

# Sustainability report 2022



Martela



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# Martela in brief

Martela is a Nordic leader specialising in user-centric working and learning environments. We create the best places to work and support our customers' business with Martela Lifecycle solutions, which enable furniture and their related services to be integrated into a seamless whole. Martela is a family company founded in 1945 and its shares are quoted on the OMX Nordic Exchange Helsinki. Our main market areas are Finland, Sweden and Norway, and our solutions are also sold globally through our network of dealers. Our production facilities are located in Finland and Poland. In 2022, the Martela Group's revenue was EUR 106.7 million and it employed an average of 403 employees.





# Contents and scope of the report

This, Martela's thirteenth sustainability report, has been prepared in accordance with the GRI (Global Reporting Initiative) standards core option. The report covers all Martela's operations. Martela's Sustainability Steering Group has reviewed and selected the performance indicators for the GRI 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 11 April 2022, we included the climate effects of production waste as a new feature in this report. In addition, the climate effects of employees commuting have been preliminarily calculated. Possible deviations and limitations are explained in connection with the indicators in question and in the GRI index.

## Global Compact reporting

Martela joined the United Nations' Global Compact Initiative in 2011. Until now, Global Compact reporting has been part of the sustainability reporting with key indicators marked in the GRI index. Last year, the Global Compact developed a method for monitoring the implementation of human rights, labour rights, environmental principles and anti-corruption principles. Martela will report on these questions separately in more detail according to the revised Communication on Progress model before the end of June.

## Taxonomy reporting

The purpose of the taxonomy, or the sustainability classification, is to create a EU wide unified definition of environmentally sustainable economic activities, the so-called green investment targets. The taxonomy includes a reporting obligation that currently applies to large listed companies, and thus also to Martela. The taxonomy criteria have been published so far for 94 activities related to climate mitigation and 101 activities related to climate

adaptation. None of these activities have been deemed suitable for Martela's business.

## 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. Additionally, 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. You can find the full texts of our principles on our homepage. The Martela Annual Report presents the governance and risk management principles. The section 'Management of Sustainability', describes 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. At the beginning of each section, there is a

relevant materiality assessment of indicators used and a list of the main targets. The sustainability report presents the progress of the sustainability programme for 2022–2035, and the target programme for 2023–2035.

## 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 Ernst & Young Oy have audited.

## Publication of the report

We publish the annual sustainability report in PDF format in Finnish and English. We do not print copies of the report. We will publish the 2023 report in spring 2024.

# Our business model is based on sustainability

The climate crisis has increased the importance of sustainable development in the mindset of businesses and consumers alike. The sufficiency of natural resources is a matter of life and death for the planet. For as long as Martela has existed, its operations have been based on a model where the development of products and services is steered by sustainability and quality.

Martela's products are built to last, both from a technical and a design perspective. Businesses and consumers are becoming more and more interested in the circular economy and thus also in buying second-hand furniture. The businesses' sustainability indicators also encourage this.

In public sector procurement, sustainability factors are also starting to be emphasised now rather than purchase price alone. It is in the interests of cities, municipalities, states and the EU level to strive for overall economic benefit in the use of public money, including the durability, maintainability and lifespan of the product.

However, we believe it will only be possible to achieve overall responsibility when the requirement for sustainability and lifecycle thinking extends beyond individual products and more broadly to the workplace as a whole. No uniform metrics exist yet, but regulations and standards will be specified in the coming years to cover the lifecycle of a product and the sustainability of the supply

chain more extensively. We have been developing Martela's business model for decades in anticipation of this development.

## Why does a workplace exist?

Our Workplace as a Service ([WaaS](#)) model enables clients to increase their space utilisation without reducing the usability of a space and makes it easy to consider circular economy aspects.

There must be clear demand for a workspace. A high utilisation rate is proof of a functional space, which also has a positive effect on people's well-being at work. When space planning is carried out successfully, the environmental impact and operating costs of the space will also be reduced.

In the WaaS model, the client decides what is the purpose of the space and we take care of the rest, such as the space-efficient planning of solutions that support the work and adapting the furniture to changing needs. On behalf of the client, we work out what products are needed in the

space and how to update the space solutions, if necessary, and how to find new users for products that are no longer needed. A useless product, no matter how sustainable, is a waste of resources.

## Verified responsibility

Since 2011, Martela has been committed to the UN Global Compact Sustainable Development Goals and has been a member of the Global Compact business network. Our commitment involves continuous efforts to verify and develop the responsibility of our supply chain and to further raise awareness.

The origin of the materials that we source is important to us, so we require our suppliers to have responsible supply chains, too. We have visibility over the entire lifecycle of our own products, from product development and workplace planning to manufacturing, transport and recycling. We improve cost efficiency and sustainability by optimising transport and improving material efficiency, for example.

In 2022, we were awarded the [EcoVadis Gold Rating](#) with a score that has been achieved by only 4% of the companies assessed by EcoVadis worldwide. EcoVadis is the world's largest provider of business sustainability ratings and its assessments contain 21 CSR criteria across four themes: environment, labour & human rights, ethics and sustainable procurement.

Martela has the only [accredited laboratory](#) dedicated to testing furniture for non-domestic use in Finland. With our testing we verify that our products are of high quality and durable. We use accreditation to ensure that our test results are reproducible and comparable. Many of our products have the Möbelfakta label, which is awarded to furniture that meets high quality, environmental and sustainability standards. One of the quality criteria of the Möbelfakta label is that the furniture must have an accredited test result.



# Best place to work is a responsible place to work."



Eerikki Mikkola Head of Business Design and Anne-Maria Peitsalo Director, Sustainability & Quality

## Growing demand for the circular economy model

In 2022, we continued our sustainability work that was started more than a decade ago, and prepared for a growth in demand for sustainability and the circular economy model, as we expect this to increase in the coming years. We learnt about the rapidly evolving sustainability requirements through training provided by the Global Compact network and discussions with our clients and partners helped us to find new perspectives for our sustainability work.

We consider sustainability perspectives in our product range by developing the modularity of our products and the scalability of our services to increase material and cost efficiency, and by increasing the recycled material content of our products.

## Towards carbon neutrality and a comprehensive lifecycle perspective

We are advancing towards our 2035 carbon neutrality target by identifying the measures that can still be carried out. Since 2015, we have reduced the carbon footprint of our own operations by concentrating our production and by using zero-emission electricity in our production. We have also continuously increased space utilisation in our offices.

However, our largest climate and other environmental impacts are caused by the materials used in our products. The WaaS service model helps to reduce the need for new, virgin material. Our transformation from a product manufacturer to a provider of lifecycle services will help us to achieve our material efficiency and climate goals.

We will also start to focus on our positive climate impact, in other words, our [carbon handprint](#). With our workplace solutions we can help our clients reduce the climate impacts of their office premises. However, verifying the results is still a challenge as there are no comparable methods for assessing the positive impacts arising from our circular economy model yet.

Due to hybrid work there is a growing trend towards even smaller, more efficient spaces. It is very easy to calculate the impact of workspace size on energy consumption. However, space utilisation is not a value in itself; usability should be measured using the utilisation rate or other indicators requested by the client. Space solutions should be constantly monitored to make sure they genuinely support the work that is being done there.

## Best place to work is a responsible place to work

Martela wants to play its part in the mitigation of climate change, both concerning its own operations and by helping its clients with their efforts. When workplace design is based on the needs of the client's staff regarding their work the result will be a functional workplace. We also updated our vision during the year to make it more functional: **we create the best places to work.**

The best also involves responsibility. Thus, in the environmental crisis, we must change our operations so that we buy only what we need. And what we buy must be durable and fit for use.

# Operating environment

Hybrid work increased the need for flexibility in workplaces. Adaptability, sustainability and consideration of circular economy aspects were emphasised in the design of workplaces, which accelerated Martela's performance. The general rise in prices affected the operating environment, but we were, nevertheless, able to improve our position.

For Martela, 2022 was a year of positive development, despite the uncertain global economic and geopolitical situation. Our sales grew and we made a profitable result.

The war in Ukraine led to inflation and a weakening of the economy as a result of the energy crisis. Customers were more careful when making purchasing decisions. Despite the increase in the price of materials and energy, our profitability remained reasonable. We were able to improve delivery accuracy by making our processes more efficient.

Though price pressures affected the entire industry, we managed to strengthen our position in all the main market areas. The share of sales made up by exports increased more than the rest of the growth.

Our products and service model have also attracted interest in Central Europe. Finnish quality is valued, and we believe that our exports will also grow as we become better known. By developing our webshop, we will be able to further improve our international accessibility.

## Hybrid work and the requirement to be sustainable are driving the industry's development

Location-independent work became an established way of working in companies. Our customers are increasing the efficiency of their space utilisation, and the need for space is considered not only in terms of savings but also in terms of sustainability, for example through the adjustment of heating costs.

Offices are often smaller than they were, but the workplace ecosystem has grown. The hybrid model also involves working from home or in co-working spaces, for example. Workplaces must be functional, adaptable and comfortable. Work requiring concentration, teamwork and spontaneous meetings all require their own spaces.

The quality of furniture and consideration of the circular economy approach are increasingly important purchasing criteria. Martela's products and services are a natural fit in this new ecosystem, and this was reflected as sales growth in 2022.

Companies want environmental and ethical issues to be taken into account in their procurement. Regulations and standards are also getting nearer to our way of thinking, where responsibility is taken into account throughout the lifecycle of a product. Because our products are designed to last and are manufactured responsibly, they meet the requirements for sustainability and recyclability that companies and organisations can use in their own sustainability work.

We also believe that our Workplace as a Service (WaaS) model will become more successful. There is no corresponding, equally comprehensive service available on the market. The WaaS model is an effortless way for customers to ensure that their office space is responsible and up-to-date, without the need for large one-off investments.

The volume of used furniture that is being refurbished is steadily rising, among both companies and household customers. The Martela Outlet chain's sales to consumers increased. Many companies also opted for refurbished furniture instead of new.

## We focus on the times

During the year, we invested in future growth by improving processes, such as our supply chain operations, and by renewing our product range. We optimised our product range to allow us to serve an even bigger number of customers with a smaller number of products. The modularity of our products improves their material and cost efficiency.

Customers want to develop their workplaces in a responsible way that supports hybrid work. Offices are becoming more home-like; they are meeting places which attract employees with their comfort and ergonomics. There is a huge need for flexibility.

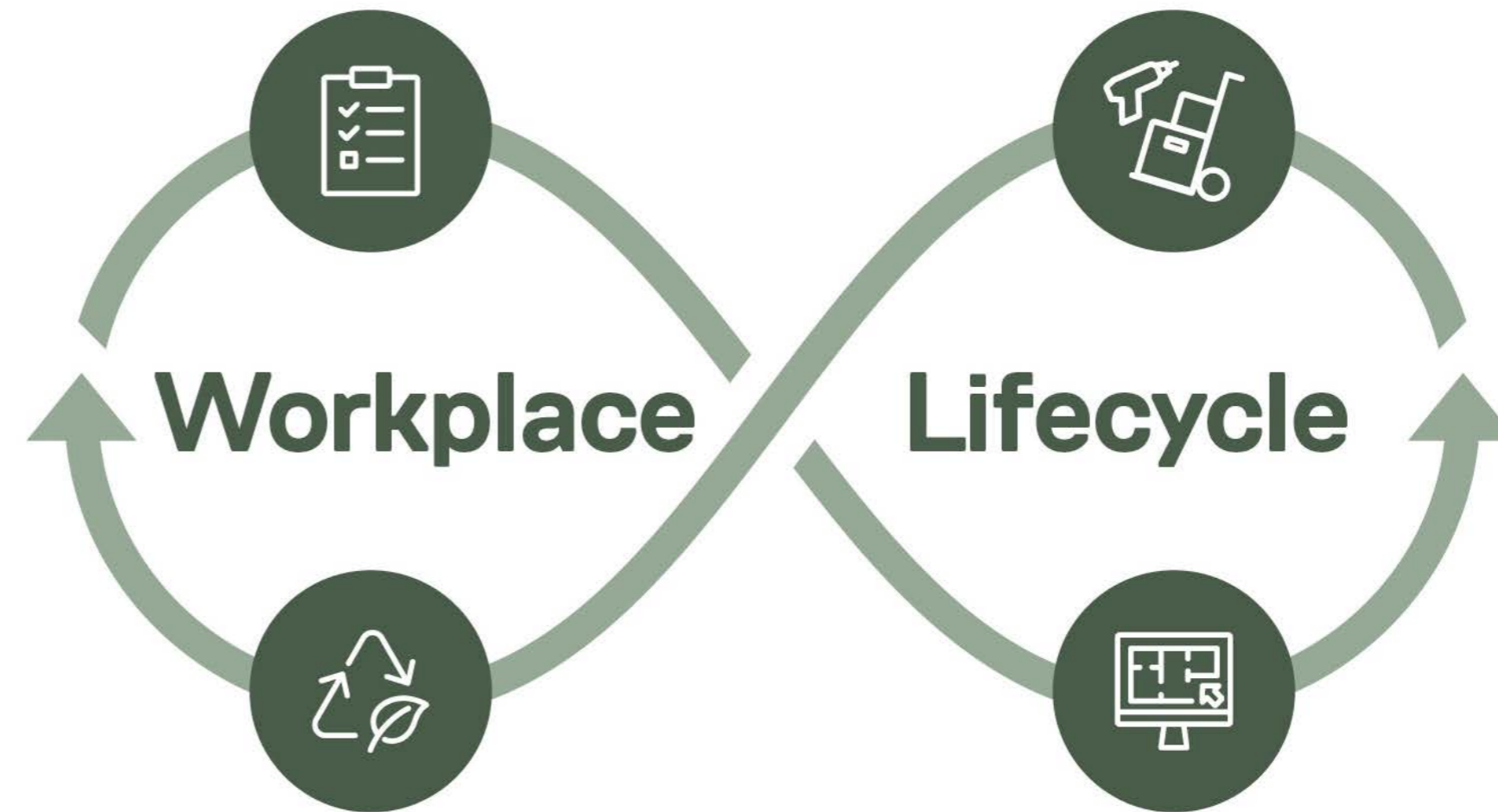
In the supply chain of our own collection, we can react quickly to external situations, as was seen in 2022. We invested in the development of products and processes, the strengthening of digital channels and the expertise of employees. We are constantly improving our customer-oriented service model by gathering research data and customer opinions on what kinds of products and services will be needed in the future.



## The service model adapts in change

### WORKPLACE AS A SERVICE

As a result of the change in working life, people have the freedom to choose where and when to work. Thanks to the Workplace as a Service model, your employees will always have the best possible workplace at their disposal. The organisation gets a comprehensive solution for the entire lifecycle of the office, which constantly takes care of the premises, the furniture – and the people. An essential aspect of the service is the continuous optimisation of the workplace in accordance with the changing needs of users. The service model enables the organisation to only pay for what it genuinely needs, which means that the problems related to owning furniture do not exist. In addition to the company's office space, the service is also suitable for the development of employees' home offices, flexible co-working facilities and learning environments.



### CIRCULAR ECONOMY MODEL AT THE CORE OF WORK ENVIRONMENT DEVELOPMENT

The Workplace as a Service model is based on lifecycle thinking, in which, instead of individual purchases of furniture, the aim is to ensure the flexibility and responsibility of the work environment from defining the needs to the optimisation of the space. At the heart of the lifecycle thinking is the Waste Nothing principle, which seeks to minimise the impact on the environment. Furniture that is no longer needed is sold responsibly through the Martela Outlet stores or webshop, and some of the furniture are refurbished and/or reupholstered before being sold. The furniture that has come to the end of its useful life will be used for energy production or secondary raw materials.

### Value for organisation



Working environment is always up-to-date and optimised



Improved employee experience and well-being



Renewal of operational and management culture



Increase in productivity and ability to innovate



Cost-effective and responsible method of acquisition – Waste Nothing



# Values

## Together

Respect and trust for one another are at the heart of our culture. Diversity and learning from one another are our strengths. Together we will succeed and make it happen.

## Boldly

Visionary thinking has always driven us forward. It inspires us to be curious and innovative. We are the forerunner in creating better working and learning environments.

## Listening

Listening is the key to understanding our customers' needs. Our solutions are built on data and customer insights. This is how we make the difference and create a world-class customer experience.

## Caring

We are committed to sustainability in everything we do. Our solutions support ecological choices and the circular economy. Together we will create a brighter future.



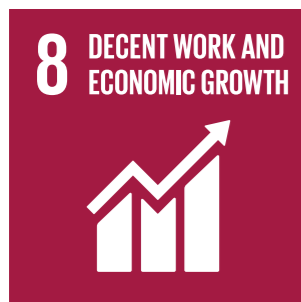


# Sustainability at Martela



# Agenda 2030 goals

“Martela contributes to reaching the Agenda 2030 goals with the Martela Lifecycle model.”



