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# Sustainability 2023

These six concrete actions were the highlights of our sustainability work in 2023.



## Life Cycle Assesment

We continued work on Life Cycle Assessment (LCA) for all our products according to the EN 15804 standard (simgular). Third-party verification and the preparation of Environmental Product Declarations (EPDs) is currently under way, with expected publication in 2024.

# Factory update

At our factory Sectomo, we invested in improving material and operational efficiency and air quality. We made plans for a new type of sorting line and a more efficient dust extractor in 2023 and installed them in January 2024.

# Renewable electricity

All our electricity for the factory and head office is now generated from renewable sources.

# Waste solutions

We conducted a waste audit and renewed our waste management approach at the factory to systematically increase recycling and recovery rates.

# Goodbye plastic

We launched our first completely plastic-free individual packaging line. All the Petite collection packaging is now plastic free.

# Giving back

We started to offset the emissions we generate. We use the Finnish compensation service Hillipörssi for this process.







# Think, act, verify

"Ecological is economical" – that is something that we at Secto Design have always believed in. In recent years, we have invested a significant amount of time and resources in working more sustainably.



For Secto Design, sustainability has always been a core principle. We have believed in resourcefulness and frugality since my mother started Secto Design almost 30 years ago.

Today, it is more important than ever to *think* sustainably, to find new ways of doing things and to *act* and be able to *verify* and evaluate the results and impacts. These three principles are the founding pillars of all our work.

We have, as a small company, invested a significant amount of time and resources in working more sustainably and I am proud of our personnel and their achievements. We are now nearing a watershed moment where we, for the first time, will be able to see the full impact of our products and production, thanks to the thorough Life Cycle Assessment (LCA) that has been done over the past two years.

This report brings together our continuous work and new initiatives to maintain and improve our performance across the different perspectives of sustainability.

We remain positive and committed to taking a holistic approach to all the challenges we face together globally. It is critical to continue innovating and breaking new ground as we find ourselves in an era of climate instability and uncertainty.

By gaining a broader understanding of our impacts through our sustainability work, we have found and hope to continue to see many benefits, both tangible and intangible, such as cost reduction, waste minimisation and improved risk management. Naturally, it is at the design and production stages where key decisions concerning sustainability and ecological responsibility are made.

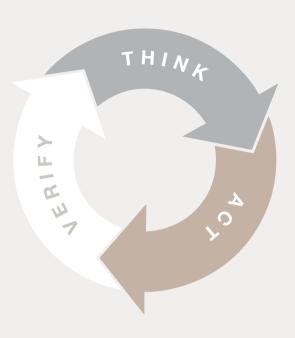
I hope you can take some time to get to know our sustainability work described in this report, and feel free to get in touch if any questions arise.

See how we think, act and verify, page 13.

JOAKIM JUSÉLIUS

Second-generation entrepreneur at Secto Design

## Sustainability strategy



#### THINK

- Use verified, up-to-date data to identify priorities and opportunities
- Make informed decisions

### ACT

- Set targets and goals to boldly but realistically minimise harmful impacts
- Innovate and invest green, commit to sustainable innovation and investing in green solutions to maximise positive impacts

#### VERIFY

- Continuously gather data on own materials, processes and suppliers and work to align methods with international standards and best practices
- Measure impacts and use the data to gain a up-todate understanding of our actions

# Lighting the way

1 Roots

Secto Design is founded on a deeply rooted passion for timeless design. Our dedication to stay true to our roots is also our cornerstone for continuous growth in a world of fast changing trends and market fluctuations. We strengthen our brand through innovation and continuous development, and always offer lamps of premium quality that last through generations.

Sustainability has always been a part of the company mindset, and today it is at the center of our business. We truly believe the right and only way to do business is to ensure long-term growth and minimise our impact on the planet.

Transparency and honesty are at the forefront of everything we do. We are documenting all our pro-

cesses and impacts and use verified data on impacts to gain insight in our actions. Over the past two years, we have restructured our data management approach, and collated data on our supplies, suppliers, products, and production. This investment will allow us to make meaningful and impactful decisions on materials, supply chains and production methods in the future.

1 Roots
Our sustainability tree



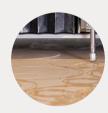
Let it grow

Although we are only now publishing our first sustainability report, sustainability has been an integral part of Secto Design's DNA since the very beginning. That is why we outline our sustainability journey as a birch tree. Our roots have not changed over the years but create a permanent foundation for everything we do. The actions of the trunk over the years have brought us to this day, and the evergrowing branches reflect Secto Design's development projects over the past years.



