprising information to employees concerning the guidelines. This has not yet been introduced at Carpet Concept. In time, all entities throughout the Group will have implemented the full anti-corruption programme.

A well-informed staff of employees is important, and we therefore give weight to keeping all employees continuously updated on CSR objectives and initiatives. This takes place through such channels as newsletters and information meetings. All new employees also attend a three-day introduction course, with CSR as one of the key agenda topics.

Whistleblower put to use

Since 2012 we have had a whistleblower scheme that makes it possible to file anonymous reports concerning experienced and suspected problematic issues in the Group. This year, the first report was filed in the system. Unfortunately, the whistleblower in question did not use the opportunity to follow the progress of the case anonymously after filing the report, to enable us to ask further questions. After an internal investigation, the case was closed, since there was no documentation of any unlawful activities. We encourage any future whistleblowers to create a log-in in the system, so that we can obtain further details concerning the information reported. There is access to egetæpper's whistleblower scheme via our website: www.egecarpets.com

WALK THE TALK

- Establishment of a centralised supply chain management system for the entire Group and the development of a fixed procedure for the inclusion of the Code of Conduct in new cooperation agreements. The goal is to be achieved by 2017/2018, although the acquisition of more new factories during the last years make the process more extensive. The deadline has therefore been deferred to 2020.



LABOUR PRACTICES

Good labour practices are a precondition for satisfied employees who make a worthwhile contribution. egetæpper has worked on a structured basis with the working environment and safety since 2006, when we implemented DS/OHSAS 18001 occupational health and safety management certification.

The physical working environment

As our risk analysis showed, production work can sometimes be physically demanding, monotonous and repetitive, with dust, heat, noise and tight deadlines. For many years, we have therefore focused on the physical working environment. Measures are in place to increase safety and reduce the risk of all of the known significant problems in the physical working environment. We also cooperate on an ongoing basis with physiotherapists and chiropractors, and subsidise employees who require this treatment.

On a daily basis we work systematically with e.g. workplace assessments, safety inspection rounds, protective equipment and auxiliary equipment. Nonetheless, sometimes accidents and adverse incidents occur at the workplace. On this basis, in 2015 we upheld our goal of zero adverse incidents and accidents leading to absence by 2020 at the latest. The plan is to take a number of measures to change the safety culture at egetæpper. After a prolonged start-up phase, there is now a basis for decision that is ready for clarification and implementation in the coming years. We expect this process to yield positive results, since even though we have few accidents leading to absence, occupational accidents can have major consequences for employees and the company.

As an extra option for employees, they can voluntarily take out health insurance and dental insurance through egetæpper, ensuring them rapid and inexpensive treatment, if necessary. The voluntary schemes are very popular, with 63% signing up for dental insurance, and 84% for health insurance.

Focus on appreciation and well-being

We should not focus solely on the physical working environment. We have therefore also paid attention to the psychosocial working environment. A major welfare survey in 2016 showed that egetæpper's employees had a great wish for us to be better at showing appreciation. The traditional Jutlandic mentality of "no news is good news" must be replaced with a more appreciative approach. On this basis, in 2017 we held a number of lectures by an external expert in happiness and well-being, under the title of "Work enjoyment and enthusiasm", with a humorous approach to shaking up employees' attitudes to life, their colleagues and work tasks. We e.g. learned that we ourselves must be ready to take responsibility for creating the good life and the good workplace. The welfare survey will be a recurring phenomenon going forward, to ensure that we stay on course and develop in the right direction.

Work enjoyment can also be the result of getting involved at the workplace. We are therefore very pleased that many employees are showing great commitment by getting involved on a voluntary basis in everything from environmental and occupational health and safety committees to emergency response services at egetæpper during working hours, and as ambassadors for internal physical exercise groups in their leisure time.

Excerpt from egetæpper's CSR policy

1.2 Employees and labour practices

We will ensure good employment conditions for our employees, and we adhere to the current collective agreements for our area. We will promote diversity in the workplace and work to increase the number of women in managerial positions [...]

We will ensure that our employees can use their competences in the best possible way, regardless of gender, ethnicity, religion, political views, age, disability, sexual orientation, etc. [...]

We will ensure a healthy and positive working environment for our employees and we will constantly seek to improve working conditions. [...]. We will work for inclusion and health-promoting activities.

We will ensure that our employees have opportunities to develop in their work, e.g. via further education and training.

WALK THE TALK

- 0 adverse incidents and accidents with absence at Herning and Gram before 2020.

ENVIRONMENTAL CONDITIONS AND CLIMATE IMPACT

For more than 20 years, we have worked with environmental management through the ISO 14001 standard. This is clearly apparent from the risk analysis. We have good initiatives underway to reduce many of the factors that often present a risk for manufacturing companies, and with good results.

Excerpt from egetæpper's CSR policy

1.3 Environment and climate change

Via focused activities and by setting environmental objectives, we will work to prevent and reduce the environmental impacts of our production activities and the use and disposal of our products, and continue to improve our efforts in the environmental area.

This applies to the external environment around us, the working environment at our factories, and the indoor climate in the environments in which our carpets are fitted [...]

We will reduce our company's CO₂ emissions and thereby reduce our climate impacts. We will support the development of renewable energy by redeeming GO certificates via our climate partnership with DONG Energy.

We are approaching the goal of 100% renewable energy

In 2011, we entered into a Climate Partnership with DONG Energy, which helps us spot and investigate profitable energy saving projects, to reduce energy consumption and CO₂ emissions. This has e.g. led to the objective of 100% renewable energy before 2020. Every year, we have purchased an increasing number of GO certificates⁶ from DONG Energy's offshore wind farm at Horns Rev II. In 2016/2017, GO certificates were purchased for 7,800 MWh, which is equivalent to 88% of the electricity consumption in Herning and Gram. Next year – i.e. two years earlier than planned – we will already achieve the goal of 100%.

The Climate Partnership is also the main operator behind a heat recovery project of which we are very proud.

Surplus heat to heat up municipal households

Carpet production in Herning and Gram generates a lot of surplus heat. This year we have commissioned plants at both factories to recover this surplus heat. In Gram, the surplus heat from production is used to heat our own buildings and the rest is sent out into the district heating network to the municipality's households. In Herning, we decide on an ongoing basis whether heat is to be sent out into the district heating plant, or used to heat our own buildings. On an annual basis, the recovery plants produce enough heating to heat 380 detached homes. This reduces both energy consumption and CO₂ emissions from egetæpper and the municipal plants that benefit from the initiative.

