



2018

Sustainability report

Inspiring
spaces

Martela

Contents

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” **Instead of just furniture, you get a comprehensive solution for the entire lifecycle of the workplace from Martela.**



Martela in brief

A top-down photograph of a light-colored wooden desk. A silver ballpoint pen lies diagonally across the lower-left portion of the frame. Along the right edge of the desk, a vertical row of ten black pushpins is attached. The background shows the natural wood grain of the desk surface.

MARTELA IS A NORDIC LEADER SPECIALISING in user-centric working and learning environments. We offer our customers a single point of contact throughout the workplace lifecycle, from specifying needs to maintenance and optimisation of the workplace.

Martela is a family company founded in 1945 and its shares are quoted on OMX Nordic Exchange Helsinki. Our main market areas are Finland, Sweden and Norway, and we sell our solutions globally through our network of dealers. Our head office is in Pitäjänmäki, Helsinki, Finland and our production facilities are in Finland and Poland.

In 2018, the Martela Group's revenue was EUR 103.1 million and it employed an average of 510 employees.



” **Martela joined the United Nations’ Global Compact Initiative in 2011**

Contents and scope of report

THIS SUSTAINABILITY REPORT, MARTELA’S NINTH, has been prepared in accordance with the GRI (Global Reporting Initiative) standards core option. The report covers all of Martela’s operations. Martela’s Sustainability Steering Group has reviewed and selected the performance indicators for the GRI standard index based on the materiality assessment. We base the assessment on the expectations of Martela’s key stakeholders and the significance of the most essential factors for business. It was mainly the company’s internal specialists who carried out the assessment and the Sustainability Steering Group has updated it annually based on stakeholder interviews and discussions.

The disclosed results include monitoring data for a period of at least three years. Compared to the previous report published on 4 May 2018, the biggest change is a significant reduction in occupational accident rates and sickness leave due to them. Investment in the safety culture created the positive trend, especially within removal services. We explain other deviations and limitations in connection with the indicators in question and in the GRI standard index.

Global Compact reporting

Martela joined the United Nations’ Global Compact Initiative in 2011. We also use this report as Global Compact reporting to measure the extent to which the principles of human rights, labour rights, environmental protection and anti-corruption are in place in Martela. The GRI standard index includes the indicators that Global Compact has approved for measurement of the level and progress of actions.

Reporting structure

At the beginning of the report, you can find a brief introduction of Martela as a company, and information on its values, strategy and governance. After that, you can find the stakeholder analysis prepared by the Sustainability Steering Group and descriptions of the core risks and opportunities regarding corporate responsibility. The related management principles and the nature of the commitments are summarised. The full texts of our principles can be found at Martela home pages. The Martela Annual Report presents the governance and risk management principles. In the section ‘Management of Sustainability’, you

can find the roles and duties of the Board of Directors (Board), the Group Management Team (GMT) and the Sustainability Steering Group in developing corporate responsibility. The economic, social and environmental sections of this report contain information on the performance in said areas of operation. In the beginning of each section, there is a materiality assessment of indicators used and a list of the main targets. The sustainability report presents the progress of the sustainability programme for 2018–2022 and the new programme for 2019–2030.

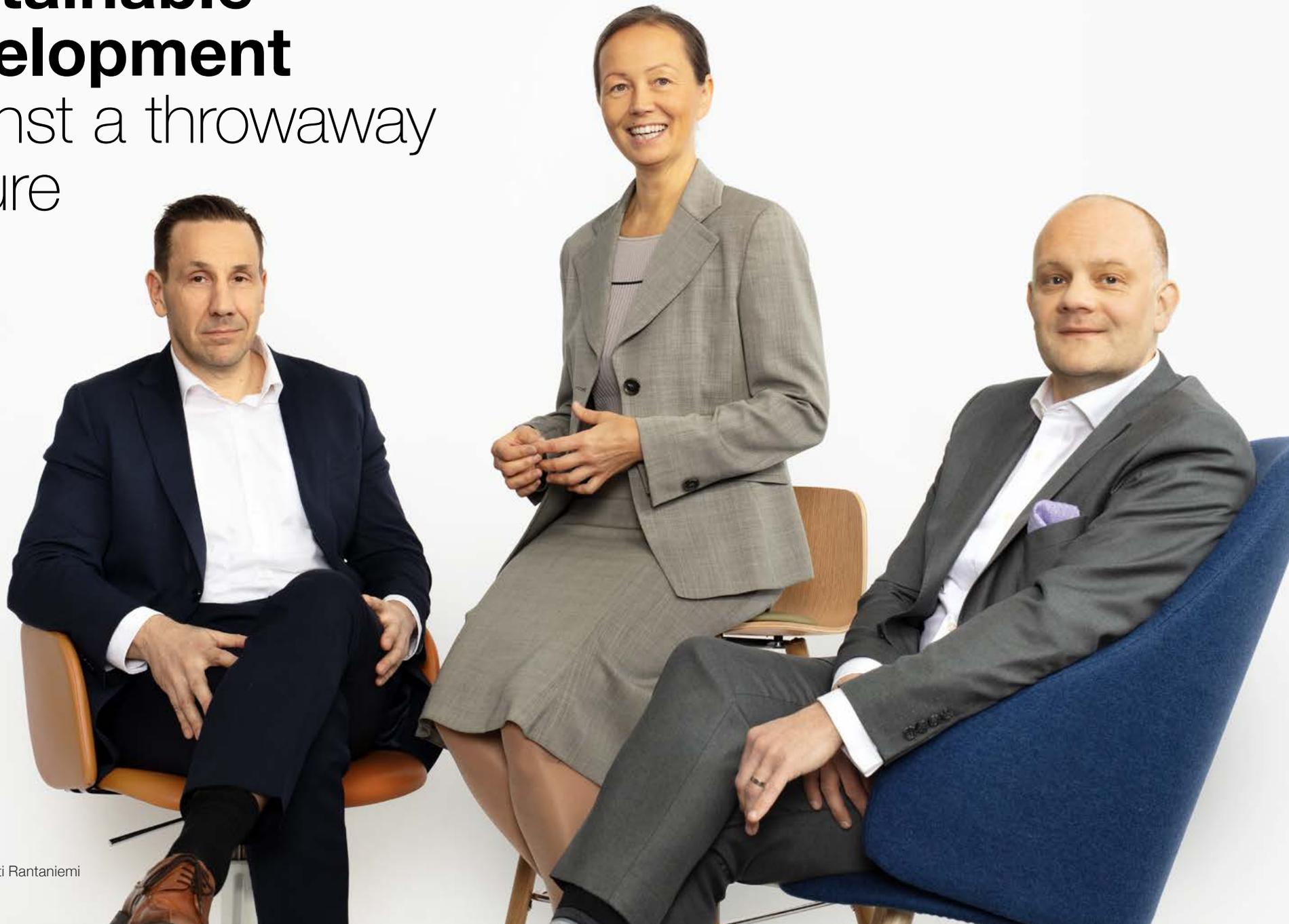
Assurance of the report

There is no external assurance of the sustainability indicators. We compile our economic responsibility metrics from information used in the Board of Directors’ Report and the consolidated financial statements that KPMG have audited.

Publication of the report

The annual sustainability report is published in PDF format in Finnish and English. We do not print copies of the report. The 2019 report will be published in spring 2020.

Sustainable development against a throwaway culture



From left to right Ville Taipale,
Anne-Maria Peitsalo and Matti Rantaniemi

Martela has been promoting corporate responsibility and sustainable development for a long time. The efficient use of materials and the manufacture of durable, timeless products have been part of Martela's heritage since its establishment more than 70 years ago. Martela advocates sustainable consumption and the circular economy, against a throwaway culture. In this article, Matti Rantaniemi, CEO, Ville Taipale, Chair of the Sustainability Steering Group, and Anne-Maria Peitsalo, Secretary of the Sustainability Steering Group, discuss Martela's key sustainability themes.

Martela defines itself as a developer of user-centric working and learning environments. What does this mean?

Matti: We have come a long way from being a supplier of office furniture to becoming a highly successful developer of working and learning environments. Digitalisation and globalisation have changed our customers' ways of working and learning quite dramatically. This is why we have created the Martela Lifecycle® strategy, a comprehensive approach to developing work environments.

How is this transformation reflected in customers' needs?

Ville: The share of knowledge-intensive work has increased, particularly in industrialised societies. Many tasks can be performed regardless of time and place. On the other hand, work environments must provide facilities for a diverse range of needs. Sometimes employees must be able to concentrate in peace and quiet, and sometimes they need to have discussions and cooperate with others or take a little break. Old-fashioned offices do not support new ways of working.

Matti: International competition sets new requirements for efficiency. Facility rents are a significant expense for customers, particularly in growth centres.

What is the Lifecycle® strategy about?

Matti: Our strategy is based on our strong and extensive expertise in working and learning environments. It begins with identifying the customer's current situation and needs comprehensively, in terms of both the organisation and individuals. This

enables us to design and implement a solution that best meets the customer's needs. Our work continues even after the work environment has been taken into use. The functionality of the facilities is measured, and the solution is further developed based on feedback. In other words, the optimisation of facilities is a continuous process, as work keeps changing continuously as well.

Ville: Our continuously developing service offering is an integral part of our strategy. Our customers can acquire their work or learning facilities as a service, meaning that they do not need to invest in furniture.

What does your user-centric approach mean for your customers?

Anne-Maria: In user-centric facilities, work runs smoothly, and the facilities are pleasant and comfortable. Today, we know that wellbeing at work plays an important role in efficiency, which is why wellbeing is emphasised when recruiting highly competent employees. In other words, user-centric facilities enhance the customer's competitive advantage in many ways. Our service model Workplace as a Service also ensures that the workplace is continually optimised in line with changing needs.

Ville: Our user-centric approach takes the efficient use of space to an entirely new level. It means improved functionality in a smaller space. This also reduces facility expenses in many cases.

Anne-Maria: The world's most pressing challenge is global warming caused by carbon dioxide emissions. In addition to reducing rental expenses, more efficient use of space reduces customers' energy consumption and climate effects.

In what ways are you combating the modern throwaway culture?

Matti: From the very beginning, our operations have been based on the design and production of high-quality office furniture. Our furniture has been designed to stand the test of time as well as heavy-duty use in professional environments and public spaces. We are also investing in recycling furniture. When designing new facilities, we seek to make use of the customer's old furniture according to their needs. In addition, we offer services that help customers find new owners for their usable old furniture.

Anne-Maria: High-quality design is one of Martela's strongest competitive factors. One example of our enduring design is the Kilta chair, which we introduced in 1955. This chair has won international recognition and is still in production, and used and refurbished Kilta chairs are also in high demand.

How have customers responded to the change in your offering?

Matti: With the Martela Lifecycle® model, we clearly lead the way not only in the Nordic countries, but also internationally. The required change of mindset will take time, but most of our customers have already realised the benefits of our offering. Our goals for 2018 also included strengthening the customer experience, and we have achieved good results in this respect. We ranked best-in-industry in the Office 2018 survey.

Ville: Martela has a strong brand and high recognisability. Customers know they can expect highly professional solutions and new insights from us. However, there is still a great deal of work to be done

until customers extensively begin to demand comprehensive solutions and consider the life-cycle effects of their facilities.

Which social responsibility themes did you focus on in 2018?

Matti: Sustainability is evident in our basic mission of developing our customers' work environments and in our responsible operations. Martela is committed to the ten principles of the Global Compact initiative concerning human rights, labour rights, environmental protection and the prevention of corruption.

Ville: Sustainable supply chains are one of the most essential aspects of our operations. We have updated our guidelines and implemented the related instructions through a survey for our suppliers. Most of our suppliers have already made a commitment to common sustainability work, and we are continuing this work by having discussions and further specifying our goals and requirements.