We help our customers create work environments that aim for employee satisfaction and motivate them to return to the office:  
[www.martela.com/cases/flexoffice](http://www.martela.com/cases/flexoffice)



We improve material efficiency by developing circular economy based business. With Martela's WaaS model, customer achieves flexible usability of the work environment. Martela is responsible for the sustainability of the lifecycle of the furniture:  
[www.martela.com/services/furniture-optimisation-recycling/workplace-as-service](http://www.martela.com/services/furniture-optimisation-recycling/workplace-as-service)



The learning environments we create, support a new operating culture and increase cooperation. Read our case study how personnel and pupils were engaged in workshops:  
[www.martela.com/cases/hovirinta-school-centre](http://www.martela.com/cases/hovirinta-school-centre)



# Value creation

## Resources and capabilities

### COMPONENT AND SUBASSEMBLIES

- 6 million kg (wood based 42%, metal based 22%)

### PRODUCTION FACILITIES

- Laminate and melamine component production in Kitee, Finland
- Final assembly of new and re-manufacturing of used furniture in Nummela
- Upholstered furniture component manufacturing in Piaseczno, Poland

### PERSONNEL

- in the end of the year 400 employees, including 194 blue collar workers and 206 white collar workers
- 108 external resources in person-years
- Investments in staff development EUR 149,034 per year

### PARTNER NETWORK

- 100 core suppliers, 50 dealers, 7 freelancer designers, trading partners, logistics partners, other suppliers

### OWNERS

- 3,102 owners, of which 95.7% households, 3.4% companies, 0.4% foreign investors
- 78.3% owns 500 shares or less, 3.5% over 5,000 shares

### INCOMPATIBLE CAPITAL

- Martela brand, Martela Lifecycle -strategy, 6 utility models, registered design, patent application
- Versatile expertise

### FINANCE

- EUR 63 million equity and liabilities

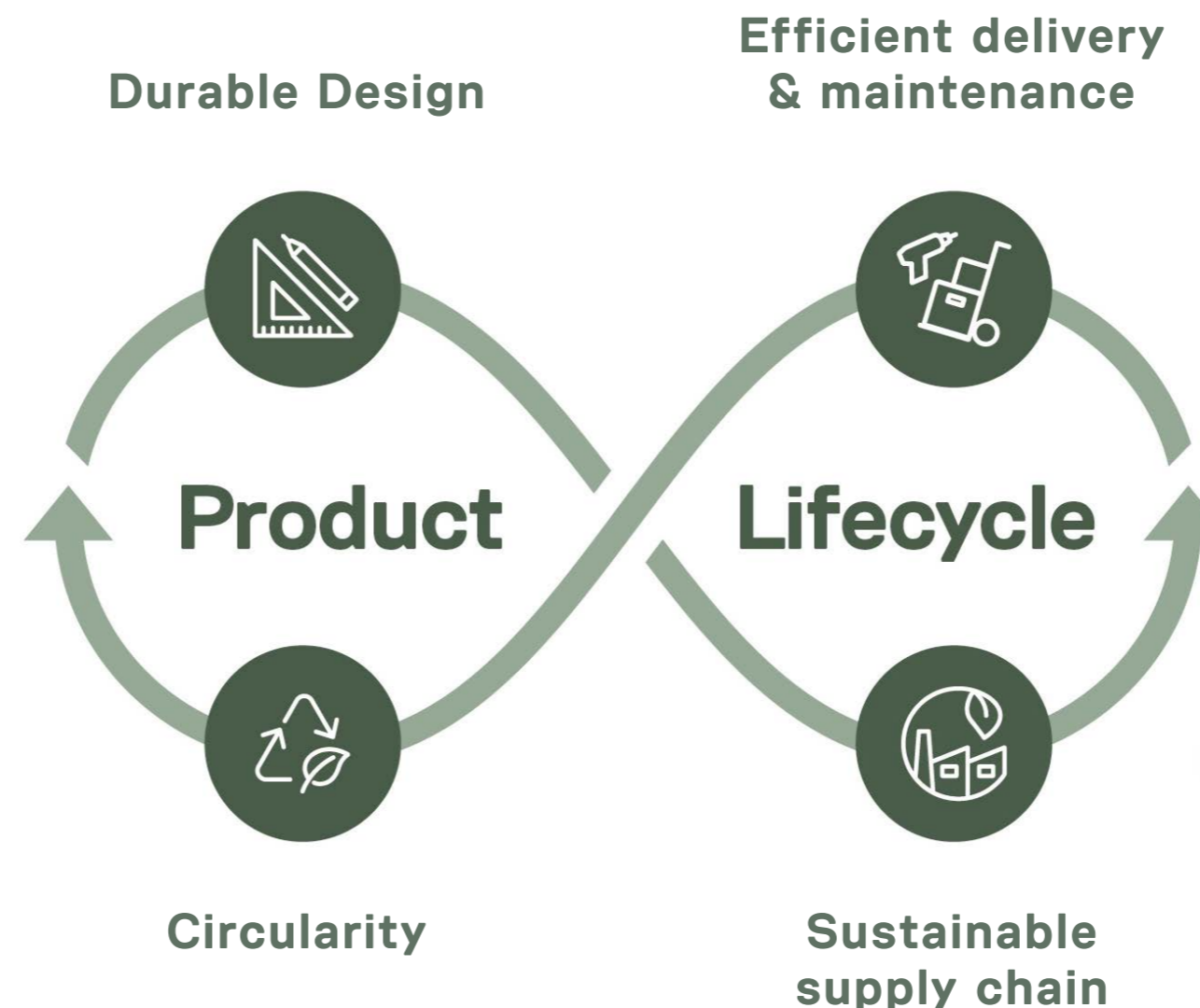
### INVESTMENTS AND PRODUCT DEVELOPMENT

- EUR 0.9 million investments, EUR 2.5 million research and product development

### NATURAL RESOURCES

- Electricity 4,529 MWh
- District heating 4,082 MWh
- Heating by gas 157 MWh
- 90.3% renewable energy, 7.3% fossil energy and nuclear power 2.4%

## Martela's activities



## Output and its distribution

### CUSTOMERS

- Workplace specifications, layout planning, implementation, maintenance, wellbeing, cost savings, new and re-manufactured furniture

### SUPPLIERS OF GOODS AND SERVICES

- Purchases total EUR 80 million incl. materials, components, energy costs, fuels, waste management, property rentals, rental of vehicles, services and IT licenses

### PERSONNEL

- EUR 19,231,000 salaries paid including share-paid contributions
- EUR 4,222,000 employee social security and pension

### SOCIETY

- EUR 162,000 taxes

### FOR OWNERS AND FINANCIERS

- EUR 0 dividends
- EUR 1,268,000 interest expenses

### WASTE




- 1.8 million kg, recovered 99.1%, 0.9% hazardous waste

### USED MATERIALS FROM CUSTOMERS

- 2.9 million kg of which 98% wood, metal and energy fractions



# Stakeholders and their expectations

	CUSTOMERS	SPECIFIERS	EMPLOYEES	DEALERS	SUPPLIERS	OWNERS AND INVESTORS	OTHER INTEREST GROUPS
<b>QUANTITY AND DESCRIPTION</b> 	<ul style="list-style-type: none"> <li>Companies and public purchasers. Private customers only through the Martela Outlet channel. 69.8% of turnover from Finland, 10.5% from Sweden, 7.1% from Norway and 12.6% from other countries</li> </ul>	<ul style="list-style-type: none"> <li>People responsible for customer definitions, architects, interior architects</li> </ul>	<ul style="list-style-type: none"> <li>400 employees in the end of the year: 48.5% blue collar workers and 51.5% white collar workers</li> <li>108 person-years of external resources</li> </ul>	<ul style="list-style-type: none"> <li>About 50 dealers with 100 service locations, mainly in Martela's home market and Central Europe</li> <li>Some operate under Martela brand and others offer Martela products as part of their other offering</li> </ul>	<ul style="list-style-type: none"> <li>About 100 suppliers of materials and components for Martela products, of which 60% in Martela's home market</li> <li>Trading partners</li> <li>Other suppliers</li> <li>Logistics partners</li> </ul>	<ul style="list-style-type: none"> <li>Major owners are Martela family and Isku Yhtiöt Oy and funding by the well-known Nordic banks</li> </ul>	<ul style="list-style-type: none"> <li>Media, areas of operations, industry organisations, schools and educational institutions</li> </ul>
<b>THEIR EXPECTATIONS</b> 	<ul style="list-style-type: none"> <li>High quality products and services</li> <li>Information on products, supply chain and materials</li> <li>Compliance with laws, principles of corporate governance and agreements both internally and in the supply chain</li> <li>Availability of eco labelled products, especially in Sweden, Denmark and Norway</li> <li>Some expect especially Finnish design</li> </ul>	<ul style="list-style-type: none"> <li>Information on products, materials, environmental trends and brand value</li> <li>Possibility to realise new ideas with respect to Finnish design traditions</li> </ul>	<ul style="list-style-type: none"> <li>Continuity of employment relationship</li> <li>Professional development opportunities</li> <li>Training on new skills and best practices in occupational safety</li> </ul>	<ul style="list-style-type: none"> <li>High-quality products and services</li> <li>Information on products, supply chain and materials</li> <li>Compliance with laws, agreements and sustainable business principles</li> <li>Reliable business relationship</li> <li>Availability of eco labelled products, especially in Sweden, Denmark and Norway</li> </ul>	<ul style="list-style-type: none"> <li>Stable development and trust</li> <li>Clear communication of instructions and expectations</li> <li>Clarification of changing market expectations</li> </ul>	<ul style="list-style-type: none"> <li>Stable development</li> <li>Successful risk management</li> <li>Profitable business and ability to pay dividends</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of local social wellbeing by, among others, employment</li> <li>Open communication</li> </ul>
<b>OUR ACTIONS</b> 	<ul style="list-style-type: none"> <li>Ensuring availability of product information</li> <li>Ensuring compliance with Code of Conduct</li> <li>Open communication focusing on materiality</li> <li>Third-party environmental markings and labels for origins to facilitate the selection</li> </ul>	<ul style="list-style-type: none"> <li>Material and brand studies</li> <li>Design events to enable interaction</li> <li>Designers' ideas and influence to offering</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction and wellbeing studies</li> <li>Training</li> <li>Appraisals</li> <li>Open internal communication</li> </ul>	<ul style="list-style-type: none"> <li>Reliability of deliveries</li> <li>Exceeding the performance of other suppliers</li> <li>Open discussion on operational development</li> </ul>	<ul style="list-style-type: none"> <li>Investments in long-term cooperation</li> <li>Communication, tracking and discussion of sustainable procurement principles</li> </ul>	<ul style="list-style-type: none"> <li>Close monitoring of competitiveness and performance and open communication</li> <li>Development of sustainability and its reporting</li> <li>Constant development of Sustainability indicators</li> </ul>	<ul style="list-style-type: none"> <li>Co-operation with representatives of other stakeholders</li> </ul>



# 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. You can find the latest versions of the policies on the company's website.

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 functional 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. In Martela's management team, the CEO was responsible for sustainability issues at the beginning of 2022, and from

May 1, 2022, the responsibility was transferred to the newly appointed Vice President, Operations.

Martela's goal is to provide responsible solutions for its customers' workplaces and learning environments through the Martela Lifecycle model. With the Lifecycle model Martela can implement the changes in the workplace required by the transformation of work, while also fulfilling the requirements for space 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 continues to communicate its principles for sustainability to its supply chain.

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. At its meeting on February 9, 2023, the Board approved the Code of Conduct updated with principles related to the handling of customer information and other confidential information. The Code contains operating instructions and requirements both for those working at Martela and for Martela's partners. 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. At its meeting on March 10, 2023, the Management Team confirmed the 2021 updated People Policy as it is and approved the Quality Policy updated with the vision statement and the list of most important quality goals, the Environmental Policy updated with revised environmental, circular economy and climate impact aspects, and the Social Requirements for Suppliers updated with the clarification on supplier responsibilities. You can find the

complete text of the Corporate Code of Conduct and the Policies that support it on Martela's website: [www.martela.com/about-us/sustainability/corporate-responsibility](http://www.martela.com/about-us/sustainability/corporate-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 the 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. Occupational safety is constantly developed with a management system in accordance with the ISO 45001 standard.

### 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, which is presented in more detail in the environmental section of this report. The policy gives guidance on how to apply an environmental approach in developing Martela's offering, with which the company indirectly affects the environmental impact of its customers. These indirect effects are the best way that Martela can fight global warming. Environmental management is constantly developed with a management system in accordance with the ISO 14001 standard.

### Sustainability policy for the supply chain

Martela's Sustainability Policy for the Supply Chain, approved by the GMT, presents Martela's 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. The Sustainability Policy for the Supply Chain applies 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. The company has 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 publishing. The Sustainability Steering Group consists of the Sustainability Team representatives of the GMT. Martela's Director, Sustainability & Quality acts as secretary for the Sustainability Steering Group and prepares the neces-

sary material. The chair of the Steering Group is the VP, Operations.

The GMT follows the progress of the sustainability programme and considers proposals put forward by the Sustainability Steering Group. 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 sustainability issues.

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### Contact persons related to reporting

#### Chair of the Sustainability Steering Group and Sustainability representative in GMT

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#### Secretary of the Sustainability Steering Group

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# Key responsibility indicators

## Economic responsibility indicators

	2020	2021	2022
Revenue (EUR million)	88.4	91.9	106.7
Profit before taxes (EUR million)	-4.8	-2.3	2.5
Income taxes (EUR million)	0.0	0.0	1.2
Return on investment (%)	-13.4	-4.7	9.1
Equity to assets ratio (%)	23.3	22.2	24.7
Dividends paid (EUR million)	0.0	0.0	0.0
Wages and salaries (EUR million)	18.9	18.6	18.7
Number of employees (average in person-years)	432.7	395.6	406.0
Purchases, (EUR million)	62.8	65.1	66.0
Gross investments (EUR million)	1.2	0.4	0.9

## Social responsibility indicators

	2020	2021	2022
Average age of employees (years)	46	47	47
Number of employees with more than 10 years' service (%)	47.2	54.2	51.3
Employee turnover (%)	17.9	12.3	12.7
New employee rate (%)	11.6	5.4	12.5
Reasons for leaving (incidents)			
• terminated by employer	14	17	9
• terminated by employee	67	37	38
• retirement	5	5	10
Absences due to illness (% of work time)	2.3	2.6	3.3
Total recordable incident frequency (TRIF) <sup>1</sup>	19.10	22.44	14.61
Lost time incident frequency (LTIF) <sup>2</sup>	11.24	14.52	13.28
Injury Rate (IR)	2.25	2.90	2.66
Lost Day Rate (LDR)	720.00	680.87	831.76
Investment in training (EUR/person)	200	101	378
Development discussions (% of staff)	79	-	53

<sup>1</sup> Accidents that do not result in absence are also included.

<sup>2</sup> Accidents requiring more than a day's absence work.

## Environmental responsibility indicators

	2020	2021	2022
Material use (1,000 kg)	6,900	8,164	6,086
Direct energy (GJ)	0	0	0
Indirect energy (GJ)			
• district heating	13,731	16,345	14,694
• electricity	15,666	16,447	16,305
• gas	658	749	480
Carbon dioxide emissions (1,000 kg)			
• direct energy	0	0	0
• indirect energy	330	324	294
• delivery and installation	766	812	781
• company cars	103	70	55
• business flights	28	10	31
• material use	8,383	8,409	6,178
• production waste			260
• freight delivery	569	712	689
Waste			
• total (1,000 kg)	1,455	1,750	1,784
• hazardous waste (%)	0.5	0.3	0.9
• recovery (%)	99.5	99.7	99.1



# Sustainability programme 2023–2035

In the end of 2022, the Sustainability Steering Group approved Martela's new CR action plan for 2023–2035. The plan includes overall goals including economic, social and environmental aspects of sustainability.