### **Product development**

- The continuous improvement of lighting technology: becoming more energy-efficient by adopting new technologies
- · Smart planning of material use integrated into the design process
- Taking into account overall impacts over product life as part of design process



### **Production development**

- Waterjet cutter 2019: better resource and energy efficiency
- Electric forklift 2023: replacing diesel forklift
- · Sanding machine 2023: less waste and better energy efficiency
- Dust extractor 2024: better air quality and energy efficiency
- · Sorting line spring 2024: reducing waste for material efficiency



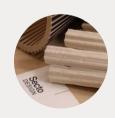
### **Our People**

- · Workplace safety and ergonomy
- Flexible employment options
- Education and training
- Equality
- Employee health and wellbeing



#### Energy

- All electricity at the factory and head office from renewable sources
- Own geothermal heating at head office
- Upcoming investments: geothermal heating and solar panels for the factory



### Packaging development

- Reduction in the use of plastic in packaging
- Green investments in startups Paptic and Woamy: alternative woodbased materials to plastic packaging



#### Verify and communicate

- PEFC certified wood only
- Life Cycle Assessment & EPDs: quantifying and verifying the impacts of our products and processes
- Carbon footprinting
- · Carbon offsetting started

Secto Design SDGs 1 Roots

# Sustainable Development Goals

Our efforts and impact areas have been aligned with the UN's Sustainable Development Goals (SDGs) and serve as a guideline for how we conduct our business and set our goals.

We have chosen to base our upcoming targets on specific prioritised Sustainable Development Goals that best capture our most impactful areas. Secto Design acknowledges that there are targets that we have not prioritised that are affected by our business. However, we have aimed at identifying the targets where we can change and impact the most. We aim to produce premium-quality lamps that are made with fully sustainable raw materials coming from a healthy and diverse ecosystem that encourages responsible consumption and minimises waste.

On the next page there is a list of the prioritised SDGs with the specific identified targets and goals.



The Secto Design SDG focus areas are marked with (F)

















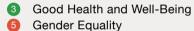












Decent Work and Economic Growth

Responsible Consumption and

Production

Affordable and Clean Energy

Life below Water 15 Life on Land

Climate Action

- · We prevent workplace illness and accidents, aiming for zero occupational injuries, and contribute positively to the wellbeing of our people.
- · We want to be recognised as an inclusive and equal opportunities workplace.
- · We increase transparency throughout our supply chain and require good work conditions for all.
- We communicate transparently and broadly about how we work for a sustainable tomorrow.
- By 2025 we aim to have established EPDs for each of our products that enable us to systematically identify means of reducing our environmental impacts.
- By 2025 we will recycle at least 50% of our waste and by 2028 we will reduce the production waste for each model by 10%.
- We replace all fossil fuels in production with renewables by 2025.
- We measure, reduce and communicate our product and organisational carbon footprints.
- Our carbon footprint will be reduced by at least 50% by 2028.
- · We continue to use sustainably grown birch wood from certified Finnish forests.
- · We reduce the use of plastic in our product specific packaging by 80% by end of 2025.
- We identify where our largest impacts on biodiversity are by the end of 2025. We will systematically work to find ways of reducing these impacts.

### 1 Roots

# Value chain priorities

# Purchases & transport

Concerning resource extraction, we have implemented a policy on the non-use of conflict minerals and will review all our purchases against it.

We work with our first-tier suppliers to increase the overall traceability in the supply chain beyond tier 1. We will continue to favor local partners and sustainable raw materials, as we have done from the inception of our company.

We will reduce fossil-based, non-biodegradable plastic in our packaging. We have invested in two startups that have developed alternative materials to plastic packaging, see page 34.

For inbound and outbound factory logistics, we actively select partners that have chosen to offset their CO<sub>2</sub> emissions.

# Production, sales & marketing

In production, our focus is on increasing material efficiency, which includes investment, waste management and training, and improving on-site waste management through continuous monitoring, training and new collection bins. We use renewable energy at the sites we own. We also focus on sustainable chemical management, including substitution, risk reduction, minimisation of quantities and training.

In sales and marketing, we aim to reduce business travel where feasible and will offset the emissions from all flights to 150%.

