

environment[®]
Organic Contemporary Furniture



Designing with Nature

Our Pathway to Sustainability

Our Mission: Create beauty. Respect the planet.

At Environment Furniture, environmental stewardship is our responsibility and our privilege. In creating unique furniture collections from reclaimed, recycled, and sustainably harvested wood, we show our respect for nature's bounty and reaffirm our deep commitment to sustainability. This attention to the provenance of our raw materials differentiates us from other furniture-makers, and positions us to meet growing customer awareness and demand for environmentally sound products.

Building on the foundation of our eco-conscious design philosophy, we have made important progress in identifying and addressing environmental impacts associated with our operations. In just the past year, we passed stringent entry requirements to become a partner member of the Tropical Forest Trust, a leading global organization working to promote sustainable forestry at the local level. We have completed our second carbon inventory. We have succeeded in eliminating stains that emit volatile organic compounds (VOCs) from our production process. We have also developed and implemented a green operations guide and paper use policy in our offices and retail locations.

In the coming years, we will work to further reduce our environmental footprint by re-examining our processes—from the way we source our materials to how we run our offices and stores. Our ultimate objective remains the same; to continue to produce, sell, and distribute furniture of superb design and impeccable environmental credentials.

We hope that you will continue to walk with us on this journey of self-discovery and invite your input as we become an ever-more-sustainable company.

Daide Berruto

This publication covers environmental performance information for the 2007–2008 calendar years. We will publish the results of our 2008 greenhouse gas emissions inventory as that data becomes available.

Taking stock

Our sustainability efforts are focused on the following three areas:

Furniture-Making

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

Operations

The impacts associated with our factory, office, and retail locations

Awareness-Raising

Education of and outreach to our customers, retailers, and other stakeholders

Our furniture-making process

Brazilian Peroba Rosa and Indonesian mahogany: the building blocks of our collections

Nature provides the raw material for our furniture-making. The primary component of our pieces is Peroba Rosa, a native Brazilian hardwood. 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 and Sustainable Forestry Initiative (SFI) certified North American hardwoods such as white oak and poplar to create our collections.

In securing supplies of mahogany and other tropical woods, we must be sure that none of this material originates from questionable sources. As such, we are proud to announce our membership in the Tropical Forest Trust (TFT). TFT is a non-profit organization based in the United Kingdom that helps ensure the sound management of tropical forests so as to maximize their value to people, wildlife, and the environment. By partnering with TFT, we are working to ensure that none of the tropical wood used in our furniture is obtained through illegal logging, produced through unsustainable forestry practices, or removed from old-growth forests.

The TFT follows a comprehensive process to establish a clean upstream Chain of Custody. What this means is that TFT works with the suppliers that provide wood to our factories to verify the legitimacy of current sources and eliminate any questionable sources. As part of this process, TFT will work with the wood suppliers and the local communities where wood is

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Our furniture-making process, cont.

harvested to educate them on proper forest management and help them become a Forest Stewardship Council (FSC) certified forestry unit.

Finding new supplies of sustainably sourced wood

Environment Furniture is focused on identifying 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. We are also continuing our search for FSC- or SFI-certified supplies of plywood and teak veneer. Finally, we are introducing mixed reclaimed demolition woods from industrial sectors into our furniture lines. This reclaimed wood makes use of the entire structure—not just the exterior boards or the structural components that are composed of a single species of wood.

Production materials

Environment Furniture constantly searches for production materials that are safer and more environmentally friendly, while still delivering the quality and beauty our customers expect. In selecting the products that will be used in our furniture, we work hard to eliminate any potentially hazardous materials that could be harmful to either our employees or our customers. We will continue to closely monitor conditions in our factory to ensure a safe working environment.

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What is the Tropical Forest Trust?

The Tropical Forest Trust (TFT) was established in 1999. It has as its central mission the conservation of threatened tropical forests through sustainable management practices. TFT staff partner with forest managers to promote environmental values, preserve indigenous and community rights, and help achieve long-term economic viability of sustainable forestry operations.

TFT serves an important role in the tropical wood supply chain, acting as an intermediary between its members (retailers and suppliers of tropical wood products such as Environment Furniture) and legally verified forest operations. TFT also implements “Wood Control Systems” that prevent wood of illegal or unknown origin from entering the supply chain.

Our furniture-making process, cont.