Climate on the agenda

Individual employees are also relevant to the overall climate accounts. By making just a few changes in our everyday lives we can all reduce energy consumption and CO₂ emissions, e.g. by switching off the lights when we leave a room and adapting heating consumption to our daily routines. In the spring, we held two well-attended employee events together with DONG Energy, at which employees could hear more about egetæpper's efforts in the climate area, and get some good advice about simple ways to save money and energy at home. These events help create local climate ambassadors since the employees gain a better understanding of how they can make a difference for the world's climate.

Recycling of carpets

Recycling is not only relevant with regard to saving energy. Since 2013, we have worked to achieve recycling of used carpets in Denmark. In 2014, we launched an Outlet website, where we can e.g. sell used carpet tiles. The main project concerns being able to recycle the carpet materials directly, as components in new carpets.

We have also commenced some new initiatives in the USA. We are now a member of Carpet America Recovery Effort (CARE); an NGO that works to find solutions for the recycling

⁶ Guarantees of Origin

of carpets, so that carpet waste is not dumped at landfills in the USA. Membership of CARE is strategically important in relation to our American market, but we also see this as an opportunity to be part of the solution internationally and not just in Denmark. We prioritise this membership and look forward to seeing the results that will come in the future.

Good intentions drowned in changed production conditions

Water is one of the areas in which it is difficult for us to achieve our goals. Water is a relatively heavy cost item for egetæpper, since we use many litres of water to flush through our dyeing system between each change of carpet collection and dyes. In 2015, we set the goal of reducing the dyeing works' total water consumption per m² by 50% in relation to the 2007 base year, before 2020. We have invested considerably in purification plants in both Herning and Gram, so that we can now use the rinsing water several times. Nonetheless, so far we have only achieved a reduction of 13% per m² in the dyeing works. The reason e.g. lies in an increasing number of carpet collections and special orders, requiring more dye changes on the machine. Since we produce to order, it is difficult to use planning to eliminate these factors. We therefore have to acknowledge that we will not achieve the goal of 50%.

The changed production conditions are compelling us to change focus and in future we will concentrate on ensuring the highest possible recovery ratio for water in the dyeing works. In Gram, we reuse all of the wastewater that is purified in the dyeing works. This year, we have reused 9,931 m³, which is equivalent to 40% of the dyeing works' total volume of wastewater. Towards 2020, the goal will be to increase the ratio of purified and reused wastewater to 50%.

In Herning, this year we reused 11,867 m³ of water, equivalent to around 70% of the total water consumption for the washing process in the dyeing works. This is the plant's assumed maximum capacity. The aim is to retain this figure up to 2022, irrespective of the number of dye changes at the plant.

WALK THE TALK

- Before 2020, 100% of electricity consumption in Herning and Gram must be covered by renewable energy sources.
- Before 2020, CO₂ emissions must be reduced by 50% compared to emissions in 2007.*
- Before 2020, a system for reuse and recycling of used carpets must be implemented in Herning.
- Before 2020, the ratio of wastewater purified and reused in Gram's dyeing works must constitute 50%.
- Up to 2022, on an annual basis at least 70% of the water consumption at the washing facility in the dyeing works in Herning must be reused.

* Reference is made to CO₂ emissions associated with natural gas, fuel oil, F-gas, passenger transport in owned cars, electricity and district heating

CONSUMER CONDITIONS

Consumers are becoming more and more aware of the concept of sustainability and are increasingly demanding sustainable products and production processes. The same applies to our business customers, who purchase for major projects worldwide. We are fortunately ready to meet these requirements at egetæpper.

Excerpt from egetæpper's CSR policy

1.5 Consumer conditions

We will promote a safe and healthy indoor climate in the buildings in which our carpets are fitted, thereby protecting the health and safety of our end-users.

We will promote sustainable use of our products by means of labelling schemes and certification, and via product information and product declarations describing our products' impact on the environment in connection with the fitting, use, maintenance and disposal of these products. Furthermore, we will promote sustainable consumption via the development of cradle to cradle products which, rather than becoming waste, can be transformed into nutrients or reused.

Still a leader for Cradle to Cradle

With 40 Cradle to Cradle-certified⁷ products, we are well on the way to achieving our goal of implementing the Cradle to Cradle principles throughout the company. Cradle to Cradle certification makes requirements of the entire company's sustainability performance.

The aim of Cradle to Cradle is to manufacture products that fulfil the requirements in five categories.



Material Health: Products which exclusively comprise materials that can be part of a healthy life cycle, without being to the detriment of people and the environment.



Material Reutilisation: The products are designed to be part of a biological or technical life cycle, without generating any waste.



Renewable Energy: CO₂ neutrality and 100% renewable energy.



Water Stewardship: Process wastewater must be so clean that in principle it could be drinking water.



Social Fairness: The company is assessed for compliance with internationally recognised social responsibility standards.

The product is awarded a score in each category, according to how sustainable it is. egetæpper has 16 products with Cradle to Cradle Bronze certification and 24 products with Cradle to Cradle Silver certification.

⁷ Cradle to Cradle certified™ is a certificate licensed by the Cradle to Cradle Products Innovation Institute.



Rawline Scala · Velvet Bloom RF52952545 · Quilt RF52952555

Long-term vision to put us at the top

In cooperation with Vugge til Vugge Denmark, we are developing a cradle to cradle strategy up to 2022. The long-term vision is to achieve 100% fulfilment of the goals in the five cradle to cradle categories. We are already close to achieving some of the goals, such as 100% renewable energy, while others require a dedicated and comprehensive effort to develop our performance. A roadmap and concrete action plans set our future course, and we look forward to the challenges and, hopefully, major advances we will achieve in the future.

Well-informed consumers can exert the right pressure

Well-informed consumers can make more qualified choices. Awareness of sustainability can reduce the risk of consumers choosing products produced by suppliers that do not fulfil their social responsibility.