# Installation, use & end-of-life

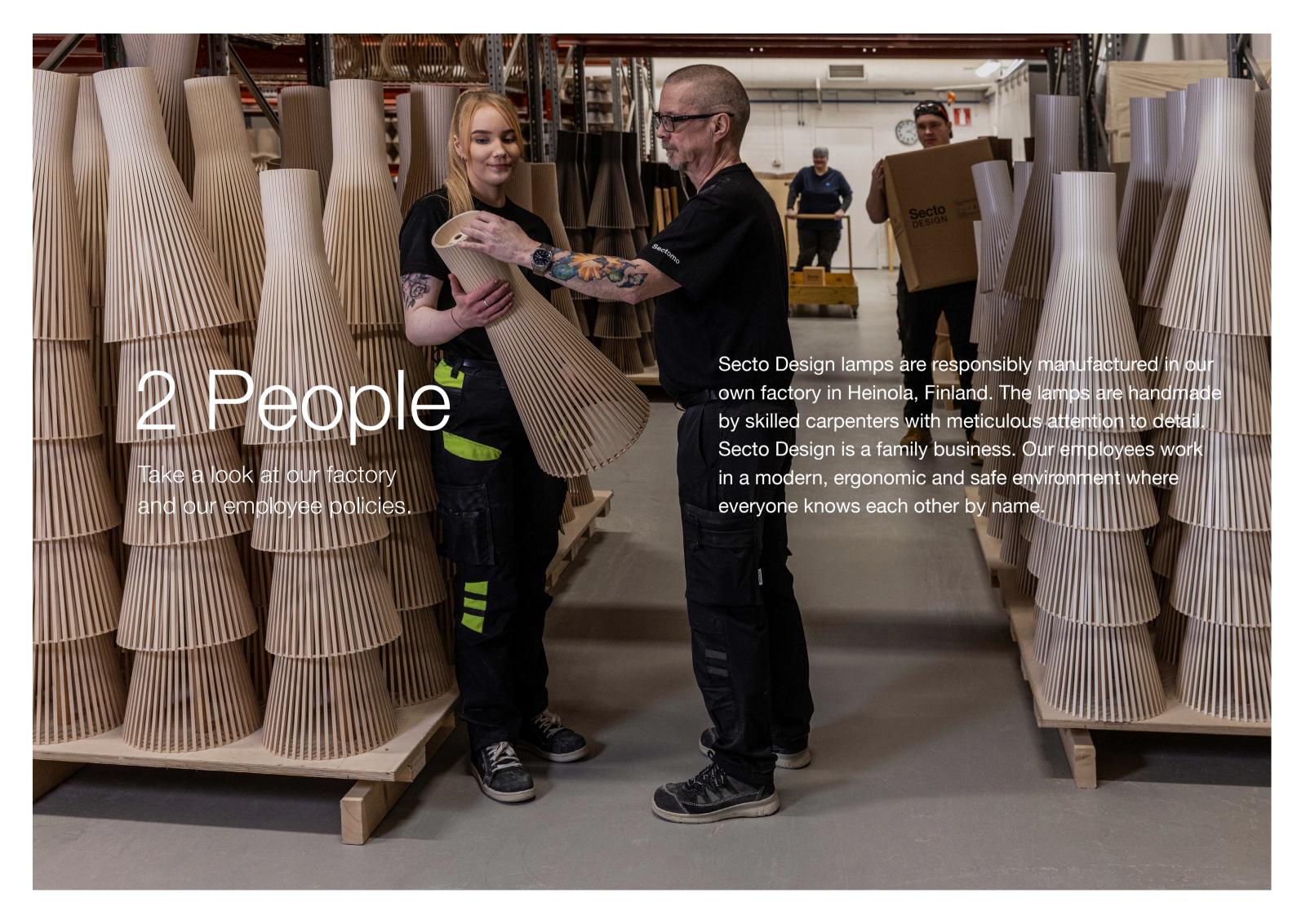
We want to encourage our customers to act for the environment. Our packaging material choices are already reducing packaging waste and we are developing focused online guidance for how to reuse and recycle packaging.

Secto Design lamps are made to last from generation to generation so we want to encourage consumers to prioritise longevity and avoid end-of-life disposal. We will provide online instructions for maintenance and reusing, recycling and sorting the products correctly at the end of their life.

#### Created to last

"Longevity has been the baseline of our design from the beginning. We manufacture classic lamps that last from one generation to another and take a stand against throw-away culture. Shortly after our establishment, I read an article that said that our lamp was a born classic. That is when I felt we had succeeded."

