



Our blueprint for decoupling growth from environmental impact.

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We believe that the future of business is more than just purpose-driven or 'sustainable'. It's more than measuring carbon footprints or recycled materials.

The future of business is circular.

In business, circularity is a model that maximises the reuse of resources and the lifespan of products, reducing waste and the impact on the environment.

In these pages, we've articulated Koskela's ambition to become a fully circular business by 2027. That means nothing we make will be wasted. Everything will be repairable, reusable or – as a last resort – recyclable.

Koskela is committed to a future that allows for human flourishing within our ecological boundaries. This is the beginning of our journey to circularity. And this is our invitation for you to come along for the ride.



When we started Koskela over 20 years ago, I knew that if we were going to create products, we had to consider their impact on the planet, environment and communities around us.

We're proud to be Australia's very first furniture B Corp, and we're now one of the country's leading sustainability practitioners in the furniture and design industry.

But this isn't a time for counting our blessings or patting ourselves on the back. This planet is in crisis, and it's up to all of us to help usher in a new way of living, being and working – one that is in step with nature and allows humanity to thrive.

Businesses of all stripes have an enormous role to play in finding that balance. Which is why Koskela is proud to announce our ambition to become a fully circular business by 2027.

After working with consultants to measure our carbon footprint over 3 years, we saw that if we had a great year in terms of revenue, our carbon footprint would increase in step. Transitioning to a circular model is one way for us to break this cycle. By embracing circularity, we cut out the need to continue drawing down on our finite natural resources.

Businesses can no longer rest on phoney, offset-based certifications that tell them how 'green' they are. For Koskela – and for the vast majority of businesses I can think of – going circular is the only way we can decouple growth from an increase in our greenhouse gas emissions.

This inaugural document outlines what we plan to do this year to move us to our 2027 goal. We'll report back on our progress annually, and we'll be completely transparent in our wins and losses. We hope that other organisations can use our circularity journey as a blueprint for their own.

There's no rulebook here and I'm excited by the task ahead of us. I know that the only way forward is circular, so we're all-in, and we're looking to pour our energy and focus into this project over the coming years.

I'm so glad to have you on this journey with us.

See you out there. Sasha Titchkosky, Koskela co-founder



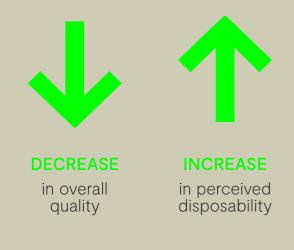
## WHAT'S THE PROBLEM?

We all need places to sit, eat, work and play. But, like it or not, furniture has a massive environmental impact.

For a start, it's usually made using carbonintensive materials like foam and steel. It's bulky to transport, and it often ends up in landfill because it's typically tricky to repair.

And that's not even the worst of it.

While furniture used to be made to last a lifetime, in recent decades there's been a decrease in overall quality and an increase in perceived disposability. Much like the rise of 'fast fashion', there's been a sharp increase in 'fast furniture', too. All of this comes at the expense of the planet.



# 48000000

In Sydney alone we generate roughly 48,000 tonnes i.e.



of furniture waste annually<sup>1</sup>.

It's a **huge** problem. And it's one we need to fix.

ELOOD

2027 CIRCULARITY ACTION PLAN  $\rightarrow$  pg. 05

## THE BIG ISSUE → AUSTRALIA'S WASTE HABITS

Australians are some of the greatest producers of waste in the world.

Each Australian family produces enough rubbish to fill a three-bedroom house each year, which works out to be about 2.1 tonnes (2,100kg) of waste per person.

It's estimated that the amount of furniture dumped in Sydney's landfills every year is the equivalent of 800,000 three-seater sofas, 1.65 million dining tables, 3.5 million coffee tables or 6.852 million chairs<sup>2</sup>.

800,000

three-seater sofas

In total, the amount of furniture thrown out annually by Australian households is more than four times the weight of the Sydney Harbour Bridge.