Goal	Schedule
<b>Achieving carbon neutrality</b>	
· Energy review and savings opportunities	Short term
· Reforms of own installing distribution fleet	Long term
· Evaluation of the carbon handprint of the Martela Lifecycle services	Mid term
· Circular economy solutions to reduce the carbon footprint	Long term
<b>Developing occupational safety towards accident-free working</b>	Mid term
<b>Demonstrating the social responsibility of the supply chain and fight against bribery and corruption</b>	Short term
· Written commitment on respect for human rights and the fight against corruption and bribery from the supply chain	
· Clear discount terms and decision patterns in the sales process	
· Training and increase of knowledge throughout the value chain	
<b>Customer employee wellbeing, knowledge workers</b>	Mid term
· To offer our customers the opportunity to measure the effects of our solutions on end-users' wellbeing and work efficiency, and to compare their results with the average results of our customer base	
· To use the results of our user studies to improve our space planning services and product development	

Goal	Schedule
<b>Martela employee wellbeing</b>	Mid term
· People Power® rating to reach AAA level in People Spirit survey	
· Annual survey, action plans and implementation	
<b>EBIT at 8% level excluding non-recurring items</b>	Long term
<b>To increase the share of the service business.</b>	Long term
<b>Improvements in work and learning environments and reducing environmental impact with the Martela Lifecycle ensuring the best customer experience</b>	Mid term
· To identify the real need to develop efficient environment that support 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 products	
· Continuous improvement of the 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	

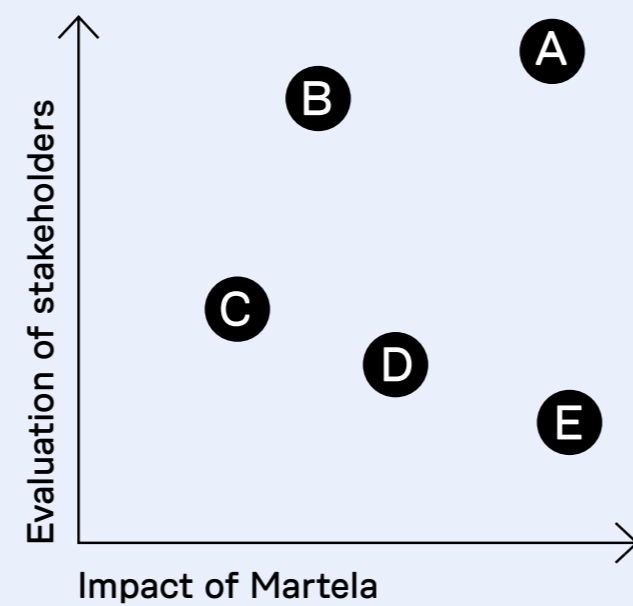


# Economic responsibility



## Materiality assessment

- A Customers' space efficiency and user satisfaction
- B Delivery reliability and professional customer service
- C Analyses of corruption risks
- D Purchases from local suppliers
- E Financial results





## Goals

- EBIT at 8% level excluding non-recurring items
- To increase the share of the service business
- Continuous improvement of the value chain to ensure the best customer experience optimising the use of materials and energy
- Written commitment on respect for human rights and the fight against corruption and bribery

## Economic value by stakeholder group

Martela seeks to create economic value for its customers, shareholders, employees, partners and the surrounding society. User-centric work and learning environments designed and implemented for customers increase wellbeing at work and, consequently, customers' productivity and operational capacity. Over 75% of Martela's economic value is distributed to providers of products and services, and around a quarter is distributed as salaries and social security contributions to employees. Out of every 100 euros spent by customers on products and services, 24 euros went towards the current or future income of Martela's direct employees. A similar contribution to the indirect work in Martela's supply chain has not been calculated, as it fluctuates in practice depending on the service and the degree and method of refinement of each product.

51% of the Martela Group's consolidated purchases of products and services come from countries

in which Martela operates (Finland, Sweden, Poland and Norway) and 46% is sourced from other European countries. Martela wants 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.

## A high level of customer satisfaction

Taloustutkimus Oy annually conducts an independent [TEP-survey](#), in which people in key positions in companies from various industries are interviewed. The 2022 survey was conducted in an internet panel from 5 to 31 October. Office furniture suppliers were evaluated by 518 people. Among the 12 companies in the comparison of office furniture suppliers, Martela was number one in the overall rating for the eighth time in a row, with Martela Outlet in third place this time. Martela performed excellently in the 11 areas of the study, achieving seven first places: product quality, product functionality/combinability, broadness of offering, appearance, ergonomics, delivery reliability and professional customer service were rated the best. Martela Outlet achieved first place in price/quality ratio. In the NPS (Net Promoter Score) comparison, Martela was ranked second and Martela Outlet third.

Martela also monitors its customers' satisfaction with surveys sent after deliveries and periodical customer experience measurements. According to

continuous feedback from 2022, overall customer satisfaction remained at the previous year's level at an average of 9.1 on a scale of 1–10. Martela received particularly good reviews for the professionalism of the personnel and the quality of the deliveries and installation work. The review for the accuracy of installation schedules improved compared to the previous year. 134 (2022: 119) people responded to a periodical customer experience survey conducted in January 2023. The NPS (Net Promoter Score) of the respondents rose from 57 in the previous year to 61, with 66% promoters, 28% passives and 5% detractors. Correspondingly, the Satisfaction Score (CSAT) was 4.3 on a scale of 0–5. The results will be reviewed with those who have left their contact information and the results will be analysed in order to carry out the necessary development measures. The relative number of customer claims to order lines increased from the previous year, while the number of order lines increased. The number of claims was 3.45% of order lines during 2022. Even as the global material and logistics challenges continued, delivery accuracy increased from the previous years from 88% at the start of the year to 95% at the end of the year.

## Customers' needs are changing

The COVID-19 pandemic has permanently changed the way of working and our workplaces. Adapting to the post-pandemic transition to hybrid work, which combines remote working and office working, has varied significantly between industries and companies, and organisations must be ready

## Economic value by stakeholder group (%)

	2020	2021	2022
Payments to material, product and service providers	71.4	72.9	75.3
Employee wages	21.7	21.1	19.5
Employee social security & pension	4.5	4.3	4.2
Dividends paid to shareholders	0.0	0.0	0.0
Other (taxes, paid interest, investments)	2.4	1.7	1.0

to re-evaluate their workplace and its lifecycle. The change in the way of working increases the demand for flexible workplace services. This demand is met by Martela's Workplace as a Service (WaaS) model, which is based on the circular economy. In the service model, the customer's workspaces adapt to changing business and employee needs, while the customer avoids the risk associated with owning the furniture and releases the capital tied up in the furniture. Martela's circular economy model covers the specification, planning, furniture, remote workstations and relocation services for the work environment as well as continuous optimisation and maintenance. Martela is responsible for the needs assessment in the workplace, the selection, manufacturing, installation and maintenance of durable, flexible and long-lasting products and, after the furniture is no longer needed, for finding a new life for the furniture with another customer or through the responsible utilisation of the materials it contains.



Martela's collection is constantly being developed and sustainability is incorporated into designing a new product. The design of the products is timeless and all the products are tested and safe to use during their long useful life. The widely available spare parts and the Martela Outlet sales network give the products more years of use. During 2022, Martela brought completely new products to the collection and developed existing products to better meet customer needs. New products include, for example, the Sono phone booth with the [Key Flag symbol](#), the Noora Work Box armchair with a tabletop for short-term working, the Oona bench and the Bobby tables suitable as home workstations. As part of the responsible maintenance of the collection, several products, product variants and materials with low customer demand are also actively removed from the offering. This reduces the risk of unnecessary use of materials.

### Controlled supply chain

An efficient, high-quality supply chain is one of the key factors in Martela's success. Purchases of materials related to products and services sold by Martela represented around 73% of Martela's total purchases, with the share of other products and services being 27% during 2022. A network of around a hundred reliable suppliers delivers materials and components for Martela's labelled products. To a significant degree, the supply chain is based on partnerships with a history of several decades. 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. Martela has less visibility in the supply chain of the companies that supply the standard components which Martela chooses from the companies' product catalogue. The upholstery materials, and their suppliers, are chosen by the customers themselves for each order, while Martela facilitates the sustainable choice with a comprehensive fabric collection.

To ensure efficiency and sustainability, Martela develops its supply chain in cooperation with its suppliers. The continuous goals for purchasing operations are cost savings and high delivery reliability. To achieve these goals, the company consolidated its supplier base to gain improvements in logistics, which simultaneously reduced the resulting environmental load. The manufacture of wood-based panel components is centralised in Finland to shorten the supply chain of storage and desktop components and to improve delivery reliability. With good planning and foresight, Kidex was able to secure deliveries during the year while minimising the global effects of the pandemic on material availability and logistics and maintaining a good level of security of supply. In its own operations, Martela focuses on sub and final assembly and the service business.

Martela has strict purchasing criteria, and selects suppliers carefully. When selecting new suppliers, their ability to deliver products and produce





high quality is always assessed, along with their financial background. A social responsibility risk assessment is done for each supplier as the supplier is not necessarily based in the same country as the one where its materials, components, sub-assemblies and products are manufactured. The key suppliers related to Martela's supply chain are required to actively commit to Martela's sustainability policy for the supply chain. Based on self-assessments carried out by suppliers, the most significant environmental aspects in Martela's supply chain are usually related to the sorting of waste, energy consumption, safety at work and employment relationships. Martela monitors supply chain operations and compliance with the jointly agreed rules by conducting planned assessments of its suppliers based on annual evaluation. 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. In Martela's sustainability policy for the supply chain, the importance of social responsibility in the suppliers' own supply chains is also emphasised. The policy is communicated with each purchase order regardless of the supplier. Additionally, the key suppliers are periodically sent a sustainability survey. Through this, Martela has received commitments from the suppliers of materials, components and products of their compliance with the requirements of the sustainability policy for the supply chain which cover 83% of the value of ma-

terial purchases. Martela annually assesses the risks of social responsibility in its supply chain by using country-specific sustainability indicators and, on the basis of this, plans the necessary measures for verifying social responsibility on a supplier-by-supplier basis. These measures and cooperation further strengthen the suppliers' commitment to compliance with Martela's sustainability requirements.

In 2022, Martela was awarded the [EcoVadis gold rating](#). Martela's score was higher than or equal to 96% of all companies evaluated by EcoVadis worldwide. Martela received the gold medal for the second year in a row. EcoVadis is the world's largest sustainable development rating agency. Its assessment focuses on 21 sustainable development criteria that are grouped into four themes: environment, labour & human rights, ethics and sustainable procurement. The rating criteria are based on international sustainable development standards including the Ten Principles of the UN Global Compact, the agreements of the International Labour Organization (ILO), the Global Reporting Initiative (GRI) and ISO 26000.

### Laws and rules guide operations

Martela's decision-making and governance comply with the legislation in Finland and the Limited Liability Companies Act in particular and with other regulations concerning public listed companies, as well as its Articles 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 2020. 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, Ernst & Young Oy, 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 (Puusepänteollisuus ry) and the Service Sector Employers (Palta ry) of Finland, Martela is able to have an influence on legislation and collective bargaining. In Sweden, Martela is a member of the Swedish Federation of Wood and Furniture Industry (Trä- och Möbelföretagen).

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. Martela received a total of just under 13,000 euros in public subsidies, including fuel subsidies from the State Treasury for the sudden price increase that started in February 2022, from Business Finland for the development of business solutions, and summer work vouchers from the municipalities for youth employment.

### Key financial indicators 2022

Revenue (EUR million)	106.7
Operating profit (EUR million)	2.5
Equity to assets ratio (%)	24.7
Gearing (%)	58.6
Investments (EUR million)	0.9
Dividends paid (EUR million)	0.0
Market value in the end of 2022 (EUR million)	11.0

### Material spend distribution (%)

	2020	2021	2022
Wood	8.6	9.6	9.0
Plastics	3.5	4.4	5.1
Metal	25.5	24.8	23.8
Upholstery materials	4.4	3.5	4.3
Contract manufacturing	9.2	13.7	18.0
Trading	29.5	20.7	20.3
Supplies	13.9	16.1	13.9
Other	5.3	7.1	5.6

### Taxonomy

The EU taxonomy climate criteria is defined for each sector of activity separately in relation to the significant environmental impacts of the activities of each sector. Martela does not operate in a sector that has currently been defined in taxonomy. Martela is therefore not yet eligible for taxonomy. However, this does not mean that Martela has not been assessing its environmental impact for years or taken measures to mitigate its environmental impact. Martela has also reported its results in twelve annual sustainability reports prior to this one.



CASE

### Flexibility and commitment in the modernisation

When Martela originally started working on the layout of Skandia's Gothenburg offices, the initial plan was for a more traditional workplace, including fixed desks with storage. The idea was to demolish existing walls and create an open-plan office space. But the more Martela worked on the layout, the further away it got from the original plan.

"We started this project just before the start of the pandemic, which meant that the organisation suddenly had to change, and we had to quickly come up with something new to cater for Skandia's new needs. I'm most proud of the fact that we managed to be flexible while keeping to the original project plan created at the start and, above all, that Skandia got a stylish and attractive office," says Lina Karlsson from Martela, who has been responsible for project management.

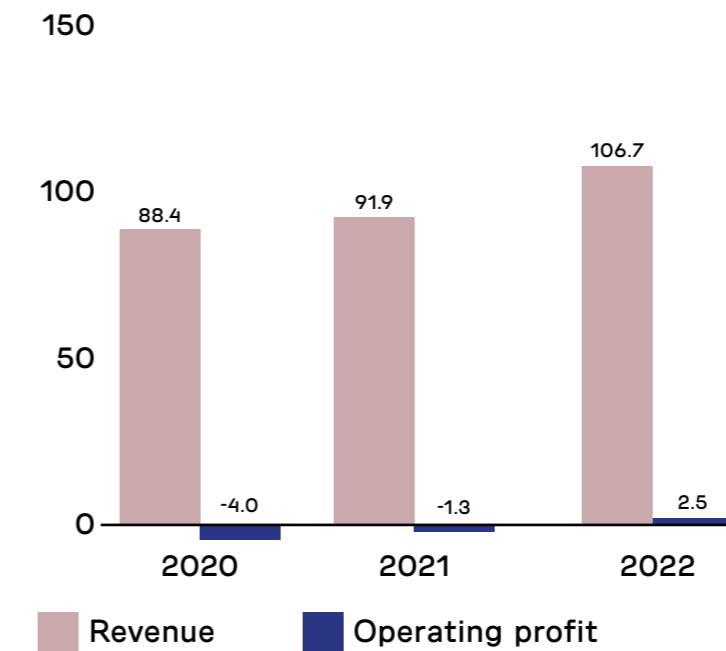
Early in the project, Skandia also realised that it could save a lot of office space and free up the time spent managing keys by replacing all storage with dynamic storage lockers. "This gives each employee access to a personal locker that is managed with their access card or via a smartphone app," says Karlsson.

"It has turned out very well, especially in terms of the overall decor and colours. The office feels nice and welcoming when you enter it, and it feels modern. The project management has also been excellent," says Martin Wild, Facility Manager at Skandia.

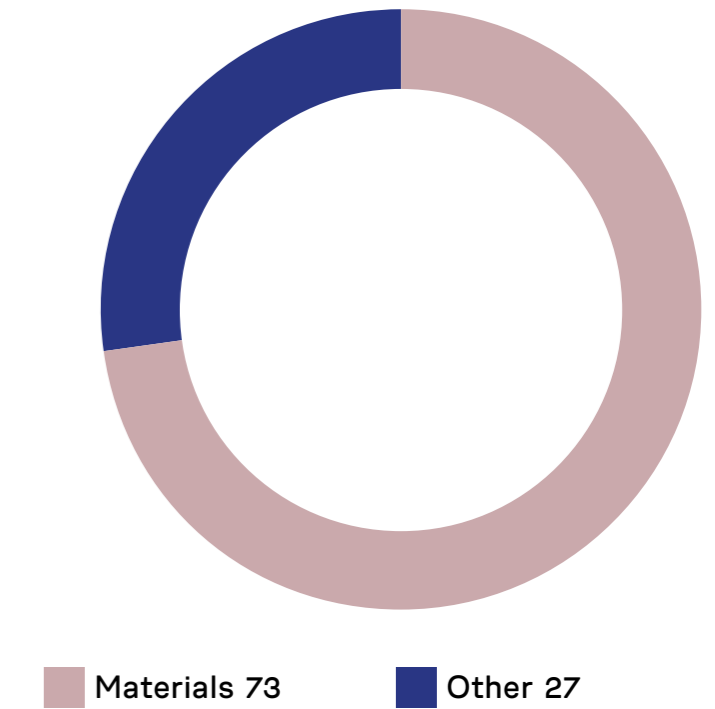
Read more: [www.martela.com/cases/skandia](http://www.martela.com/cases/skandia)



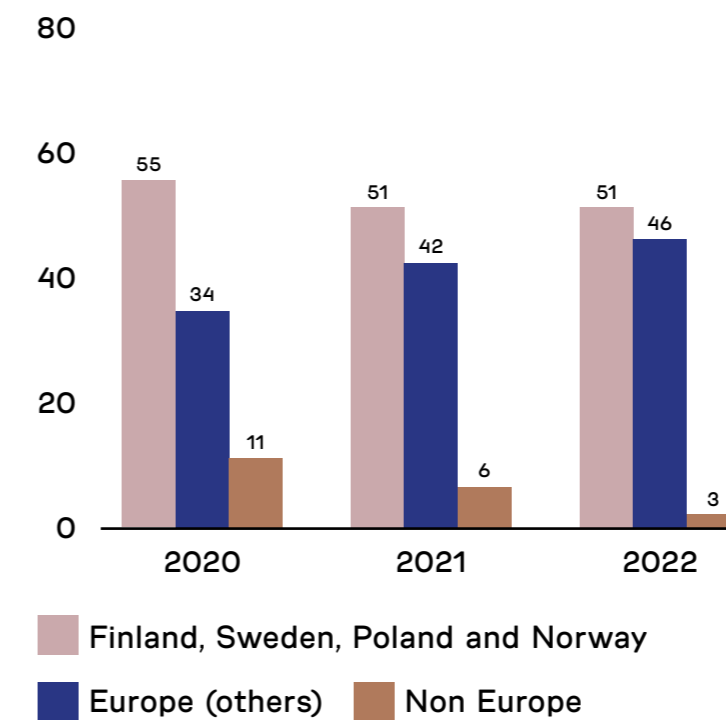
REVENUE AND OPERATING PROFIT (EUR MILLION)



