



Due Diligence for Responsible Business Conduct

# Account reporting year 2022

for Vestre AS





# SUSTAINABLE DEVELOPMENT GOALS



## To Readers Of The Report

Business and the public sector have a great impact on people, society, the environment, and animals and can both contribute positively to development, or negatively by causing harm. Businesses therefore hold a central role in achieving UN's Sustainable Development Goals (SDGs).

This report can be used as an account for the Transparency Act, but it has a broader scope with climate and the environment, circular economy, and anti-corruption indicators also being included. Our members are obligated to carry out due diligence and report annually on their work. Base level members also meet the Transparency Act's due diligence duty, and partially the Act's information duty.

Responsible business conduct is the systematic effort that businesses do to identify, prevent or mitigate adverse impacts and explain how they manage their risks of negative impact to people, society, and the environment as well as provide remediation where this is required. Norwegian authorities expect all businesses, regardless of their size, to carry out due diligence in accordance with the UN's Guiding Principles for Business and Human Rights (UNGP) and OECD's Guidelines for Multinational Enterprises. This applies to businesses, the public sector, and organisations.

Ethical Trade Norway's Declaration of Principles (our Code of Conduct) covers the areas of decent work, human rights, environment/climate, anti-corruption, and animal welfare. This report is done in full transparency and in line with UNGP and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

**Heidi Furustøl**

*Executive Director*

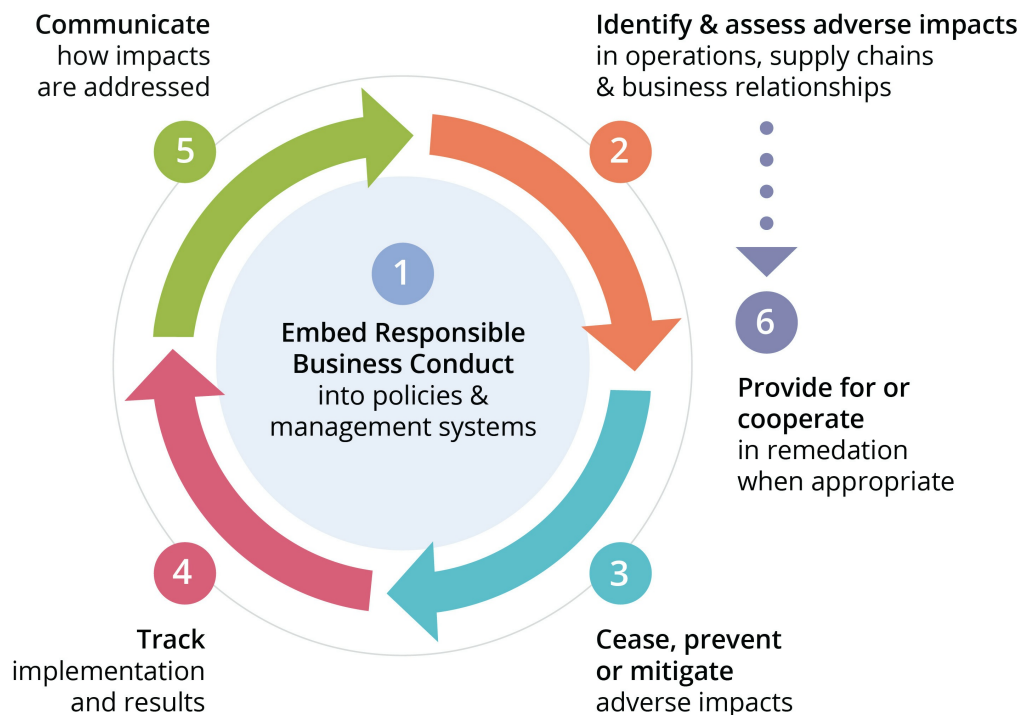
Ethical Trade Norway



# Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.





# Preface From CEO

Dear Friends,

2022 has been a year where The Plus came online, and we successfully insourced a big part of our value-chain. Although it's not easy to start up a completely new factory operation, looking back we seem to be on the right track now.

We continue our work with firm partners in the value-chain, and are currently developing a due diligence framework for continuous improvement.

2022 has taught us that supply security and locally robust value-chains are key even in the global world of today. We have engaged our value-chain in the very first Climate Action Day to communicate and onboard them to our ambitions on Environment, Social and Governance measures.

As we move into 2023 and increased efficiency at The Plus - we aim to continue improving gradually the social conditions all through the value chain, from raw material, through production and the use-phase to end-of-life, and the new life of products. This is what we call Vestre Vision Zero.

We aim in 2023 to develop a more systematic approach to materiality assessments and increase stakeholder dialogue across the social and environmental spheres.

The Vestre team remains committed to provide design for the masses, with high quality and a scientific approach to sustainability.

Longevity is paramount to achieve sustainable solutions, reducing the need for extraction of virgin materials and energy-intensive production.

Like we always say here at Vestre: No one can do everything, but everyone can do something.  
Glad to have you on board for this journey!