We are pleased to report that we have eliminated all VOC-emitting stains from our production process. We also use a water-based finish from Sayerlack's HydroPlus line of products, which has been awarded the European Union's Ecolabel certification (Ecolabel-certified products are examined along their entire life cycle by independent experts to verify that they meet rigorous environmental and performance-related criteria.) Finally, the only paints we currently use are for a customer option drawer-box finish for certain of our furniture pieces. These paints are all lead-free, non-toxic, and low VOC-emitting.

We use other materials such as furniture-grade plywood, composite wood products, glues, waxes, thinners, fabric, leather, glass, mirrors, stainless steel, and hardware such as nails and hinges. We look for opportunities across all our production processes to pair innovation with environmental responsibility. For example, in using composite wood panels as a structural backing for wood veneers or in large casepiece panels, we are able to use many parts of the tree that are not suitable for solid lumber milling. Thus, instead of using 65 percent of a cut tree for furniture-making, we can instead use the whole tree. The utilization of veneers instead of solid wood also helps to reduce demand pressure on certain tree species, as each tree processed for veneers can yield more useable surface material than cut lumber.

For all our production materials, we track regulatory developments and take action to meet new environmental laws. This measure aims to reduce formaldehyde emissions from composite wood products by requiring manufacturers to meet stringent production standards. It also requires companies like Environment Furniture to only purchase those composite wood products that meet the new formaldehyde emission standards. We are working with our suppliers to comply with this provision and will be labeling our finished furniture pieces in accordance with the ATCM.

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 establish recycling programs within our delivery operations and our warehouse partners to take advantage of this opportunity.

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. In 2006 we conducted an initial greenhouse gas inventory. We have now completed our 2007 inventory, which, similarly to last year, examines the carbon emissions resulting from the following activities:

- > Materials sourcing and processing
 - Wood, finishing, and packaging materials (embedded carbon and 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
 - Containership transport of finished products from our Indonesian factory to our warehouses and showrooms 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, and diesel fuel use in a generator at our Indonesian factory

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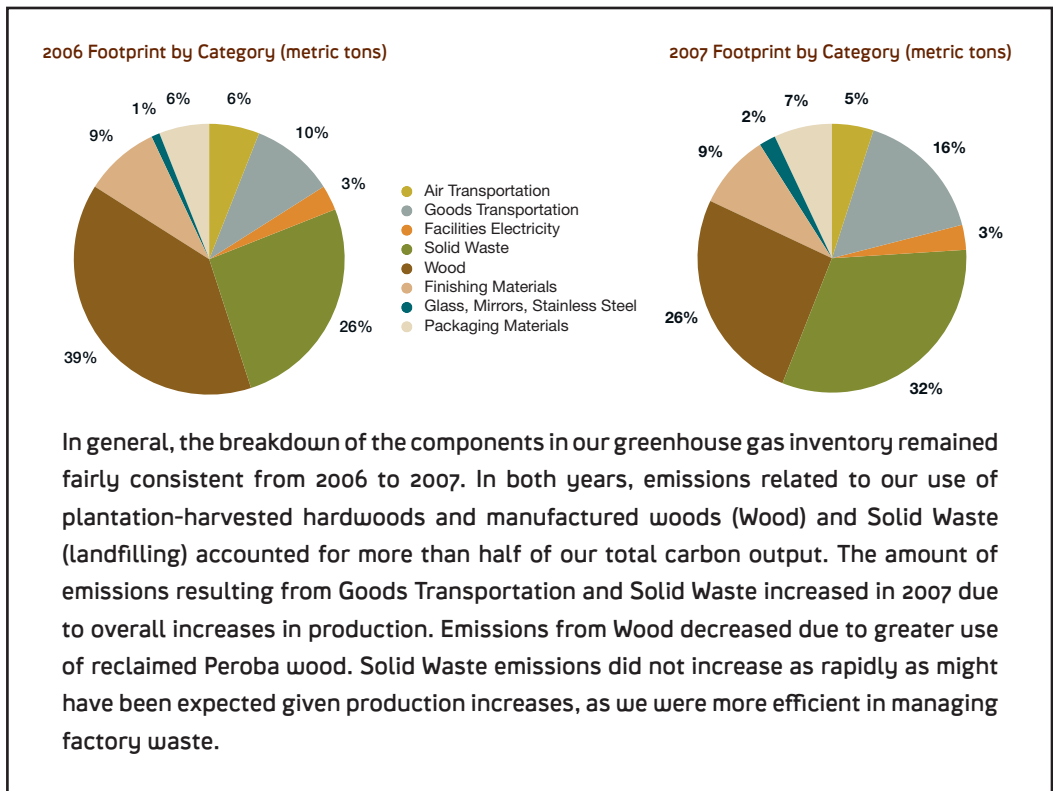
Addressing our operational impacts, cont.