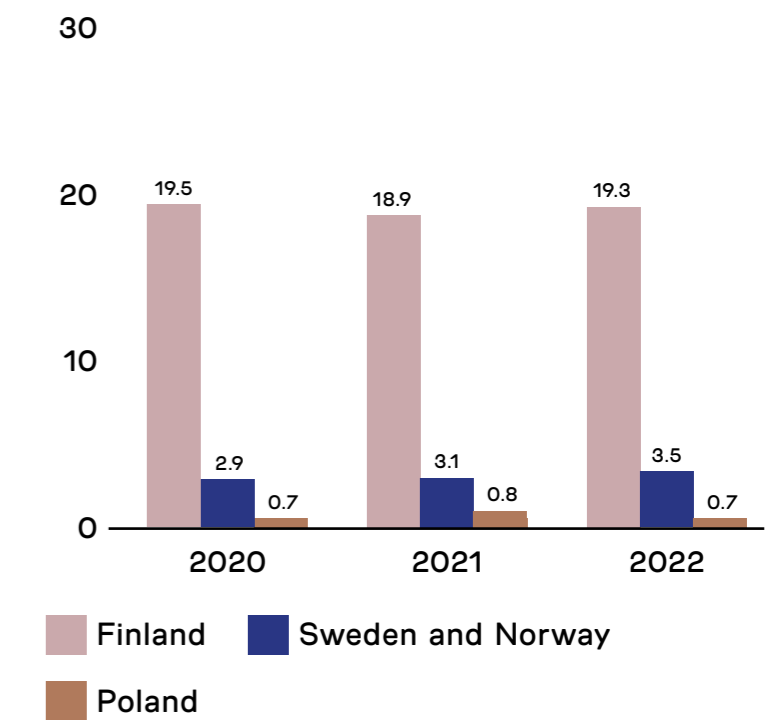
TOTAL PURCHASES (%)



MATERIAL PURCHASES BY AREAS (%)

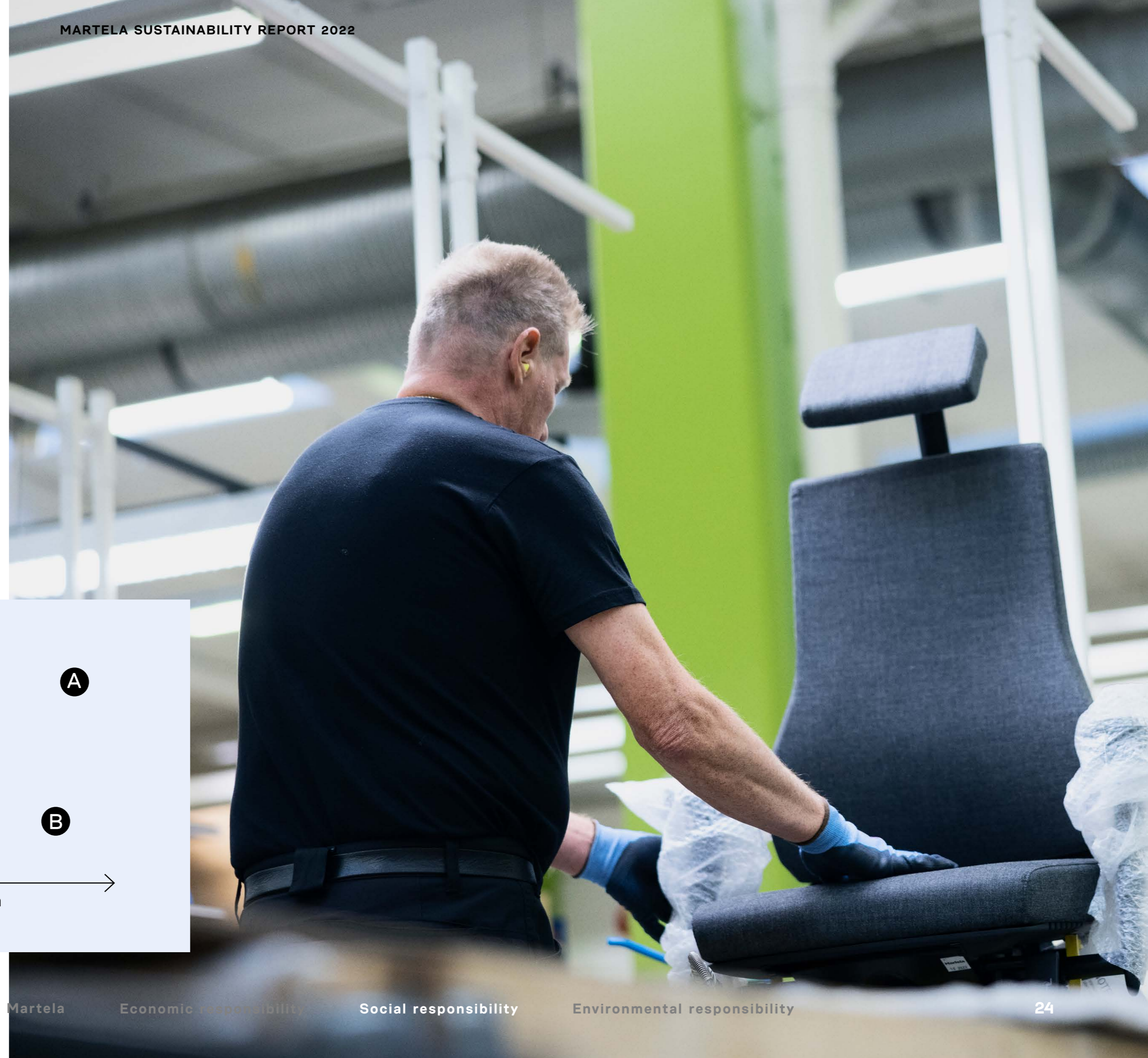


SALARIES, EMPLOYEE COSTS AND TAXES BY COUNTRIES (EUR MILLION)



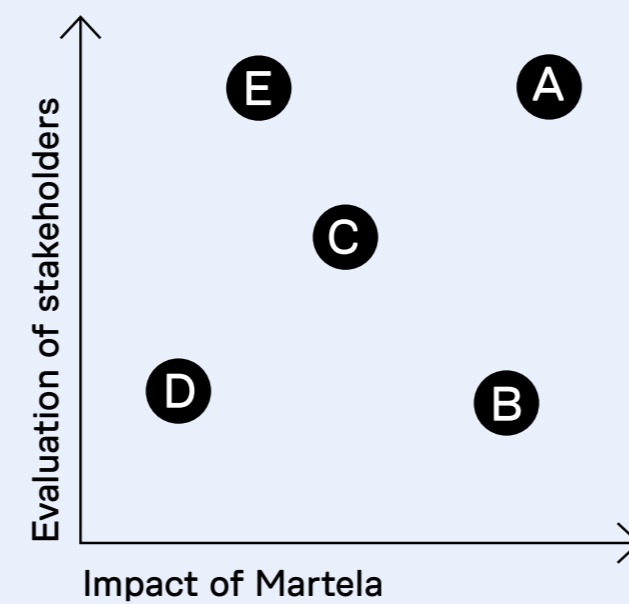


# Social responsibility



## 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

- Customer employee wellbeing: workplace changes lead to increase in wellbeing and working efficiency
- Martela employee wellbeing: annual People Spirit survey, action plans and implementation
- Developing occupational safety towards accident-free working

## A valued employer

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 evolved from a manufacturer of office furniture into a designer and implementor of working and learning environments. This change 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.

Martela has a strong employer brand, and the availability of new employees is at a good level. Martela is highly valued, especially within its industry. Its employee turnover rate increased to 12.7% (12.2) in 2022. The turnover rate was not dependent on the gender but was clearly the highest for the under-30 age group, especially in Finland. Most of the new

employees during the year were under 30 years old. This is because fixed-term workers, such as summer workers, are included in the calculation.

Martela's personnel consists of professionals from several different industries. Diverse expertise and extensive knowledge make Martela a diverse work community, where different areas of expertise enrich each other. Their job descriptions vary from experts and designers to production and removal service employees. The changes in the operating environment call for the continuous development of knowledge and skills in terms of individual employees and the company. Martela aims to encourage and support the continuous development of its employees. In 2022, almost 380 euros per person-year were invested in the training of employees in the Group. In Finland, the employees themselves have recorded an average of about 10.2 hours of training per person-year in the HR system.

After a year's break, there were fewer development discussions than usual, and they were replaced by other regular one-to-one and teamwide discussions. Regular discussions between the supervisor and subordinate as well as team-specific ones play an important role in strengthening each employee's personal commitment to their work. The company has invested in coping at work by creating various flexibility models that serve the needs of both the employer and the employees. Career opportunities, multiple-skills and knowledge sharing are promoted through job rotation, for example. Human resources management focused on safe and ergonomic work as one of the important priorities.

At the end of 2022, Martela had 400 employees (400), of whom 324 were based in Finland, 42 in Sweden and Norway, and 34 in Poland. Martela hired 40 new employees in Finland, 11 in total in Sweden and Norway and five in Poland. Personnel expenses totalled EUR 23.6 million (22.7).

## Strategy was sharpened

The pandemic accelerated the change in work culture and working habits and the transition to multi-location work. After the pandemic had subsided, concerns were raised in organisations regarding the commitment of personnel and work productivity. Martela believes in the growing importance of work environments as a strategic management tool. In order to respond to the change in the operating environment, [Martela sharpened its Lifecycle strategy](#) and the vision that guides it. The strategy is still based on expertise in developing work environments and aims to create a better work culture. A strong understanding of the needs of organisations and users guides the supporting of hybrid work in different places of work. The updated vision 'We create the best places to work' emphasises the constantly changing ways of working and the diversity of work environments, from offices to home offices and other places where work is done.

The strategy 'We support our customers' business with Martela Lifecycle solutions' combines furniture intended for commercial use and related services into a seamless whole. Martela's high-quality and timelessly designed collection enables the

products to have a long lifecycle. The furniture selection is constantly optimised to support multi-location work. The service model related to furnishing and developing offices meets the ever-increasing need for flexibility. Offices are increasingly being optimised continuously, rather than as large one-time investments. To respond to this change, Martela has selected the circular economy model, the flexible Workplace as a Service model and the development of digital sales channels as its strategic focus areas. With these focus areas Martela will continue to improve its mid-term profitability.

## Life after the pandemic

In Finland, the government made a decision to end its recommendation for remote working at the beginning of 2022. The long period of remote work significantly changed the way people work. More than 12,000 white-collar employees have answered Martela's surveys on remote work from 2018 to 2022. Before the pandemic, the variation in the distribution of work habits was almost logarithmic, from less than one per cent of those who only work remotely to more than half of those who work constantly in the office. After the recommendation for remote working ended, the distribution was almost even between each working method option.

The ergonomics in remote working locations quickly became a big issue. Martela's employees are used to the good ergonomics and easily adjustable furniture at their workplace, which is not necessarily always available at home. From the beginning of 2020, in order to ensure ergonomic working, the



employees were offered the opportunity to borrow furniture suitable for full-time remote working for use at home. As a result of this internal exercise, the Martela Outlet chain was able to quickly offer a similar service model to customer companies as well. Based on the sustainability survey carried out on Martela's employees, about 40% reported that they worked remotely, and remote work accounted for an average of 40% of their working days. Based on Martela's internal work environment survey, almost 30% of the respondents had an ergonomic remote workstation at home provided by their employer, and more than 40% had acquired one in other ways.

While working remotely, the employees easily miss out on the possibilities offered by working together, unplanned meetings and free exchange of information. The design of workspaces must consider the attractiveness of the spaces in terms of both functionality and comfort in order to entice people back the office. Martela's head office moved during the pandemic, and in addition to Martela's own surveys, Turku University of Applied Sciences also commissioned a study on the use of the premises. According to both studies, people were even more satisfied with the functionality of the new, flexible and space-efficient space.

**Satisfied employees**

The annual People Spirit employee survey for all employees was conducted during spring of 2022. The survey response rate decreased somewhat from the previous survey to 78%. The People

Power® Index is now rated AA, good, which is the third highest level on a 7-point scale. Martela aims to reach the AAA level, which means that there is more work to be done. There were no major differences in personnel satisfaction between the countries and locations. Despite the external challenges and occasional heavy workload, the satisfaction and commitment of the personnel had improved. It was felt that things had developed in the most positive direction at the company level. Among these, the personnel's view is that the company has developed in the right direction, the changes made have been well implemented and there is confidence in the company's future. Based on the results, practical measures to develop job satisfaction and engagement have been planned and implemented at the company level and in teams.

As flexible working is increasing, the importance of supporting and ensuring the physical and mental wellbeing of the personnel has also increased. During 2022 Martela started a pilot to support the mental wellbeing and everyday challenges of its personnel. The service offers video meetings with a professional in the field of the chosen area. The continuation of the service is evaluated based on the feedback received.

**Work safety as a common goal**

The stress factors of work vary between different jobs at Martela. Production work is repetitive, and removal services involve moving furniture in varied customer premises. In office work, the stress factors are often related to the mental aspects of





work and its demands. Due to the varied working environments, safety at work is monitored by four different occupational health and safety committees at Martela in Finland and one in Poland covering 90% of all employees. The certified occupational safety management system according to the ISO 45001 standard was in use halfway through its first period. Occupational health and safety are extremely important, and the related guidelines and practices must be updated frequently. The right attitude and an awareness of the risks are the primary means of ensuring safety at work. Processing the observations collected through the web-based safety observation recording program, further reduces the likelihood of accidents.

Relatively the greatest risk of accidents has been identified in the tasks of the removal services, and therefore the entire field staff receives orientation/work guidance according to the work safety programme of the removal services before starting work. The occupational safety readiness of the removal services personnel is maintained at regular morning meetings, where occupational safety issues are reviewed and near-miss situations and safety observations are discussed. Martela's own internal trainer has carried out occupational safety card training for operations in Finland for four years, and all of the removal services' own employees have received occupational safety card training. Temporary workers are trained for occupational safety cards within six months of starting work, and training is also offered to partners.

Martela also has a training centre approved by Traficom, and its own trainer is qualified to train truck and lorry drivers in accordance with the professional qualification directive. The course selection includes six different courses for continuing professional qualification, and in addition to internal training, training is also offered to partners. In the spring of 2022, the internal trainer also qualified to provide emergency first aid training, and by the end of the year half of the removal services' personnel had already received first aid training. The goal is for the rest to receive first aid training by the summer of 2023. The initial planning for first extinguishing training was completed at the end of the year and the goal is to start internal training during the spring of 2023.

During its history, Martela has not had any fatal or serious accidents requiring a recovery period of more than 6 months as defined by GRI 403-9. During 2022, there was one accident at work that resulted in more than 30 days of sickness absence that caused a temporary injury to a finger. The ten accidents that occurred during the year that resulted in absenteeism mainly caused sprains, bruises, or wounds. Martela's LTIF (Lost time injury frequency) rate in Finland was 16.5 and in the Group 13.3. The number of accidents decreased by 9% and resulting sickness absences due to them by 47%.

### **Equality is a part of sustainability**

Martela wants to provide a safe, caring, community-oriented and respectful working environment for its entire personnel. Any kind of discrimination

and inappropriate behaviour is prohibited. Corporate responsibility and equality is promoted and monitored through annual training and surveys. The sustainability training for 2022 was implemented in the autumn and was attended by 86% of the personnel. The training examined the commitment of Martela's employees to the principles of the Code of Conduct and their awareness of the necessary practices when they detect actions that violate the principles. The survey showed that almost all (99%) were committed to the principles. 98% of the respondents felt that the meaning of the absolute prohibition of corruption and bribery and of the absolute prohibition of inappropriate behaviour in the workplace was clear. 97% of the respondents also felt that the meaning of equal treatment in practice was clear. Almost 80% of the respondents were aware of how to report anonymously about any misconduct they may have observed. During 2022, however, no complaints on misconduct were reported to any of the available channels of Martela's Whistleblowing system.

92% of all Martela employees, those working in Finland, Sweden and Norway, 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. The pay gap review was carried out only in Finland in 2022. A decision was made not to conduct it in Poland, Sweden, and Norway due to the small number of employees per country. In Finland, the lowest wages paid by Martela were

19% higher than the minimum wage. For blue collar workers, the average total earnings gap for women was slightly higher than for men, i.e. 102%, and in the group of knowledge workers the average earnings of women were 89% of the average earnings of men during 2022.

In 2022 the Martela Group's Board of Directors comprised six members, three men and three women. At the end of the year, the Group Management Team had six members, one woman and five men. Of Martela's entire personnel, 64% are men and 36% are women. The largest age group is 30–50, representing 34% of all employees, with the average age being 47. The oldest employee was aged 73.

### **Safe products**

The physical products offered by Martela are furniture items intended for use in normal office and learning environments. Product safety can be ensured by testing the products according to the criteria in European product standards specified for different product groups and specific purposes of use. Martela's product development phase includes 'type testing' to ensure not only the safety of the product, but also the ergonomics and long useful life of a product before the products are launched on the market. Martela has already had its own testing laboratory concentrating on office furniture in connection with its Nummela unit for three decades. In the laboratory, the durability and stability of furniture products and their compliance with dimensional requirements can be tested. The accreditation of the laboratory has ensured



that the laboratory's test results are comparable with the results of other accredited testing laboratories. Accredited test results are also one of the requirements of the Möbelfakta eco-label. At this point, no harmonised European standards are yet available for the furniture types in Martela's offering so CE marking is not possible at this stage.