**" Vestre aims to be known as the world's most sustainable furniture company "**



Bjørn Fjellstad  
CEO



# Board Signature

## List of Signatures Page 1/1

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Name	Method	Signed at
Høie, Karl	BANKID	2023-06-22 09:57 GMT+02
Brustad, Sylvia Kristin	BANKID	2023-06-20 11:41 GMT+02
Vestre, Kristoffer Strand	BANKID	2023-06-19 19:17 GMT+02
Vodal, Roger Folkenborg	BANKID	2023-06-19 18:12 GMT+02
Vestre, Elisabeth Preus	BANKID	2023-06-19 13:24 GMT+02
Jacobsen, Marianne Preus	BANKID	2023-06-23 11:53 GMT+02



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Oslo  
23.06.2023



# Company information and business context

## Key company information

### Company name

Vestre AS

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### Head office address

Drammensveien 44A, 0271 Oslo

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### Main brands, products and services offered by the company

Furniture

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### Description of company structure

Vestre AS is a Norwegian furniture brand, manufacturing almost entirely in Scandinavia.

Vestre is a group of 8 companies in total, more information here: <https://vestreimpact.com/general-disclosures>

Our own locations are as follows:

Norway: HQ, sales and production at The Plus (powder coating, woodworking and assembly)

Sweden: Sales and production at the Steel Factory (metalworks, grinding)

UK: Sales operation

Germany: Sales operation

USA: Sales operation

The organisation is governed through a board of directors, a management team and a fantastic team of employees.

Sustainability is anchored at the top-level with management, backed up by the owners, and penetrates down through the entire organisation.

Decision-making on operational affairs is left to the management team, whereas decisions on a significant investment-scale is presented to the board of directors.

Vestre is working to insource critical operations while utilising external partners where that makes sense. A significant part of the sustainability, graphic design and communications work is performed by external agencies. The scale of this is more than 3 FTEs annually. The estimate on external work based on invoices paid to the various agencies. The data has been compiled by internal resources directly from the ERP system.

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### Turnover in reporting year (NOK)

307 561 314

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### Number of employees

100

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**Is the company covered by the Transparency Act?**

Yes

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**Major changes to the company since last reporting period**

Vestre has been through a period of transition where we have insourced more than 90% of production.

The operations at The Plus in Magnor commenced with assembly in February and increased with powder coating and wood in mid-2022.

Vestre has thus gone from a company reliant on sub-suppliers in many core operations to a highly integrated vertical.

This has not been without its problems, the new processes taken on has taken time to learn, and a wholly new team at The Plus with a new flow has taken time to tune.

Looking back, it's gone surprisingly well though, as we towards the end of 2022 started seeing solid rates of production and all arms of the operation running well.

Vestre maintains commitment to long-term partnerships in the value-chain, and assured their commitment to sustainability in the very first Climate Action Day in September of 2022. This gathering of about 10-15 of our closest suppliers was a mark of our continued and deepening work with value chain. Scope 3 is 99% of Vestre's emissions, so we have to dig into the value chain to have any tangible effect towards our Science Based Targets.

This gives a perfect entrance to also introduce strong transparency and ensure the Social and Governance aspects of ESG.

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**Contact person for the report (name and title)**

Øyvind Bjørnstad, CSO

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**Email for contact person for the report**

ob@vestre.com

## Supply chain information

### General description of the company's sourcing model and supply chain

Vestre's tier 1 suppliers in manufacturing are not many, and we consider them long-term partners. It's easy to divide and categorise them based on which component part of the furniture they are a part of.

For instance, most of the steel we purchase goes through a process from the mines in Northern Sweden, through SSAB's processing before it arrives at Vestre's Torsby facility. There it is worked, bent, and welded before going to DuoZink AS for a dip in the liquid zinc, before finally going to The Plus for powder coating and assembly. All of this happens in the Nordics, and we have solid control over it. Our main partner on metals is Tibnor AB, through which we purchase the steel and some other parts. Some aluminium and steel parts are not from SSAB, but other suppliers which Tibnor purchases from. Through our work with the Nordic Swan Ecolabel, we are tracing these materials back to their origin source.

For wood the biggest share comes from Nordic Pine which is impregnated with linseed oil. Vestre has a Chain of Custody FSC certification (SCS-COC-007089) to ensure that our wood is certified. This goes for all Nordic Pine and Kebony, whereas for Oak and Ash it's still on a request basis.

The wood is processed either at partner Påskallaviks Snickeri AB or at our own state of the art woodworking process at The Plus. The Nordic Pine is then sent to our impregnation partner Bergs Timber BITUS AB for a so-called "Linax" treatment which is a two-component treatment pressurised and heated impregnation. It is then sent back to The Plus for final assembly before it's shipped out to customer.

Vestre has a strong relationship to our Tier 1 suppliers, and ensured traceability of Tier 2 and 3 through our certifications on raw material level (FSC) and product level (Nordic Swan Ecolabel).

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### Number of suppliers with which the company had commercial relations in the reporting year

853

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### Comments

Total number of financial relations, not only regular suppliers. Based on 2022 numbers.

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## Type of purchasing/ suppliers relationships



Raw material is still being sourced externally, but 90% of production operations are now controlled directly.

## List of first tier suppliers\* (producers) by country

Norway :	5
Sweden :	5

Vestre's value chain is by and large situated in the Nordics. Steel is sourced with 20% lower emissions than the average from SSAB, and get most of the wood from FSC-certified Swedish forestry. The metals are being prepared in the Steel Factory and the wood is sent to The Plus. The Plus is the world's most environmentally friendly furniture factory, aiming for a BREEAM Outstanding certificate. The factory is a major step in Vestre's work to insource a bigger share of the vertical value-chain. The Plus came online in 2022, and Vestre operates woodworking, powder coating and assembly at the site. Now over 90% of the value-chain is in-house, making production a core part of operational strategy. Vestre powder-coats and assembles the products at The Plus, before sending it out to customers globally. Directly from the makers.