In the commercial market it is already customary for suppliers to e.g. public buildings and major brands to fulfil a number of requirements, especially concerning environmental conditions, in order to bid for a project. This has not yet reached the residential market, but we expect this to be the case soon. This year we have therefore focused on equipping our Danish sales team to support the sales process with arguments from the entire CSR palette. Sales staff can thus serve as ambassadors for our CSR work. This supports the growing consumer awareness and can help exert a positive influence on the general development in society towards higher demand for sustainable products. We have also launched a short information film about egetæpper's CSR efforts to support this aim.

WALK THE TALK

- Implement the Cradle to Cradle principles throughout the company, including the opportunity to recirculate all materials in a closed cycle, reuse of carpet waste in new ways, and ownership of the concept among relevant employees. This goal should preferably be achieved before 2020, but due to the work on the new Cradle to Cradle strategy and vision to fully achieve the goals for all Cradle to Cradle categories, the deadline is postponed until 2022.

DEVELOPING AND INVOLVING THE LOCAL COMMUNITY

We have always considered supporting the local community to be an important aspect of egetæpper's identity. Over the years, we have cooperated with and promoted artists and culture institutions, the business community, educational institutions, charitable causes and associations.

Excerpt from egetæpper's CSR policy

1.6 Developing and involving the local community

We will engage in the local communities in which our production is based. We will seek to work with relevant organisations, educational institutions and public authorities concerning local business development, job creation and skills development, as well as the development of modern technologies.

This helps ensure a well-functioning local community and satisfied employees. These are both important parameters that reduce the risk of a shortage of employees and lack of support from the local community. This also helps us develop as an organisation and ensure that we stay abreast of the general development in the local community.

More apprentices and trainees needed

The young people who will develop the world in the future often find it difficult to gain apprenticeships and trainee positions as part of their education programmes. The labour market is also under pressure, and in future there may be a shortage of well-qualified manpower. In 2015 we therefore decided to increase the focus on the number of apprentices and trainees at egetæpper. At that time, we had ten apprentices/trainees, and the aim was a 70% increase up to 2020. We currently have 12 apprentices/trainees, equivalent to an increase of 17%.

Sustainable energy for life

In cooperation with Cesso⁸ and Herning Municipality, this year egetæpper has taken part in the "Sustainable energy for life" project, in which we and a number of other business entities have developed exciting project assignments based on the company's work with sustainability. This initiative is targeted at primary school grades, intermediate grades and school-leaving grades in lower secondary school, as well as upper secondary education programmes. During the school year, the pupils worked on the theme of sustainability and carpets in different ways, and also visited egetæpper in order to learn more about the company and also to present their project assignments to us. It was fun and exciting to create connections between our business and children right down to the age of eight. Everyone involved showed a strong commitment to this initiative, which created valuable relations with educational institutions and their pupils.

Great interest in hearing about our work

We can note a strong interest in hearing about our business and social responsibility work. We are often invited to give presentations at higher educational institutions such as Via University College and Business Academy Aarhus. Major organisations such as Local Government Denmark visit us to learn more about carpet production and sustainability. When possible, we take part in these events, since we consider this to be a

⁸ Centre for entrepreneurial cooperation between schools and society at large.



vital aspect of engaging with society. This also helps promote egetæpper, and gives us the opportunity to share our good stories and thereby boost our image. This is a win-win situation for all parties.

Several charitable causes

egetæpper works with several different charitable causes. Via Egefonden (the ege Foundation) this year we have donated DKK 5.2 million to various non-profit organisations, such as Den Jyske Sangskole (The Jutland School of Singing), Museum Midtjylland and Skovsnogen – Deep Forest Artland.

In October 2016, egetæpper was involved in the national TV campaign to raise money for Knæk Cancer (Breaking Cancer). An employee campaign raised DKK 14,050 from the employees in Herning, and egetæpper rounded up the amount to DKK 32,800. We have also e.g. supported KidsAid and DIFFA⁹. Again this year, we donated carpets to Hjælp Østeuropa, which distributes carpets to institutions and underprivileged families in Eastern Europe.

WALK THE TALK

- By 2020 at the latest there must be 17 apprentices/trainees at egetæpper in Herning and Gram. This will be an increase of 70% from 2015, when the goal was set.

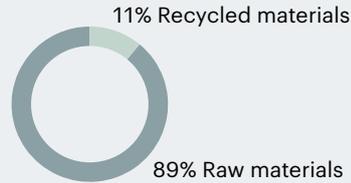
⁹ Design Industries Foundation Fighting Aids.

KPIs FOR RESPONSIBILITY

We use various KPIs to measure egetæpper's sustainable and responsible business development. The KPIs are inspired by the Global Reporting Initiative (G4) and show the result for the year.

Recycling raw materials

We attach great importance to using recycled materials in our products. In Herning, we use selected types of recycled yarn, felt and backing. In Gram, we use felt and backing. This year, recycled raw materials amounted to 1,896,600 kg, equivalent to 11% of the total consumption of materials.



Energy savings

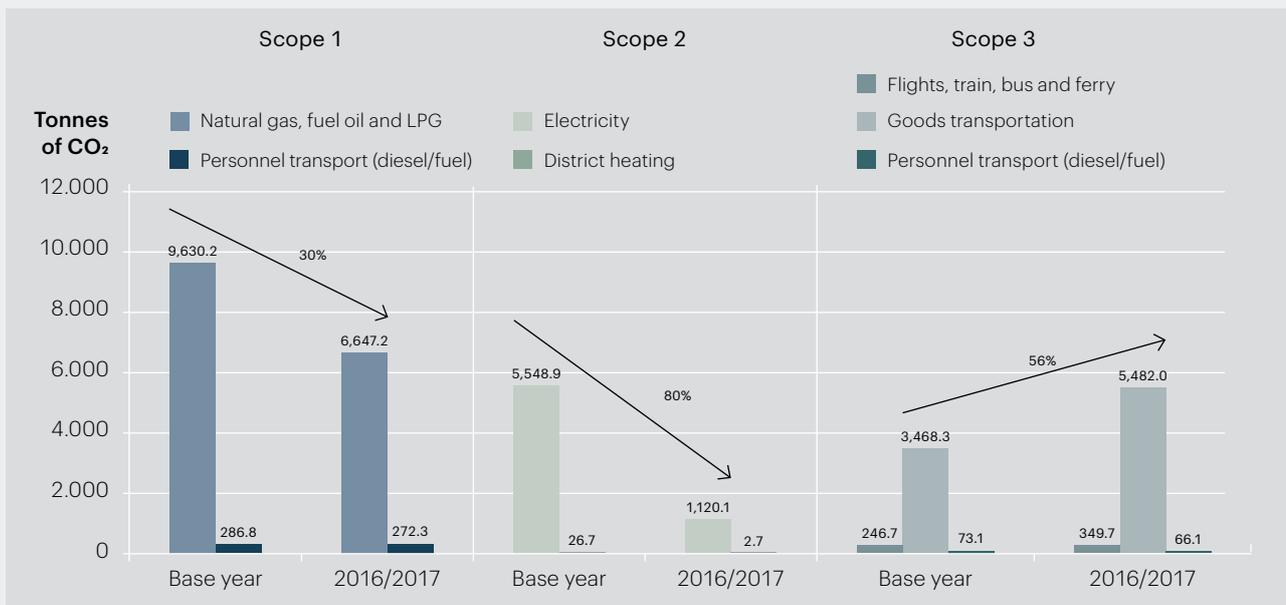
This year we undertook a number of energy savings projects.