Anne-Maria: We aim to increase wellbeing at work both in our customer companies and here at Martela. In terms of our customers, we believe we have succeeded in this, and the feedback on the solutions we offer has been very positive. At Martela, investing in wellbeing at work was one of our focuses for 2018. We measured job satisfaction by means of an annual survey and more frequent opinion surveys. We have received valuable feedback from our employees and have been able to implement various development measures in response to challenges.



Service models

Workplace as a Service

Work spaces have traditionally been designed to last five to seven years. However, the current fast-paced working environment makes it impossible to know when and how the organisational situation, number of employees and ways of working are in need of change. Martela's service model Workplace as a Service ensures that the work environment is always optimal. Instead of individual furniture orders, the model offers organisations a comprehensive solution for the entire lifecycle of the workplace that takes continuous care of work spaces, furniture – and people. An integral part of the service is continuous work space optimisation according to the changing needs of users. The service model allows for the organisation to pay only for the services it truly needs, and erases problems related to ownership of furniture. Within the model, the workplace is always equipped to answer to current needs and goals.

All of Martela's service models comply with the Waste Nothing principle; for example, changing existing furniture is not an end of itself. If proper use for existing furniture cannot be found, the furniture can be found new uses through the Martela Outlet.

Learning environment as a Service

The operating culture of learning environments is changing, and the ways of teaching and learning are more diverse than before. New practices and methods set requirements also for the renewal of the learning environment. Developed through service design and in cooperation with clients, Martela's new service model Learning environment as a Service answers this challenge.

By adapting the model, schools and other places of learning no longer have to own a single furniture but can rent the needed solutions as a service. The most important benefit of the Learning environment as a Service model is that it creates a practical framework for the renewal of learning environments and is a concrete way of bringing circular economy to schools on a practical level.

Value for customer



Durable and recyclable furniture to meet the real user needs



Improved user-experience and increased wellbeing



Solutions enabling new working methods



Monitoring and optimising the utilisation rate



Space efficiency reducing climate effects

Martela Lifecycle®

– user centric workplaces and learning environments

USER CENTRIC WORKPLACES and learning environments support a wide range of needs and situations, including spaces for a variety of activities, such as collaboration, communication, chill out and concentration. The best workplaces and learning environments are created based on the goals and values of each organisation and by listening to the needs of end-users. The more the environment supports work and learning, the more satisfied the users are. The way of working and learning is improved!

Martela Lifecycle® is a comprehensive service that covers the entire lifecycle of workplaces and learning environments. With this model, maintenance of premises and furniture is continuous ensuring that the workplace evolves with changing needs.

Specification

Future needs of the work environment are considered in the specification phase. If a company has the opportunity to move to new premises, the specification phase provides support for finding the right kind of space. The company that has previously operated in a traditional office can find ample room in usually 20 to 40% smaller premises.

The specification starts with locating user-driven needs by going through the organisation's roles, tasks, space and product needs as well as the goals for trans-Martela Lifecycle® – user centric workplaces and learning environments forming the work

environment. The targets for change are always derived from corporate strategy to ensure that the change supports the organisation towards its future vision. Carefully implemented specification includes, for example, workplace utilisation measurements, workshops and working environment surveys while ensuring end-user engagement in the change. At the end of the specification phase, a workplace report and space usage plan are created. These are used in the workspace and interior design planning.

Planning

User centric workplace planning ensures a responsibly created and maintained work environment for the organisation. Space and interior design help to optimise the use of space in the work environment and clarify the company's visual image. In the user centric design phase, a company-specific space plan is created that can take into account existing furnishings, recycling of unneeded pieces and furniture rental opportunities.

As a result of the planning, the customer receives a custom made space plan that is used in implementing the change. The workplace as a whole can also be leased with Martela's flexible financial services. At this stage, a plan for employee orientation for the utilisation of the new space is created. Additionally, a unit audit is carried out for possible removal service and recycling.

Implementation

Careful advance planning and efficient project management ensure a smooth implementation of the change and maintenance work. Martela takes care of all changes beginning from removal service and installation of the office to recycling and final clean-up as well as the introduction of the new working environment to the personnel.

Maintenance

Based on a user experience survey and the actual utilisation measurements, the maintenance phase consists of an enquiry of the workplace needs as well. A good working environment is a source of creativity and enables employees to reach optimal productivity and wellbeing, as development suggestions based on the measurement results. Maintenance reduces need for major changes, lowers costs and supports occupational wellbeing and work efficiency of employees, as the space supports work also during organisational change.

Organisations and work methods are constantly changing. It is advisable to regularly check if the work environment supports the current ways of working. The changes do not always have to be substantial. Even small changes to the workspace can have a major effect on productivity and employee wellbeing.

Workplace or Learning environment as a Service

The service model allows customers to select not only a product but a comprehensive solution for the entire lifecycle of the workplace or learning environment focusing on the premises, the furniture and the people. An essential aspect of the service is the continuous optimisation of the workplace or learning environment in accordance with the changing needs of the users. With the service model, the customer pays only for what is genuinely needed erasing problems related to owning furniture. All of Martela's service models follow the Waste Nothing principle: we don't change furniture just for the sake of change and we recycle furniture that is not needed.

Value for customers

A successful working and learning environment guides and challenges personnel to be more engaged in their work. The environment has a direct link to efficiency, cost savings, employee satisfaction, and cooperation. Successful organisations understand the potential of the working environment as a management tool. A successful environment supports its end-users in taking initiative. It supports the organisation to achieve its key objectives and ensures a smooth flow of information. A good working environment is a source of creativity and enables employees to reach optimal productivity and wellbeing.

Values

OUR CORPORATE VALUES ARE expressed by the terms: Family business, Passion for Innovations, User Driven Design and Finnish.

Family Business explains the long-term approach that we take. We look further than just the next quarter, and we maintain contacts over generations. We look to the future, and we value both the environment and our roots.

Passion for Innovations is in our DNA. Innovation applies to our offering but is also evident in our endeavours to improve everything we do.

User Driven Design can be seen and felt in our products and services in a very tangible sense. We can improve the everyday lives of our customers in many ways.

Martela was founded in 1945 and it has developed along with the country itself over the decades since. We are very proud of our Finnish roots. A key aspect of being Finnish is keeping your word. At Martela this means keeping our customer promises: we finish the work we have started, with pride. Therefore, our fourth value is represented by the word **Finnish**.

” We look further than just the next quarter.

Sustainability at Martela



Agenda 2030 goals



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, nonviolent, inclusive and effective learning environments for all.

Martela Lifecycle and learning environments – we help our customers create learning environments for the needs of the child.

Many of the solutions applied with the Martela Lifecycle model help our customers follow the new curriculum: the learning environment supports the pupils' insight, experimentality and communality.

CUSTOMER CASE: SYVÄLAHTI COMMUNITY CENTRE

<https://martela.com/reference/syvalahti-community-centre>



Promote inclusive and sustainable economic growth, employment and decent work for all.

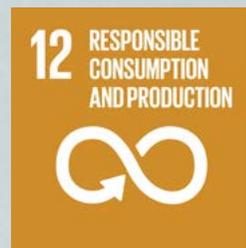
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.

With the Martela Lifecycle model, we help our customers create spaces that support work, promote collaboration and productivity, not forgetting resource efficiency.

Martela Lifecycle model and solutions enable new working methods.

CUSTOMER CASE: FINNISH EVANGELICAL LUTHERAN MISSION

<https://martela.com/reference/felm>



Ensure sustainable consumption and production patterns.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

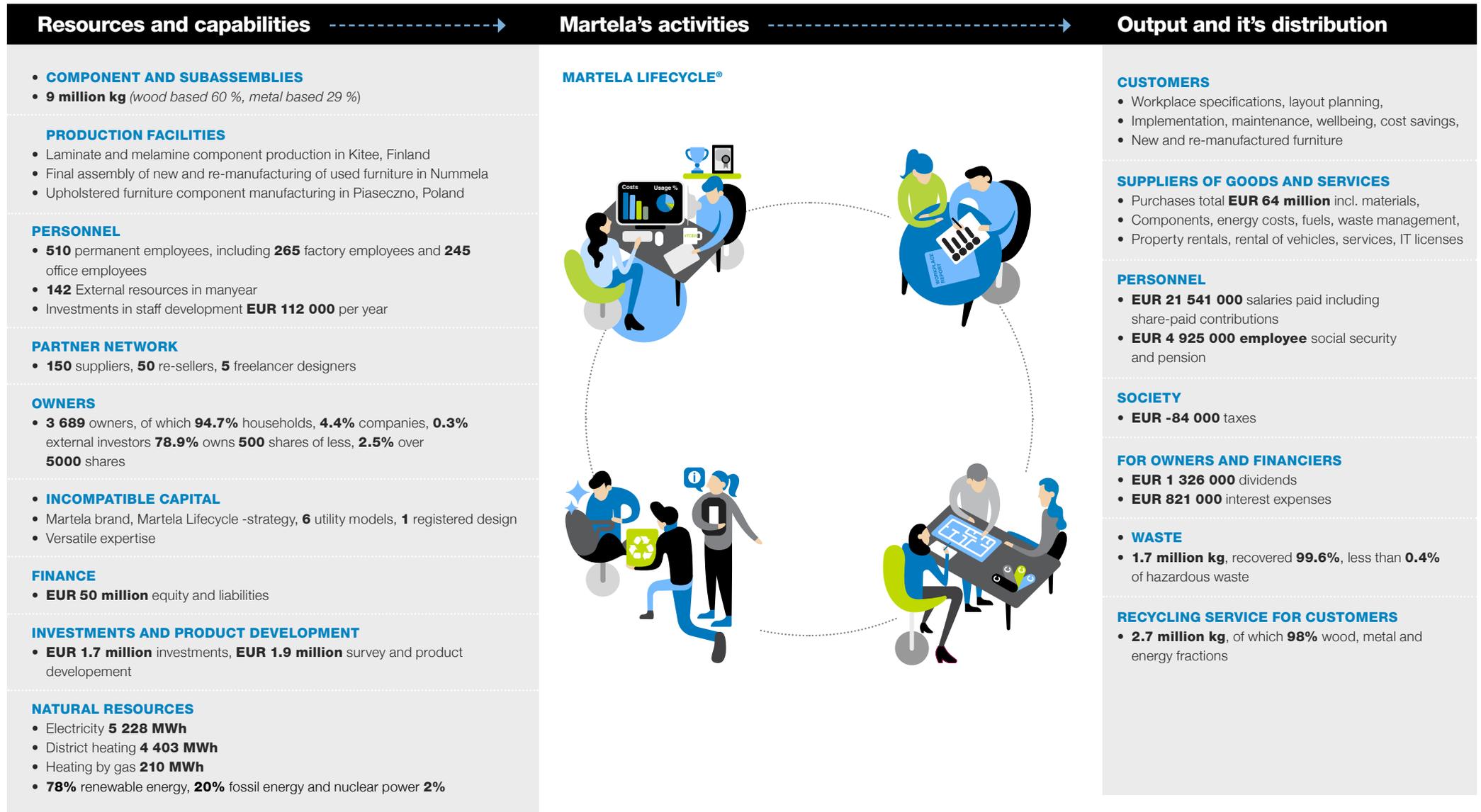
Martela's material efficiency, recycling business and new service models to minimise material usage for customer products.

Providing Martela's sustainable services and products to public procurement and creating discussion on different sustainable development opportunities.