TUULA JUSÉLIUS, founder of Secto Design

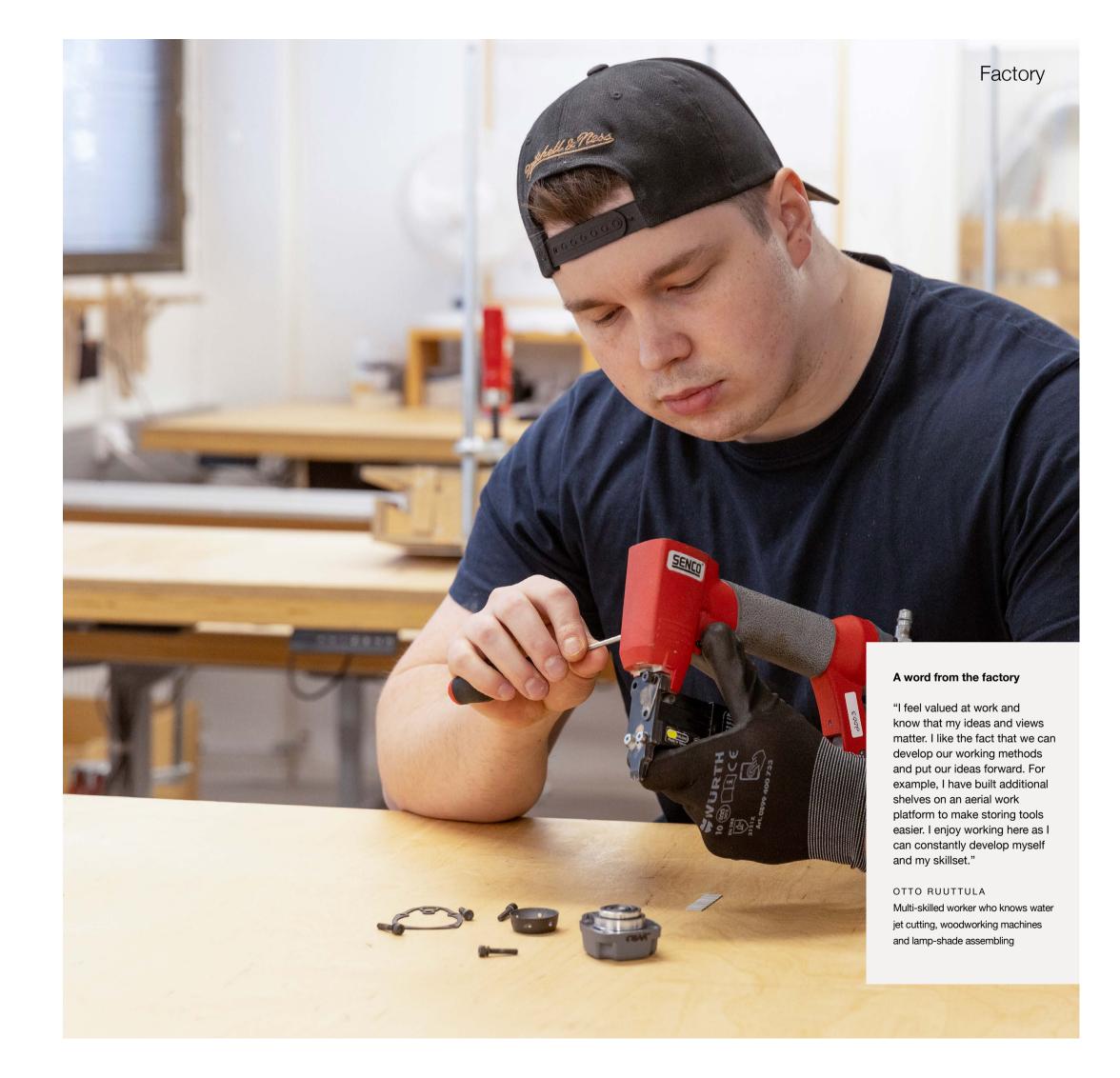


# Finnish handcraft

All Secto Design lamps are made by hand – and those hands belong to the invaluable craftspeople that work at our factory, Sectomo, in Finland. We focus on our people as their safety and wellbeing are paramount.

### Social responsibility

In the turmoil of globalisation, we have decided to stay in Finland. It is a matter of values for us. Our decision to establish our factory in Heinola village, has had a considerable positive impact on the area both socially and economically. In addition to our own personnel, the factory in Heinola utilises a network of local suppliers and subcontractors making the factory's economic impact significant also on a larger scale.