As creators of furniture, Koskela recognises our responsibility to:

→ OUR PLANET
 → OUR CLIMATE
 → OUR GLOBAL COMMUNITY

**1.65 mil** dining tables

**3.5 mil** coffee tables

6.85 mil

CIRC

We believe that as originators of products, we have a responsibility to make sure those products have as minimal an impact on the Earth as possible. In fact, our ultimate vision is to be able to create furniture that actually helps regenerate the Earth.

Which is why we're committing to go fully circular by 2027.

Why 2027? Simply put, we're running out of time. The world has less than six years of carbon budget left<sup>3</sup> to limit global warming to 1.5 degrees. We need everyone, everywhere – especially businesses – to rapidly and significantly reduce the carbon we're generating and the resources we're using.

Underpinning Koskela's inaugural Circularity Action Plan is our goal to move our business towards a circular economic model which is designed to benefit business, society and the environment.

In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple



growth from the consumption of limited resources. The three principles identified by the Ellen MacArthur Foundation<sup>4</sup> as being indicators of a circular economy are:

- 01  $\rightarrow$  Eliminate waste and pollution
- 02 → Circulate products and materials at their highest value and utility for as long as possible
- 03  $\rightarrow$  Regenerate natural systems

These principles underpin our Circularity Action Plan and will be the **key to driving our reduction in carbon emissions** and achieving our goal of reaching **absolute zero carbon emissions across all three scopes by 2035** (without any offsets).

## OUR CIRCULARITY ACTION PLAN

On the following pages, we've outlined our action plan against the three principles identified by the Ellen MacArthur Foundation. It's these principles that we'll report back on each and every year until 2027.

It's worth noting there isn't yet a globally accepted standard to track the circularity credentials of a product, company or economy (like the GHG Protocol to track greenhouse gas emissions, for example). Because of this, we've developed our own set of circularity measures based on best-practice advice and information.

Here, we've mapped our intended actions against each of the principles.

## Eliminate waste and pollution



#### 01 Eliminating waste at the design stage

We've talked about waste a little already. And while our current waste predicament as a society is dire, as a company that creates its own products within Australia, we're uniquely placed to effectively manage and minimise waste within our own supply chains. This consideration needs to happen at the onset, during the design phase.

When designing Koskela products, our team always works to standard sizes or considers other ways to maximise the sheet yield of our materials to minimise waste. We're also working closely with our manufacturing partners to understand the waste generated in their production facilities, and working together to find alternative uses for this by-product.

Product Spotlight

We also want to move away from using virgin materials entirely to make our furniture. Our target is for 90% of all Koskela products to be manufactured using recycled and recyclable materials by 2026.

#### 2023 ACTIONS

- → Ensure Koskela consultants query custom size changes with clients to promote sheet optimisation
- → Replace 25% of virgin materials used in our products with recycled materials.



#### Giving Bottle Tops A New Meaning

Cosied underneath the doona of our BooBook is a vibrantly coloured sheet made from a mix of plastic bottles and caps, collected through kerbside recycling.

This material is called Replas, and it acts as a sound reflector. So not only does Boobook block out visual distractions, but it also stops noise escaping so teams can get animated without interrupting the office.