**State the number of workers at first tier producers that the company has an overview of, and the number of suppliers this overview is based on:**

### Number of workers

1 493

### Number of suppliers this overview is based on

5

### Numbers of workers per supplier (calculated average)

299

### Comments to number of workers

Based on key suppliers Tibnor, PSAB, Jotun, Hydro Extrusions and DuoZink. There are more employees in the value-chain.

**Key inputs/raw materials for products or services and associated geographies**

<b>Steel</b>	Finland Sweden
<b>Aluminium</b>	Norway
<b>Wood</b>	Sweden
<b>Concrete</b>	Norway
<b>Powder Coating</b>	Norway
<b>Zink</b>	

Steel main: SSAB --> Tibnor --> Vestre

Steel sub: X --> Tibnor --> Vestre

Aluminium: Hydro --> Vestre

Aluminium sub: X --> Tibnor --> Vestre

Wood (Nordic Pine, FSC CoC): Local Swedish wood supplier --> Lamtech (glulam) / Rundvirke (massive) --> The Plus / PSAB --> Vestre

Wood (Kebony, FSC CoC): New Zealand plantation --> Kebony AS --> The Plus /PSAB --> Vestre

Wood (Oak / Ash - FSC optional): North American wood supplier --> The Plus /PSAB --> Vestre

Powder coating: Jotun AS --> Vestre

Hot Dip Galvanising: Boliden AS --> DuoZink AS --> Vestre

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**Is the company a supplier to the public sector?**

Yes

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## Goals and progress

### Process goals and progress for the reporting year

1

**Goal :** Report the work regarding due diligence in Etchical Trade Norway's Framework

**Status :** Started reporting in framework. Gathering all suppliers on House of Control and developing systematic continuous approach to materiality in 2023

2

**Goal :** Develop minimum criteria for suppliers

**Status :** Started, general criteria should be signed asap

3

**Goal :** Communicate publicly about our supply chain

**Status :** Started with GRI report, but will be expanded in 2023

4

**Goal :** Make an action plan for our improvements on the due diligence and overall work with the supply chain

**Status :** Started, will be published with Transparency Act on 30/6. Climate Action Day (CAD) on 1/9 of 2022 was a major milestone in this work. New CAD set for September 2023

5

**Goal :** Make an action plan based on the materiality assessment

**Status :** We did a larger materiality assessment with our key stakeholders in 2020, based on the 2023 assessment the action plan will be revised



## Goal for coming years

1

Develop and implement a system for identifying and mapping risks in our supply chain

2

Develop minimum criteria for suppliers, among them:

Reporting on carbon footprint

Reporting on ethical parameters, sign code of conduct

Science Based Target

Continuous improvement

3

Develop an action plan to start reducing/ minimizing the risks identified in the supply chain regarding due diligence

4

Develop a routine for reporting more detailed on due diligence

5

Develop plan to increase share of circular business, decoupling resource intensity from economic growth.

Develop plan and set targets in 2023



# 1

## Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the company should have strategies and plan, as well as relevant policies\* and guidelines for due diligence for responsible business conduct (hereafter due diligence) which are adopted by management. These should comprise the enterprise's own operations, its supply chain and other business relationships. Effective management systems for implementation are key to success, and due diligence should be an integrated element in company operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the company, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed. Transparency about commitments the company has for itself, challenges they are facing, and how these are managed is fundamental

## 1.A Policy\* for own business

### 1.A.1 Link to publicly accessible policy for own business

Resources can be found here: [https://vestre.com/download-certificates-iso-approvals-and-others?\\_\\_geom=%E2%9C%AA](https://vestre.com/download-certificates-iso-approvals-and-others?__geom=%E2%9C%AA)

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### 1.A.2 What does the company say publicly about its commitments to respect people, society, the environment and climate?

Recognising that the social aspect of sustainability is both overlooked and undercommunicated. We acknowledge that to achieve a sustainable future we need to have a society where all people have their basic needs met and opportunities to grow. This may sound like a daunting task, but at Vestre we maintain that no one can do everything, but everyone can do something. Vestre offers all its employees a decent living, and the opportunity to contribute creatively to the company on a running basis, executing on improvement proposals across the value-chain. Vestre has a code of conduct that applies not only to ourselves, but to our suppliers as well. It's not a good solution if Vestre's own employees are well-off, but those in the value-chain are hurting. A tight wage gap between highest and lowest earners is maintained, to ensure that everyone is pulling in the same direction. Vestre has a supplier code of conduct which will become required to sign for suppliers in the near future.

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### 1.A.3 How has the policy/commitment been developed and how is it embedded in the company?

The policy document has been developed in line with Ethical Trading Initiative's requirements, and anchored at the top with the board of directors.

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## 1.B Organisation and internal communication

### 1.B.1 How is the due diligence work organised within the company, and why?

Due diligence work is formally anchored in the organisation, all the way up to the owners and BoD. At the executive level, the responsibility lies with the CSO to oversee, structure and develop the due diligence efforts. Materiality assessments encompassing all aspects of sustainability is a core part of this. The due diligence work is increasingly anchored at the sourcing level, and an increased focus on the development of a strong communication and feedback structure is being deployed. Every employee is aware and dedicated to following Vestre's approach which entails a commitment to responsible business as well as continuous improvement. Information is being coordinated by the CSO, and deployed to a cross-functional team of sources who are directly involved in the due diligence work. This structure is under development, and will be more firmly set in the year of 2023.