- Heat recovery in Gram via heat exchangers on two furnaces, and in Herning on the Mil-litron plant, so that hot exhaust air is converted to hot water, used for district heating.
- Replacement of windowpanes with energy-saving glass on north-facing windows in Gram.
- Replacement of lighting with LED sources in Herning.
- Establishment of heat recovery from laser cutter in Herning.
- Establishment of air curtain in front of a gate, to conserve heating in Herning.

The calculated energy saving in 2016/2017 is 28,043 GJ, equivalent to DKK 1,938,000. Since most projects are not directly measurable, these are theoretical calculations performed by DONG Energy, subject to the condition that the projects yield maximum capacity on an annual basis. The heat recovery plants are being commissioned and did not run for the full year. Therefore, we do not have a total number of the yearly saving.

Greenhouse Gas Account¹⁰



¹⁰ Details of the Greenhouse Gas Account in Appendix 3.

The overall CO₂ reduction for Scope 1 and 2 is 48%. We are thus already very close to achieving the 2020 goal of a 50% reduction in 2016/2017. The positive result is e.g. due to major investment in GO certificates for renewable energy from the offshore wind farm Horns Rev II. On the other hand, we can see a large increase in CO₂ emissions in Scope 3. This is especially due to

our entry into the American and South American market, which has intensified our business activities in global terms. In addition, customers at remote destinations often have the products flown out to the destination, which carries a lot of weight in the CO₂ accounts.

Workforce*

Men	Women	New employees	Leaving employees
224	110	58	46

* Note that these statistics are compiled per person and not according to the ATP method. Temporary employees, part-time employees and young people employed are counted on an equal footing with permanent full-time employees..

Breakdown of employees by gender and function

	Men	Women	Total
Managers*	36	11	47
Salaried employees	56	79	135
Hourly-paid employees	168	31	199

*Note that managers are included twice in these statistics, since they are also included in the salaried employee or hourly-paid employee groups.

Absence due to illness



Occupational injuries and accidents

	Mænd	Women
Notified occupational injuries and accidents leading to absence	8	1
Lost working hours due to notified occupational injuries and accidents	777.5	359
Deaths as a consequence of occupational injuries and accidents	0	0

Other KPIs

KPIs	Results	
Sanctions	Non-compliance with legislation	1 issue*
	Non-compliance with environmental legislation	4 deviations**
	Non-compliance with product health and safety legislation	0
	Non-compliance with labelling scheme legislation	0
	Non-compliance with marketing legislation	0
Grievances	Grievances due to failure to respect human rights	0
	Grievances due to non-compliance with environmental legislation	0
Incidents	Documented incidents of corruption and bribery	0
	Documented incidents of discrimination	0
	Documented incidents of child labour	0
	Documented incidents of forced labour	0
	Documented incidents of lack of respect for freedom of association and the right to collective bargaining	0

* Issue related to work accident in Gram

** None of these deviations have had consequences for the outside environment or given rise to comments or tightening of terms from authorities.

Pages 28-29 present an overview of the other KPIs that we measure annually.