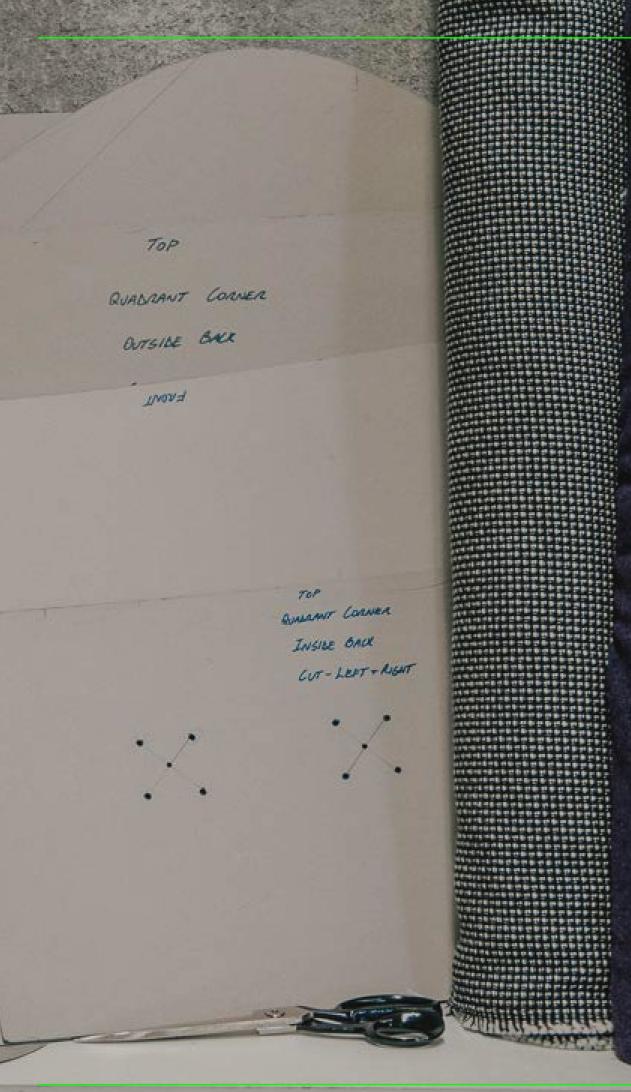
#### Boobook $\rightarrow$ Space Divider

#### Woolly Walls

Koskela started the design of Boobook with a new sustainable material: woolpack. It's a by-product of the sheep wool industry; microscopic fibres that escape processing are compounded to produce a biodegradable lining, commonly used for packaging.

We figured this sustainable material could be used for furniture applications, too.





#### 02

Eliminating waste at the production stage

Having all of our suppliers in Australia means we're in a great position to audit and understand their processes, and help them transition to a zero-waste model.

Through 2023, we'll implement a supplier questionnaire so we can gain a better understanding of how our manufacturing partners deal with any waste created during production. Are production offcuts and by-products able to be reused in the manufacturing process or recycled, or do they go to landfill? Are they working to maximise sheet yield? Do they have their own plans for circularity?

Through working closely with our suppliers and production partners, we hope to gradually ensure all the by-products of manufacturing can be reused or recycled and are not sent to landfill.

#### 03

Eliminating waste at the end of our products' lifecycle

How do we ensure our products never end up in landfill at the end of their useful life? It starts by designing products that are built to last. We then honour our product stewardship commitments by offering repair and renew services, improving products to make them easier to repair and incentivising customers to return those products to us so we can rehome them or ensure they are recycled properly at the end of their useful life.

#### 2023 ACTIONS

- → Survey all our manufacturing partners to understand how much waste is generated, what they do to minimise waste and how they dispose of generated waste.
- → This will provide us with the base data we need to track reduction and changes on an annual basis. It'll also enable us to work in partnership with our supply chain to identify opportunities for recycling or upcycling waste materials.

#### 2023 ACTIONS

- We will launch Koskela ReHome,
  a buy-back platform enabling
  customers to trade in Koskela
  furniture they no longer need
  so our pieces can find a new
  home that cherishes them.
- It wil also help customers who love Koskela to access our products at lower prices.

#### 04 Eliminating waste from our day-to-day business

Looking at our production and suppliers is one part of the equation, but we also need to make sure we're adopting circular practices in our own backyard.

This means looking at how we eliminate waste in the day-to-day operations of our business. This includes compostable waste, packaging, stationery, plastic wrap, packaging and general kitchen waste. The goal is to eliminate all of our day-to-day business waste.