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### 1.B.2 How is the significance of the company's due diligence work defined and clarified for the employees through their job description, work tasks and incentive structures?

All employees at Vestre have responsibility, transparency and accountability as core tenets of their work. Vestre has updated job descriptions with specific details on and clarifications to ensure due diligence work is carried out according to plan. Management in particular is mandated with ensuring Vestre conducts business responsibly.

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### 1.B.3 How does the company make sure employees have adequate competence to work on due diligence for responsible business conduct?

Vestre encourages development and allows for employees to take time training for instance with Ethical Trade Norway to stay up to date on due diligence efforts. All employees should be aware of the internal policy and the supplier code of conduct, have read and understood it. Personnel with sourcing responsibility should be trained to adhere internal guidelines on responsible sourcing.

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## 1.C. Plans and resources

### **1.C.1 How are the company's commitments to respect people, society and the environment embedded in strategies and action plans?**

Vestre's mission of creating sustainable social meeting places of high quality where people can meet regardless of background, economic, social or otherwise. The social aspects of sustainability are paramount to our ethos, and we strive to find the best KPIs to drive that further. In short, there's no sustainability until everyone has their basic needs. In the reporting year of 2023 Vestre is completing a new corporate strategy, which will prioritise and scientifically measure the company's commitment to people, society and the environment. This action plan will be attached to the next report.

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### **1.C.2 How is the company's strategies and action plans to work towards being responsible and sustainable followed up by senior management and the board?**

CSO has the overarching responsibility, reports directly to the CEO and regularly to the Board of Directors. The action plans going forward will be followed up at regular intervals, through supplier dialogue and questionnaires, as well as through the management meetings covering operations. BoD will be informed at a reasonable interval.

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## 1.D Partnerships and collaboration with business relationships, suppliers in particular

### 1.D.1 How does the company emphasise the importance of responsible and sustainable business conduct in its business relationships, particularly in the supply chain?

Vestre has a close connection with our Tier 1 suppliers, regular contact, and suppliers carbon reporting frequently and directly in the tool Variable. A close connection means that these suppliers are not merely transactional counterparts, but partners on Vestre's journey towards creating social meeting places globally. This means close dialogue and continual improvement on a steady basis according to the Check Do Plan Act (CDPA) principle. Vestre's sustainability ambitions are well known by all suppliers, and a regular part of these meetings. This includes our views on responsible business and ethics. With almost every tier 1 supplier located in the Nordics, they are all subject to high standards in workers' rights and conditions. Nevertheless, Vestre aims to improve on that further, and implement systematic assessments and KPIs to develop going forward.

Going deeper than that is ensured by our commitment to traceability and transparency, particularly showcased by the Nordic Swan Ecolabel (78% of revenue) and our pilots with Empower showcasing product passports. We are implementing a formalised approach that will be developed and deployed in the year of 2023.

Vestre is formalising and systematising the work in the year of 2023. This will encompass due diligence of key suppliers, increasing the frequency of follow-ups, and anchor KPIs in line with Vestre's ambitions on sustainability.

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## Indicator

### Percentage of the company's suppliers that have accepted guidelines for suppliers

Vestre is currently implementing a framework to ensure guidelines are signed and adhered by all suppliers. In general, guidelines have been implemented but not written down and followed up. Code of conduct has been sent out to key suppliers, and will be followed up to be signed in 2023.

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## 1.E Experiences and changes

### **1.E.1 What experiences have the company encountered during the reporting period concerning responsible business conduct, and what has changed as a result of this?**

Vestre has realised that we need a more formalised and methodological approach to due diligence in the value-chain. Through the year 2023 we are developing that framework for the future.





## 2

### Defining the focus for reporting

## Identify and assess the company's impact on people, society and environment

“Identify and assess” is about identifying the company's risk for, and actual negative impact on, people, society and the environment, including in the supply chain and through business relationships. As a first step the company should get an overall risk picture, before subsequently prioritising further mapping and measures where the risk of negative impact is the greatest, i.e. salient issues. The company's involvement in the negative impact is central to determine which measures the company should implement in the next step of the due diligence model. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.



## 2.A Mapping and prioritising

### STATEMENT ON SALIENT ISSUES

*Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.*

**2.A.1 List the company's prioritised risk of negative impact on people, society and environment. Take note that the prioritized risk that you list in the table below will be exported to step 3 of this report, where you will be asked to answer how you work with stopping, preventing, or reducing the negative impact.**

Salient issue	Related topic	Geography
Mining in Brazil of aluminium bauxite	Wages	Brazil
Powder coating production.	Occupational Health and safety	Czech Republic
Downstream transport (US)	Working hours	USA
Downstream transport (UK)	Working hours	United Kingdom

Wages, working hours, freedom of association and other rights are not always upheld in mining operations. In addition, there is a significant risk of environmental damage with extractive industries. Mining operations are several tiers down in Vestre's value chain, but the Vestre's tier 1 supplier Hydro has a very extensive report and transparency on the issue. Still, it remains important to follow up for Vestre as well, pushing for transparency down the value-chain. Vestre by and large uses CIRCAL, which is >75% post-consumer recycled material, so the amount of virgin material is very small. This in addition to aluminium being on the whole less than 5% of the total metal purchased by Vestre.