Our employees form a diverse group of professionals.

### Workplace safety

Our safety plan and work instructions are based on EU and national law and best practice. Work at our factory is performed according to the company's safety plan, and all our carpenters have completed comprehensive fire safety and first aid training.

The machinery is inspected, certified and maintained regularly and our carpenters are thoroughly trained in their use. The use of protective equipment is supervised. Our modern, efficient dust extractor and optimally adjusted air humidity remove sawdust from work areas and keep the air fresh to breathe.

### Internal policies

Operating in Finland, strict labour force policies are self-evident to us. As we have become a global company, we want to be transparent in all our actions. Our internal policies will be published in 2024, including our code of conduct, equal opportunity and antislavery policies.

### **Diversity and inclusion**

We want to maintain a diverse and inclusive work environment. Our employees form a diverse group of professionals of different ages, genders, and backgrounds.



We have decided to stay in Finland. It is a matter of values for us.

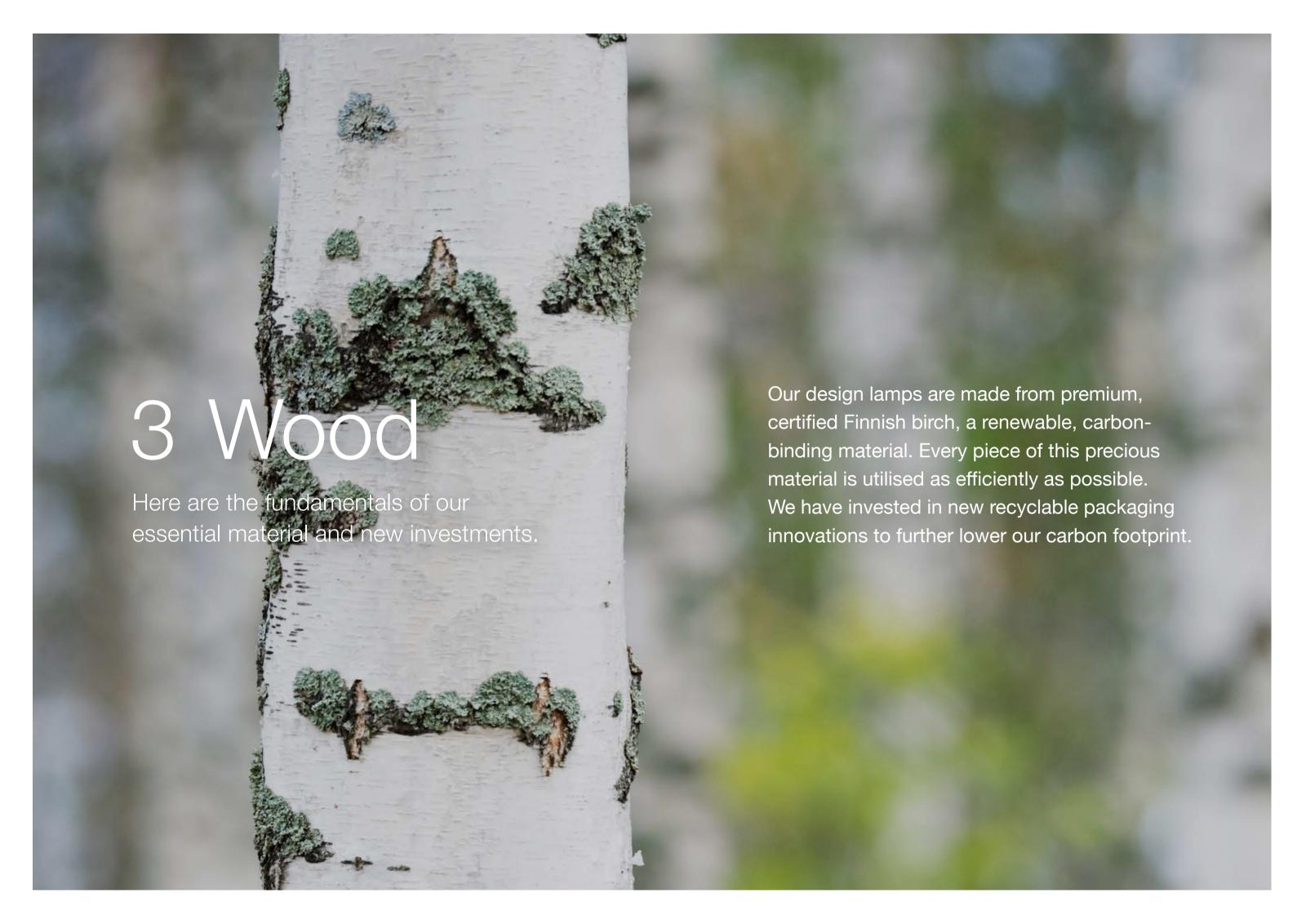
### **Employee wellbeing**

At the factory, the employees' wellbeing is taken care of. We have a well equipped onsite gym and offer free physiotherapy for our personnel. At the head office, we provide pilates sessions once a week. All employees are insured and all are part of the company health care plan.

### **Education & training**

We provide continuous professional development for our personnel. In order to maintain and improve the high level of expertise, we provide training opportunities both for carpenters and office personnel when needed or requested.