Our waste is separated into the following categories:

- $\rightarrow$  Paper and cardboard
- $\rightarrow$  Timber
- $\rightarrow$  Steel
- $\rightarrow$  Soft plastics
- $\rightarrow$  Hard plastics and glass
- $\rightarrow$  Compostiable waste
- $\rightarrow$  Landfill

We have waste trackers for all our waste streams at both our operational sites. We already collect all our compostable waste and pay to have it commercially composted, but there are a few key items we'll be working on this year.

This includes working with our manufacturing partners to ensure textile waste doesn't end up in landfill, and reusing or recycling timber waste.

#### 2023 ACTIONS

- → Review waste trackers.
- Ensure waste trackers are properly implemented.
- Report to the team at our quarterly business meetings on waste generated by stream and location, and develop strategies to eliminate the waste.
- Develop our waste reduction goals in September 2023, once we have sufficient data.

#### 05

#### Eliminating emissions from our business operations and supply chains

Mapping, measuring and reducing emissions across our business supply chains is difficult, but so important. It means diving into every potential for emissions in our supply chains – from the vehicles we drive to the energy we use – and finding ways to reduce or remove those emissions completely by 2035.

#### 2023 ACTIONS

- → Research available EV vans, and plan to transition all local deliveries to solar powered EVs by 2024.
- → Work with the industry to assist in the transition to electric trucks for our deliveries.
- → Work with our manufacturing partners to encourage them to switch to renewable energy suppliers, if they aren't already using renewable energy.

Work with our landlords to install solar energy on our sites (we have used green energy since 2009 and are now working with Diamond Energy, one of Australia's greenest energy providers as rated by Greenpeace).

Calculate the embodied carbon in our top 10 selling products so we can track the impact of changes we make.

Continue to design products that can be assembled at their final destination and work with local manufacturing partners to minimise freight emissions.

2027 CIRCULARITY ACTION PLAN

## Circulate products and materials at their highest value and utility for as long as possible

#### 01 Focus on classic design and future heirlooms

We don't buy into trends or fads and refuse to buy into fashionability when it comes to interiors.

Furniture has a huge environmental footprint and it's irresponsible to design pieces only for them to fall out of fashion a few months down the line. Our ambition is to design products that will become future heirlooms – treasured by both their current owners and those in the generations to come.

#### **2023 ACTIONS**

There is no specific action for us for this year, as this has been an ambition for the company for over 20 years, and something we embody in all of our work.

> We will continue to review every design against this criteria and ensure the finishes we use on products can stand the test of time.

We will also never comment on trends in designs or refer to this idea when describing our products.

#### 02 Maximise repairability

We aim to be an alternative to disposable 'fast furniture'. Our existing 'Repair & Renew' program means that Koskela will always be the first point of contact to repair our furniture and commit to doing all that we can to make this a feasible alternative for our customers. Many of our products can be repaired on site, either by trained installers or the purchaser.

All new Koskela products are designed to be repaired and to make replacement components easily available, and we are in the process of reengineering our existing products to make Repair & Renew easier. We gladly offer to reupholster older sofas with new removable covers to make sure they last another decade.





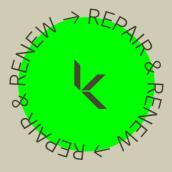
Curlew  $\rightarrow$ 

Removable Covers Guwal Chair  $\rightarrow$ 



Yakka Desk → Interchange Table Legs



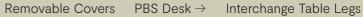


#### 2023 ACTIONS

- **Redesign the Classic Sofa**  $\rightarrow$ to make its covers removable.
- Redesign the Brolga Sofa series  $\rightarrow$ to make its covers removable.
  - Notify previous Koskela retail customers about our Repair & Renew program to encourage them to reupholster their sofas with removable covers.

 $\rightarrow$ 







LOON



Removable Covers

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#### 03 Extend the lifecycle of our products

One of the ways we can keep our products in circulation is to help match refurbished or pre-loved Koskela products with a new owner.

#### 04 Explore new business models

We believe that many of our customers would benefit from the long-term use of our products without needing to buy them outright. A 'furniture as a service' model allows for greater flexibility, reflecting the pace of change when it comes to the ways we work and learn.