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

Many of Martela's products have received the Möbelfakta environmental and responsibility label. Möbelfakta is a label for furniture that meets high quality, environmental and social responsibility requirements, which is managed by Möbelfakta Sverige AB, a non-profit company. The Möbelfakta label is an ISO 14024 type I eco-label based on European quality and environmental standards as well as international requirements for social responsibility. Martela has chosen to use the Möbelfakta label as it emphasises the social responsibility of the supply chain as well as quality and environmental effects. Social responsibility has been an essential aspect for Martela for more than ten years and therefore the company wants to offer its customers a concrete and clear criterion for selection.



## CASE

### Excellent work ethic brought joy

The aim of the planning of Kortepohja's new daycare centre and school was to design a flexibly adaptable and safe building. In principle, the entire building is shared by the school and the daycare centre. The early childhood education groups use all the facilities in the building together with the pupils at the school. The building also houses a library and is also used extensively in the evenings.

With the lightened tendering model the furnishing of the premises started with a description of the functions and the educational aspect. It was also extremely important to allow the users to participate closely in the planning of the spaces, both for achieving a successful outcome and for allowing the users to experience the shared journey of change.

"We spent the summer working with a really competent furniture team, and I will remember their solution-oriented approach as a positive thing. Martela's professional team, with their excellent work ethic, empowered us and brought joy to our unique project, which involved furnishing the Kortetalo daycare centre and school according to our wishes regarding acoustics, ergonomics and flexibility of adaptability and allowed us to create an aesthetic and harmonious result. We are very pleased with the results, so thank you," says Päivi Liimatainen, Principal, Kortepohja daycare centre and school.

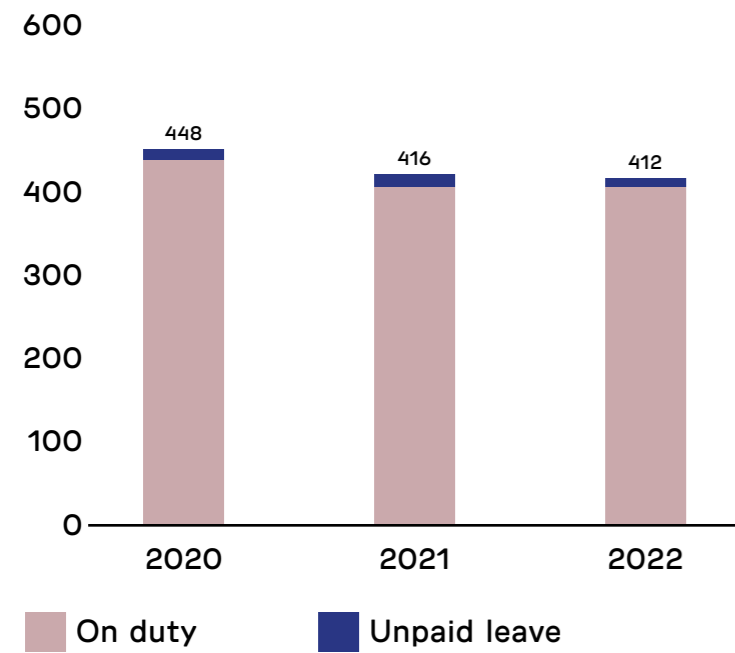
On the opening day of the daycare centre and school, the pupils showed around their new learning environment and demonstrated the ways in which the furniture can be used. This clearly shows that the school trusts its pupils and is engaging them strongly with their new facilities.

Read more:

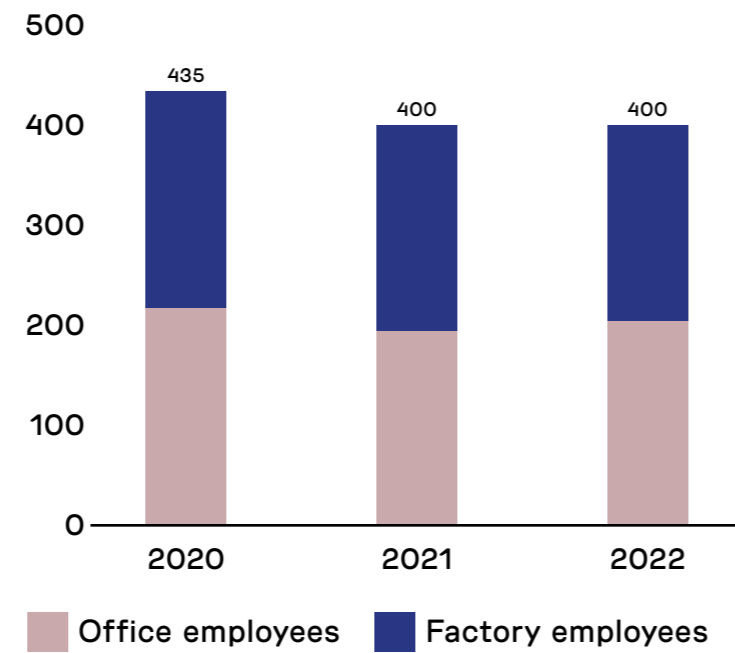
[www.martela.com/cases/kortepohja-school-and-daycare-centre](http://www.martela.com/cases/kortepohja-school-and-daycare-centre)



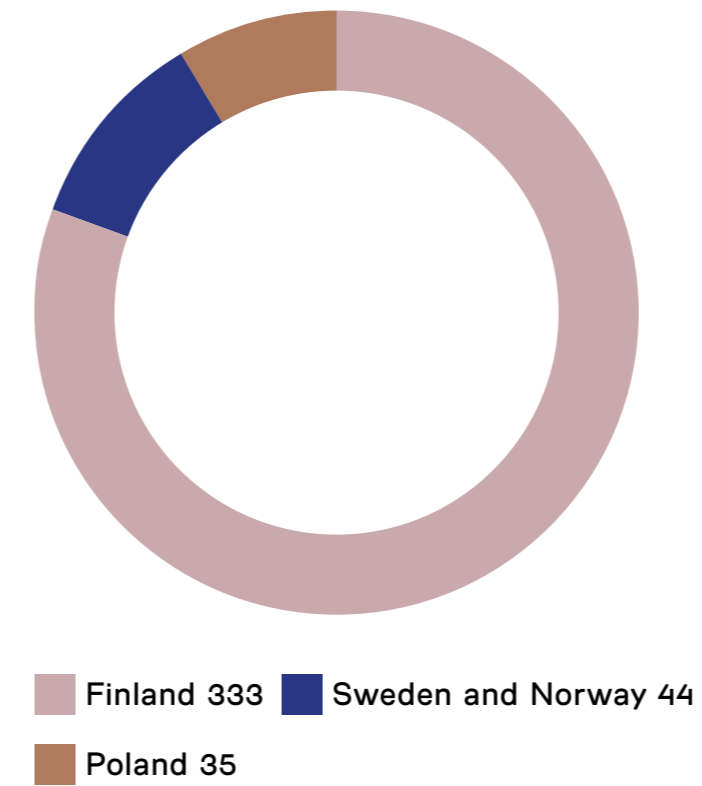
NUMBER OF PERSONNEL AT YEAR END



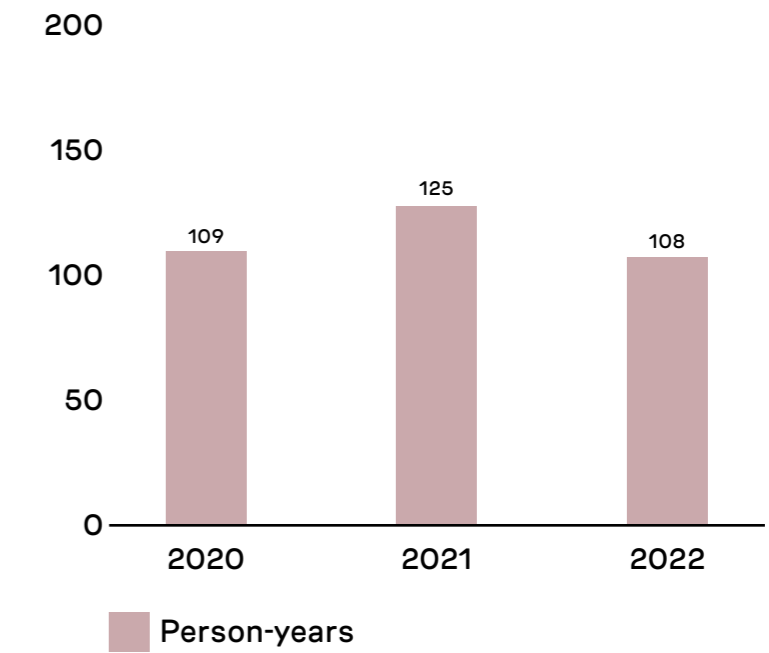
PERSONNEL GROUPS AT YEAR END



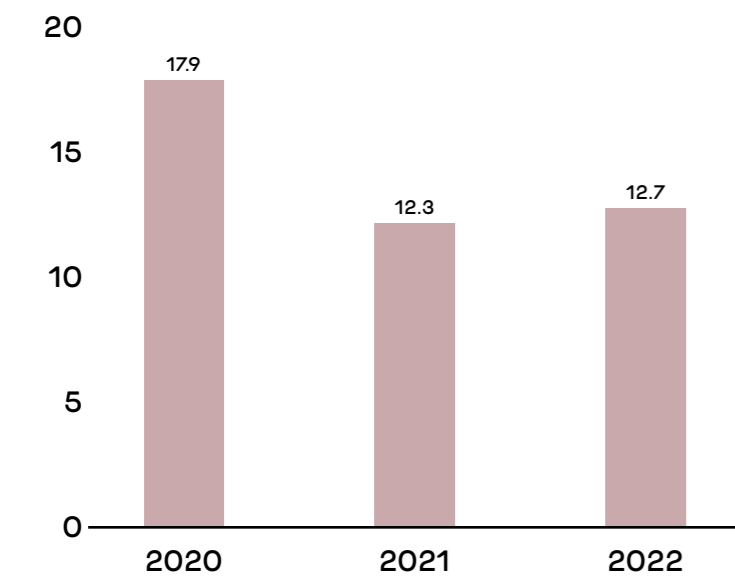
PERSONNEL BY COUNTRIES AT YEAR END



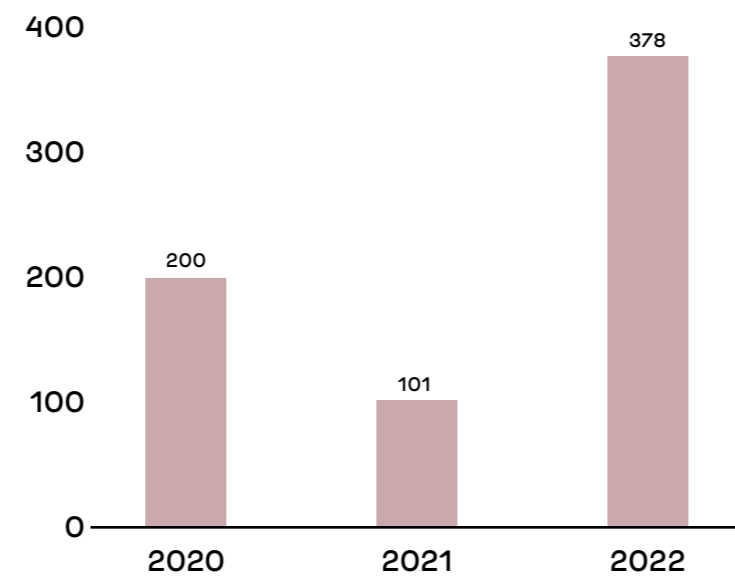
EXTERNAL RESOURCES



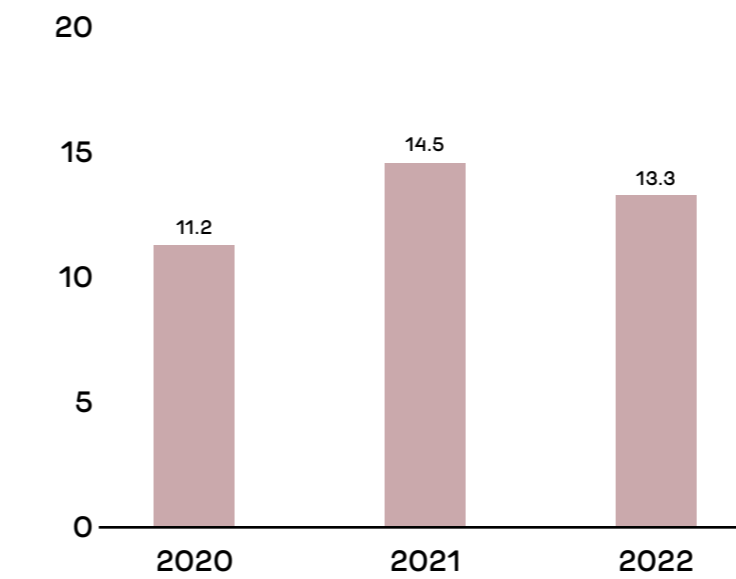
EMPLOYEE TURNOVER (%)



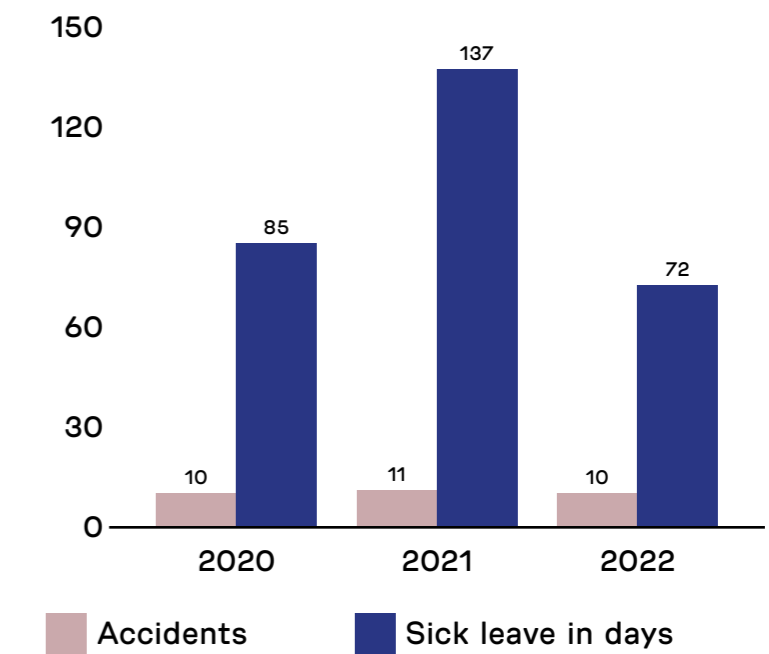
TRAINING (EUR/EMPLOYEE)



LOST TIME INJURY FREQUENCY (LTIF)



OCCUPATIONAL ACCIDENTS AND RESULTING SICK LEAVE DAYS





## Age and gender distribution of the Management Team and the Board

		2020	2021	2022
<b>GMT</b>				
Under 30	male	0%	0%	0%
	female	0%	0%	0%
30–50	male	83%	40%	50%
	female	0%	20%	17%
Over 50	male	0%	40%	33%
	female	17%	0%	0%
<b>Board of Directors</b>				
Under 30	male	0%	0%	0%
	female	0%	0%	0%
30–50	male	29%	33%	33%
	female	14%	17%	0%
Over 50	male	29%	17%	17%
	female	29%	33%	50%

## Gender distribution of personnel by groups of employees

		2020	2021	2022
<b>White collar</b>				
male		23%	26%	24%
female		26%	22%	27%
<b>Senior management</b>				
male		4%	3%	3%
female		2%	2%	2%
<b>Managerial and specialist</b>				
male		19%	23%	22%
female		25%	20%	25%
<b>Blue collar</b>				
male		42%	42%	40%
female		9%	10%	9%
<b>All employees</b>				
male		65%	68%	64%
female		35%	32%	36%

## Total workforce by region and employment contract

		2020	2021	2022
Finland	fixed-term	1	4	6
	regular	360	322	318
Poland	fixed-term	0	0	0
	regular	36	35	34
Sweden & Norway	fixed-term	1	0	1
	regular	37	39	41
<b>Group</b>	fixed-term	2	4	7
	regular	433	396	393

## Total workforce by region and gender

		2020	2021	2022
Finland	male	250	229	222
	female	111	97	102
Poland	male	20	19	17
	female	16	16	17
Sweden & Norway	male	15	16	18
	female	23	23	24
<b>Group</b>	male	285	264	257
	female	150	136	143



### Total number and rate of new employee hires by gender

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
male	37	66%	14	54%	31	55%
female	19	34%	12	46%	24	45%

### Total number of leavers and turnover rate by gender

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
male	63	20%	31	11%	37	14%
female	23	15%	28	19%	20	15%

### Total number and rate of new employee hires by age

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
< 30	33	59%	16	62%	30	54%
30–50	18	32%	5	19%	22	39%
> 50	5	9%	5	19%	4	7%