Czech Republic has a fairly good rating with regards to violation of workers' rights according to the ITUC Global Rights Index, but some risks around corruption and labour rights according to CSR risk checker. The manufacturing of powder coating itself requires factory conditions to be satisfactory to health and regulation requirements. Jotun is after The Plus became operational a tier 1 supplier, meaning Vestre can interact directly with the manufacturer.

According to CSR risk checker, the US and UK transport industries holds some risks with regard to freedom of association, contracts and working hours. This is true for logistics generally, not only in the mentioned countries, but a special emphasis is put on these, as for instance the Nordics have stronger regulation. Transport providers are tier 1 for Vestre, but they might use sub-suppliers. Vestre needs to ensure that if sub-suppliers or contract drivers are used, they need to receive the same standard as employees in the supplier.

These risks are prioritised according to likelihood and severity, based on a judgment on scale, scope and remedy.



## DETERMINATION OF SALIENT ISSUES

**2.A.2 Describe: a) the company's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period: b) eventual aspects of the company that have not been covered in this report (product groups, own products, departments etc.) and why you not chose to prioritize these in the continued work: c) how information was gathered, what sources were used, and which stakeholders have been involved/consulted: d) whether you have identified areas where information is lacking in order to get an overview, and how you are planning to proceed to collect more information/handle this.**

Vestre has since 2007 been a member in Ethical Trade Norway, as well as setting ambitious goals on sustainability in general. This work entails initiatives across every aspect of the business, from raw material, through the entire value chain, to the customer and finally back to raw material again.

Vestre has over the past years consolidated our control of the value-chain. Currently, Vestre controls over 90% of the supply-chain, with raw materials and a few processes being the only missing parts. This coupled with a dedication to key suppliers as long-term partners gives a solid foundation to carry out risk identification and mitigation. The value-chain is relatively shallow, with few tiers down to the raw material. Almost all of the tier 1 suppliers are situated in the Nordics. This makes it easier, but no less important to keep track and follow up on eventual warnings. Stakeholders addressed include customers, suppliers and local communities which are kept in dialogue on a running basis.

Through the work with ISO 14001 and 9001 there is a quality and environmental leadership system that requires a high level of control on resources. The transparency and traceability aspect is also touched upon by raw material certifications like FSC (SCS-COC-007089) and product certifications like the Nordic Swan Ecolabel. Vestre is required to follow up with suppliers down to the raw material on both environmental and social aspects. This has given the company a thorough tracking on material, and the possibility of making decisions based on sustainability criteria, e.g. switching to a lower carbon zinc.

Since Vestre works with key suppliers over years of partnerships, a key part of our improvement meetings have been to align them with the sustainability agenda. Over several years Vestre has used supplier surveys both to get a detailed scope 3 carbon footprint, as well as understanding social aspects like worker well-being and equal pay. The work has not uncovered any critical areas, but several risks listed for a higher degree of scrutiny. Vestre uses the Salient Risk Tool developed by Ethical Trade Norway as part of this work, first to acquire an overarching risk assessment, and then follow up the prioritised risks with an in-depth analysis. This approach is assessed regularly and handled by management. Though this work has been regular and due to the relatively simple setup of the value-chain, Vestre aims to improve upon transparency and develop a more systematic and policy-based approach throughout 2023. Continuing building great relationships with suppliers through dialogue, a systematic approach and utilising an SAQ to gain the quantitative aspects will be part of the way forward. This is to advance the possibilities of identifying and mitigating risks on a frequent basis. To gain an overview of total risks and maintain a finger on the pulse of their development, Vestre is increasing control by utilising the software House of Control to collect, store and analyse information. As a fast-growing company the need for policies and formalising relationships have become apparent.

To Vestre's knowledge, all aspects of the company have been covered by this report. Vestre has however identified areas where there is a need to get a better overview. Vestre has embarked on a mission to gain this overview through systematising and following up with digital tools the due diligence and assessment processes, equal to the follow-up on other aspects of sustainability, like climate.

The sources used in Ethical Trade Norway's SRT are among the following: Animal Protection Index, US Dept. of Labour, CSR Risk Checker, DFØ Product Risk.

## ADDITIONAL SEVERE IMPACTS

### **2.A.3 Describe any other negative impacts on people, society and the environment that were identified in the mapping of the business, supply chain or other business relationships during the reporting period and how these have been handled.**

Vestre has developed a thorough understanding of its material subjects through a materiality analysis done in accordance with the GRI framework in 2020. The material subjects of Climate footprint, Quality and Inclusive societies cover all aspects of Vestre's sustainability approach. However since sustainability was formalised into the corporate strategy in 2016, the focus thus far has been more on the climate side, and understanding impacts from a carbon perspective rather than the social aspects. This is mainly because the knowledge gap was much larger on this area as opposed to the social aspects. Long-time membership in Ethical Trade Norway and a value-chain largely based in the Nordics allowed for a higher degree of trust with regards to social aspects in those years. As Vestre has matured and now has a much more thorough understanding of climate, and keeps developing the follow-up on social aspects, the next step will also be to more thoroughly understand impacts on nature in the shape of biodiversity, land use and so forth.

The materiality assessments previously conducted has indicated clearly the need for supplier dialogue in terms of quality, responsibility and environmental aspects. The salient risks mapped and listed in this report are aligned with the material analysis, highlighting the importance of inclusive societies as a prerequisite for sustainability. Since materials represent ~90% of Vestre's emissions, and transport the final ~10% the risks associated with these material streams are critical both from environmental and social perspectives.