CUSTOMER CASE: KALASATAMA URBAN LAB

<https://martela.com/reference/kalasatama-urban-lab>

Value creation



Stakeholders and their expectations

	Customers	Specifiers	Employees	Dealers	Suppliers	Owners and Investors	Other interest groups
QUANTITY AND DESCRIPTION 	<ul style="list-style-type: none"> Companies and public purchasers. Private customers only through the Martela Outlet channel. 84% of turnover from Finland, 7% from Sweden, 5% from Norway and 4% from other countries 	<ul style="list-style-type: none"> People responsible for customer definitions, architects, interior architects 	<ul style="list-style-type: none"> 501 permanent employees: 28.5% factory workers, 23.2% removal service workers and 48.3% knowledge workers 142 work years of external resources 	<ul style="list-style-type: none"> About 50 dealers, of whom four operate under Martela brand Other dealers, about half of which in Europe, offer Martela products as part of their other offering 	<ul style="list-style-type: none"> About 150 suppliers, of which about 70% in Martela's home market, ie Norway, Sweden, Poland and Finland 	<ul style="list-style-type: none"> Major owners are Martela family and pension insurance company Ilmarinen and funding by the well-known Nordic banks 	<ul style="list-style-type: none"> Media, areas of operations, industry organisations, schools and educational institutions
THEIR EXPECTATIONS 	<ul style="list-style-type: none"> High quality products and services Information on products, supply chain and materials Compliance with laws, principles of corporate governance and agreements both internally and in the supply chain Availability of eco labelled products, especially in Sweden, Denmark and Norway Some expect especially Finnish design 	<ul style="list-style-type: none"> Information on products, materials, environmental trends and brand value Possibility to realise new ideas with respect to Finnish design traditions 	<ul style="list-style-type: none"> Continuity of employment relationship Professional development opportunities Training on new skills and best practices in occupational safety 	<ul style="list-style-type: none"> High quality products and services Information on products, supply chain and materials Compliance with laws, agreements and sustainable business principles Reliable business relationship Availability of eco labelled products, especially in Sweden, Denmark and Norway 	<ul style="list-style-type: none"> Stable development and trust Clear communication of instructions and expectations 	<ul style="list-style-type: none"> Stable development Successful risk management Profitable business and ability to pay dividends 	<ul style="list-style-type: none"> Promotion of local social wellbeing by, among others, employment Open communication
OUR ACTIONS 	<ul style="list-style-type: none"> Ensuring availability of product information Ensuring compliance with Code of Conduct Open communication focusing on materiality Use of eco-labels The right to use the Key Flag Symbol and the Design From Finland mark 	<ul style="list-style-type: none"> Material and brand studies Design events to enable interaction Designers' ideas and influence to offering 	<ul style="list-style-type: none"> Employee satisfaction and wellbeing studies Training Appraisals Open internal communication 	<ul style="list-style-type: none"> Exceeding the performance of other suppliers Open discussion on performance 	<ul style="list-style-type: none"> Investments in long-term cooperation Communication, tracking and discussion of sustainable procurement principles 	<ul style="list-style-type: none"> Close monitoring of competitiveness and performance and open communication Development of sustainability and its reporting Constant development of Sustainability indicators 	<ul style="list-style-type: none"> Co-operation with representatives of other stakeholders



Management of sustainability

MANAGING SUSTAINABILITY is normal everyday work at Martela. Sustainability is an integral part of Martela's values, operating principles and strategy. In addition, the company has defined specific management principles for guiding corporate responsibility work. Martela reviews annually and, if necessary, revises the management principles originally drawn up in 2011.

Martela Corporation's Board, together with the CEO, leads the sustainability work. The Sustainability Steering Group prepares and coordinates practical development measures. The company's normal organisation controls the implementation of these. The sustainability programme summarises annual sustainability objectives and gives them a longer time perspective. Operations implement the sustainability programme in the annual planning and monitor implementation at the management level. Since the beginning of 2018, the Vice President, Customer Supply Management has been responsible for sustainability matters in the GMT.

Martela's goal is to provide responsible solutions for its customers' workplaces and learning environments through the Martela Lifecycle® model. With the Martela Lifecycle® model, we can implement the changes in the workplace required by the transformation of work, while also fulfilling the requirements for room efficiency, wellbeing at work and work efficiency. Sustainability in the whole value chain of production also plays an important role in corporate responsibility. To manage this aspect, Martela clarified the principles for sustainability of the supply chain at the beginning of 2018.

Annual training sessions on management principles are organised to increase awareness and to engage the whole organisation. The goal is to ensure the correct and sufficient level of knowledge of each employee regarding the sustainability aspects of their duties and to involve them in the development of the company.

Corporate Code of Conduct

MARTELA CORPORATION'S BOARD approved the Martela Corporate Code of Conduct for the first time in 2011. In February 2019, the Board approved a clearer ban on obtaining competitor information by misleading means. At the same time, we corrected the references to the changed organisation structure of Global Compact and Martela's Sustainability Policy for the Supply Chain updated in 2018. The Code states a position on good financial management, responsibility in personnel issues, environmental responsibility, cooperation with suppliers of goods and services, customer relations, communications and stakeholder relations, among other things. The Code also records Martela's international commitments.

The Martela Management Team defined the set of CR policies that support the Code in 2011. In March 2019, the Management Team confirmed the Environmental Policy and the People Policy in the form in which they were updated in 2016 and the Sustainability Policy for the Supply Chain that we formed in 2018 from a combination of Purchasing Principles and Social Requirements for Suppliers. You can find the complete text of the Corporate Code of Conduct, and the Policies that support it, on Martela's website at www.martela.com/responsibility.

Corporate governance principles

Martela's Annual Report, the Board of Directors' Report, stock exchange releases and the resolutions passed by the organisational meeting of Martela's

Board and by the Annual General Meeting explain corporate governance principles and issues, thus they are not treated separately in this report.

Risk management

The Annual Report and the Board of Directors' Report describe risk management in more detail, so it has not been included in this report.

Human resources policy

Martela's People Policy, approved by the GMT, outlines the principles on which responsible HR management is founded. These principles clarify and harmonise the HR management process and describe how to maintain and develop a good corporate and employer image. Martela's success is dependent on skilled and motivated personnel who enjoy their work. The company ensures the maintenance of these personnel qualities with responsible HR management in both the short and long run.

Environmental policy

The Environmental Policy, approved by the GMT, aims to decrease the company's environmental impacts and promote recycling. Martela manages its environmental activities in accordance with the ISO 14001 management system. We present it in more detail in the environmental section of this report. The policy gives guidance on how we apply an environmental approach to developing Martela's offering, with which the company indirectly affects the environmental im-

pact of its customers. These indirect effects are the best way that Martela can fight global warming.

Sustainability policy for the supply chain

Martela's Sustainability Policy for the Supply Chain, approved by the GMT, presents our core requirements for suppliers of goods and services. The principles deal with suppliers' compliance with laws, regulations and the Martela Corporate Code of Conduct, as well as delivery reliability, environmental issues and other issues. In addition to the general procurement principles, suppliers and their supply chain are subject to social responsibility obligations. Suppliers are required to comply with national labour laws and ILO conventions. The areas that we monitor include working time, pay, child labour, forced labour, discrimination, the right to organise and collective bargaining, as well as health and safety at work. The policy describes supplier selection and control models. We apply the Sustainability Policy for the Supply Chain to suppliers of products with the Martela label and contract suppliers whose products are included in Martela's product programme.

Sustainability organisation

Martela manages sustainability as part of the normal planning process and everyday work. We have set up a Sustainability Steering Group to prepare development measures, coordinate these in the operations and make all the necessary proposals to the GMT.

The Sustainability Steering Group also acts as the management review group for quality, environmental and occupational safety management systems.

Once a year, the Sustainability Steering Group reviews the results of the sustainability work undertaken, the plans for further work and the reporting. The Sustainability Steering Group approves the report before we publish it. The Sustainability Steering Group consists of the Sustainability Team with representatives chosen from the Martela Management Team. Martela's Sustainability Manager acts as secretary for the Sustainability Steering Group and prepares the necessary material. The chair of the Steering Group is the Vice President, Customer Supply Management.

The GMT follows the progress of the sustainability programme and considers proposals put forward by the Sustainability Steering Group, the Management Team member in charge of sustainability matters, the Vice President, Customer Supply Management or other GMT members. The GMT approves the principles guiding sustainability, except those that require approval by the Board.

Of the principles guiding sustainability, the Board approves the Corporate Code of Conduct, the governance policy and the risk management policy. The GMT will submit other sustainability proposals to the Board as necessary. The Board has not nominated any of its members to specialise in CR issues.

Key responsibility indicators

	2015	2016	2017	2018
ECONOMIC RESPONSIBILITY INDICATORS				
Revenue (EUR million)	132.8	129.1	109.5	103.1
Profit before taxes (EUR million)	3.4	5.6	0.0	-2.5
Income Taxes (EUR million)	0.9	2.3	-0.7	0.1
Return on investment, %	12.1	18.2	1.6	-4.9
Equity to assets ratio, %	40.9	45.3	40.8	39.2
Dividends paid (EUR million)	0.4	1.0	1.5	1.3
Wages and salaries (EUR million) 30,1 29,2 25,7	25.7	23.8	21.9	21.5
Number of employees (average in man-years)	627.3	544.1	497.8	505.4
Purchases 2017, (EUR million)	92.8	87.8	77.7	76.1
Gross investments (EUR million)	0.7	2.9	2.1	1.7
SOCIAL RESPONSIBILITY INDICATORS				
Average age of employees (years)	45.0	45.1	44.0	45.0
Number of employees with more than 10 years' service, %	48.5	49.7	49.2	51.9
Employee turnover, %	19.7	26.2	17.8	14.7
Reasons for leaving (incidents)				
• terminated by employer	43	53	12	6
• terminated by employee	67	85	73	65
• retirement	8	12	8	6
Absences due to illness (% of work time)	3.0	3.0	2.5	2.8
Investment in training (EUR / person)	208	333	376	221
Development discussions (% of staff)	79	87	64	66
ENVIRONMENTAL RESPONSIBILITY INDICATORS				
Material use (1 000 kg)	11 655	10 423	10 928	9 215
Direct energy (GJ)	0	0	0	0
Indirect energy (GJ)				
• district heating	20 188	23 231	17 331	16 339
• electricity	24 334	22 291	19 019	18 820
• gas	703	682	702	757
Carbon dioxide emissions (1 000 kg)				
• from direct energy	0	0	0	0
• from indirect energy	1 533	1 742	1 268	477
• from own transport equipment	1 219	1 058	1 035	928
• from company cars	131	114	114	98
• from business flights	106	116	97	105
• from material use	16 323	11 826	18 314	13 214
Waste				
• total (1 000 kg)	1 594	1 288	1 237	1 670
• hazardous waste %	1.3 %	0.7 %	0.7 %	0.4 %
• recovery, %	95.6 %	95.5 %	95.7 %	99.6 %

Sustainability Programme 2019–2030

At the beginning of 2019, the Sustainability Steering Group approved Martela’s new CR action plan for 2019 – 2030. The plan includes overall goals including economic, social and environmental aspects of sustainability.