### Total number of leavers and turnover rate by age

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
< 30	30	88%	14	61%	22	88%
30–50	29	12%	25	11%	19	10%
> 50	27	14%	20	11%	16	9%

### Total number and rate of new employee hires by region

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
Finland	50	89%	21	81%	40	71%
Poland	1	2%	2	8%	5	9%
Sweden & Norway	5	9%	3	12%	11	20%

### Total number of leavers and turnover rate by region

	2020		2021		2022	
	Number	Rate	Number	Rate	Number	Rate
Finland	75	21%	51	16%	47	15%
Poland	5	14%	4	11%	5	15%
Sweden & Norway	6	16%	4	10%	5	12%

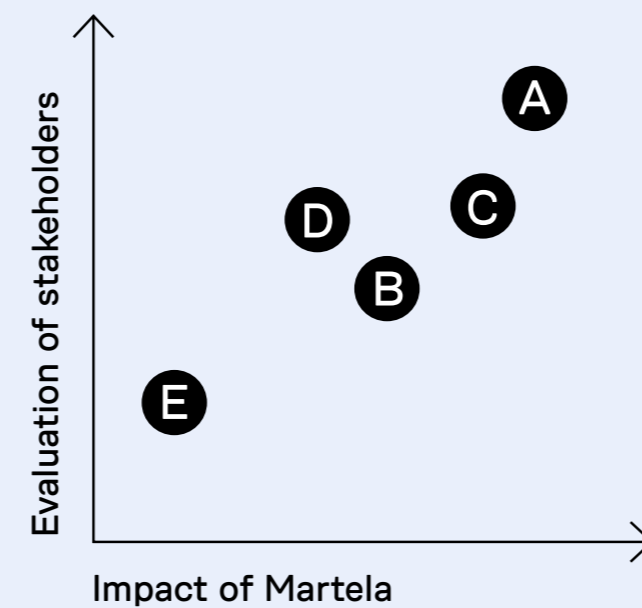


# Environmental responsibility



## Materiality assessment

- A Combatting 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 lifespan by developing circular economy services
- E Reducing direct environmental impacts





## Goals

- Workplace optimisation, continuous improvement and maintenance with attention to the circular economy
- Promoting space efficiency as well as sustainable and versatile solutions using existing and avoiding unnecessary
- Achieving carbon neutrality

## Environmental impact management with lifecycle services

The main idea behind the Martela Lifecycle strategy is to provide customers with efficient, user-centric workplace solutions and related services. Efficient use of space in working and learning environments reduces the use of materials, rental costs and maintenance expenses. Savings in heating and electricity consumption also reduce the carbon footprint of workspaces. Maintenance services help customers extend the useful life of facilities and furniture while also ensuring that they continuously support the changing ways of working. Martela's most significant environmental performance lies in helping its customers use their facilities more efficiently and reducing their climate effects with the lifecycle model. However, as Martela does not yet have data on the development of its customers' efficient use of space or reduced energy consumption, the company focu-

ses on the environmental impacts of its own operations in its reporting on environmental responsibility. The carbon footprint saved by using the lifecycle services is estimated to be significantly larger than Martela's scope 1 and 2 carbon footprint. The carbon handprint project led by VTT and LUT University started in 2021 with the aim of comparatively calculating the positive climate effects of solutions based on the circular economy model. So far, the results achieved with the lifecycle service look promising, but the calculation model is still subject to peer review. The completion of the research project has been postponed until the beginning of 2024.

## Durability versus throwaway culture

The sustainability of products and services must be designed before they are introduced to the market. When any manufactured product uses the Earth's limited resources, it must be used for its intended purpose for as long as possible and, at the end of its useful life, the materials used must be utilised effectively. It is also important that the product is purchased based on a user need and the product is suitable for the intended use.

For more than 75 years, Martela's operations have been developed with environmental considerations in mind. Sustainability is reflected in its comprehensive assessment of environmental effects throughout the value chain and in measures to reduce its environmental impact. By producing durable, high-quality furniture Martela is taking

a stand against the modern throwaway culture. Its products have been designed for long-lasting, heavy-duty use. Product design at Martela also aims to create products that can be used for decades. Good examples of timeless design are the Kilta chairs from 1955, which are still in production. Classic design is timeless.

The circular economy aspect of furniture also plays a key role in Martela's operations. Martela's furniture has been designed to be refurbished and restored, and the materials can be recycled or used as a source of energy. When designing new work environment solutions for customers, the old furniture can either be included in the new design or recycled responsibly through Martela. As part of its comprehensive service, Martela also offers a circular economy service to its customer companies. In 2022, the amount of used furniture received from customers for material recovery increased from the previous year to 2.9 million kilos. Nearly 50% of this material is wood-based and 34% is other materials suitable for energy recovery. Only 15% is metal and can be recycled as material. Some of the products received through the circular economy service are remanufactured by Martela and some are passed on to various partners. Used furniture that is in good condition is cleaned and refurbished at the Nummela production centre and then made available for corporate and private customers through the Martela Outlet web shop and stores. In 2022, around 23,700 pieces of used furniture found new homes through the Martela Outlet chain. Martela Outlet sales were boosted by

companies' growing interest in purchasing used furniture. In addition, about 1,600 pieces of furniture found a new user through partners.

## Customer steers the production

Martela's new products are highly modular and are manufactured based on customers' orders. Some end-product combinations may be ordered by just one customer. Customers always choose the upholstery materials for each order. Remanufacturing production operates on the terms of the material offered, but there too, trends in customer demand affect the selection of products to be refurbished. Martela's production volumes of new products increased 3% compared to the previous year and remanufacturing volumes 6%. The manufacturing processes of new products are designed according to delivery time categories. Components for products with short delivery times wait for customer orders in Martela's production and logistics centre, and components for products with longer delivery times wait in their standard supply chain. Although the war in Ukraine has hampered the worldwide availability of materials and components, our well-established supplier relationships have ensured a good level of security of supply for our customers.

## Unified processes in control

Martela's head office, Martela House, moved from Pitäjänmäki in Helsinki, Finland to Keilaniemi in Espoo, Finland in May. During the year, several sales offices also moved to new premises. The Nummela



production and logistics centre focuses on the final assembly of new products and the remanufacturing of used products. Upholstery components are assembled at Martela's own plant in Poland, and table top and storage unit components are manufactured at Kidex 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 Groupwide 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. Since the beginning of 2021, Martela has also had multi-site certification for its occupational health and safety system in accordance with the ISO 45001 standard. With these common operating systems Martela ensures that consistent operating models are used at all levels of operations within the Group. The certification covers the Group functions managed at the head office, the operations at the production and logistics centre in Nummela, at Kidex Oy in Kitee and the production in Piaseczno, Poland.

### Sustainable and recyclable materials

The main materials that Martela uses for its products are wood-based panels and components, metal and plastic components and upholstery materials. The company favours sustainable and recyclable materials that have been produced responsibly. Materials and components are purchased from a well-established chain of reliable suppliers located as close to the production facilities as possible. This ensures high-quality and predictable sourcing with the lowest possible environmental load. Wood materials are sourced from sustainably grown commercial forests.

In 2022, the amount of material used for production decreased by 25% from the previous year, reaching around 6.1 million kilograms. The biggest decrease was in purchases of wood material, which was partly due to the increase in the work services provided by the Kitee factory. In the work services, the customer procures the raw material and the Kitee factory is only responsible for the machining of the material. Data on purchased items reveals that nearly 42% of the materials used were wood-based and 22% were metal-based. Material or weight information is not comprehensively recorded in the system and the group 'Others', which includes unspecified or mixed materials, accounted for 33%. 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 7% of the total material usage. The chipboard made from recycled materials that is increasingly used cannot be included in the calculation

### Purchased materials (1,000 kg)

	2020	2021	2022
Woodbased materials	3,089	4,058	2,531
Metal components	1,844	1,797	1,335
Plastic components and paddings	201	238	167
Glass components	0	0	16
Other	1,765	2,071	2,036

of the share of recycled material as availability of recycled raw material is fluctuating heavily due to the current energy crisis. The acoustic panel in the Face screen is made from mainly recycled PET bottles. Customers can also choose from an expanding range of upholstery materials made from recycled fibres.

The products' packaging materials are optimised so that they guarantee product quality during transportation using as little packaging material as possible. The packaging is made of easily recyclable or reusable materials that are as light as possible. Products are mainly packed with wooden pallets and board, cardboard and plastic. The packaging is subsequently recycled or used as an energy source after possible reuse.

In its use of materials, Martela aims for minimal waste and any surplus materials are used in remanufacturing production. In 2022, the production waste generated by the entire group amounted to 1.8 million kilos, of which 99.1% was recovered. Only 0.9% was hazardous waste resulting mainly from the maintenance of equipment and buildings. The

amount of waste remained at almost the same level as in the previous year.

### Climate impacts are mainly from material use

Martela's own production generates very low direct emissions into the air and no hazardous substances are used. The emissions of volatile organic compounds (VOC) from Kidex Oy's plant fell by half and last year's total VOC emissions were only 150 kilos.

Martela calculates its climate impact according to the GHG protocol, taking into account direct emissions (scope 1), emissions from the production of purchased energy (scope 2) and indirect emissions from the value chain (scope 3). Martela's most significant climate impact arises from the use of materials related to products and services offered to customers. Greenhouse gas emissions from materials totalled 8.3 million kilos during 2022, which was 20% less than in the previous year. The change in the level of measurement results is due to the decrease in the use of materials.



During the year, emissions from material usage and leased company cars decreased the most.

Of these emissions, 75% were related to the use of materials purchased for products delivered to customers (scope 3), 4% arose from the indirect use of energy (scope 2) and 9% were related to the installation delivery to customers (scope 1). Carbon dioxide emissions from the use of materials have been calculated using the coefficients for material use provided by the Footprinter software. The coefficients for the climate impacts of the use of materials include the carbon emissions of estimated material and component logistics for each type of material.

During 2022, 99% of the value of distribution-related freight transport was purchased from suppliers who share their CO<sub>2</sub> emissions calculations. Based on this information, the CO<sub>2</sub> emissions from distribution freight logistics (TTW) were approximately 690 tonnes (scope 3). The carbon dioxide emissions of the long distance transport sections of the distribution have only been calculated since 2019, when an extensive development project for Martela's freight logistics was launched. The aim is to improve efficiency and reduce climate impact. This share of emissions covered 8% of Martela's total emissions in 2022.

For the first time, Martela analysed the climate effects of waste for the period of 2022. The calculation is made by the waste management partner and it covers 97% of the waste generated from Martela's own operations. The calculation only covers production located in Finland. Based on the

calculation, the carbon dioxide emissions caused by production waste processing was approximately 260 t CO<sub>2</sub>eq. On the other hand, emissions of approximately 1,500 t CO<sub>2</sub>eq were avoided in the production of raw materials and energy production through the utilisation of waste. Thus a calculated reduction of 1,240 t CO<sub>2</sub>eq in carbon dioxide emissions was achieved through the utilisation of waste streams.

### Savings in scope 2 emissions

The amount of indirect greenhouse gas emissions under Martela's scope 2 has decreased by 89% in a decade as indirect energy consumption has fallen by 34%. The largest reduction in greenhouse gas emissions has been achieved by purchasing mainly zero-emission electricity since 2015. Martela's energy intensity in 2022 in relation to turnover was 295 GJ/ EUR million and in relation to the production volume of its own products 0.12 GJ/ piece. Since energy consumption is not dependent on production volume, the easiest way to reduce energy intensity is to increase production volume or turnover using the same premises.

The share of renewable electricity was 88% of the entire Group's calculated use of electricity. In the case of Martela's former and current head office and the Nummela unit, energy consumption is an estimated figure. A large part of the old head office building was used by other companies, and even in the new property, Martela was the sole tenant for a short period of time. The office building in the Nummela plant area was also leased to another operator.

There is no user-specific energy measurement in any of these buildings. The lessor is responsible for the energy procurement of both head office buildings. Martela purchased electricity for the Nummela and Kitee sites from a single supplier. For the unit in Poland, the lessor is responsible for the procurement of electricity and Polish average coefficients have been used in the climate impact calculations. The premises in Nummela and Kitee mainly use district heating generated from renewable sources of energy. Production facilities in Poland are heated with gas by the lessor. 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 district heating suppliers in Helsinki, Kitee 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.

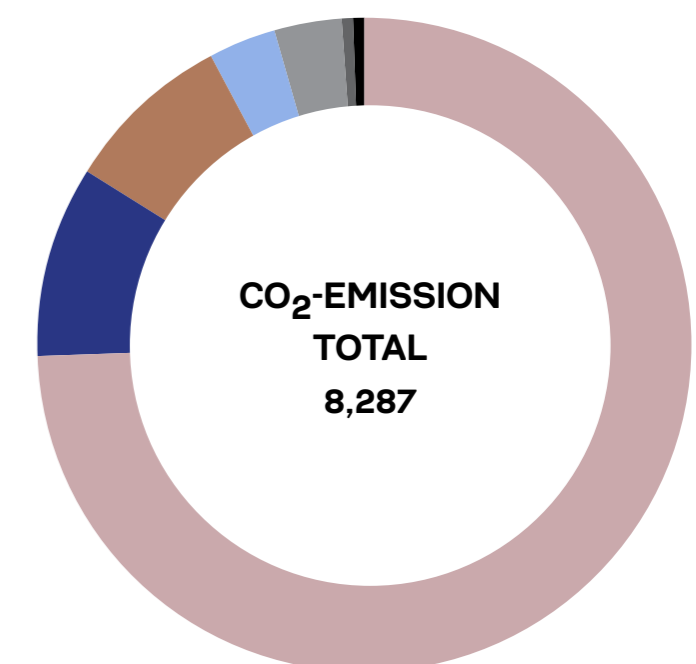
The total amount of indirect energy used for heating, lighting and ventilation in Martela's premises was 31,500 GJ in 2022. Of the total amount of energy used, 91% was from renewable energy sources, 7% was from fossil sources and 2% was nuclear power. The non-renewable energy comes mainly from district heating used in head office and the nuclear energy is calculated from the average coefficients for electricity. The consumption of electricity decreased 1% and district heating decreased by almost 10% due to the mild winter. The use of heating energy produced from gas decreased also by 36%. Function-specific environmental action groups mo-

onitor the implementation of practical measures related to climate and environmental effects in the objectives relevant to each function.

### Scope 1 emissions removed

Almost a decade ago, Martela heated its properties by burning oil. Since 2014 the premises have been heated with purchased energy, which is why this part of scope 1 emissions has transferred to scope 2 emissions. The purchased energy is also mainly

CO<sub>2</sub> EMISSION DIVISION (1,000 KG)



- Material use 6,178
- Installing distribution 781
- Freight distribution 689
- Purchased energy 294
- Production waste 260
- Company cars 55
- Business flights 31



produced with renewable energy sources instead of the previous fossil fuel oil. The environmental effects of Martela's installation delivery have been monitored actively since the 1990s, and the company has aimed to mitigate these effects through optimised fleet and distribution plans as well as by designing packaging and planning loading operations carefully. However, most of the time, the installation delivery fleet is parked at the production site for loading or at the customer's site for unloading. In addition to its own transportation fleet, Martela uses leased vehicles and the services of partners. In 2022, the indicator for emissions from transportation was mainly calculated using the mileage per vehicle in its own fleet. With delivery vans and the fleet of its partners, it still had to resort to estimates of kilometres driven. When the partially measured and partially estimated mileages were multiplied with Lipasto coefficients, the carbon dioxide emissions of the distribution logistics in all of Finland decreased 4% from the previous year and amounted to 781 tonnes, while NOx emissions totalled 1.2 tonnes and SO<sub>2</sub> emissions totalled 3 kilos. All the emissions from installation delivery have all been included in scope 1.

### Commuting and business travel minimised

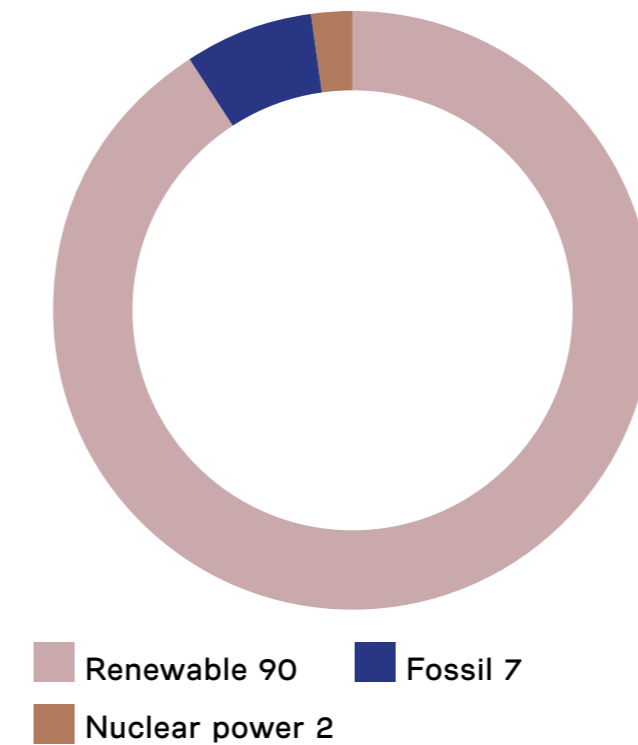
Martela also seeks to reduce its environmental impacts by promoting remote working and videoconferencing opportunities, which reduce the need for business travel, and by encouraging employees to commute using public transport. The CO<sub>2</sub> emissions

of work-related flights more than tripled to 31 tonnes due increased travel after the pandemic. However, the share of commercial flights in the total emissions is so small that it is not significant for the entity. Around 80% of the business trip bookings are estimated to be made by Martela's employees via a centralised reservation system. Data on the climate impact of business operations in Norway and Sweden is not included in the calculation.