### 3

#### Management of salient issues

## Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings from the risk assessment in a good way. The most salient negative impact on people, society and the environment should be prioritised first. This does not mean that other risks are insignificant or that they are not handled. The way the company is involved in the negative impact is key to taking the appropriate action. Negative impact that the company causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the company, e.g. in the supply chain, the business must use its leverage to influence the entity causing the negative impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the company's own policy documents and management systems. Effective management of the negative impact on people, society and the environment is a major contribution to the achievement of the Sustainable Development Goals (SDGs).



### 3. A Cease, prevent or mitigate

3.A.1 For each salient risk, add a goal, progress status and describe the measures you have implemented to handle the company's prioritized negative impact on people, society and the environment

Salient issue	<b>Mining in Brazil of aluminium bauxite</b>
Goal :	Minimize risk of worker harm in extractive industries.
Status :	Currently some groups locally have taken issue with parts of Hydro's approach, but Hydro has done thorough mitigation work thus far.
Goals in reporting year :	Notify and file complaint if any issues are found.

Completed measures and reasoning :

Screening of annual report, and finding them sufficiently trustworthy to continue relation.

Goals and activities for the coming reporting year :

Notify and file complaint if any issues are found.

<b>Salient issue</b>	<b>Powder coating production.</b>
<b>Goal :</b>	Minimize risk of worker harm in potentially dangerous work environments.
<b>Status :</b>	Currently no indication of issues at the Jotun plants in the Czech Republic.
<b>Goals in reporting year :</b>	Notify and file complaint if any issues are found.

Completed measures and reasoning :

Screening of annual report, and finding them sufficiently trustworthy to continue relation.

Goals and activities for the coming reporting year :

Notify and file complaint if any issues are found.

<b>Salient issue</b>	<b>Downstream transport (US)</b>
<b>Goal :</b>	Avoid transgression of working hours, enable freedom of association and minimise contract work.
<b>Status :</b>	The transport sector in general has issues with worker well-being and working hours. The sector is very competitive on price, making changes difficult.
<b>Goals in reporting year :</b>	Scrutinise partnerships and maintain strong focus on any findings, show willingness to pay for improvements.

Completed measures and reasoning :

Developed partnerships with long-time partners, as well as onboarding new supplier with improved ESG credentials.

Goals and activities for the coming reporting year :

Challenge suppliers and show willingness to pay for regulated working hours and workers' rights.

<b>Salient issue</b>	<b>Downstream transport (UK)</b>
<b>Goal :</b>	Avoid transgression of working hours, enable freedom of association and minimise contract work.
<b>Status :</b>	The transport sector in general has issues with worker well-being and working hours. The sector is very competitive on price, making changes difficult.
<b>Goals in reporting year :</b>	Scrutinise partnerships and maintain strong focus on any findings, show willingness to pay for improvements.

Completed measures and reasoning :

Developed partnerships with long-time partners, as well as onboarding new supplier with improved ESG credentials.

Goals and activities for the coming reporting year :

Challenge suppliers and show willingness to pay for regulated working hours and workers' rights.

## OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

**Describe the company's general measures to cease, prevent or mitigate negative impacts, including in the supply chain.**

### 3.B.1 Reduction of nature- and environmental impact

All Vestre employees have responsibility as part of their job description. Through onboarding and the actual work the mantra that "Everyone can save the world. A little." shines through. This culture of going the extra mile has been ingrained in the company since its founding, and remains there. However, with years of double-digit growth there is a need to establish the culture in policy as well, to avoid any dilution of that mantra.

Over the years Vestre has always maintained an approach to business that aims to maximise positive contribution to society and the environment, minimising negative impacts and maintains a healthy profit. Through growth over the past years Vestre has taken strategic action to gain control over more of the value-chain. Through a series of developments the decision to construct The Plus and insource key production processes woodworking and powder coating gaining a 90% control level of the value-chain was taken. With increased control of the vertical, Vestre has increased transparency on all operations within those processes.

Vestre is in 2023 developing the next iteration of the corporate strategy. Ambitions on sustainability will not be lowered, rather the opposite. A big part of the sustainability work will be anchoring through policy and responsibilities. As Vestre transitions from a small team to a more functional structure, clear communication and reporting lines are being established to ensure both 1) that the culture is upheld and 2) that a step up is taken in how systematic the work towards maximising positive contribution to society and minimising negative impact is conducted.

Vestre has thus far taken concrete measures in the form of building the world's most environmentally friendly furniture factory, The Plus, taking control of more than 90% of the production value chain. Vestre has a goal of reaching 120% production of energy consumed by 2025. Thus far, Vestre has deployed about 20% of consumption in solar panels, around 400 MWh annually. Vestre has also initiated measures to reduce absolute impact in the value-chain, paying premiums for materials that have a lower impact such as CIRCAL 75% post-consumer recycled aluminium and low-carbon zinc (60% lower than average).

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### 3.B.2 Reduction of greenhouse gas emissions

Vestre has measured its carbon emissions for over ten years, but its become a lot more sophisticated over the last few years. With a detail level down to KNOK 100 per supplier in 2021, even scope 3 is measured to a fairly granulated degree. The team is currently developing a detailed decarbonisation plan in line with Science Based Targets, discarding the earlier efforts which utilised carbon offsets as part of the strategy. Vestre's approach to climate gas reduction is outlined in submitted Science Based Target, and will be presented in details in the 2022 impact report.