GOAL	SCHEDULE
EBIT level of 8 per cent excluding non-recurring items Increase the share of the service business	Long term
Customer employee wellbeing, knowledge workers <ul style="list-style-type: none"> • 50% of new Martela Lifecycle® customer workplace change specifications lead to implementation • Minimum 30% of employees say that wellbeing has increased and minimum 50% of employees say that working efficiency has increased according to a user experience study 	Mid term
Martela employee wellbeing: <ul style="list-style-type: none"> • People Power® rating to reach AAA level in People Spirit survey • Annual survey, action plans and implementation 	Mid term
Improvements in working and learning environments and reducing environmental impact with Martela Lifecycle® ensuring the best customer experience <ul style="list-style-type: none"> • To identify the real need to develop efficient environment that supports work, taking into account the opportunities offered by new working methods • Promoting the space efficiency with sustainable and multifunctional solutions, utilising existing and avoiding unnecessary • Continuous improvement of value chain to ensure the best customer experience optimising the use of materials and energy • Knowledge based optimisation, continuous development and maintenance of working environment, taking into account the circular economy 	Mid term
Minimising climate impacts in logistics and in use of materials	Mid term
Developing occupational safety towards accident free working	Mid term
Demonstrating the social responsibility of the supply chain and fight against bribery and corruption <ul style="list-style-type: none"> • Written commitment on respect for human rights and the fight against corruption and bribery of the supply chain • Clear discount terms and decision patterns in the sales process • Training and raising awareness throughout the value chain 	Short term

Economic responsibility



Goals

- EBIT 8% level excluding non-recurring items
- To identify the real need to develop efficient environment that support work
- To increase the share of the service business
- Continuous improvement of value chain to ensure the best customer experience optimising the use of materials and energy

Economic value by stakeholder group

Martela seeks to create economic value for its customers, shareholders, employees, partners and surrounding societies. Of this economic value, more than 70% is distributed to providers of products and services, and nearly 20% is distributed as salaries to employees. Of the companies providing products and services, more than 70% are based in Martela's countries of operation (Finland, Sweden, Poland and Norway) and more than 20% in other European countries. User-centric working and learning environments designed and implemented for customers increase wellbeing at work and, consequently, customers' productivity and operational capacity. Martela seeks to be a reliable partner for its suppliers, service providers and financiers, a fair and encouraging employer for its employees, and a profitable investment for its shareholders. The distribution of financial benefits is presented in more detail in the value-creation diagram on page 12 of the report.

Product offering changes with customers' needs

Martela's product and service development is based on customers' changing needs. Usability, durability and aesthetic and physical quality are the most important factors in products. These requirements remain unchanged, even though trends are changing and new functionalities are being added. Martela's offering is updated and new products are designed in response to customers' needs. Martela's product portfolio lays a solid foundation that can be adjusted to trends through minor changes. During 2018, we expanded our product portfolio by introducing several new products in the Pod family, which has been designed to meet the growing need for flexible facilities. In addition to the physical products, monitoring users' behaviour is important in shaping the customer experience. We can achieve our desired results only by developing working and learning environments based on monitoring the actual user experience. New services are continuously being developed for these purposes.

A high level of customer satisfaction

Martela aims to offer the best customer experience in its field by providing working and learning environments that support customers' productive work. For this reason, the customer experience is measured regularly, developed based on feedback and managed so as to increase customer loyalty. Martela's unique corporate culture and its way of working lay a strong foundation that its competitors cannot imitate.

Martela monitors customer satisfaction through continuous measurements carried out after deliveries and occasional extensive customer experience surveys. The results of the continuous customer satisfaction measurements are monitored by means of

weekly reports. In 2018, general customer satisfaction increased slightly from the previous year, to an average of 8.64 on a scale of 1–10. Martela received particularly good scores for the professionalism of its employees and the quality of its deliveries and installation work.

Nearly 700 customers responded to an extensive customer experience survey carried out in late 2018. The survey measured customers' interest in recommending Martela to others and their level of satisfaction with Martela's services. In terms of Martela's services, the customers appreciated the quality of its furniture and other products, environmental responsibility, expertise and comprehensive offering in particular. The feedback on its removal, recycling, delivery and installation services was also positive. The Net Promoter Score (NPS) was 42, with 56% of the respondents being willing to recommend Martela, while 30% were neutral and 14% were critical. Martela's Customer Satisfaction Score (CSAT) was 4.1 on a scale of 0–5.

Supply chain management

An efficient, high-quality supply chain is one of Martela's key success factors. In its own operations, Martela focuses on final assembly and the service business. Purchases of materials related to products and services sold by Martela represented around 60% of Martela's total purchases, with the share of other products and services being 40%. Martela's purchasing function is responsible for acquiring sustainably produced products, materials and components that meet customers' needs. Its purchasing criteria are strict, and its suppliers are selected carefully.

A network of around 150 reliable suppliers delivers materials and components for products in Martela's standard range. To a significant degree, the supply

chain is based on partnerships with a history of several decades. The role of suppliers varies greatly. In terms of sustainability, Martela's key suppliers produce custom components based on materials and product structures chosen by Martela's designers. This means that the cooperation begins as early as the product development phase. At the other end of the supplier spectrum are companies that supply their standard components and that Martela chooses based on product specifications.

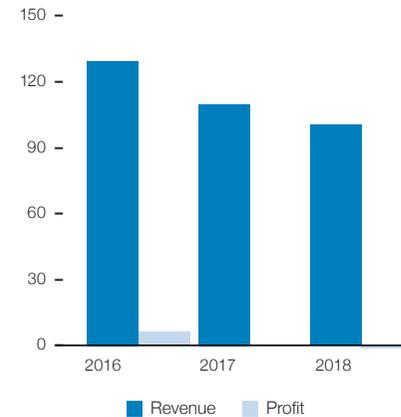
To ensure efficiency and sustainability, Martela develops its supply chain in cooperation with the suppliers. In 2018, the goals for purchasing operations included significant cost savings and high delivery reliability. To achieve these goals, Martela invested in the efficient use of materials, as well as efficient logistics that also reduce its environmental impact. Martela further developed its own production by investing in centralising its production of wood-based board components in Finland. This shortens the supply chain for certain products.

When selecting new, significant suppliers, their ability to deliver products and produce quality is assessed, along with their financial background. The operations of significant companies are also evaluated by studying their production conditions. Martela carries out supplier assessments to examine its most important subcontractors' commitment to its sustainability principles. Based on self-assessments carried out by suppliers, their most significant environmental aspects of corporate responsibility are usually related to the sorting of waste, energy consumption, safety at work and employment relationships. Social risks are assessed specific to each supplier, as the supplier is not necessarily based in the same country as where its components, sub-assemblies and products are man-

Of Martela's economic value, more than 70% is distributed to providers of products and services.



REVENUE AND OPERATING PROFIT, EUR MILLION



KEY FINANCIAL INDICATORS 2018

Revenue, EUR million	103.1
Operating profit, EUR million	-2.1
Equity to assets ratio, %	39.2
Gearing, %	0.7
Investments, EUR million	1.7
Dividends paid, EUR million	0.1
Market value in the end of 2018, EUR million	12.26

ufactured. Martela monitors supply chain operations and compliance with the jointly agreed rules specific to each supplier. Through supervision, Martela can ensure that laws, operating principles and joint agreements are followed under all circumstances.

Analysis of sustainability aspects is an important part of continuous interaction with suppliers. Martela's sustainability policy for the supply chain was updated in 2018, and it also emphasises the importance of social responsibility in the suppliers' own supply chains. The new policy was communicated to key suppliers during summer 2018. Through a sustainability survey carried out after the policy had been updated, a total of 153 material, component and product suppliers committed to compliance with the requirements of the sustainability policy. The work to implement measures based on the survey results continues and will include further discussions with individual suppliers, if necessary. These measures and cooperation further strengthen the suppliers' commitment to compliance with Martela's sustainability requirements.

Laws and rules guide operations

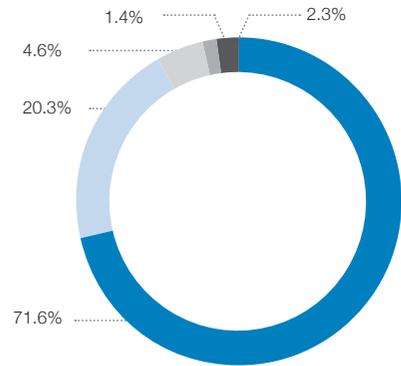
Martela's decision-making and governance comply with the laws of Finland and the Limited Liability Companies Act in particular and with other regulations concerning public listed companies, as well as its Ar-

ticles of Association. In addition, Martela has a Code of Conduct, which includes sound financial management policies. As a listed company, Martela complies with Nasdaq Helsinki's guidelines for insiders and the Finnish Corporate Governance Code published by the Securities Market Association in 2015. Most indicators of economic sustainability are derived from the consolidated financial statements, which are prepared and presented in accordance with the International Financial Reporting Standards (IFRS). Martela's auditor, KPMG, annually inspects the accounts and transactions of its subsidiaries. An auditor's report is presented at Martela's Annual General Meeting.

Through its membership of the Association of Finnish Furniture and Joinery Industries and the Service Sector Employers of Finland, Martela has an influence on legislation and collective bargaining. In Sweden, Martela is a member of the Swedish Federation of Wood and Furniture Industry.

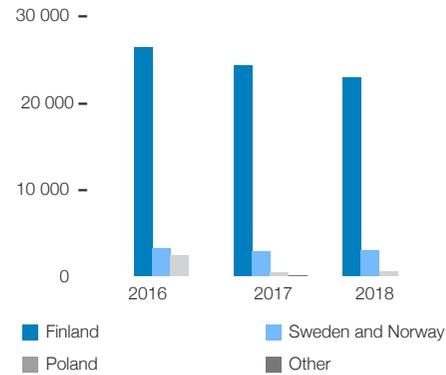
Martela does not condone bribery in its business operations in any market area. Its anti-corruption and sustainable business principles are discussed in conjunction with an annual sustainability training programme. Martela does not support politicians or political parties in any of its countries of operation, and was not granted state subsidies for its business operations during 2018.

ECONOMIC VALUE BY STAKEHOLDER GROUP

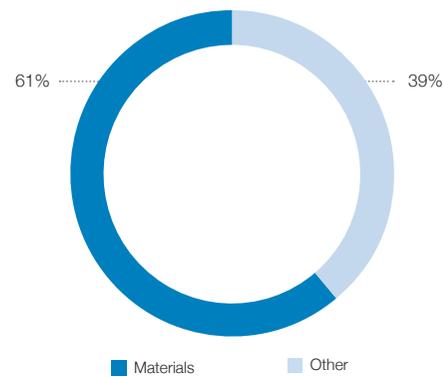


- Payments to product and service providers
- Employee wages
- Employee social security & pension
- Dividends paid to shareholders
- Other (taxes -0.1%, paid interests 0.8%, investments 1.6%)

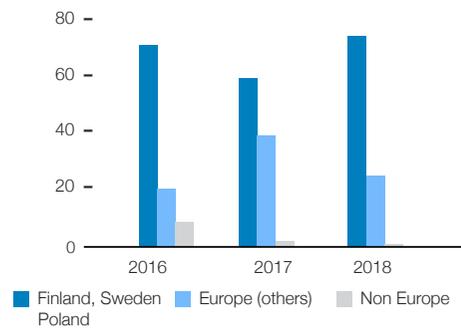
SALARIES, EMPLOYEE COSTS AND TAXES BY COUNTRIES, EUR 1000



PURCHASES 2018



PURCHASED BY AREAS, %



MATERIAL SPEND, %

	2016	2017	2018
Wood	11.9%	11.9%	9.6%
Plastics	2.2%	2.7%	2.1%
Metal	28.5%	30.4%	26.2%
Upholstery materials	4.0%	4.0%	5.6%
Contract manufacturing	7.5%	7.9%	8.7%
Trading	20.6%	19.4%	28.9%
Supplies	18.7%	7.8%	5.4%
Other	6.6%	15.7%	13.5%



Case YIT

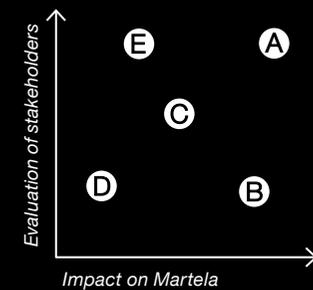
YIT CREATES A BETTER LIVING ENVIRONMENT by developing and building housing, housing services, business facilities, infrastructure and entire areas. After the merger of YIT and Lemminkäinen in the spring of 2018, it was also important to create a joint workplace for the company, where the space supports the new common operating culture and serves different tasks and individuals.