Within this model, Koskela – as the originator of the products – retains ownership and ultimate responsibility of the furniture, meaning we're incentivised to maintain its quality.

The customer can choose how frequently the products are maintained and serviced, and return them when they're no longer needed. Koskela can then refurbish each product and make it available for the next customer, extending the item's useful life and keeping it out of landfill.

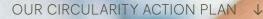
#### 2023 ACTIONS

As well as continuing our Repair & Renew service, we'll launch Koskela ReHome, a second-hand marketplace that allows customers to trade in their pre-loved Koskela furniture and buy carefully refurbished pieces at a lower price point.

#### 2023 ACTIONS

→ We will develop and test a service model for furniture for our school and corporate clients.





8

## Regenerate natural systems

For a small company with limited resources, regenerating natural systems is the most difficult action within the three principles of a circular economy. Given our available resources, our initial focus is on tracking our progress against the first two principles over the next 12 months. We believe our work in the above two categories will have a net positive impact on the environment.

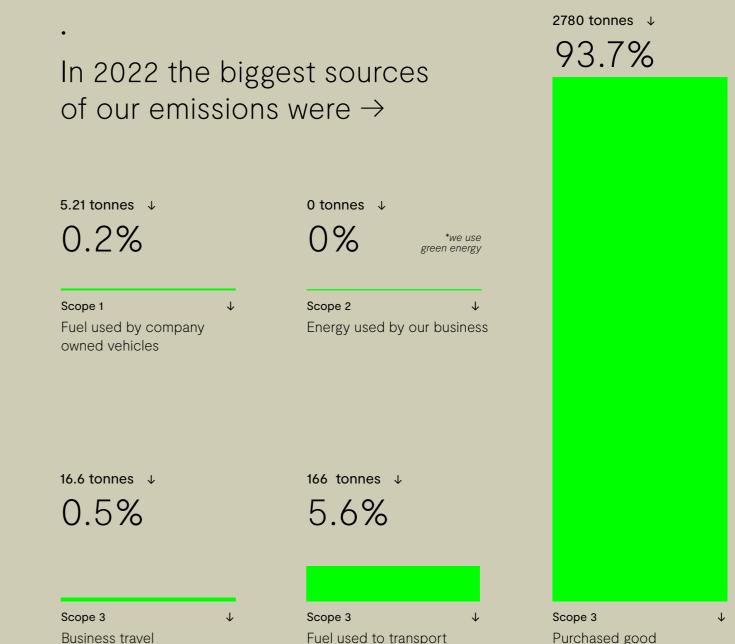
In a circular economy, the aim is to gradually decouple economic activity from material extraction. Land currently allocated to sourcing virgin raw materials (e.g. mines or plantations) can instead be dedicated to renewable resources grown in a regenerative way. Simply put, more I and can be returned to nature.

At Koskela, all of this will be underpinned by a transition to 100% renewable energy and our commitment to design for reuse, repair, remanufacture, and recycling.

#### 2023 ACTIONS

→ Review the use of virgin materials and, where possible, substitute them for materials that are already in circulation or that incorporate waste products.

2027 CIRCULARITY ACTION PLAN



## REDUCING **OUR CARBON** FOOTPRINT

These three initiatives and their related actions will all help us to move towards our 2035 goal of absolute zero emissions (without any offsets).

We've been measuring our carbon footprint since 2019. Our process for doing so is improving each year, but it's still not perfect.

We measure the carbon we create across all 3 scopes:

- Scope 1  $\rightarrow$  the emissions created in the operation of our business and because of the vehicles we own and operate
- Scope 2  $\rightarrow$  the energy used to power our business, including the home energy usage of our staff
- Scope 3  $\rightarrow$  the carbon in the products we create and the transportation of them to our customers, our business travel, the energy generated by our team getting to work, waste generated in our operations, any capital goods we own, any emissions created at the end of life for Koskela products.