# Birch is our valuable asset

All our lamps are handmade from this strong and resilient local material.

We use Finnish birch that come from PEFC certified forests. Programme for the Endorsement of Forest Certification schemes (PEFC) is an international scheme to promote the sustainable use of forests.

# Did you know this about birch in Finland?

- After the ice age, birch was the first dominant tree in the northern hemisphere.
- You can eat it (xylitol), drink it (birch sap), use it for baskets, sauna whisks, etc.

### **Utilisation of birch**



- 1 The tops and branches are used for cellulose or energy.
- 2 The log is used for wood products. We use the highest-quality parts of the birch tree, meaning 5–10% of the log, and the rest goes to other producers.
- 3 Some of the logging residues are left on the ground to decompose as they release vital nutrients into the soil.

The Finnish Forest Act includes the obligation to regenerate forest after felling either naturally or by cultivation. The Forest Act requires that after 15 years, a felling site in central Finland has at least 1100 trees with growth potential per hectare when growing predominantly deciduous trees.

#### The birch we use\*

Age 60 years

Circumference 1,2 meters

Height 20 meters

Density 650 kg/m<sup>3</sup>

\*Based on averages from a range of measures as given by supplier.





# Wood-based packag Paptic DESIGN Renewable, recyclable and wood-based at-scale Paptic material will replace the plastic protective pouches and other low-density polyethylene (LDPE) packaging. Its carbon footprint from cradle to gate is about 50% of that of traditional material and it can be recycled with paperboard. Woamy Wood-based, plastic-free, biodegradable and recyclable biofoam produced by Woamy will replace the plastic foams that are used to protect metal parts from DESIGN scratches during transportation. more about Paptice and Visit.