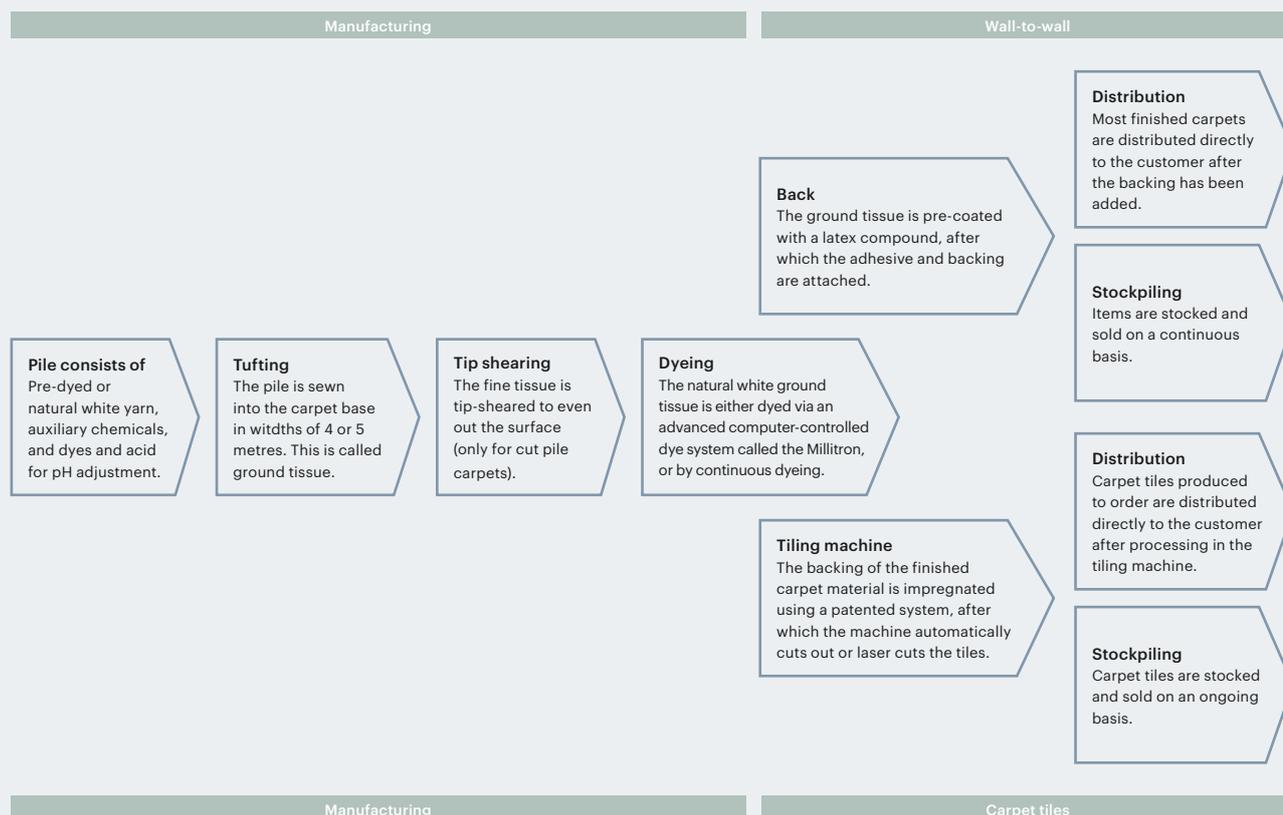
EMAS REPORTING

EMAS (Eco-Management and Audit Scheme) is a voluntary EU scheme which aims to encourage environmental activities in every type of company. This is an extensive regulation which obliges the company to achieve annual environmental improvements and communicate with society at large concerning its environmental performance. egetæpper has been EMAS-registered since 1996. The following pages solely present EMAS data.

EMAS comprises the factories in Herning¹¹ and Gram¹², which both hold certification under the ISO 14001 environmental management system. Both factories hold environmental approvals from their respective municipalities.¹³ In Herning, we also hold environmental approval of a CHP station and a Twistset system for post-treatment of woollen yarns.

The scope of egetæpper's environmental system covers all of the Group's activities in connection with the development, production and sale of tufted carpets in Herning and Gram. Both factories were subject to inspection during the financial year. We did not have any environmental accidents during the past year. There have been a few environmental deviations. In Gram there has been an exceeding of the temperature demand of discharged waste water and within 24 hours we have, in one case, discharged 110 m³ waste water where we only have permission to discharge 100 m³. In Herning analyses have shown that the pH-value for waste water is not always within the limit value. Also there is an exceeding of the limit value for the contents of non-ionic tensides in the waste water. None of the exceedings have had a consequence on the external environment or given rise to comments or tightening of terms from the authorities.

Flow in tufting production



¹¹ Production takes place at egetæpper a/s, Industrivej Nord 25, DK-7400 Herning, Denmark. This facility is located in an industrial park under District Plan no. 6.14.1 and within the limits of the Section 15 area. The facility site comprises Title nos. 3e, 4bf and 5a Birk By. The site area is approximately 36 hectares, of which approximately 45,500 m² have been developed.

¹² Production takes place at egetæpper a/s, Industrivej 3, DK-6510 Gram, Denmark. This facility is located in an industrial park under Title nos. 1153 and 1505 Gram Ejerlav. The site area is approximately 7.2 hectares, of which approximately 24,000 m² have been developed.

¹³ On 11 December 2013, Herning Municipality issued a new connection permit for the entire factory, and on 24 March 2014, a new environmental permit was also issued. In both cases, additional self-monitoring requirements as well as additional reporting requirements have been set by Herning Municipality. These have been incorporated into environmental procedures/instructions.
 Environmental approval, Gram: 29 June 1998
 Discharge permit, Haderslev Municipality, permission to discharge surface water: 9 January 2009.
 Connection permit, Haderslev Municipality: September 2006 with addendum from 14 January 2015.

SIGNIFICANT ENVIRONMENTAL IMPACTS AND EFFECTS

The EMAS regulation requires us to describe all significant direct and indirect environmental conditions which lead to significant environmental impacts, as well as the nature of the impacts. These can range from the extraction of raw materials to the use of the final product, and other impacts such as noise from egetæpper's production.

From development to final carpet

In conjunction with procurement and development, the raw materials used in carpet production are evaluated. Strict requirements are made, which extend far beyond the statutory requirements, and we undertake thorough market investigations in order to select raw materials with low environmental impacts.

As yarns, carpet bases, backing materials and packaging primarily consist of synthetic materials, they are considered to have a significant environmental impact. The same applies for dyes and chemicals, which are subject to the hazard definition, cf. the Danish Working Environment Authority. We are working continuously to influence our suppliers to be more sustainable.

As a production company, our resource consumption of electricity, gas and water is considerable. Production affects the atmosphere with CO₂ and NO_x emissions, and also the groundwater table. We focus on reducing consumption by optimising our use and reuse of resources. Before purchase, new production equipment is assessed to ensure that, as far as possible, the most environmentally-sound technology is used.

The production processes discharge dust, odours and emissions to the surrounding environment. These impacts primarily affect neighbours to the factories. Emissions from process plant where processing temperatures are equivalent to or exceed 75°C, or if such emissions are subject to current statutory provisions, are considered to be significant. Emissions from dyeing, glueing, carpet tile machines and fixation plant at egetæpper are considered to be significant.

Wastewater and waste are also environmental impacts that are subject to statutory requirements and which are evaluated annually with a view to improving and/or minimising them.

We continuously optimise our recovery of waste for reuse. Where thermal recovery is concerned, the external environment

is affected by greenhouse gases and acidification, because CO₂, NO_x and SO_x are given off during the incineration process. However, we choose to incinerate waste at large incineration plants, where the incineration process is most efficient and therefore has the least possible impact on the environment.

The packaging we use is cardboard or plastic. Plastic packaging is made from polyethylene and polypropylene, which are considered to have a significant impact because they are produced from oil, which is not a renewable resource.

Product information, installation and use

egetæpper's management system ensures that our carpet products are subject to extensive testing, and on this basis declarations of their quality and environmental characteristics are prepared.

The transport of the products affects the environment, with e.g. CO₂.