Pirjo Pernu from YIT's space services says: "Martela was able to provide good tools for defining the needs in our headquarters by involving the personnel. Working together, we created a work supporting, space-efficient and modern workplace that strengthens our brand. Our goal was to create a workplace that also works in any future changes in business."

Social responsibility

Materiality assessment

- A Improved employee wellbeing
- B Health & safety at work
- C Equal opportunities
- D Freedom of association and collective bargaining
- E Product safety



Goals

- To increase wellbeing at work in working and learning environments with Martela Lifecycle model
- Occupational safety target is accident free working
- To improve wellbeing at work at Martela: annual People Spirit survey, action plans and implementation

A valued employer

At the end of 2018, Martela had 501 employees (507), of whom 425 were based in Finland, 26 were based in Sweden or Norway and 39 were based in Poland. During 2018, Martela hired 30 new employees in Finland, seven in total in Sweden and Norway and three in Poland. Personnel expenses totalled EUR 26.7 million (27.1). In 2018, the emphasis in HR was on developing expertise, improving wellbeing at work and strengthening dialogue within the organisation. Mar-

tela has a strong employer brand, and the availability of new employees is at a good level. Martela is highly appreciated, especially within its industry. Its employee turnover rate decreased to 14.7% (17.8%), and most of its employment relationships are long-lasting.

Martela leads the way in its industry: its approach and offering, which are based on the Martela Lifecycle® strategy, are unique in the world. Martela has developed from a manufacturer of office furniture into a designer and provider of working and learning environments. This change in its operations offers new opportunities for its employees to develop their knowledge and skills, and Martela works to provide everyone with equal opportunities for professional and career development. As a workplace community, Martela seeks to offer an encouraging and inspiring environment that makes use of everyone's knowledge, skills and ideas. This guarantees the continuous development of the company's operations and offering.

Martela's employees have broad and varied expertise and experience. Their job descriptions vary from experts and designers to production and removal service employees. The changes in its operating environment call for the continuous development of knowledge and skills in terms of individual employees and the company as a whole. Martela aims to encourage and support its employees' continuous development. To serve this purpose, its Martela Talent programme

is based on the organisation's strategic competencies, as well as individual employees' strengths and interests. Individual training needs are discussed and personal development plans are created during personal Talent discussions. In addition to external training, Martela makes use of internal information-sharing through job rotation, for example. During 2018, internal training was provided to sales professionals in particular.

Wellbeing at work is measured in many ways

The annual People Spirit personnel survey was carried out during the spring. The response rate was 86.6%, and the overall score remained unchanged from the previous year, reaching the satisfactory A level. There were no major differences in job satisfaction between countries and locations. Martela aims to reach the AAA level, meaning that work remains to be done. Based on the survey results, the most significant development needs are related to the flow of information and the functionality of tools. In terms of their own capabilities, the employees felt that expectations had been exceeded, and the feedback on cooperation between departments and the work environment in general was also positive. The results provide clear guidelines for the further development of wellbeing at work. Practical measures have been planned in teams.

The goal of performance and development appraisals and internal events is to strengthen each employee's commitment to their work. Other development needs include the further development of work facilities to better meet the changing needs related to ways of working and interaction.

In addition to the annual survey, Martela has conducted employee pulse surveys since late 2017. Their purpose is to provide quick feedback and information about the general feeling among the employees. Pulse surveys were carried out 13 times during 2018. The level of job satisfaction fluctuated during the year, with the highest rate being more than 70% of all employees and the lowest being 41%. The results of the pulse surveys are monitored, and the required improvement measures are implemented as quickly as possible. The responses to the open-answer questions about successful aspects and development needs are shared within the Management Team each month, so that each member can take measures in their area of responsibility. In addition, the responses are shared with the person responsible for the operation in question in clearly identifiable cases.

Consistent safety guidelines

The stress factors of work vary between jobs. Work in production is repetitive, and removal services involve moving furniture in varied environments. In office work,



Martela seeks to offer an encouraging and inspiring environment that makes use of everyone's knowledge, skills and ideas.

the stress factors are often related to the mental aspects of work and its demands. Occupational health and safety are extremely important, and the related guidelines and practices are updated frequently and communicated actively to prevent accidents. The right attitude and an awareness of the risks are the primary means of ensuring safety at work.

There have been no fatal accidents at Martela during its history. The most recent serious accident – that is, an accident resulting in more than 30 days of absence from work – was a sprain that occurred in assembly work in 2017. Most of the accidents that occurred in 2018 were strains, bruises, wounds or superficial injuries. Martela's lost work-day injury frequency (LWIF) rate in Finland was 8.4. The number of accidents and absences caused by accidents decreased to a fraction of previous years' numbers. Martela has also paid attention to overall wellbeing at work by creating a new operating model, which was implemented across the organisation during 2017. In addition, the company has invested in coping at work by creating various flexibility models that serve the needs of both the employer and the employees.

Fair rules and equality

Corporate responsibility is promoted and monitored through training and surveys. In 2018, nearly 70% of the employees participated in training on Martela's

Code of Conduct. The most recent version of the Code of Conduct emphasises that no inappropriate behaviour is tolerated in the workplace community. Around 70% of the participants answered a question concerning the Code of Conduct, and nearly all of them were aware of the most recent update.

Based on random sampling, the Regional State Administrative Agency selected Martela Corporation as a company in which an occupational health and safety inspection would be carried out to monitor the implementation of the Non-Discrimination Act, which was amended in 2015. During 2019, equality will be monitored internally across the Martela Group.

All Martela employees in Finland and Sweden are covered by jointly negotiated collective agreements. Poland does not yet have an applicable collective agreement. In restructuring situations, Martela follows the notice periods based on the local legislation in each country of operation. In 2018, in comparison with the minimum wage in the industry, the lowest wages paid by Martela were 7% higher in Finland, 62% higher in Poland and 28% higher in Sweden. In Finland, where men represent a clear majority of the employees, women's average total income is 99% of men's average total income. Among white-collar employees, of whom slightly more than half are women, women's average total income is 88% compared with men. In Poland, the corresponding figures are 97% and 86%. In Sweden, Martela only has white-collar employees,

most of whom are women. Their average total income is 81% of men's average total income.

In 2018, the Martela Group's Board of Directors had seven members: three men and four women. The Group Management Team had six members: one woman and five men. Of Martela's entire personnel, 66% are men and 34% are women. The largest age group is 50–59, representing 35% of all employees, with the average age being 45. In 2018, the oldest employee was aged 66. Investment in training for employees decreased markedly in 2018, to EUR 221 per person-year.

Product safety

The physical products offered by Martela are mainly furniture items intended for use in normal office and learning environments, and do not involve any specific risks for their users. Product safety is ensured during product development by following the product standards for product groups and purposes of use in Europe, Martela's main market area. This also promotes ergonomics and long useful lives. In connection with its Nummela unit, Martela has a laboratory for testing product durability and stability and compliance with dimensional requirements.

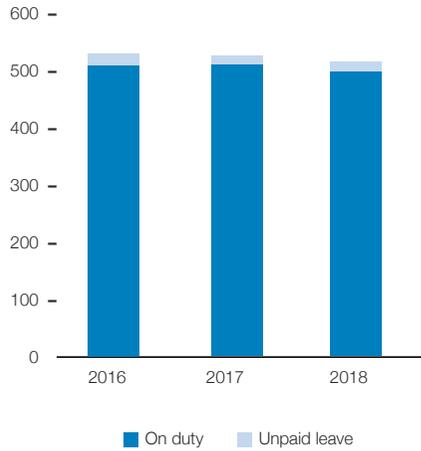
There are as yet no harmonised European standards for CE markings for the pieces of furniture in Martela's selection. Product-specific risk assessments are made for new products in particular, such as Pod-

Booth, a phone booth for office facilities. In 2018, the Regional State Administrative Agency carried out a market monitoring inspection of the Beatbox stand, an auditorium-like piece of furniture for working and learning environments. There is no harmonised product standard for this innovative product yet, so the inspection was based on a risk assessment and instructions of use prepared for the product and examining their sufficiency. As a result of the inspection, a label warning users about the risk of falling was added to the product in order to prevent any accidents.

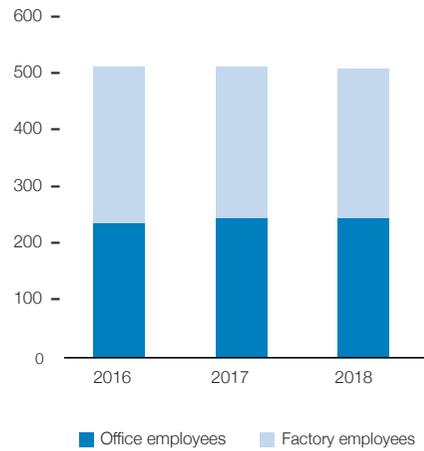
Martela's products are shipped, installed and adjusted ready for use by professional installation personnel. The health effects of Martela's products are mainly related to their ergonomic use and adjustment. Instructions for use, maintenance and ergonomics for adjustable pieces of furniture, such as office chairs and electrically adjustable desks, are available on Martela's website.

In assessing the volatile substances in products, Martela relies on suppliers' material-specific emission tests. At the end of 2018, Martela expanded the availability of its product variants with the Nordic Ecolabel to cover the Finnish market. Emissions into indoor air are one of the key criteria for the Nordic Ecolabel, also known as the "swan label". To control this, the classification requirement for chipboard components used in products with the Nordic Ecolabel is E0.5, which guarantees lower formaldehyde emissions.

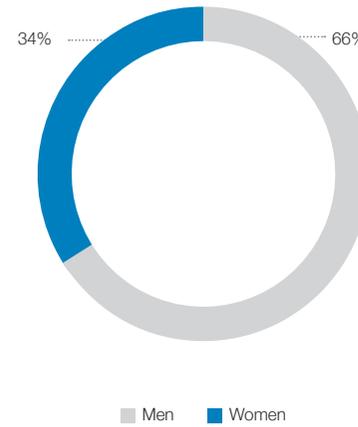
NUMBER OF PERSONNEL AT YEAR END



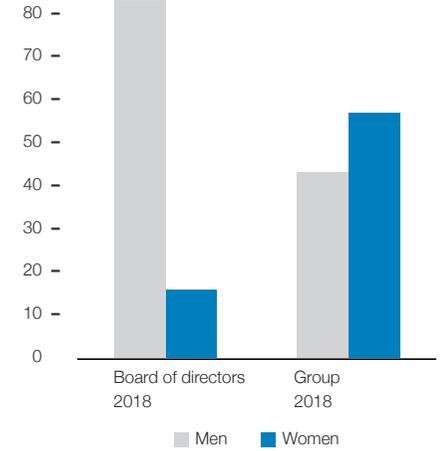
PERSONNEL GROUPS AT YEAR END



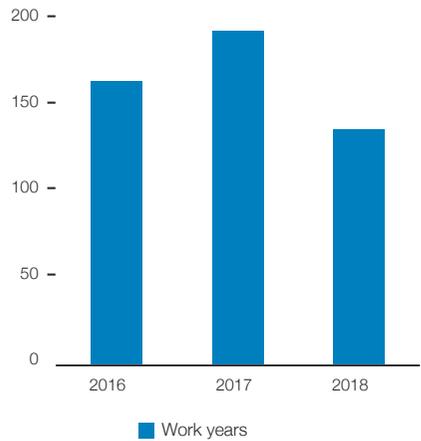
GENDER DISTRIBUTION 2017, %



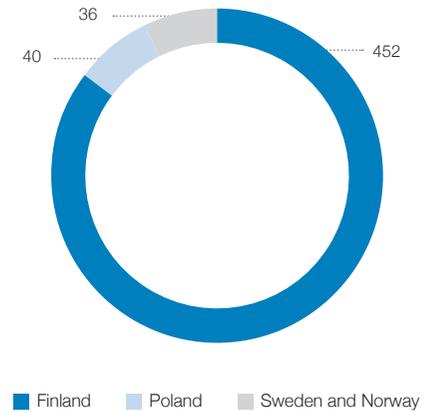
GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS AND THE GROUP MANAGEMENT TEAM, %