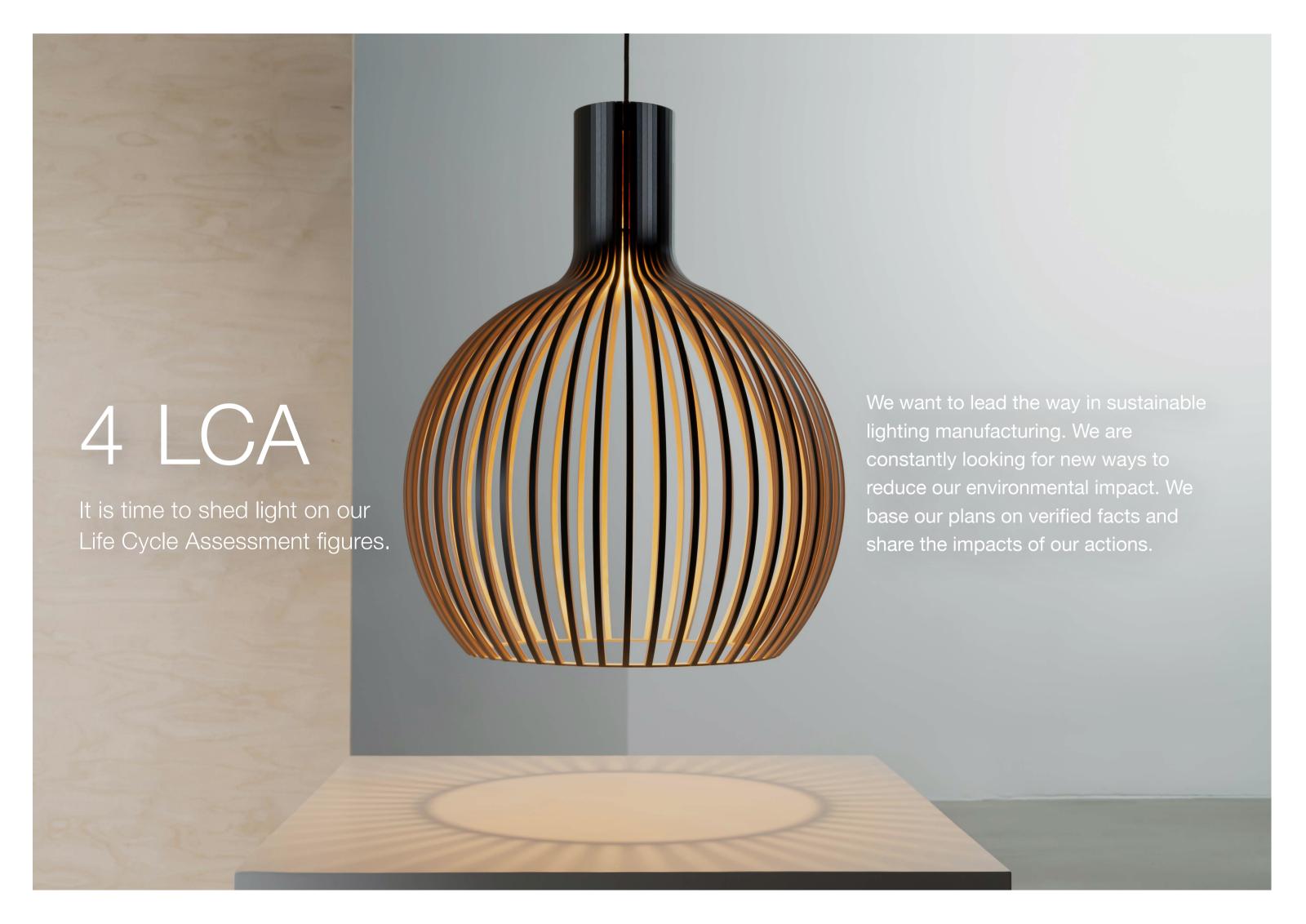
# Investing in wood-based packaging innovations

We believe in sustainability actions that target the source of environmental impacts. We have accordingly invested in two startups that have developed alternative materials to plastic packaging, Paptic and Woamy, as we want to be involved at an early stage in these cutting-edge innovations.

We are proud to report excellent results in terms of being able to replace existing plastic packaging with more sustainable alternatives. The packaging of our Petite product line has been completely plastic free from February 2024. We are also preparing to make the packaging of our other lamps recyclable and align them with the principles of the circular economy.

# Halving CO<sub>2</sub> emissions

Making two pouches from Paptic material creates the same amount of CO<sub>2</sub> emissions as making one plastic pouch from LDPE. Paptic pouches are renewable and wood-based, whereas LDPE plastic pouches are made from fossil raw materials.



# Life Cycle Assessment of Secto Design lamps

Our aim in conducting Life Cycle Assessment (LCA) for the Secto Design lamps is to assess and verify the impacts that the manufacturing and use of each of our products has. We also want to understand where in the value chain these impacts occur. To ensure that our LCA work produces transparent, verified and useful data for us and our customers, we have elected to use the latest version of the EN 15804 standard in addition to a well-known tool, SimaPro, and the largest, most consistent and most transparent database, Ecoinvent. The goal is to create a dynamic Life Cycle Inventory in an accessible format.

An LCA quantifies and describes how each product is made, used and disposed of. The environmental impact of each of the steps in the value chain is quantified for 15 environmental impacts as well as indicators for energy and material use. By choosing to analyse many different types of impacts, we can identify which ones are most relevant, and use this data to identify potential targets for change. Ultimately, the goal is to reduce our impacts. We will pursue this goal by focusing our efforts on two areas: those with the potential for the biggest improvement and those where changes are relatively easy to make.

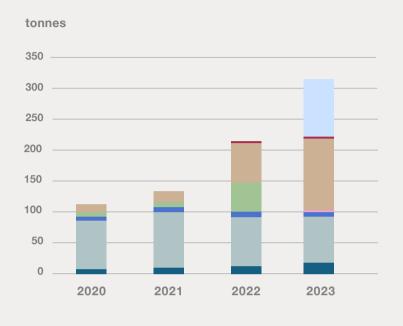
This assessment was initiated in 2022 and has been a continuous and long process. First, we scanned all the types of inputs, outputs and material flows in the manufacturing system. Then we developed documentation for our production processes, equipment, procedures, and materials. Now, we transfer inventory data from our ERP (enterprise resource planner) to the selected LCA tool (SimaPro) to quantify and analyse the impacts.