For glueing of carpets, it is recommended to solely use floor adhesive with the lowest possible emissions: EC 1 PLUS classified floor adhesive. Other types of floor adhesive are deemed to have a greater environmental impact.

Other environmental impacts

In cooperation with the local public authorities, it has been assessed that the external noise from egetæpper in Herning and Gram does not exceed the requirement in the environmental permits from Herning Municipality and Haderslev Municipality, respectively.

The values for organic and inorganic substances in egetæpper's emissions comply with all of the limit values in the Danish Environmental Protection Agency's guide no. 2/2001.

TOTAL INPUTS/OUTPUTS FOR CARPET PRODUCTION

Input	2016/2017		2015/2016		Note nr.
	MWh	kWh/m ²	MWh	kWh/m ²	
Energy consumption					
Energy	37,866	6.45	39,817	7.02	Note 1
Natural gas used to produce electricity	51		1,012	-	Note 1
Renewable energy	7,800	1.33	7,250	1.28	Note 2
Water consumption	m³	Litres/m²	m³	Litres/m²	
	81,887	13.95	92,863	16.37	Note 3
Water recovery	m³	%	m³	%	
	23,615	29%	29,111	31.3%	Note 4
Consumption of materials	Tonnes	Kg/m²	Tonnes	Kg/m²	
Total consumption of materials	18,416	3.14	17,502	3.08	Note 5
For carpet production	17,505	2.98	16,671	2.94	Note 5
Renewable materials	605	0.10	573	-	Note 5
Non-renewable materials	16,900	2.88	16,098	-	Note 5
Packaging in total	770	0.13	718	0.13	Note 5
Renewable packaging	340	0.06	289	-	Note 5
Non-renewable packaging	430	0.07	429	-	Note 5
Operation and maintenance in total	140	0.02	113	0.02	Note 5
Waste	Tonnes	Kg/m²	Tonnes	Kg/m²	
Recycling	348	0.06	329	0.06	Note 6
Thermal recovery	1,814	0.31	1,972	0.35	Note 6
Land fill	2	0.00	0.4	0.00	Note 6
Destruction, hazardous waste	22	0.004	30	0.01	Note 6
Discharge	m³	Litres/m²	m³	Litres/m²	
Wastewater	64,770	11.04	65,695	11.58	Note 7
Emissions	Tonnes	Kg/m²	Tonnes	Kg/m²	
CO ₂ -e (greenhouse gases) from natural gas and truck gas	5,974	1.02	6,569	1.16	Note 8
NO _x (air emissions)	3.07	-	4.6	-	Note 9
SO ₂ , PM, CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ (air emissions)	-	-	-	-	Note 10
Biodiversity	m²	m²/prod,m²	m²	m²/prod,m²	
Developed area	69,500	0.01	69,500	0.01	
Output	m²		m²		
Carpet products	5,869,475		5,674,278		

Explanation of the table

All input/output data apply for Herning and Gram, except for energy used to produce electricity, which solely applies to Herning. In Herning, consumption of electricity, gas and water is compiled on the basis of suppliers' invoices. In Gram, consumption is read from the meters. The quantities of goods purchased via purchase orders are registered in the warehouse management system and the other manual compilations. Quantities and volumes of other goods and waste are based on invoiced quantities and volumes. In Herning, the consumption of oil and chemicals for operation and maintenance is equivalent to the purchased quantities. In Gram, however, this is equivalent to purchased goods less stocks.

Note 1: Total energy consumption is the total consumption of electricity, truck gas and natural gas. Natural gas is used primarily to produce heating and steam for industrial processes, and to heat buildings. Natural gas for electricity production is calculated separately. Since 1996, the CHP plant in Herning has generated electricity that is sold to the local power station. In 2016/2017, the CHP plant's consumption totalled 4,665 m³ of natural gas, resulting in electricity generation of 21,669 kWh.

Note 2: Purchased renewable energy is a share of the total energy consumption. The rest is non-renewable energy.

Note 3: Water comes from the municipal waterworks. There is no shortage of water in these areas. Water consumption comprises both production and buildings. In Herning, the dyeing works account for 83% of the total water consumption. In Gram this amounts to 85%.

Note 4: Water recovery shows the proportion of the water discharge we have reused. The percentage stated is the percentage of the overall water discharge.

Note 5: The consumption of materials for carpet production includes materials for pile, dyeing, backing and twistset. The consumption of materials for operation and maintenance includes oil and various chemicals. Renewable materials are materials that the world is not expected to be depleted of (cardboard and wool). Non-renewable materials are everything else.

Note 6: Recovery: Waste that can be recovered, either for new production or as a component in another product, e.g. yarns or packaging.

Thermal recovery: All waste that can be incinerated, such as yarn residues, carpet residue, sludge from the glueing and dyeing works, and packaging and cardboard bobbins that are not recyclable.

Deposit as land fill: Non-flammable waste and the waste that cannot be handled in the incineration plant.

Destruction: Includes waste oil, chemical and raw material residues, batteries and fluorescent tubes.

Note 7: Process water is piped to the local water purification plant, while sanitary water is discharged via the sewers. Process water is cleaned and neutralised internally before discharge. The wastewater volumes in Herning and Gram are measured directly.

Note 8: In order to calculate greenhouse gases, CO₂-e, from scope 1, we use the CEMAsys system, and thereby apply the same conversion factor as in the greenhouse gas accounts. In accordance with new statutory requirements, egetæpper is no longer required to register UHC.

Note 9: Emissions from motor systems and boilers are based on measurements at the plants.

Note 10: SO₂, PM, CH₄, N₂O, HFCs, PFCs, SF₆: Not relevant for egetæpper's production.

ENVIRONMENTAL OBJECTIVES AND GOALS

As an element of egetæpper's CSR work, each year we set small and large goals as preparation for our work within all seven CSR focus areas. EMAS has a special interest in our objectives in the environmental area.

COMPLETED ENVIRONMENTAL OBJECTIVES IN 2016/2017



Reuse of surplus heat in Gram (2016/2017). According to calculations from DONG Energy, the reuse of surplus heat from the furnace can reduce energy consumption by 10%. On optimum use, 2,500 MWh is expected to be utilised annually. The plant was inaugurated on 10 August 2016, and since then 538 MWh has been utilised, equivalent to 7% of natural gas consumption during the period the plant has been operating, or annual heating consumption of approx. 28 detached homes¹⁴. Next year we expect the plant to be fully utilised.