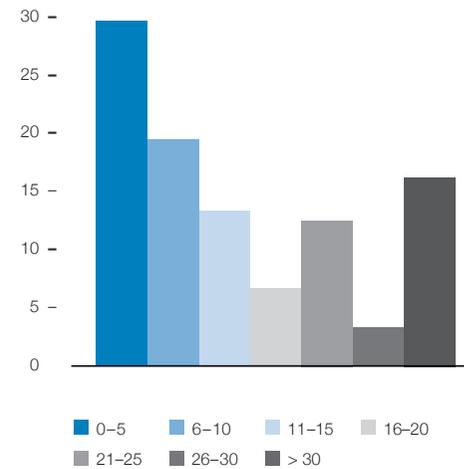
EXTERNAL RESOURCES



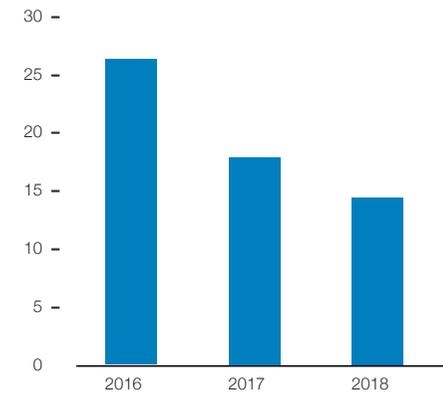
PERSONNEL BY COUNTRIES



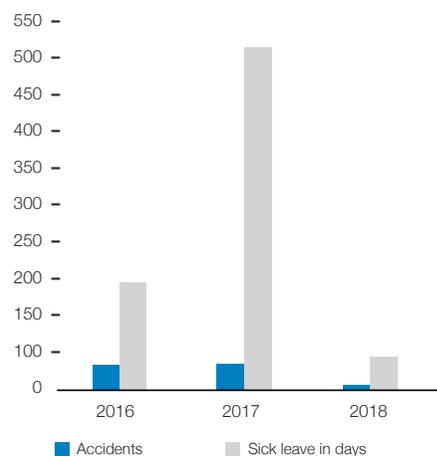
YEARS IN SERVICE 2018, %



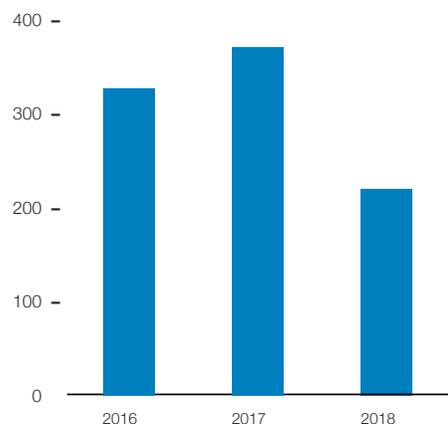
EMPLOYEE TURNOVER 2018, %



OCCUPATIONAL ACCIDENTS



TRAINING, EUR/EMPLOYEE



2018

Number of personnel at year end	522
Number of contractual employment relationships at year end	501
Number of employees on unpaid leave at year end	21
Office employees at year end	242
Factory employees at year end	259
Full time employees at year end	491
Part time employees at year end	10
Permanent employees at year end	489
Temporary employees at year end	12
Average personnel, work year	505.4
Temporary agency workers, work years	141.5
No longer employed	77
Employee turnover, %	14.7
Resigned	65
Given notice	6
Retired	6

PERSONNEL BY GROUPS

	Finland			Poland			Sweden and Norway		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Personnel, men, %	68	69	68	51	55	63	46	39	40
Personnel, women, %	32	31	32	49	45	37	54	61	60
Office employees, men %	57	49	48	33	45	50	46	39	40
Office employees, women, %	43	51	52	67	55	50	54	61	60
Factory employees, men %	83	85	86	64	58	66	0	0	0
Factory employees, women, %	17	15	14	36	42	34	0	0	0
Personnel, 18 – 29 years, %	9	9	9	7	14	5	15	15	12
Personnel, 30 – 39 years, %	23	24	23	34	29	30	26	32	35
Personnel, 40 – 49 years, %	26	24	24	37	33	33	28	32	28
Personnel, 50 – 59 years, %	35	37	37	17	22	30	18	17	30
Personnel, over 60 years, %	7	6	7	5	2	3	13	5	5
Personnel, average age	45	45	45.5	42	42	44.0	43	41	42.0
Personnel, eldest	67	65	66	60	64	65	63	61	63
New employees	29	39	30	8	4	3	10	6	7
Injuries	35	36	7	0	0	0	0	0	0
Lost workday due injuries	195	510	0	0	0	0	0	0	0
Training costs per work year	81	270	231	132	120	111	1513	329	227
Development discussion, % of work force	93	63	66	53	64	73	89	70	58

Case Vinmonopolet

VINMONOPOLET IS RESPONSIBLE FOR ALL SALES OF ALCOHOL IN NORWAY. Vinmonopolet has an objective of being a leading company within environment and sustainability. This goal is based on expectations from its owners (the Norwegian state) and also based on a strategic decision to maintain its good reputation.

To be the leading environmental company means that it is important to enable smart environmental solutions, effective operations and include environmental requirements in all procurements. By asking for products and services based on actual needs, with smart environmental requirements such as product lifetime, resource effective operations and materials with environmental certificate, great environmental results and lower costs over time can be obtained.

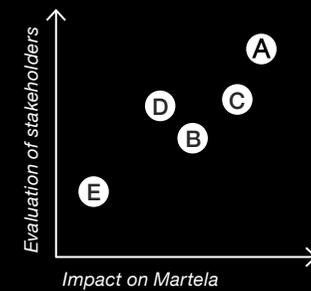
This is the “Win-Win” that Vinmonopolet always strives for in procurement processes. Based on these objectives Vinmonopolet chose Martela to be the supplier for their office furniture in the period from December 2018 to December 2020.

Environmental responsibility



Materiality assessment

- A Combating climate change by improving space efficiency of customers
- B Material efficiency with sustainable and environmentally friendly products
- C Reducing the use of materials by replacing products with services
- D Extending product use life by developing recycling services
- E Reducing direct environmental impacts



Goals

- **Workplace optimisation, continuous improvement and maintenance with attention to circular economy**
- **Promoting space efficiency as well as sustainable and versatile solutions using existing and avoiding unnecessary**
- **Minimising climate impacts in the logistics chain and material use**

Reducing the environmental impact of Martela's offering

The main idea behind the Martela Lifecycle® strategy is to provide customers with efficient, user-centric work facility solutions and related services. Efficient use of space in working and learning environments reduces rental costs and maintenance expenses, such as the cost of heating and electricity. Maintenance services help customers extend the useful lives of facilities and furniture while also ensuring their optimal use continuously. Martela's most significant environmental performance lies in helping its customers use their fa-

cilities more efficiently and reduce their climate effects through the Martela Lifecycle® model. However, as Martela does not have measurement data on the development of its customers' efficient use of space or reduced energy consumption, the company focuses on the environmental effects of its own operations in its reporting on environmental responsibility.

Sustainable, environmentally friendly products

Over the decades, Martela's operations have been developed with environmental aspects in mind. Sustainability is reflected in its comprehensive assessment of environmental effects throughout the value chain and in its measures to reduce its environmental impact. Martela's products and services are designed to be environmentally friendly, from production to distribution.

Its products have been designed for long-lasting, heavy-duty use. Product design at Martela aims to create products that can be used for decades. By producing high-quality furniture for long-term use, Martela is taking a stand against the modern throwaway culture. Good examples of timeless design include the Kilita chairs from 1955 and the Kari chairs from 1969, which are still in production.

Recycling furniture is also key to Martela's operations. Martela's furniture has been designed to be

refurbished and restored, and its materials can be recycled or used to produce energy. When designing new facility solutions for customers, their old furniture can either be included in the new design or recycled responsibly through Martela. In Finland, used furniture in good condition is cleaned and refurbished and then made available to customers through the Martela Outlet stores and online store. In 2018, nearly 20 000 pieces of used furniture, from Trailer side tables to indoor phone booths, found new homes through the Martela Outlet chain. As part of its comprehensive service, Martela also offers a furniture recycling service to its customer companies. In 2018, the amount of used furniture received from customers decreased on the previous year, to 2.7 million kilos.

Efficient production

In 2018, Martela's production volumes decreased slightly compared with 2017, mainly because of delays in contract negotiations concerning public procurement. Changes in customers' needs were reflected in production, particularly in the lower need for storage furniture as a result of electronic storage methods. Thanks to the enterprise resource planning system implemented in 2017, production was monitored and customer feedback was recorded more accurately in 2018. Quality and delivery times remained at a good

level. Martela further developed its storage process and experimented with software robotics. Its product development and production departments cooperated more closely, as the number of new products designed in 2018 was higher than in the previous year. Martela has a test laboratory in Nummela to ensure the quality of new products before their introduction.

Martela manufactures products based on customers' orders, and some materials are purchased according to customers' wishes. For example, customers can always choose the upholstery materials used in seats and space dividers from Martela's comprehensive standard fabric selection or its extensive range of special-order fabrics. Most of the upholstery materials used in 2018 had an EU Ecolabel, an Oeko-Tex label or both. In using materials, Martela aims for minimal waste, and any surplus materials are recycled. All waste is recycled appropriately. Martela uses recyclable cardboard and plastic in its product packaging.

Delivery times for products are determined based on the planned supply chains. Components for products with a one-week delivery time are stored in Martela's logistics centre, and components for products with two-week or three-week delivery times are stored in their standard supply chain. Special products often require design work, which is why they have longer delivery times that depend on the product and amount ordered.



Operations management systems

Martela's head office, Martela House, is located in Pitäjänmäki in Helsinki. The Nummela logistics centre focuses on the final assembly of new products and the manufacture of recycled products. Upholstery components are assembled at Martela's plant in Poland, and cover and storage unit components are manufactured at Kidex Oy, Martela's production facility in Kitee, Finland. Martela has several sales offices in Finland, Sweden and Norway. Martela's products are also sold through a strong network of dealers. Martela's Group-wide operations have continuously had a third-party auditor's certificate for their environmental and quality systems since the 1990s. The Group's structure and operating models have evolved over the years, and the Group companies' quality and environmental management systems have been integrated into a consistent, comprehensive operating model. Since 2017, Martela has had a third-party environmental and quality

management system with multi-site certifications in accordance with the ISO 9001 and ISO 14001 standards, ensuring that consistent operating models are used at all levels of operations within the Group. The certification covers the Group functions managed at the headquarters, the operations in the logistics centre in Nummela, at Kidex Oy in Kitee and the production plant in Piaseczno, Poland.

Sustainable and recyclable materials

Martela purchases wood, wood-based board, metal components, plastic materials, fabrics and other materials for its products. The company favours sustainable and recyclable materials that have been produced responsibly. Materials are purchased from a well-established chain of reliable suppliers located mainly in nearby areas. Most of the materials used are recyclable, and wood materials, for example, are sourced from sustainably grown commercial forests.

