



Designing with Nature

Our Pathway to Sustainability
Environment Furniture, Inc.

environment[®]furniture

Mission Statement

Environment Furniture strives to create beautiful furniture that balances innovation and sustainability and to work in ways that value humanity and the environment now and in the future.

Environment Furniture enjoys a reputation as an innovative, environmentally responsible company in large part because we use reclaimed, recycled, and sustainably harvested wood in our uniquely beautiful furniture collections.

What many of our customers and retailers may not realize is how deeply we feel our commitment to sustainability. We are dependent on nature for raw materials and are convinced that environmental stewardship is not only our responsibility and privilege but also a source of competitive advantage.

Building on the foundation of our eco-conscious design philosophy, we have embarked on an ambitious initiative to evaluate every aspect of our operations—from the way we source our materials to how we can mitigate the impacts associated with our offices and stores. By increasing our awareness of our environmental footprint, we will be able to refine our processes and set targets for continuous improvement. We also believe that this assessment will be a powerful stimulus for change and innovation, as well as a source of inspiration for our future collections. Our ultimate objective is to continue to produce, sell, and distribute furniture of superb design and impeccable environmental credentials.

As we implement this initiative, we will share our findings with our customers, retailers, and other stakeholders so that they can better understand the fascinating provenance of the pieces we produce. We will identify areas in which we face environmental challenges, and we will work to identify solutions. We hope that you will join us on this journey of self-discovery and invite your input as we become an ever-more-sustainable company.

Davide Berruto

Taking stock

We will initially concentrate on the following three areas as we assess our impacts, identify challenges and opportunities, and set goals and targets for future performance:

The materials that we use to make our furniture and how we source those materials

The impacts associated with our office and retail locations

Education of and outreach to our customers and retailers

Evaluating our furniture-making process

Materials currently used in our manufacturing process

Nature provides the raw materials for our furniture-making. In order to expand our stewardship of the natural resources we use, we are developing a deeper understanding of the origins of the wood and other materials that go into our products.

Peroba Rosa, a native Brazilian hardwood, is the primary component of our furniture pieces. We obtain our supplies of Peroba by reclaiming it from derelict houses and barns and abandoned buildings in Paraná, Brazil. In doing so, we give a second life to this dense, richly colored and textured wood. As the reclaimed wood is, on average, 70 to 100 years old, our designs are enhanced by its unique, weathered characteristics. We combine Peroba with responsibly harvested Indonesian mahogany to create our collections.

We are striving toward obtaining Forest Stewardship Council (FSC) certification for our most important raw materials, namely, Peroba and mahogany. Certification will demonstrate that our Peroba suppliers are acting in accordance with our environmental values and that our mahogany is purchased only from approved government plantations in Indonesia. Our independent auditors will personally visit the mahogany plantations to verify that sustainable forestry principles are being applied and that none of the mahogany originates from old-growth forests.

We use other materials such as plywood, particle board, glues, paints, veneers, stains, waxes, thinners, fabric, leather, and hardware such as nails and hinges. Some of these materials contain potentially hazardous chemicals such as formaldehyde, xylene, and volatile organic compounds (VOCs) that need to be handled with care.

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Evaluating our furniture-making process, cont.

We protect our furniture during shipping with a variety of packaging materials, including cardboard, polystyrene foam, and other padding. Much of this packaging can be recycled by our customers or retailers

We have begun to compile a comprehensive inventory of all the materials we use and the environmental, health, and safety impacts associated with these materials. Although it may take several years to accomplish, our goal is to eliminate or find substitutes for the hazardous materials that we use now. As we seek these solutions, we will continue to closely monitor conditions in our factory.

Finding new supplies of sustainably sourced wood

Environment Furniture is constantly searching for new sources of unique, beautiful, and sustainably sourced wood. Although we have accumulated a substantial stock of Peroba, the supply of reclaimable Peroba will one day be exhausted. We have identified several opportunities for sourcing other types of South American reclaimed woods. During the next two years, we will also transition to purchasing FSC-certified plywood and FSC-certified teak veneer for use in our furniture.

Wood origins

Reclaimed

Wood that is obtained from the deconstruction of existing structures such as abandoned barns, sheds, and houses. By reclaiming wood we can prevent its unnecessary disposal in a landfill.

Recycled

Wood from salvaged boards or trees that is remilled into new products (lumber, particleboard, flooring, etc.).

Certified

Wood that is sourced from a forest or plantation that has been evaluated by an independent third party such as the Forest Stewardship Council to ensure that it is being managed to meet specific environmental and social criteria (sustainable forestry).