We calculate our 2007 net carbon footprint at 1,307 metric tons of carbon dioxide equivalent emissions. This figure is more than 600 metric tons less than the 1,944 metric tons¹ we emitted in 2006. Each year's net footprint includes a "carbon credit" resulting from our recovery and reuse of Peroba wood (wood that is not reclaimed typically goes to a landfill, where it releases carbon dioxide as it decomposes). In 2007, we used significantly more reclaimed Peroba wood than in 2006 (743 tons versus 482 tons), thus, our overall carbon footprint in 2007 is also significantly lower.

	2007	2006
Total carbon footprint (metric tons)	3,313	3,245
Peroba "carbon credit" (metric tons)	2,006	1,301
Net carbon footprint (metric tons)	1,307	1,944

We used the same methodology in 2007 as in 2006 to determine our total greenhouse gas emissions. We gathered information from our operations

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¹ Due to a calculation error last year regarding the estimated mass of goods and materials per shipping container, 2006 total carbon emissions totaled 1,944 tons of carbon dioxide equivalent emissions versus the previously reported 1,818 tons of carbon dioxide equivalent emissions.

Addressing our operational impacts, cont.

and applied 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. As before, in areas where our own data was incomplete or unavailable (such as specific mileage for truck transportation of Peroba wood in Brazil), we estimated carbon emissions based on operational assumptions.

Minimizing our carbon footprint

As we continue to track our carbon emissions, we have seen that certain activities consistently generate greater amounts of carbon dioxide. We can therefore act on this information to mitigate our total environmental impact. For example, the fact that we were able to use a larger amount of reclaimed Peroba wood this past year allowed us to avoid the emissions associated with harvesting virgin Indonesian hardwood. Also, despite considerable production increases (which resulted in a higher level of transportation-related emissions), we were able to hold our solid waste emissions at a slower pace of increase. We will examine this and other effects more closely to gain insight into how we can continue to operate more efficiently and reduce our overall carbon footprint. By focusing on reductions, we hope to maintain our carbon emissions at the current baseline, even as we grow and expand into new retail outlets.

Our approach to emissions offsets

As part of our greenhouse gas emissions reduction strategy, we purchase verified carbon credits to offset 100 percent of emissions that we cannot

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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.

avoid—in effect, becoming carbon neutral. We participate in Native Energy and U.S. Forest Service offsetting programs. Native Energy 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.

Greening our office and retail locations

In 2007 we introduced a green operations guide that is being used in our corporate office and retail facilities. The guide addresses 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).

Every action counts, and we expect that the cumulative impact of our efforts will yield considerable environmental gains. We have implemented a company-wide recycling program and have instituted a paper policy that guides both paper purchasing decisions and office paper use.

We will need the continued and enthusiastic support and participation of our employees to fully realize the benefits of these internal environmental initiatives. We work to engage our employees and keep them informed of our environmental objectives and progress by providing regular training sessions and progress updates.

Aligning corporate purchasing with environmental objectives

We 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. We continue to look for opportunities to choose the most sustainable products we can across all areas of energy supply, paper products, office furnishings, and cleaning supplies (among others). As part of the process of creating new product designs for future collections, we also screen our vendors against an agreed list of environmental performance criteria.

Reaching out to our customers and retailers

Our stores are the perfect place to connect with current and potential customers as they view our collections firsthand. Our store displays provide information about the environmental attributes of our products, and we will be phasing in the use of TFT product tags as appropriate. We look for opportunities to connect with customers and retail partners face-to-face at sales conferences, and we also use our website, brochures, newsletters, and email messages to communicate our environmental performance.



Connecting with our stakeholders

We've taken some important steps this year to become a more-sustainable company, but we know that we have more work to do. We also know that we don't have all the answers, and that's why we're asking all of our stakeholders—our customers, employees, retailers, and suppliers—to share with us your questions, concerns, thoughts, and ideas. By working together, we can continue to produce exquisitely designed furniture in a way that truly honors its natural origins.

Please contact **Seri McClendon** with any questions or comments:

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