Nearly all production waste and packaging materials can be either recycled or used to produce energy. The amount of production waste increased to 1.7 million kilos in 2018, with the utilisation rate increasing to 99.6%. Most of the increase in production waste was related to the improved and more accurate monitoring of the chipboard fractions delivered to the district heating plant located next to Kidex Oy, in cooperation with a partner.

In 2018, the amount of materials used for production decreased significantly on the previous year, to around 9.2 million kilos. Purchase item data reveals that around 60% of the materials used were wood-based and nearly 30% were metal-based. Comprehensive material or weight information is not recorded in the production management system for customer-specific products and traded products. As the recycled material content of metals is estimated to be at around 33% on average, the recycled materials used

by Martela can be calculated to be around 9% of the total material usage. In addition to the metal components used, recycled materials are contained in, for example, the acoustic panel in the Face screen – the panel is made from recycled PET bottles. Customers can also choose upholstery materials made from recycled fibres.

Materials cause the majority of emissions

Martela's own production generates practically no emissions into the air, and no hazardous substances are used. Martela's most significant climate impact arises from the use of materials related to products and services offered to customers. Martela's greenhouse gas emissions totalled nearly 15 million kilos in 2018, representing a decrease of nearly 30% on the previous year. Of these emissions, 89% were related to the use of materials, 3% arose from the indirect



Martela's most significant climate impact arises from the use of materials related to products and services offered to customers.

use of energy and 6% were related to the delivery of finished products to customers. Carbon dioxide emissions from the use of materials have been calculated using the coefficients for material use provided by the Footprinter software. The most significant decrease from the previous year was mainly related to an increase in the use of wood materials in relation to other materials with higher environmental impacts. Greenhouse gas emissions from energy use in Finland have been calculated using actual coefficients provided by the main supplier of electricity. The coefficients for district heating have been provided by suppliers in Helsinki and Nummela, and the coefficients for gas are based on the fuel classification published by Statistics Finland. Average coefficients published by Motiva have been used in other respects.

The total amount of energy used for heating, lighting and ventilation in Martela's premises was around 36 000 GJ in 2018. Calculated energy consumption has been reported for Martela House since 2014. Of the total amount of energy used, 88% was from renewable energy sources, 11% was from fossil sources and 1% was nuclear power. The premises in Nummela and Kitee mainly use district heating generated from renewable sources of energy. The production facilities

in Poland are heated with gas by the lessor. The use of electricity decreased by 1%, and the use of district heating decreased by 6%. The use of heating energy produced from gas increased by 8%. The electricity for Martela House is purchased by the lessor. The Nummela and Kitee sites purchase their electricity, which is generated solely from renewable sources, from a single supplier. The unit in Poland purchases its electricity from a local supplier. Regional environmental working groups monitor the implementation of measures related to reducing energy consumption, as well as other measures related to environmental protection.

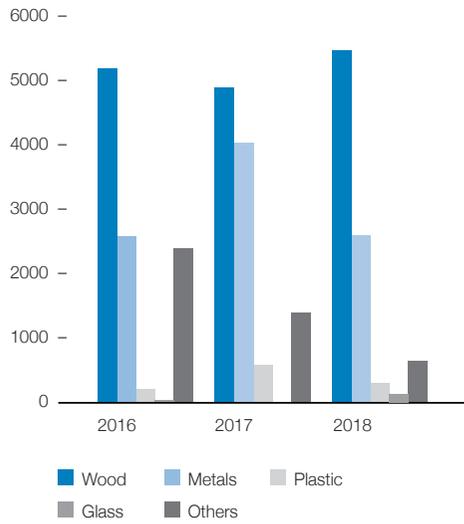
The environmental effects of transportation are monitored actively, and optimised fleet and distribution plans are implemented to reduce the effects, as well as designing packaging and planning loading operations carefully. Martela has its own transportation fleet, and it also uses its regular or changing rental fleet, as well as partners, when necessary. This is the first time that the indicator for emissions from transportation was calculated using three different methods. The calculations for 2018 also cover transport using rental fleet and transport performed by key partners in Finland. The highest result for greenhouse gas emissions was achieved using fairly accurately measured fuel consumption and

coefficients from the EMEP/EEA air pollutant emission inventory guidebook (2013). Using this method, the total amount was 928 tonnes. The lowest result, 664 tonnes, was achieved using a previous method that takes the emission categories of the company's own fleet into account. The previously estimated number of kilometres was replaced with the average number of total kilometres, and the Lipasto coefficients were updated. However, the most accurate initial data available is the fleet's actual number of kilometres. When the number of kilometres was multiplied by the Lipasto coefficient for all transportation vehicles used in Finland, the total amount of carbon dioxide emissions was 823 tonnes. Of these figures, the highest value was selected as the figure for monitoring emissions in 2018. This value was slightly lower than the result for 2017. The calculation based on fuel consumption also produced an estimated amount of nitrogen oxide emissions. Due to a difference in the calculation method, nitrogen oxide emissions from our own transportation operations and business flights more than doubled to 10 tonnes. Sulphur oxide emissions from business flights were 20 kilos. The emissions of volatile organic compounds (VOC) were related to the treatment of edges at the Kidex plant and decreased to 61 kilos.

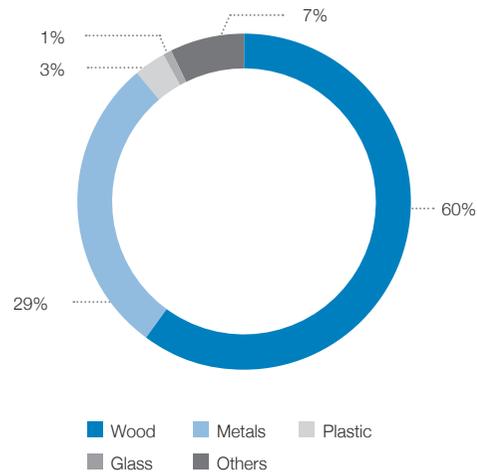
Monitoring commuting and business travel

Martela also seeks to reduce its environmental impacts by promoting telecommuting and videoconferencing opportunities, which decrease the need for business travel, and by encouraging employees to commute using public transportation. Emissions from company cars are also monitored closely. The number of leased company cars used in Martela's operations in Finland decreased during 2018, and their average carbon dioxide emissions decreased to 118 g/km. This is still far above the limit of 95 g/km set for personal car manufacturers for 2020. Total carbon dioxide emissions from all leased company cars used by Martela's employees were calculated at around 98 tonnes. Around 80% of the business trips made by Martela's employees are booked via a centralised reservation system. The carbon dioxide emissions from work-related flights booked through the reservation system increased by 8% in 2018, to around 105 tonnes.