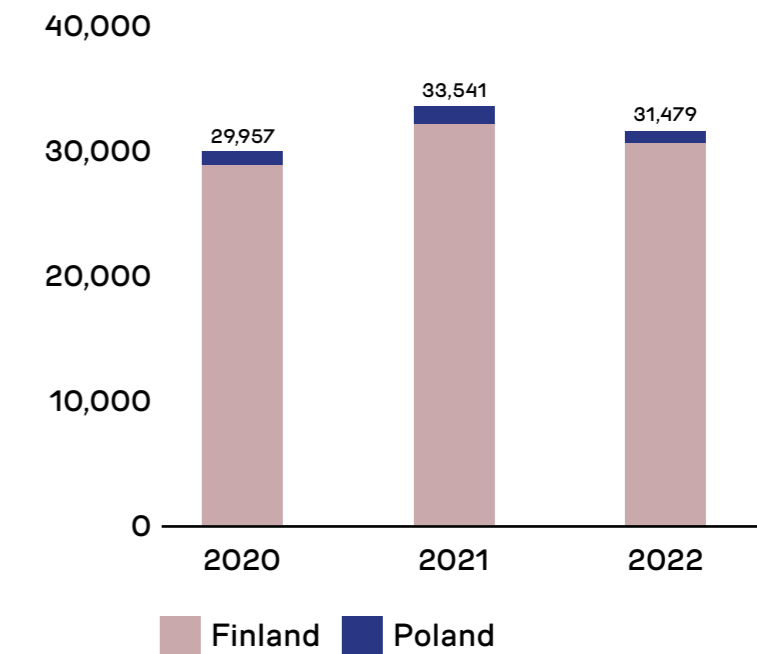
Emissions from company cars are also monitored closely. The number of leased company cars used in Finland decreased during 2022 and at the same time the average carbon dioxide emissions decreased to 116 g/km. The maximum emission limit in Martela's updated company car guidelines is 140 g/km. The emissions of six current company cars exceed the new guideline, but five of these will come to the end of their lease agreement during the year 2023. The total CO<sub>2</sub> emissions from all leased company cars used by Martela's employees were calculated to be approximately 55 tonnes.

Martela also carried out a preliminary analysis of the emissions caused by commuting using the sustainability questionnaire in the autumn. Based on about 300 responses received, more than 60% of commuting is done with one's own car. The calculated carbon dioxide emission were about 212 tons based on the emissions of an average car. Thanks to remote work, 50 tons of carbon dioxide emissions were correspondingly saved. However, a significant part of this preliminary calculation probably overlaps with the emission calculation for the leased company cars.

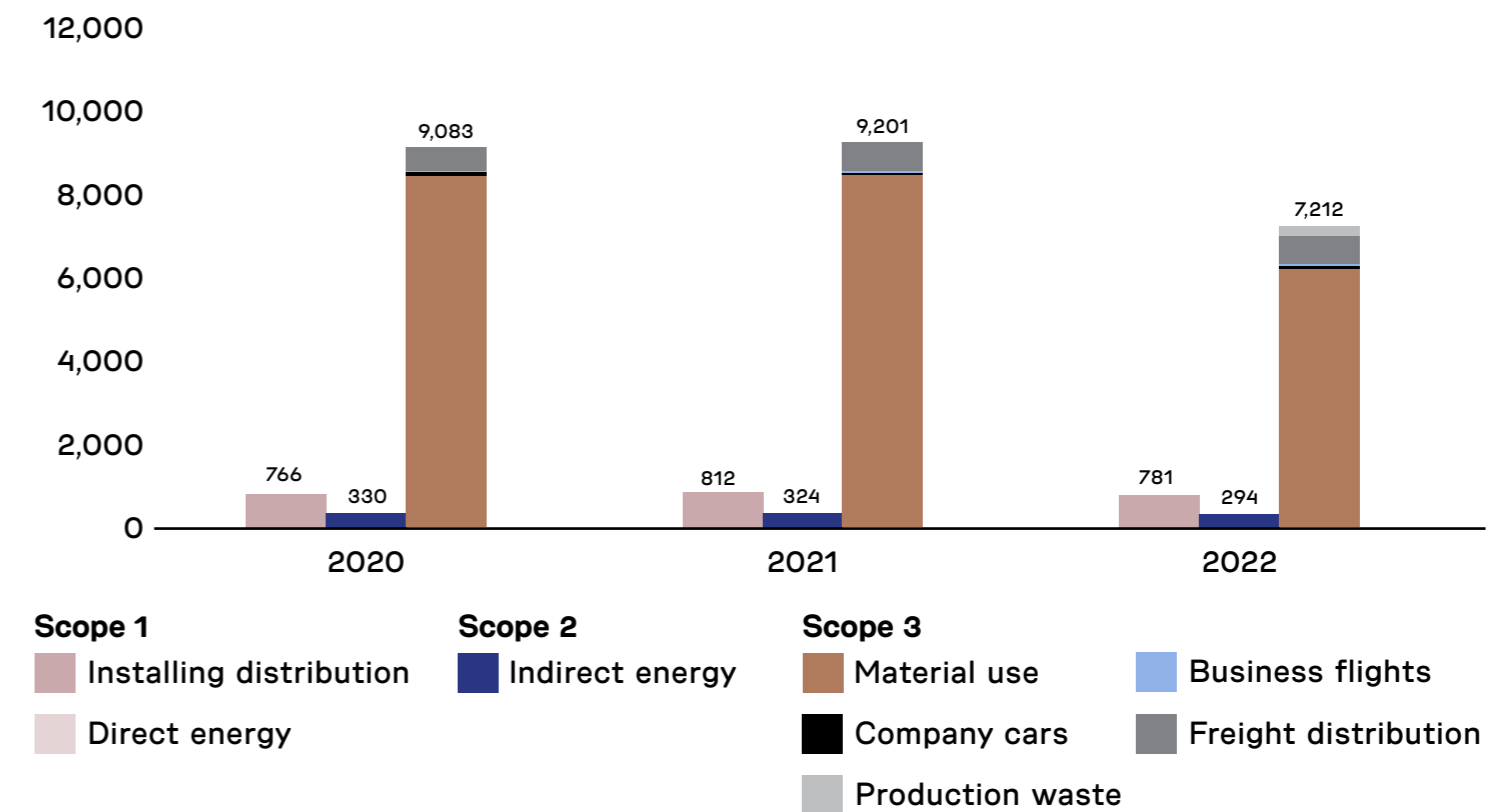
SOURCES OF INDIRECT ENERGY (%)



USE OF INDIRECT ENERGY (GJ)

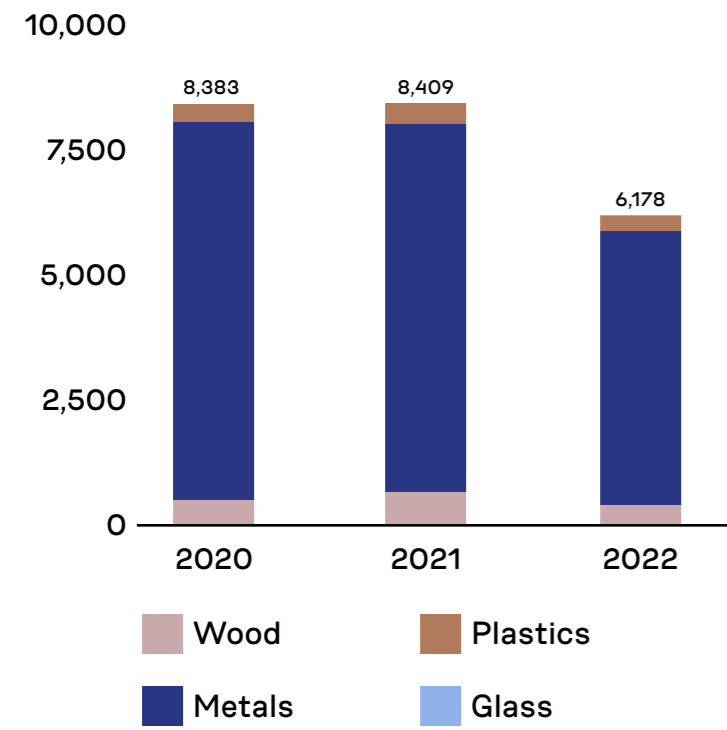


CO<sub>2</sub> EMISSION DIVISION (1,000 KG)

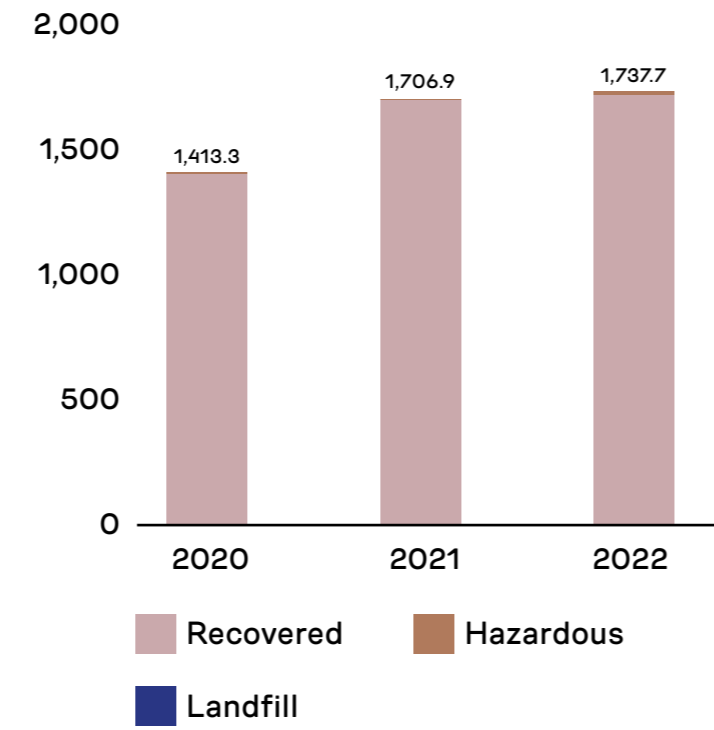




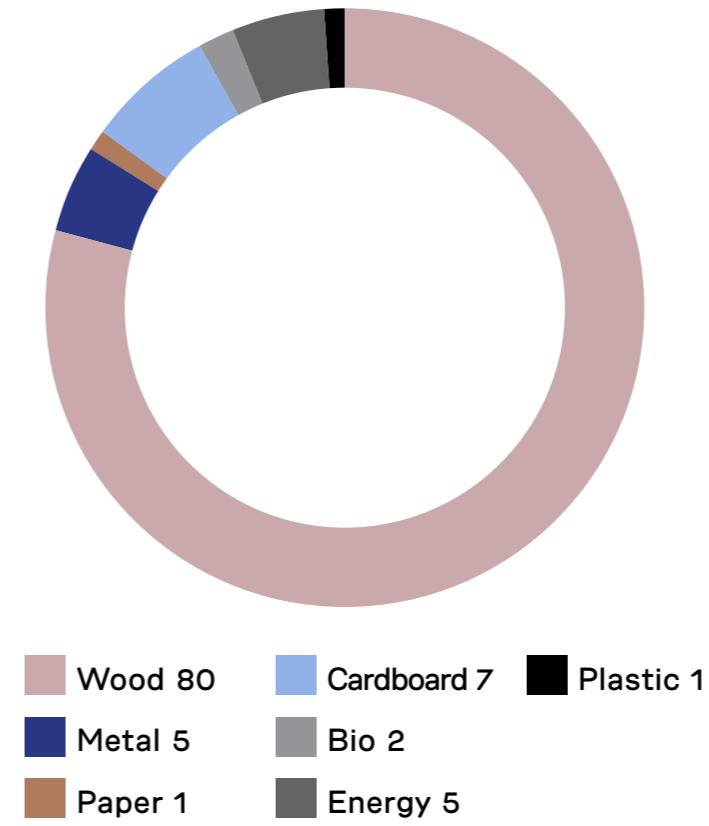
CO<sub>2</sub> EMISSIONS OF MATERIALS (1,000 KG)



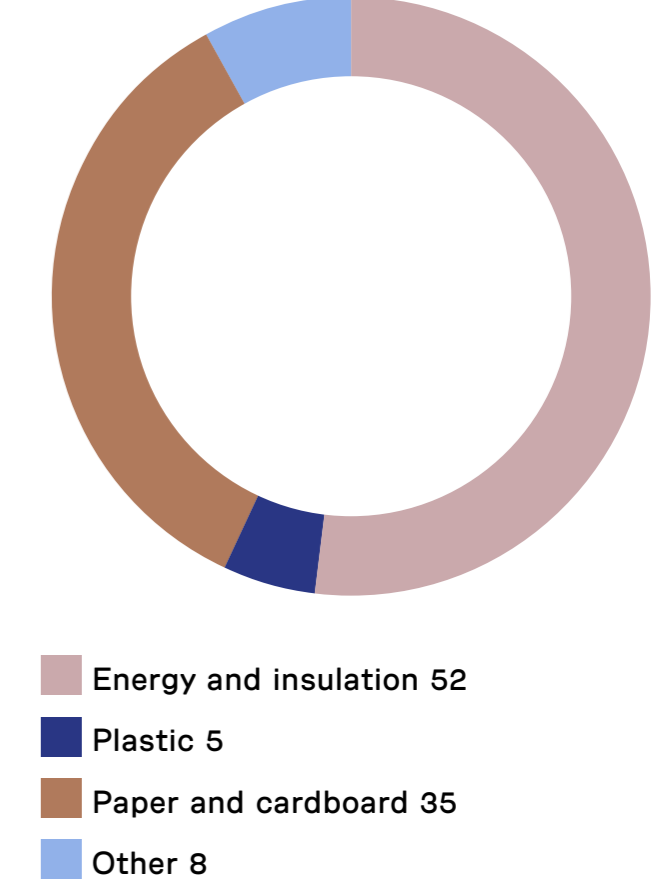
PRODUCTION WASTE, FINLAND (1,000 KG)



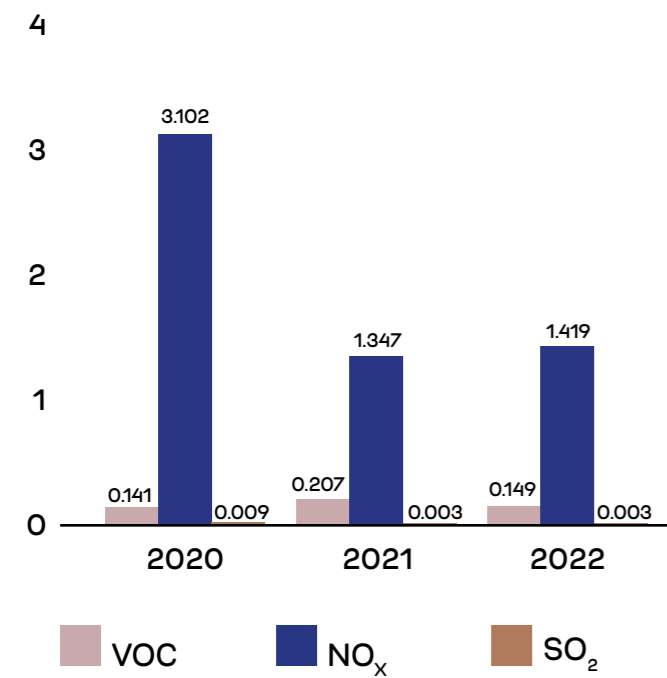
RECOVERED WASTE, FINLAND (%)



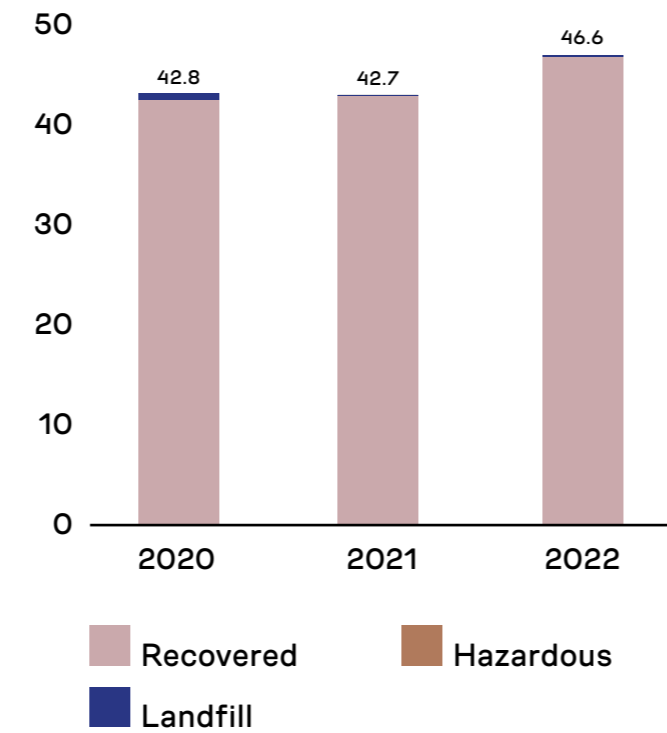
RECOVERED WASTE, POLAND (%)