The work has included several rounds of revisions, testing, and quality assurance. Additional data fields have been included in our ERP system so we can ensure that the relevant data is continuously updated and reflects actual purchases and processes. This way, we can have at our fingertips the data required to think and then act; i.e. make decisions and targeted investments. It will also ensure that LCA-relevant data is available for assessing updates, changes, and new products, as and when needed.

The results of the LCA will be used to create Environmental Product Declarations (EPDs) for all Secto Design models. The EPDs are independently verified by a qualified auditor and will be published in the EPD library later in 2024. The upcoming EPD's will be verified by Viktor Hakkarainen at CHM Analytics AB, an Environdec-approved individual verifier of EPD's.



### Secto Design carbon footprint





#### Notes from our CO<sub>2</sub> footprint

- The years are not comparable as Scope 3 has been extended in 2023 to include distribution.
- Our CO<sub>2</sub> footprint was low in 2020 and 2021 due to coronavirus and travel restrictions. The rise in 2021 was mainly due to increased sales and cold winter.
- We returned to "normal" in 2022, and increased business travel had a significant impact on our overall CO<sub>2</sub> footprint. We offset this by 150%.
- The CO<sub>2</sub> footprint of the electricity consumed increased in 2022 when our electricity supplier went bankrupt and we had to use non-green energy in the factory for a while.
- In 2023, we eliminated emissions from electricity at the factory and head office by transitioning to 100% renewable energy.

We will continue to widen the scope of our reporting in order to gain a more comprehensive picture of our impact on the climate. In 2024, we plan to extend our reporting to include more Scope 3 emissions. These will be directly sourced from our work on the LCA of our products. This enables us to include downstream Scope 3 emissions in our reporting, such as distribution, installation, use and end-of-life treatment of sold products, in addition to upstream emissions related to purchased goods, transport, distribution and the  $\mathrm{CO}_2$  generated by waste from our own production.



# Carbon data

We have calculated our carbon footprint since 2020, starting with direct emissions, owned or controlled by Secto Design (Scope 1) and indirect emissions from purchased energy (Scope 2). For the first two years, Scope 3 indirect emissions calculation was limited to business travel. In 2022, we extended the scope of our  ${\rm CO_2}$  footprint to include the transport of waste from our Heinola production site and in 2023, we included distribution as well.

### Our actions to reduce our climate change impact

- Offsetting is a tool we use when we cannot reduce our CO<sub>2</sub> footprint. We are offsetting all business travel by 150%
- To prevent emissions, we have changed to renewable energy and will invest in a new heating system based on geothermal energy combined with renewable electricity. This will happen in 2024–2025.
- As a part of our energy renovation process, we will install solar panels to create our own energy on site.





4 LCA Waste



# Waste management

In 2023, our factory in Heinola generated 16 tonnes of waste in total. Nearly 40% of this was one-off building waste, mainly from renovating our loading bay. Our focus on waste sorting also produced 2,5 tonnes of compost.

In 2024, our focus is on building a more detailed baseline of our waste management and finding the areas where we can do better. The goals for 2024 include reaching a 50% recycling rate and reducing the waste volume per product made by 5%.

Based on the data for 2024, we will set further quantified goals for both volumes and type of waste generated for 2025 onwards in accordance with Global Reporting Initiative (GRI) reporting. What this means in practice is that we will continue our efforts to identify where we can reduce the amount of waste already in our purchasing decisions and look for partners that help us reach our targets.



# Our products travel globally.

### Strong boxes

Our boxes are really strong and can be used in many ways before recycling them. They work very well for storage, as moving boxes, as children's toys or to build a playhouse – imagination is the only limit.



We produce physical items that require physical transport to our customers. We work towards identifying means of reducing impacts created by logistics.

Choosing our logistics provider is the key to driving down the impact of distribution. Our main distributor, GLS, calculates and offsets the carbon footprint of the distribution logistics. GLS also offsets all of its freight internally.

For the US market, we have rented a warehouse in Miami in order to ensure that distribution in the US can be made as efficiently as possible.

We avoid airfreight whenever possible. It is used by special request or for certain oversees regions when other alternatives are not an option.





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