Addressing our operational impacts

Accounting for our carbon footprint

Global climate change is an issue no responsible company can ignore. At Environment Furniture, we are committed to reducing our carbon footprint aggressively and quickly. We have completed an initial greenhouse gas inventory that accounts for emissions associated with:

- > Materials sourcing and processing
 - Wood, finishing, and packaging materials (emissions resulting from resource extraction, milling, manufacturing, processing, and shipping)
- > Transportation
 - Truck transport of Peroba wood in Brazil
 - Containership transport of Peroba wood from Brazil to our Indonesian factory
 - Container transport of finished products from our Indonesian factory to our warehouses and show rooms and to small retailers in the United States
- > Air travel
 - Air travel by Environment Furniture employees from the United States to Brazil, Indonesia, and other countries
- > Solid waste
 - Disposal of solid waste from our Indonesian factory (emissions resulting from landfill decomposition)
- > Energy
 - Electricity use in our factory, offices, warehouses, and retail locations

Our total footprint is approximately 1,800 metric tons of carbon dioxide equivalent emissions. This number is significantly lower than it could have been, due to our recovery and reuse of Peroba wood. By diverting hundreds of tons of Peroba

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Addressing our operational impacts, cont.

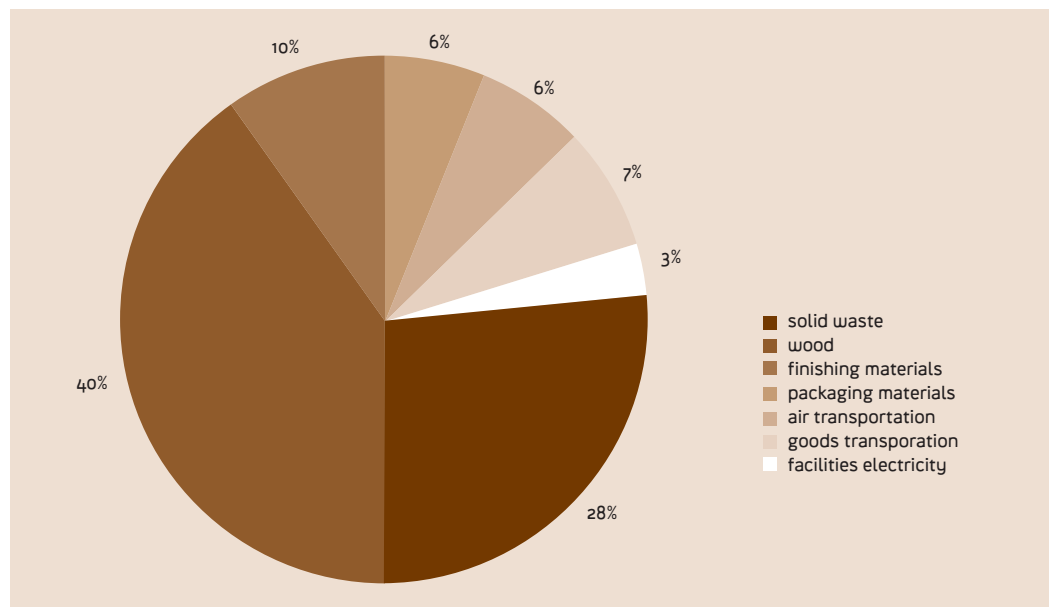
wood from landfills (482 tons in 2006), we reduced our footprint by the amount of emissions (1,300 tons in 2006) that would have been generated had the wood been left to decompose in the landfill.

Methodology and conclusions

In order to determine our total greenhouse gas emissions for 2006, we used information gathered from our operations together with data and calculation methodologies from the U.S. Energy Information Administration, the U.S. Environmental Protection Agency, and a Life-Cycle Assessment model developed by the Green Design Institute at Carnegie Mellon University. Because this is our first greenhouse gas inventory, we made certain assumptions about portions of our operations where carbon-emissions data was incomplete or not available. For example, we estimated an average trip length of 400 miles for trucks transporting Peroba wood from reclamation sites to our Brazilian warehouse, but our total footprint could increase or decrease by 20 metric tons depending upon whether the actual trip lengths were longer or shorter. Also, in this year's inventory, we could only collect solid waste data for our Indonesian factory. In coming years, we will update the inventory to reflect new and more accurate information as we refine our data-collection processes and capabilities.

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EFI Greenhouse Gas Inventory 2006



The breakdown of the components of our greenhouse gas inventory shows that emissions related to our use of plantation-harvested hardwoods and manufactured woods (Wood) and solid waste landfilling (Solid Waste) account for 68% of our total carbon footprint.

Addressing our operational impacts, cont.

Our baseline inventory helps us understand where we can make changes to our operations that will result in the greatest reductions in our total greenhouse gas emissions. Somewhat surprisingly, we've discovered that our use of plantation-harvested hardwoods and manufactured woods, and the emissions related to solid waste disposal are the two major contributors to our carbon footprint—significantly higher than the total emissions related to the transport of Peroba wood and our finished products across the Pacific Ocean. What this tells us is that we can most effectively reduce our footprint by exploring additional opportunities to incorporate recycled and reclaimed materials into our products. We will also determine how we can decrease our solid waste streams and divert any remaining solid waste from landfills. Additionally, we will work on reducing total employee air travel, as flying constitutes a large portion of our transportation-related emissions.

Our approach to emissions offsets

Although we recognize that carbon offsets may not be the perfect solution for attaining “carbon neutrality”, we believe they serve as a useful interim measure while we determine how we can substantially and permanently decrease our own greenhouse gas emissions. Accordingly, as part of our overall greenhouse gas emissions reduction strategy, we are purchasing verified carbon credits to offset those emissions we cannot avoid generating. We intend to make our business “carbon neutral” within the next 12 months.