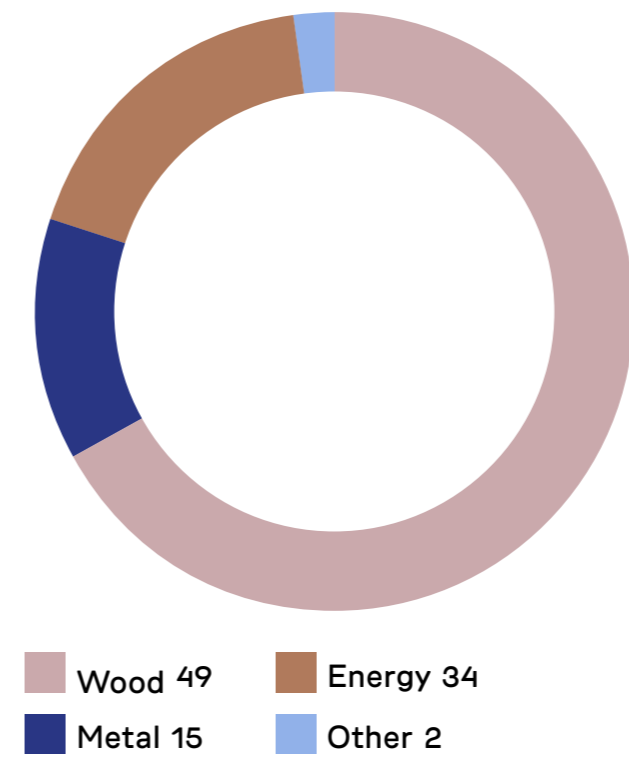
EMISSIONS TO THE AIR (KG)



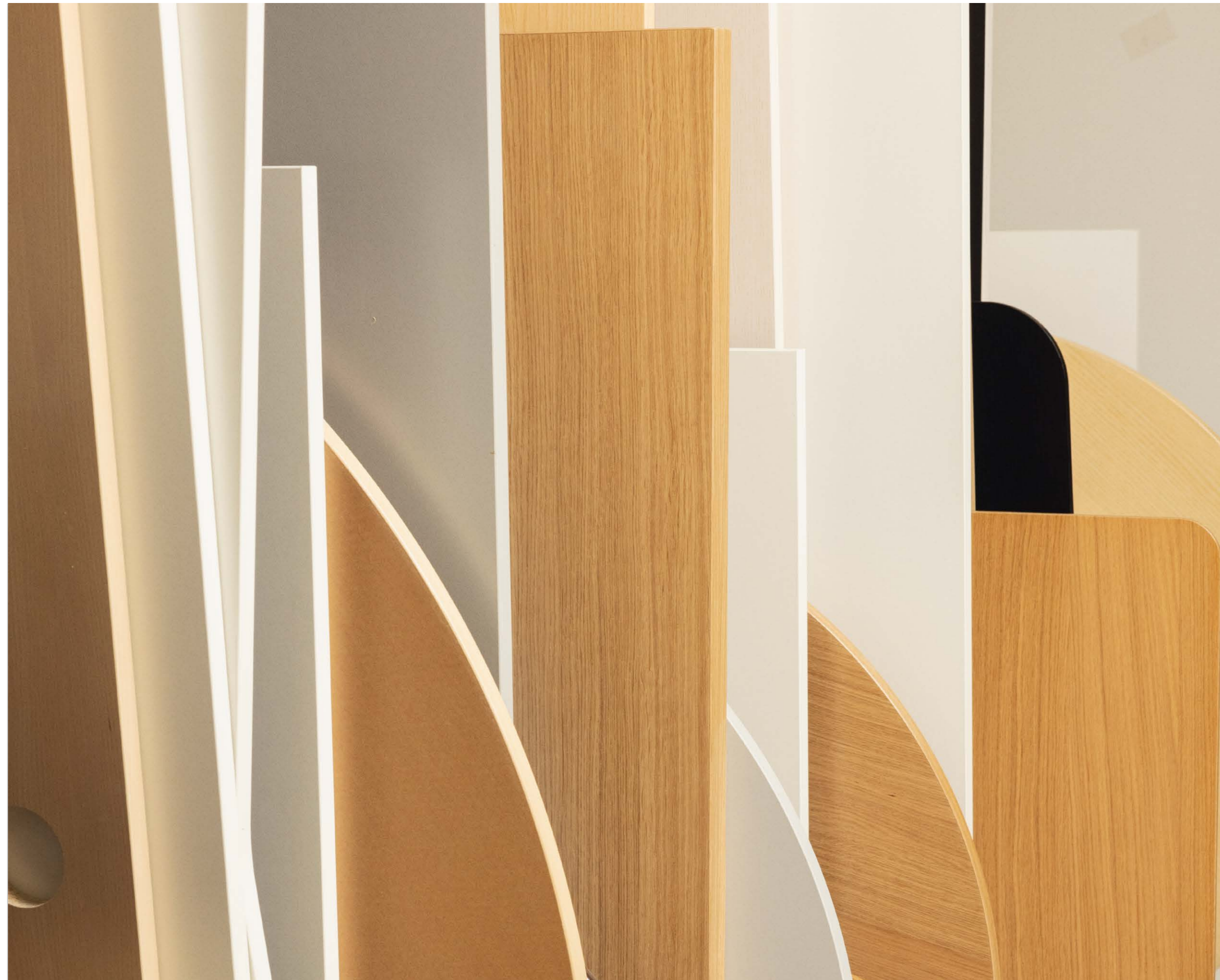
PRODUCTION WASTE, POLAND (1,000 KG)



USED MATERIALS FROM CUSTOMERS IN FINLAND (%)







## CASE

**Martela's path to carbon neutrality**

The solution to achieving Martela's carbon neutrality lies in measures related to the circular economy, as the most significant source of emissions is found in the raw materials of the furniture delivered to customers.

We have been reducing the carbon dioxide emissions from our production processes by using zero-emission electrical energy for almost a decade. At the same time, we have also been reducing our energy use by concentrating our manufacturing operations. Over ten years, we have already achieved an 89% reduction in carbon dioxide emissions from purchased energy.

Most of our calculated Scope 3 emissions come from the materials used in the products we supply to our customers. In 2022, they accounted for around 6,200 t CO<sub>2</sub>, which is 75% of our total emissions. Our products have always been designed to be durable, which means that the material we use will remain in its original use for as long as possible.

We also know that user needs regarding a certain space can change, so the original user may not want to use the furniture for its entire useful life. To address this issue, we have developed the Workplace as a Service (WaaS) model. In order to develop a way of calculating the 'carbon handprint' in a comparable way, we joined the science-based Carbon neutrality empowered by handprint project. We may be able to calculate the 'carbon offset' generated through our services in the future.

Read more: [www.martela.com/about-us/about-martela/news-articles/martelas-path-to-carbon-neutrality](https://www.martela.com/about-us/about-martela/news-articles/martelas-path-to-carbon-neutrality)



# GRI index

Global Compact	GRI standard	Description	Location and comments
	<b>GRI 102: GENERAL DISCLOSURES</b>		
	<b>Organizational profile</b>		
	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	Miestentie 1, Espoo
	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
x	102-8	Information on employees and other workers	Social responsibility p. 24–31
	102-9	Supply chain	Economic responsibility p. 19–23
	102-10	Significant changes to the organization and its supply chain	No major changes in organisation or supply chain during 2022
	102-11	Precautionary Principle or approach	Martela Annual report 2022 p. 11–18
	102-12	External initiatives	Contents and scope of report p. 4
	102-13	Membership of associations	Economic responsibility p. 19–23
	<b>Strategy</b>		
	102-14	Statement from senior decision-maker	CEO's and sustainability team's interview p. 5–6
	102-15	Key impacts, risks, and opportunities	CEO's and sustainability team's interview p. 5–6
	<b>Ethics and integrity</b>		
	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, <a href="http://www.martela.com/about-us/sustainability/corporate-responsibility">www.martela.com/about-us/sustainability/corporate-responsibility</a>



Global Compact	GRI standard	Description	Location and comments
	<b>GRI 102: GENERAL DISCLOSURES</b>		
	<b>Governance</b>		
	102-18	Governance structure	Martela Annual report 2022 p. 62–66
	102-19	Delegating authority	Martela Annual report 2022 p. 62–66
	102-20	Executive-level responsibility for economic, environmental, and social topics	Management of Sustainability p. 14-16
	102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders and their expectations p. 13, Management of Sustainability p. 14-16
	102-22	Composition of the highest governance body and its committees	Martela Annual report 2022 p. 67–68
	102-23	Chair of the highest governance body	Martela Annual report 2022 p. 67
	102-24	Nominating and selecting the highest governance body	Martela Annual report 2022 p. 62–66
	102-25	Conflicts of interest	Martela Annual report 2022 p. 62–66
	102-26	Role of highest governance body in setting purpose, values, and strategy	Martela Annual report 2022 p. 62–66
	102-27	Collective knowledge of highest governance body	Martela Annual report 2022 p. 62–66
	102-28	Evaluating the highest governance body's performance	Martela Annual report 2022 p. 62–66
	102-29	Identifying and managing economic, environmental, and social impacts	Martela Annual report 2022 p. 62–66
	102-30	Effectiveness of risk management processes	Martela Annual report 2022 p. 62–66
	102-31	Review of economic, environmental, and social topics	Martela Annual report 2022 p. 62–66
	102-32	Highest governance body's role in sustainability reporting	Management of Sustainability p. 14-16
	102-33	Communicating critical concerns	Management of Sustainability p. 14-16
	102-34	Nature and total number of critical concerns	No critical concerns were detected or received during the year
	102-35	Remuneration policies	<a href="http://www.martela.com/about-us/about-martela/investors/corporate-governance/rewarding">www.martela.com/about-us/about-martela/investors/corporate-governance/rewarding</a>
	102-36	Process for determining remuneration	Martela Annual report 2022 p. 62–66
	102-37	Stakeholders' involvement in remuneration	Shareholders that represent over 50% of company's voting rights shall propose to Annual General Meeting the composition and remuneration of the Board of Directors.
	102-38	Annual total compensation ratio (of highest local to median)	Increased to 6.26 (2021: 5.30)
	102-39	Percentage increase in annual total compensation ratio	615%: compensation to CEO increased about 22.3% and average salary increased about 3.6%
	<b>Stakeholder engagement</b>		
x	102-40	List of stakeholder groups	Stakeholders and their expectations p. 13
	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



Global Compact	GRI standard	Description	Location and comments
	<b>GRI 102: GENERAL DISCLOSURES</b>		
	<b>Reporting practice</b>		
	102-45	Entities included in the consolidated financial statements	Martela Annual report 2022 p. 44
	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. 19–38
	102-48	Restatements of information	Contents and scope of report p. 4, GRI-standard content index p. 39–43
	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	Management of Sustainability p. 16
	102-54	Claims of reporting in accordance with the GRI Standards	GRI-index p. 39–43
	102-55	GRI content index	GRI-index p. 39–43
	102-56	External assurance	Contents and scope of report p. 4
	<b>GRI 103: Management Approach</b>		
	103-1	Explanation of the material topic and its Boundary	Economic, social and environmental responsibility p. 19–38
	103-2	The management approach and its components	Management of Sustainability p. 14–16
	<b>200 - ECONOMIC IMPACTS</b>		
	<b>GRI 201: ECONOMIC PERFORMANCE</b>		
	201-1	Direct economic value generated and distributed	Economic responsibility p. 19–23
	201-3	Defined benefit plan obligations and other retirement plans	Martela Annual report 2022 p. 40
	201-4	Financial assistance received from government	Economic responsibility p. 19–23
	<b>GRI 202: MARKET PRESENCE</b>		
x	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Social responsibility p. 24–31
	202-2	Proportion of senior management hired from the local community	100%
	<b>GRI 204: PROCUREMENT PRACTICES</b>		
	204-1	Proportion of spending on local suppliers	Economic responsibility p. 19–23



Global Compact	GRI standard	Description	Location and comments
<b>GRI 205: ANTI-CORRUPTION</b>			
x	205-2	Communication and training about anti-corruption policies and procedures	Management of Sustainability p. 14–16, Economic responsibility p. 19–23
	205-3	Confirmed incidents of corruption and actions taken	There have been no cases of corruption in Martela's operations during 2022
<b>300 - ENVIRONMENTAL IMPACTS</b>			
<b>GRI 301: MATERIALS</b>			
x	301-1	Materials used by weight or volume	Environmental responsibility p. 32–38
x	301-2	Recycled input materials used	Environmental responsibility p. 32–38
	301-3	Reclaimed products and their packaging materials	Environmental responsibility p. 32–38
<b>GRI 302: ENERGY</b>			
x	302-1	Energy consumption within the organization	Environmental responsibility p. 32–38
	302-2	Energy consumption outside of the organization	Environmental responsibility p. 32–38
	302-3	Energy intensity	The energy purchased (district heating, electricity, gas) by Martela in relation to net sales was 295 GJ/EUR million
<b>GRI 304: BIODIVERSITY</b>			
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected area	Martela does not have activities in nature reserves or in areas of high biodiversity value
	304-2	Significant impacts of activities, products, and services on biodiversity	Martela takes into account biodiversity by using only wood species grown in commercial forests for its products
<b>GRI 305: EMISSIONS</b>			
x	305-1	Direct (Scope 1) GHG emissions	Environmental responsibility p. 32–38
x	305-2	Energy indirect (Scope 2) GHG emissions	Environmental responsibility p. 32–38
	305-3	Other indirect (Scope 3) GHG emissions	Environmental responsibility p. 32–38
	305-4	GHG emissions intensity	Environmental responsibility p. 32–38
	305-5	Reduction of GHG emissions	Environmental responsibility p. 32–38
	305-6	Emissions of ozone-depleting substances (ODS)	Environmental responsibility p. 32–38
x	305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	Environmental responsibility p. 32–38
<b>GRI 306: EFFLUENTS AND WASTE</b>			
	306-1	Water discharge by quality and destination	Martela has no discharge to waterways
x	306-2	Waste by type and disposal method	Environmental responsibility p. 32–38
<b>400 - SOCIAL IMPACTS</b>			
<b>GRI 401: EMPLOYMENT</b>			
x	401-1	New employee hires and employee turnover	The total number of new employees was 56, of which 40 in Finland, 11 in Sweden and Norway and 5 in Poland, Social responsibility p. 24–31



Global Compact	GRI standard	Description	Location and comments
	<b>GRI 402: LABOUR/MANAGEMENT RELATIONS</b>		
x	402-1	Minimum notice periods regarding operational changes	Martela follows the notice periods defined by its operating countries
	<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</b>		
x	403-1	Occupational health and safety management system	Martela has ISO 45001 certification since 7th January 2021
	403-4	Worker participation, consultation, and communication on occupational health and safety	2022 there were occupational safety committees in Finland and Poland, covering 90% of the Group's total personnel
	403-8	Workers covered by an occupational health and safety management system	Martela's ISO 45001 certification covers Martela's personnel in Finland and Poland, which cover 90% of the Group's total personnel
	403-9	Work-related injuries	Social responsibility p. 24–31
	403-10	Work-related ill health	Social responsibility p. 24–31
	<b>GRI 404: TRAINING AND EDUCATION</b>		
	404-1	Average hours of training per year per employee	The average training hours were 8.4 h and the external training costs averaged EUR 380 per person-year during 2022
	404-2	Programs for upgrading employee skills and transition assistance programs	Social responsibility p. 24–31
	404-3	Percentage of employees receiving regular performance and career development reviews	The development discussion model covers all employees, implementation: Key responsibility indicators p. 17
	<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY</b>		
x	405-1	Diversity of governance bodies and employees	Social responsibility p. 24–31
	405-2	Ratio of basic salary and remuneration of women to men	Social responsibility p. 24–32
	<b>GRI 406: NON-DISCRIMINATION</b>		
	406-1	Incidents of discrimination and corrective actions taken	In 2022 there was no incidents of discrimination in Martela
	<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT</b>		
	414-1	New suppliers that were screened using social criteria	Economic responsibility p. 19–23
	<b>GRI 415: PUBLIC POLICY</b>		
	415-1	Political contributions	Economic responsibility p. 19–23
	<b>GRI 416: CUSTOMER HEALTH AND SAFETY</b>		
	416-1	Assessment of the health and safety impacts of product and service categories	Social responsibility p. 24–31
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no incidents of non-compliance concerning the health and safety impacts of Martela products and services
	<b>GRI 417: MARKETING AND LABELING</b>		
x	417-1	Requirements for product and service information and labeling	Social responsibility p. 24–31





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