Reuse of surplus heat in Herning (2016/2017). According to calculations from DONG Energy, the reuse of surplus heat from the furnace can generate 4,900 MWh annually, which via the municipality's district heating plant can supply heat to 250 households. The plant was inaugurated on 25 November 2016, and since then 797.3 MWh has been sold for district heating, equivalent to the annual heating consumption of approx. 41 detached homes. Next year we expect the plant to be fully utilised.



50% reduction of water consumption (2020). In the dyeing works in Herning and Gram, by 2020 at the latest the total water consumption per m² of carpet must be reduced by 50% in relation to 2007, which is the base year. It has unfortunately proved too difficult to achieve this goal, since the assumptions have changed. The action plan is closed without achieving the goal, and a new goal for water is set. Read more about this on page 19.



Online moisture measurement in Dyeing and Adhesion in Gram (2016). To reduce energy consumption and avoid excessive drying in Dyeing and Adhesion, an online moisture measurement system is implemented. The project has been closed, as it was not possible to find a suitable meter to make the project financially viable.



More valid water and energy data (2016/2017). A data collection programme for water, electricity and gas was implemented in the 2016/2017 financial year. The programme has been implemented, but due to running-in problems the system is still being tested.

Due to the Brexit situation and egetæpper's presence in the British market, it was decided to postpone a number of projects, while other projects have a longer processing time before the green light can be given. Therefore a number of goals were not achieved in 2016/2017 in terms of planned completion.

ONGOING ENVIRONMENTAL OBJECTIVES



100% renewable energy (2020). By 2020 at the latest, 100% of electricity consumption in Herning and Gram must be from renewable energy sources. We are adhering to plan. This year the renewable energy ratio is 88%.



50% reduction of CO₂ emissions (2020). By 2020 at the latest, energy savings projects will reduce CO₂ emissions in scope 1 and scope 2 by 50% from 2007, which is the base year. We are adhering to plan and have now reduced emissions by 48%.

¹⁴ Households' heat consumption is based on DONG's calculations from 2010/2011, when the action plan was drawn up.



Improve wastewater purification in Gram (2019/2020). Based on the wish to reduce the COD content of wastewater, there is cooperation with the University of Southern Denmark and two chemical suppliers to bring the COD content down to 6,000 mg/l via precipitation, flocculation, electrochemistry, evaporation and pure chemistry. We currently have permission to discharge 9,000 mg/l COD, with permitted overstepping of 50% for individual values. Ongoing trials are taking place to achieve the goal of 6,000 mg/l. However, the increasing reuse of water has proved to challenge this goal. We discharge less water, and this increases the concentration of the COD content in the water over time.



Recovery of dye bath residue for thermal recovery in Gram (2019/2020). Recovery using flocculation chemicals is not possible and trials based on biological purification have been postponed indefinitely. In cooperation with the University of Southern Denmark, we are working on developing improved purification methods within precipitation, flocculation, electrochemistry, evaporation and pure chemistry. Ongoing trials are taking place to achieve the goal.



Recycling and reuse of used carpets (2020). After establishing a return system whereby used carpet tiles are collected, cleaned and resold, or used as an alternative fuel for the cement industry, we are now working on shredding carpet residues for reuse in other ways. The second generation of shredded carpet residues is currently being tested in the production of alternative backing for carpets.



Phasing out of LPG truck in Gram (2016). To improve the working environment and the environment in general, and eliminate the risk presented by a gas tank facility, the last LPG truck is being replaced by an electrical truck. The gas tank facility has been removed, but the LPG truck is still being used. Final replacement will take place during 2017.



Replacement of all lighting in Herning with LED sources (2020). Before 2020, all lighting in Herning must be replaced with LED lighting. We are adhering to plan and have switched to LED sources in 38% of the factory.

NEW ENVIRONMENTAL OBJECTIVES

The current objectives will be continued in 2017/2018. We have also set new goals for the coming years.



Reuse of water in the dyeing works in Herning (2022). Up to 2022 we will ensure that on an annual basis at least 70% of the water at the washing facility in the dyeing works in Herning is reused, no matter how many dye changes are required.



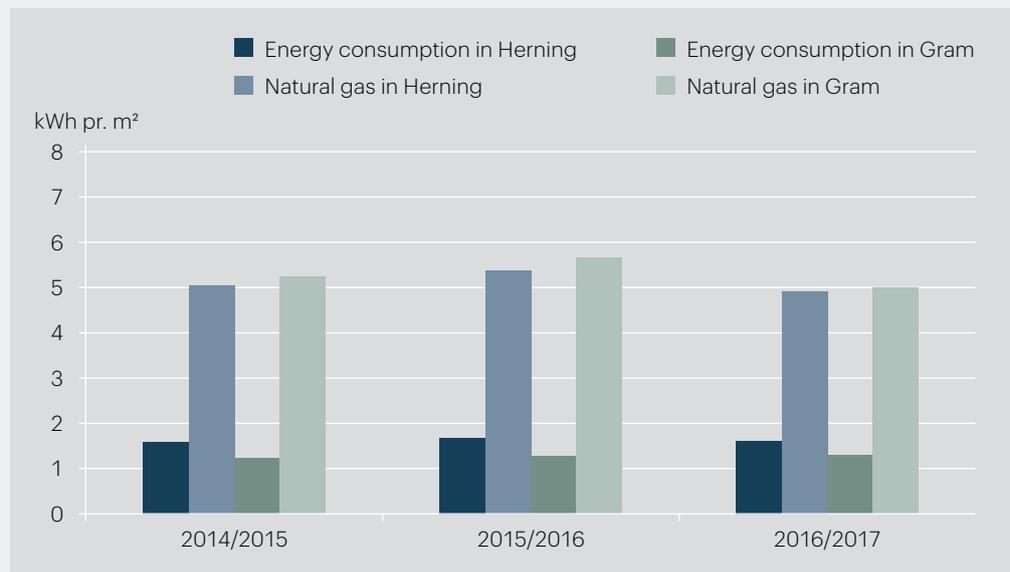
Reuse of water in the dyeing works in Gram (2020). Before 2020, the ratio of wastewater purified and reused in Gram's dyeing works must constitute 50%.