Our first step has been to offset 15% of our total 2006 carbon footprint (approximately 260 tons) by participating in NativeEnergy and U.S. Forest Services offsetting programs. NativeEnergy invests in building and supporting renewable energy projects, while the U.S. Forest Service's Carbon Capital Fund focuses on planting trees as part of larger habitat restoration projects.

Next, we are putting in motion an initiative to establish an innovative, local urban forestry project that will offset our remaining 2006 emissions and our projected emissions for 2007-2008. We are engaged in discussions with a number of local partners to determine exact project parameters, and to ensure that this project can generate sufficient accreditable offsets to cover our projected carbon footprint.



What are carbon dioxide equivalent emissions?

Global warming is caused by the release of carbon dioxide and other gases such as methane and nitrous oxide into the atmosphere. These greenhouse gases are typically measured in “carbon dioxide equivalents”; or the amount of carbon dioxide that would have to be released to have the

same impact on the atmosphere. For example, methane causes a significantly larger global warming effect than carbon dioxide, so the release of one metric ton of methane would be measured as 25 metric tons of carbon dioxide equivalent emissions.

Addressing our operational impacts, cont.

Greening our office and retail locations

Our operations, including our storage, office, and retail facilities, present considerable opportunities for environmental innovation. We are pursuing multiple avenues for reducing environmental impacts, ranging from the small (turning off computers and lights when not in use) to the large (applying green design principles to new construction). We are currently replacing incandescent lighting with energy-saving compact fluorescent bulbs and light-emitting diodes (LEDs) in our Orange County store and in other showrooms and galleries. We are also using environmentally sound paints and cement sealers and water-based stains to maintain store interiors, eliminating toxic chemicals and VOCs in the process. Every action counts, and we expect that the cumulative impact of all our efforts will yield considerable environmental gains.

In order to better track our progress moving forward, we are systematically reviewing our current office and retail-related environmental impacts. Based on this assessment, we will outline additional actions and targets for reducing our environmental footprint. These actions, when possible, will include:

- > Establishing a company-wide recycling program
- > Screening all our vendors against an agreed list of environmental performance criteria
- > Providing incentives for employees to carpool or to purchase hybrid vehicles
- > Purchasing carbon offsets equivalent to the emissions generated by employee commuting
- > Applying the U.S. Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System™ (LEED®) principles of sustainable design to the construction of new office or retail Buildings
- > Adopting environmentally friendly paper use and printing policies

We will need the enthusiastic support and participation of our employees to implement these internal environmental initiatives. As such, we have begun rolling out employee training sessions to raise awareness of our sustainability issues, challenges, and opportunities. Environment Furniture executives will each champion a specific environmental initiative and will serve as role models to promote individual environmental action.



Addressing our operational impacts, cont.

Aligning corporate purchasing with environmental objectives

We regularly buy a broad array of products and services to run our business. We realize that our purchasing power can be put to good use if we preferentially select environmentally friendly products and responsible service providers—for example, our Los Angeles headquarters already purchases only 100% post-consumer recycled paper products. We are compiling a business-wide purchasing inventory and formalizing criteria for choosing the most sustainable products we can. We anticipate that we will be able to shift our purchasing toward the following types of sustainable products, among others:

- > clean energy (green power) for office and retail sites
- > printing paper and other paper products that contain high post-consumer recycled content
- > office furnishings that do not emit VOCs
- > nontoxic cleaning supplies

Reaching out to our customers and retailers

We are excited about the new environmental initiatives we are undertaking at Environment Furniture, and we want to share the information we gather as well as our plans for the future.

Our stores are the perfect place to connect with current and potential customers as they view our collections firsthand. We are developing a comprehensive plan to engage with customers through store displays, product tags that provide FSC certification information, brochures and newsletters, and email messages. Our salespeople will be trained on the environmental attributes of our collections so that they can answer customer questions on the spot. We will also set up a dedicated email address and help line to field environmental queries.

We also want our retailers to know about and understand Environment Furniture's commitment to sustainable operations. We will approach selected retail clients with information about our environmental initiatives and furniture characteristics and will help them present these facts to their customers.

What makes Environment Furniture 'green'?

It's not unusual for us to hear this question from our customers or from media representatives. Our use of reclaimed wood in our Peroba collection is the most visible manifestation of our environmental values. Equally important, however, are the many initiatives happening right now across all our operations. We're offsetting our carbon emissions,

greening the materials and lighting in our stores and office locations, and targeting our corporate purchasing to focus on sustainable products. As we continue to roll out our company-wide environmental programs, we will highlight our progress in reducing our overall environmental footprint.

Making the connection

As we undertake this comprehensive evaluation of our processes and operations, we know that we are embarking on a considerable journey of self discovery. We want to hear from all of our stakeholders—employees, customers, retailers, suppliers—so that we can properly set our course. By listening carefully to your questions, concerns, and ideas, we hope to begin an ongoing, dynamic conversation that will help us to become an ever-more-sustainable company.

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