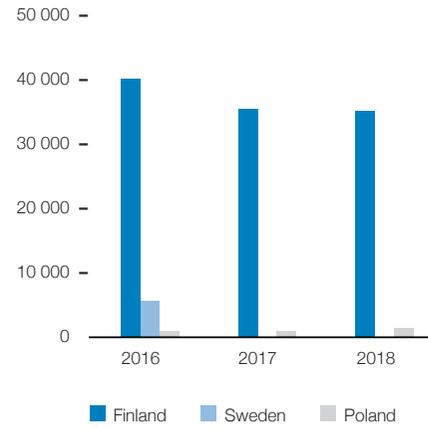
PURCHASED MATERIALS, 1000 KG



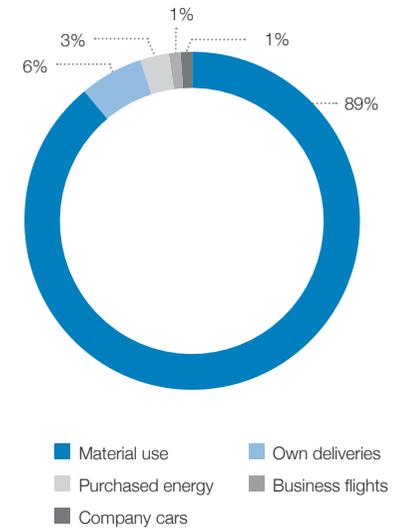
PURCHASED MATERIALS, %



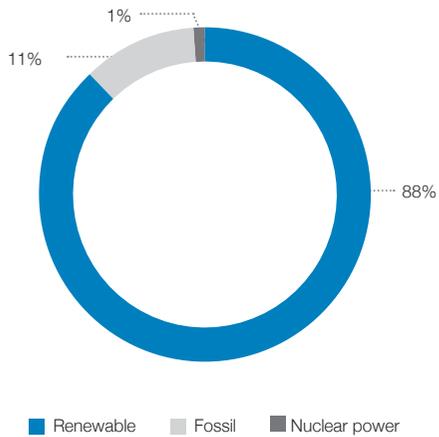
USE OF INDIRECT ENERGY, GJ



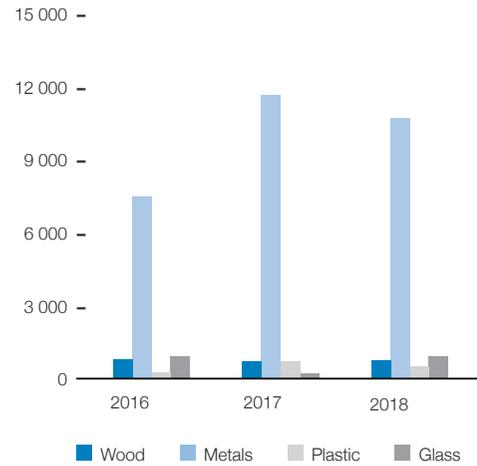
CO2 EMISSION DIVISION 2018, 1000 KG



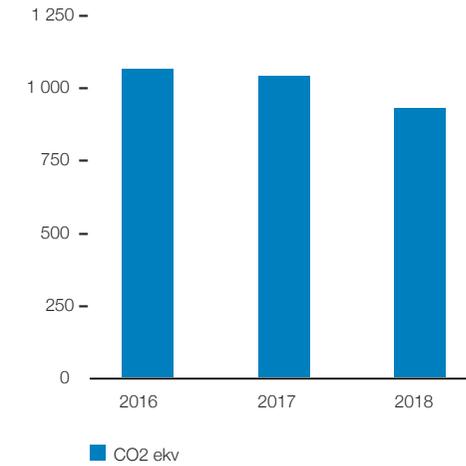
INDIRECT ENERGY 2018, %



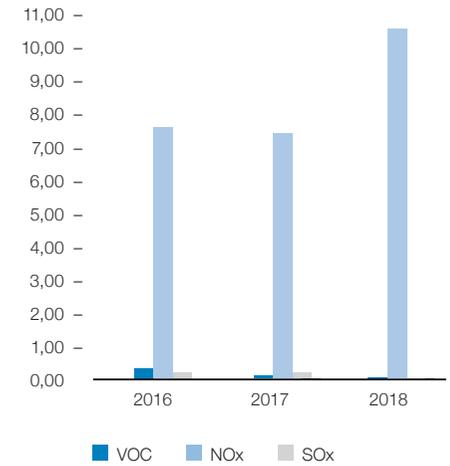
CO2 EMISSIONS OF MATERIALS, 1000 KG



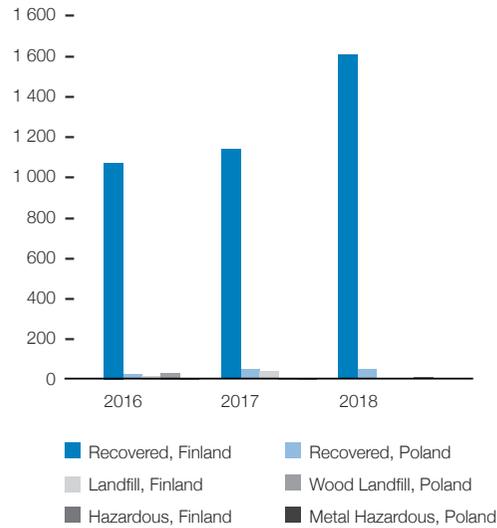
CO2 EMISSIONS OF OWN FLEET, 1000 KG



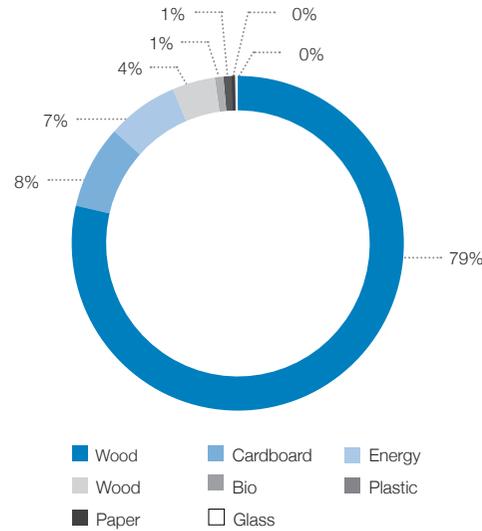
VOC EMISSIONS, 1000 KG



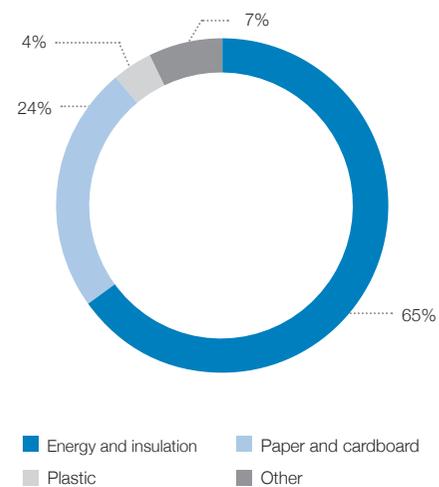
WASTE, 1 000 KG



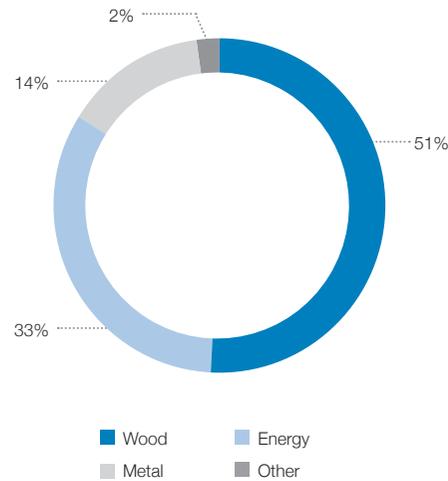
RECOVERED WASTE, FINLAND 2018, %



RECOVERED WASTE, POLAND 2018, %



RECYCLING DISTRIBUTION IN FINLAND 2018, %



Case: Evry

EVRY IS ONE OF THE LARGEST IT SERVICE CONSULTANTS IN THE NORDICS.

EVRY is expanding rapidly and is currently refitting all offices in Sweden to create attractive work environments for its consultants and clients. After comparing various alternatives on the market, the choice fell on Martela as a partner for the changes in Solna's headquarters.

Martela's consultants handled everything from design and floor plans to the actual furnishing and unpacking on site. A large part of the furnishings was reclaimed from EVRY's previous furniture of other offices around Sweden. The end result is an inspiring and interactive setting for activity-based work where employees and clients can meet. "The atrium now has a vivacious vibe and is a place that we are proud to show to our clients and suppliers. It's inviting, and we genuinely feel that it represents who we are at EVRY. It's a really cool place that strengthens our corporate image," says Mikael Lyster, facility manager at EVRY.

Read more on reference EVRY SOLNA
<https://www.martela.com/reference/evry-solna>

GRI-standard content index

CODE	GRI CONTENT	LOCATION AND COMMENTS	GLOBAL COMPACT
GRI 102: GENERAL DISCLOSURES			
Organizational profile			
102-1	Name of the organization	Martela in brief p. 3	
102-2	Activities, brands, products, and services	Martela in brief p. 3	
102-3	Location of headquarters	Martela in brief p. 3	
102-4	Location of operations	Martela in brief p. 3	
102-5	Ownership and legal form	Martela in brief p. 3	
102-6	Markets served	Martela in brief p. 3	
102-7	Scale of the organization	Martela in brief p. 3	
102-8	Information on employees and other workers	Social responsibility p. 24	x
102-9	Supply chain	Economic responsibility p. 19	
102-10	Significant changes to the organization and its supply chain	No major changes in organisation or supply chain during 2018	
102-11	Precautionary Principle or approach	Annual report 2018 p. 11–15	
102-12	External initiatives	Contents and scope of report p. 4	
102-13	Membership of associations	Economic responsibility p. 20	
Strategy			
102-14	Statement from senior decision-maker	CEO's and sustainability team's interview p. 6	
102-15	Key impacts, risks, and opportunities	CEO's and sustainability team's interview p. 6	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Values p. 9	
102-17	Mechanisms for advice and concerns about ethics	Corporate Code of Conduct	
Governance			
102-18	Governance structure	Annual report 2018 p. 61–64	
102-19	Delegating authority	Annual report 2018 p. 61–64	
102-20	Executive-level responsibility for economic, environmental, and social topics	Management of Sustainability p. 14	
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders and their expectations p. 13, Management of Sustainability p. 14	
102-22	Composition of the highest governance body and its committees	Annual report 2018 p. 66	
102-23	Chair of the highest governance body	Annual report 2018 p. 66	
102-24	Nominating and selecting the highest governance body	Annual report 2018 p. 61–64	
102-25	Conflicts of interest	Annual report 2018 p. 61–64	
102-26	Role of highest governance body in setting purpose, values, and strategy	Annual report 2018 p. 61–64	
102-27	Collective knowledge of highest governance body	Annual report 2018 p. 61–64	

CODE	GRI CONTENT	LOCATION AND COMMENTS	GLOBAL COMPACT
102-28	Evaluating the highest governance body's performance	Annual report 2018 p. 61–64	
102-29	Identifying and managing economic, environmental, and social impacts	Annual report 2018 p. 61–64	
102-30	Effectiveness of risk management processes	Annual report 2018 p. 61–64	
102-31	Review of economic, environmental, and social topics	Annual report 2018 p. 61–64	
102-32	Highest governance body's role in sustainability reporting	Management of Sustainability p. 15	
102-33	Communicating critical concerns	Management of Sustainability p. 14	
102-34	Nature and total number of critical concerns	No critical concerns were detected or received during 2018	
102-35	Remuneration policies	Compensation at Martela	
102-36	Process for determining remuneration	Annual report 2018 p. 61	
102-37	Stakeholders' involvement in remuneration	Shareholders whose voting rights exceed 50% of the voting rights have possibility to affect the remuneration of the Board of Directors	
102-38	Annual total compensation ratio (of highest local to median)	Decreased to 5.29 (2017:14.26)	
102-39	Percentage increase in annual total compensation ratio	-518: compensation to CEO decreased 63% and average salary increased 0.1%	
Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholders and their expectations p. 13	x
102-41	Collective bargaining agreements	92 %, personnel in the Nordic countries	
102-42	Identifying and selecting stakeholders	Contents and scope of report p. 4	
102-43	Approach to stakeholder engagement	Stakeholders and their expectations p.13	
102-44	Key topics and concerns raised	Stakeholders and their expectations p.13	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Annual report 2018 p. 41	
102-46	Defining report content and topic Boundaries	Contents and scope of report p. 4	
102-47	List of material topics	Economic, social and environmental responsibility p. 18–22	
102-48	Restatements of information	Contents and scope of report p. 4, GRI-standard content index p. 33–36	
102-49	Changes in reporting	Contents and scope of report p. 4	
102-50	Reporting period	Contents and scope of report p. 4	
102-51	Date of most recent report	Contents and scope of report p. 4	
102-52	Reporting cycle	Contents and scope of report p. 4	
102-53	Contact point for questions regarding the report	Contact details p. 37	
102-54	Claims of reporting in accordance with the GRI Standards	GRI-index p. 33–36	
102-55	GRI content index	GRI-index p. 33–36	
102-56	External assurance	Contents and scope of report p. 4	
GRI 103: MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Economic, social and environmental responsibility p. 18–22	
103-2	The management approach and its components	Management of Sustainability p. 14–15	

CODE	GRI CONTENT	LOCATION AND COMMENTS	GLOBAL COMPACT
200 – ECONOMIC IMPACTS			
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Economic responsibility p. 18–21	
201-3	Defined benefit plan obligations and other retirement plans	Annual report 2018 p. 36	
201-4	Financial assistance received from government	Economic responsibility p. 20	
Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Social responsibility p. 24	x
202-2	Proportion of senior management hired from the local community	100%	
Procurement Practices			
204-1	Proportion of spending on local suppliers	Economic responsibility p. 19–21	
Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Management of Sustainability p. 15, Economic responsibility p. 20	x
205-3	Confirmed incidents of corruption and actions taken	There have been no detected cases of corruption in Martela's operations during 2018	
300 – ENVIRONMENTAL IMPACTS			
GRI 301: Materials			
301-1	Materials used by weight or volume	Environmental responsibility p. 29	x
301-2	Recycled input materials used	Environmental responsibility p. 29	x
301-3	Reclaimed products and their packaging materials	Environmental responsibility p. 28–31	
Energy			
302-1	Energy consumption within the organization	Environmental responsibility p. 30	x
302-2	Energy consumption outside of the organization	Environmental responsibility p. 29–31	
302-3	Energy intensity	The energy purchased (district heating, electricity, gas) by Martela in relation to net sales was 348 GJ / million €	
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Martela does not have activities in nature reserves or in areas of high biodiversity value	
Emissions			
305-1	Direct (Scope 1) GHG emissions	Environmental responsibility p. 29–31	x
305-2	Energy indirect (Scope 2) GHG emissions	Environmental responsibility p. 29–31	x
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environmental responsibility p. 29–31	x
Effluents and Waste			
306-1	Water discharge by quality and destination	Martela has no discharge to waterways	
306-2	Waste by type and disposal method	Environmental responsibility p. 29–32	x

CODE	GRI CONTENT	LOCATION AND COMMENTS	GLOBAL COMPACT
400 – SOCIAL IMPACTS			
GRI 401: Employment			
401-1	New employee hires and employee turnover	The total number of new employees was 40, of which 30 in Finland, 7 in Sweden and Norway and 3 in Poland	x
GRI 402: Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Martela follows the notice periods defined by its operating countries	x
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	2018 there were occupational safety committees only in Finland, covering 85% of the Group's total personnel	x
403-2	Hazard identification, risk assessment, and incident investigation	Social responsibility p. 23–24	x
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training is not followed in hours, but as training costs. In 2018, the average cost was EUR 221 per man-year	
404-2	Programs for upgrading employee skills and transition assistance programs	Social responsibility p. 23	
404-3	Percentage of employees receiving regular performance and career development reviews	The development discussion model covers all employees. Metrics: Social responsibility p. 26	
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Social responsibility p. 24	x
405-2	Ratio of basic salary and remuneration of women to men	Social responsibility p. 24	
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	In 2018 there were no detected incidents of discrimination in Martela	
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Economic responsibility p. 19–21	
GRI 415: Public Policy			
415-1	Political contributions	Economic responsibility p. 20	
GRI 416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	Social responsibility p. 24	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no detected incidents of non-compliance concerning the health and safety impacts of Martela products and services	
GRI 417: Marketing and Labeling			
417-1	Requirements for product and service information and labeling	Social responsibility p. 24	x



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Inspiring
spaces

Martela

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