Vestre has developed a roadmap towards decarbonisation. Although some of it is dependent on technology, there is now a clear path towards net-zero visible. The largest part of Vestre's carbon footprint comes from steel (69%). Here a partnership with SSAB has been established, to replace the regular steel with fossil-free steel on the path towards 2030. Whilst absolute emissions have grown from a 2019 base year, absolute reductions are possible in the years to come. The key tenets of reduction will be in materials (steel, aluminium, zinc, ...) and transport (electrification).

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### **3.B.3 Adapting own purchasing practices (sourcing)**

Through years of work with long-term partners Vestre has established a process which instilled a continuous improvement mindset throughout the value-chain. Maintaining a small team at the Steel Factory in Torsby as the key sourcing office, suppliers within each category was supervised in the same manner. Quarterly improvement meetings going through KPIs and addressing any deviations as they came. Supplier code of conduct was a part of the package, but not formally signed. The company has been through a structural shift with The Plus, and currently develops a sourcing policy which will include the minimum requirements for suppliers. This will be formalised in the year of 2023.

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### **3.B.4 Choice of products and certifications**

Vestre works with products and materials that have longevity as a prerequisite. In accordance with work on SDG 11 and 12, the company refuses to deploy products that cannot withstand the outdoor environment for decades.

Vestre has like other SMEs a limited amount of resources to spend on certifications. The fact that so many certification bodies appear to compete for territory does not make it easier. Thus, Vestre has opted for an approach that prioritises certifications which can be standardised across markets. Many certifications are highly localised, making it difficult for geographically spread companies to make use of them. Vestre guides the work with certifications through the same lens as the overall sustainability work; maximise positive contribution, and minimise negative impact. The main approach here in line with the overall sustainability approach is to strive for transparency and traceability.

Today Vestre works with the Nordic Swan to certify products, a cradle-to-cradle certification under the ISO 14020 type 1 ecolabel standard, similar to the EU Ecolabel and Blaue Engel. This allows for utilising the brand globally. On materials Vestre has the FSC certification on most of the wood sold. As a company, Vestre companies are certified with ISO 14001 and 9001.

Vestre has already taken several steps towards reducing emissions and negative impact with purchasing power. In the absolute, making things that do not break easily is the most important thing, sustainability is achieved through longevity. Meanwhile, opting for materials which have a lower footprint whilst maintaining the same quality is a good way to use that purchasing power. It has been present in most sourcing projects for years, but the most notable achievements thus far has been to 1) switch to CIRCAL aluminium with 75% post-consumer content and 8x lower emissions than virgin aluminium, and 2) low-carbon zinc, which has a 60% lower footprint than average.

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### **3.B.5 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation**

Vestre supports the right to unionisation, worker representation and collective bargaining. The Plus is a good example of this, as it was built with the Oslo model, setting strict workers rights requirements to the contractors working on the project. This sentiment is true for the company as a whole, and proliferated through the value-chain as well.

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### **3.B.6 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain**

Vestre supports development, training and continuous improvement internally and throughout the value-chain. With the onboarding at The Plus there is a considerable amount of learning to achieve excellence in the new processes there. Together with suppliers Vestre conducted its first Climate Action Day in 2022, with the explicit aim of educating and onboarding key suppliers to Vestre's sustainability agenda. Internally relevant education and improvement is encouraged and increasingly facilitated. Currently a group-wide effort to improve Microsoft 365 utilisation is underway.

### **3.B.7 Combatting corruption and bribery in own company and supply chain.**

A firm stance is taken against corruption and bribes in Vestre, and throughout the value-chain. Vestre's transparency commitment is probably the best example of this, showcasing how transparency can be used as a competitive advantage by being open about both strengths and weaknesses. Vestre operates in a sphere that is largely dominated by public end-clients in the Nordics, making the regulatory and procurement processes highly standardised. The same template and standards is utilised both for up- and downstream relations.

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### **3.B.8 Other relevant information concerning the company's work to reduce, prevent, and manage negative impact on people, society and environment**

Vestre has three guiding principles when it comes to sustainability work;

1. Maximise positive contribution to society and the environment
2. Minimise negative impacts
3. Maintain a healthy profit

With these guiding principles Vestre aims to prioritise its limited resources accordingly. To achieve the goal of becoming known as the world's most sustainable furniture company there is a need to strive for improvement on the environmental, climate and social spheres. A clear climate leadership ambition along with Science Based Target addresses one of them. On the environmental sphere, circular economy and longevity of products will play a major part. On the social sphere, the whole reason for Vestre's being comes into play, with the deployment of social meeting places. Improving the lives and public health of people all over the world is the goal. Workers' rights and transparency throughout the value-chain is an inherent part of that.





## 4

# Track implementation and results

Tracking implementation of actions and results relates to measuring the effects of the systematic approach and own work in each step of the due diligence process, showing whether the company conducts sound due diligence work. The company needs to have procedures and routines in place in order to uncover and critically assess own conclusions, prioritizations and measures that have been made as part of the due diligence process. For example, is mapping and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect the actual conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the company's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the company alone or carried out in collaboration with others. The company's experiences from working on due diligence should be used to improve procedures and routines in the future.