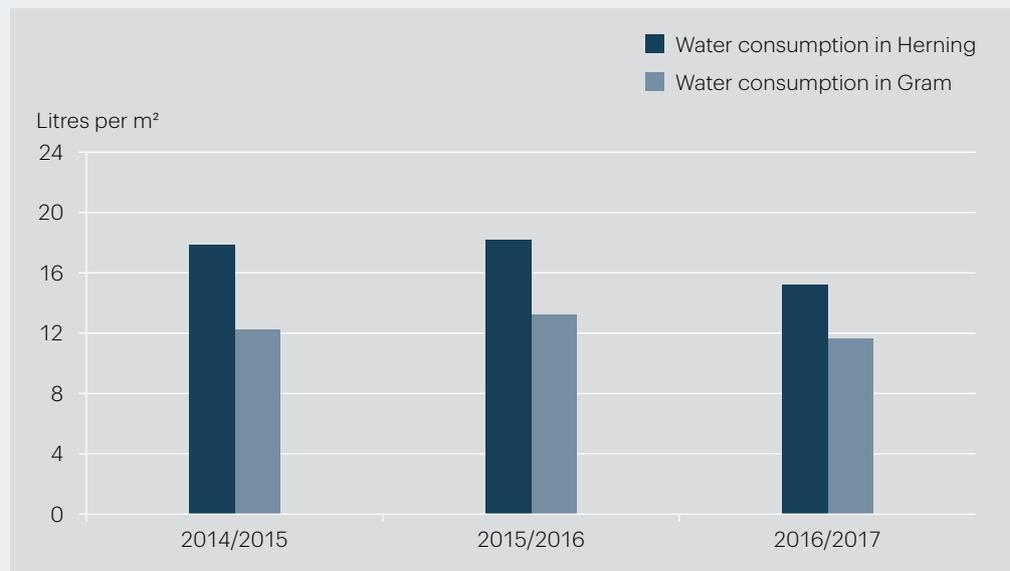
Replacement of all lighting in Gram with LED sources (2020). Before 2020, all lighting in Gram must be replaced with LED lighting. The plan has already been launched.

CONSUMPTION FIGURES

Energy consumption



Water consumption



APPENDIX 1: EMAS DECLARATION

BUREAU VERITAS
CERTIFICATION

15 JUNI 2017

EMAS - MILJØVERIFIKATOR
NR. DK-V6002

BUREAU VERITAS
Certification



ENVIRONMENTAL VERIFIER'S DECLARATION ABOUT VERIFICATION AND VALIDATION ACTIVITIES

Bureau Veritas Certification Denmark A/S

registered as EMAS environmental verifier no. DK-V 6002 and accredited for
NACE code 13.93, declares to have verified and validated:

The environmental statement 1 May 2016 – 30 April 2017
signed 30 June 2017 and stamped the 15 June 2017 for the following sites or
the whole organization:

egetæpper a/s

Industrivej Nord 25, Birk, 7400 Herning, Denmark

Sites as to attached appendix

Registration number: DK000012

meets all the requirements of European Parliament and Council Regulation (EC) No
1221/2009 of 25 November 2009 about the voluntary participation by organisations in
a Community eco-management and audit scheme (EMAS).

Bureau Veritas Certification Denmark A/S hereby declare that:

- the verification and validation has been carried out in full compliance with the requirements of Regulation (EC) No 1221/2009.
- the outcome of the verification and validation confirms that there is no evidence of non-compliance with applicable environmental legislation.
- the data and information of the environmental statement of the organisation reflect a reliable, credible and correct image of all the the organisations/sites activities, within the scope mentioned in the environmental statement.

This document can not be equated with EMAS registration. EMAS can only be granted by a Competent Body under Regulation (EC) No 1221/2009. This document can not in itself be used as a message to the public.

The verifier has verified the environmental statement in English and does not vouch for translations into other languages.

Date of next updates of statements: 03 July 2018 03 July 2019

Date of next joint statement: 03 July 2020

For information regarding the validity of this declaration, please call (+45) 77 311 000.

Further clarification regarding the applicability and scope of this declaration may be obtained by contacting the organisation.

Declaration number: DK008134-1

Date: 15 June 2017



Certification Office: Bureau Veritas Certification Danmark A/S, Oldenborggade 25-31, 7000 Fredericia, Denmark 1/2



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APPENDIX 3: CALCULATION BASIS FOR DATA SOURCES AND CO₂ CALCULATION

Scope 1: Direct greenhouse gas emissions

Direct emissions of greenhouse gases from sources owned or controlled by egetæpper. These calculations also include fuel extraction.

Scope 2: Indirect greenhouse gas emissions

Indirect emissions are defined as the emissions related to purchased electricity, heat and steam. These calculations also include fuel extraction.

Scope 3: Other indirect greenhouse gas emissions

Other indirect greenhouse gas emissions comprise a wide range of activities that can be included. At egetæpper we have decided to include transport in leased vehicles, travel and goods transport.

The result for the year in the greenhouse gas accounts is always compared with a base year, to show the development over time. If there is extraordinary activity during the financial year, e.g. due to the expansion of production, the emissions related to the extraordinary activities are accounted for separately and added to or deducted from the base year's greenhouse gas accounts. This means that the greenhouse gas accounts still give a real

picture in relation to the base year. egetæpper's base year is an average of the 2006/2007 and 2007/2008 financial years. This year the base year has not been changed.

The greenhouse gas accounts are based on a number of data sources that make it possible to convert our energy consumption to CO₂ emissions. The CEMAsys calculation programme is generally applied. CEMAsys complies with international standards and meets the requirements of the Greenhouse Gas Protocol. For electricity, the Energinet.dk declaration and the 125% method are used to calculate Danish emissions. The district heating plants' own emissions are used to calculate egetæpper's district heating emissions. Where possible, factors for the individual countries are applied. Transport by air and rail is divided into national and international transport. Via Agencia supplies egetæpper with environmental accounts for CO₂ emissions from air travel ordered via the head office in Herning and by Hammer Tæpper. To calculate goods transport for Herning and Gram, we have applied the Climate Compass, which is an Internet-based calculation model developed by the Confederation of Danish Industry, the Danish Business Authority and FORCE.



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