## 4.A. Track and assess

### **4.A.1 Describe the assignment of responsibility for tracking the effect of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, society and the environment, as well as how the tracking is done in practice**

Vestre has a flat organisation, and everyone is expected to act responsibly in their role. The mantra that "Everyone can save the world. A little." runs through the organisation, from CEO to the maintenance team servicing older products to give them another decade of life. This is well known throughout the value-chain, with suppliers being involved directly in the strategic thinking behind having long-lasting materials which are responsibly made to create social meeting places. Suppliers are engaged with on a regular basis, with a various degree of formalisation as to improvement targets. The overarching responsibility for material risks lies with the CSO, and the methodology to follow up systematically is currently being deployed. Vestre will utilise the House of Control (HoC) system which enables continuity and follow-up of suppliers in a systematic fashion.

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### **4.A.2 Describe how the company ensures that measures taken to identify, prevent and reduce negative impact actually work**

Vestre aims to continually monitor and discover risks in the value-chain. Through tight relationships and supplier improvement meetings including physical meetings at the various sites as well as systematic follow-up in the HoC system Vestre will increase the likelihood of identifying and mitigating negative impacts. The most important aspect of this is dialogue and transparent relationships with suppliers. Secondary comes the part which is currently being implemented; the systematic approach with SAQ and concretisation of metrics to follow up and improve on.





## 5

# Communicate how negative impacts are addressed

A prerequisite for good external communication on due diligence for responsible business conduct is that it builds on concrete activities and results. Companies should make relevant documents concerning due diligence publicly accessible, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the company's actual and potential negative impacts on people, society and environment. Communication should include information about how the risks have been identified and handled, as well as the effect of the measures/activities. The Transparency Act (Åpenhetsloven) §5 requires companies to publicly account for their human rights due diligence on an annual basis.

## 5.A External communication

### 5.A.1 Describe how the company communicates with affected stakeholders about managing negative impact

Vestre maintains an open communication line with stakeholders across the value-chain. If any negative impact is discovered it will be addressed with high priority, and examined to find the best way of mitigation. Vestre will involve the necessary stakeholders and act with transparency to show the company's commitment to handle and solve any negative impacts.

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### 5.A.2 Describe how the company publicly communicates its own work on identifying and managing negative impact/harm

Vestre communicates through its annual impact reports and the Ethical Trade report the due diligences conducted and handling of negative impacts. This is however a summary, and the most important communication around this is the ongoing dialogue with key stakeholders to locate and mitigate any such impacts.

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### 5.A.3 Describe the company's routines for maintaining and answering external inquiries related to the information requirement imposed by the Transparency Act

Vestre has established a routine for receiving and answering external requests with regards to the Transparency Act. The email [transparency@vestre.com](mailto:transparency@vestre.com) is publicly available under contacts at Vestre's website. Any requests around Vestre's work with responsibility and impact can be addressed here.



A large window with a metal frame looking out over a city skyline. The window is divided into several panes by dark metal beams. Outside, a dense urban landscape is visible under a clear blue sky. In the foreground, inside the room, there are two modern lounge chairs with metal frames and patterned cushions on a dark, polished floor.

## 6

# Provide for or cooperate to ensure remediation when appropriate

Once a company has identified that it has caused or contributed to negative impact on people, society or the environment, the company must provide for, or cooperate in, remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. Another aspect of remediation is that companies should provide for, or cooperate with legitimate complaint mechanisms, to ensure that workers and/or local communities can raise complaints and be heard.

## 6.A Remediation

### 6.A.1 Describe the company's policy for remediation of negative impacts on people, society and the environment

Vestre aims to minimise negative impacts on people, society and the environment. If any incident does occur, Vestre supports the absolute value of complaint mechanisms and view it as critically important to have them established. The complaint mechanisms need to be communicated through mediums that reach even the ones who don't have access to email. There is a necessity of lowering the threshold for complaints, to allow for maximum transparency. Established mechanisms like the OECD contact point are perhaps well-known, but might be difficult to actually utilise. Questions and complaints need to be anchored all the way down to the sourcing level. As described under the risk analysis, this is also where one of the prioritised risks are found. If Vestre discovers any negative impact, restoration efforts will be conducted in-line with policy for restoration.

If there should be a case where Vestre needs to do recovery action, that is something the company is committed to. The recovery commitment is anchored in the policy document which is publicly available.

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### 6.A.2 If relevant, describe cases of remediation in the reporting year

Vestre surveys stakeholders at a regular basis, takes seriously and mitigates any complaints that might show up. Stakeholder dialogue is currently maintained by the various relational contact points in the organisation. There is a need for standardising the process, to allow complaints and concerns to be addressed in the same manner group-wide. In 2022 an employee survey uncovered a few cases of dissatisfaction among employees. This was remedied with the creation of an independent complaint mechanism and communication around how to utilise it as well as a recommitment to the 100% Vestre culture currently being deployed.

## 6.B. Ensure access to grievance mechanisms

### **6.B.1 Describe what the company does to ensure that workers and local communities have access to effective grievance mechanisms when this is needed**

Vestre understands the difference between an internal complaint and the indirect complaint on a sub-supplier, and the importance of both instances. Although external complaint mechanisms like the OECD contact point are available to anyone, it might be hard for a local worker to access them. Vestre aims to mitigate some of the barriers to complaints by establishing a firm channel through which workers and local communities can contact the company directly, regardless of how deep in the value-chain the complaint is lodged. This work is part of the 2023 effort towards systematising and streamlining materiality assessments, stakeholder relations and complaint mechanisms towards increased transparency.



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