Business travel

TOTAL = **2968 TONNES\*** 

KOSKELA

products to customer

Purchased good and services



We've seen a big increase in our emissions this year as we have changed the methodology used to track our emissions. This methodology includes more of the purchased services we use to run the business e.g. all the cloud-based software services we use. the super funds we support etc

LOO,

## WHY WE'RE NO LONGER CLAIMING TO BE → *'CARBON NEUTRAL'*

## We no longer purchase offsets and don't claim to be 'carbon neutral'.

There's been much written recently about greenwashing and the validity of some organisations' net zero targets. For individuals who are choosing which products to buy or which company to support, greenwashing can make an already murky area even murkier.

In particular, there's a lot of debate about the use of carbon offsets by organisations. Carbon offsets are meant to be used as a last resort, but because they've become so readily available, they're being used by companies to delay taking action to reduce emissions. In effect, to buy their way out of strong, immediate decarbonisation.

There is significant evidence that at least 75% of Australian carbon credits are not resulting in real emissions reductions or are not 'additional'<sup>5</sup>. For example, credits being claimed and sold for not clearing land that was never going to be cleared anyway. Or credits being given to projects for growing trees when it was the rain that was making the trees regenerate. Additionally, offsets are being used by the fossil fuel industry to continue business as usual operations rather than to move their companies away from the very activities that cause climate change.

The question marks around net zero, carbon neutrality and the offset markets are behind our decision to change our approach to our carbon footprint. Here's a summary of what's changed in our approach (and what's stayed the same):

- → We're continuing to measure our carbon emissions across all three scopes.
- → Our focus is on reducing our Scope 3 emissions – our products and the transport used to get them to our customers.
- → We are no longer Climate Active certified carbon neutral. We've instead committed to the Science Based Targets Initiative (SBTI). We believe that, at this stage, the SBTI framework is more ambitious and indicates a clearer commitment to reducing emissions in line with the 1.5 degree cap in global temperature increase.
- We are no longer purchasing offsets, as we are sceptical about their validity and the unregulated nature of the industry.



Australian Carbon Offsets are not resulting in real emissions reduction

## IF WE'RE NOT USING OFFSETS, WHAT ARE WE DOING INSTEAD?

We're actually working towards eliminating our emissions completely.

We're working out what it would have cost us to offset our emissions from the year prior and allocating this budget to initiatives that will help us achieve our goal of absolute zero carbon emissions by 2035 (with no offsets).

This would have cost us about \$21,000 in carbon offsets if we had purchased them. This money will instead be spent implementing the following initiatives in 2023 which will assist Koskela in reducing our emissions:

- $\rightarrow$  Researching, testing and implementing the use of recycled materials to substitute for our high carbon materials foam, steel and board materials.
- $\rightarrow$  Developing and implementing Koskela ReHome and the new service model.

# THERE IS NO $\rightarrow$ $\rightarrow$



### GOAL 17

Partnership for the goals

## MEETING GLOBAL SUSTAINABILITY STANDARDS →

We believe our plan for circularity positively impacts at least 6 of the UN's 17 Sustainable Development Goals<sup>6</sup>:

### GOAL 15

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



## GOAL 13

Take urgent action to combat climate change and its impacts

~ LOOD



Affordable and Clean Energy

#### GOAL 11

Make cities and human settlements inclusive, safe, resilient and sustainable

#### GOAL 12

Ensure sustainable consumption and production patterns

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## CERTIFICATIONS

Each year, we'll keep reporting on progress on our emissions reductions strategies to hold ourselves accountable. On top of this:



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We are committed to <u>Science</u> We are members of the Based Targets (SBTIs) under the SME pathway which requires us to cut our scope 1 & 2 emissions by 50% by 2030 from our base year of 201 - and we are required to report on our progress.

United Nations Global *Compact (UNGC)* and are committed to achieving the UN's Sustainable Development Goals (SDGs).

United Nations

ISO 14001 and 9001 certified - these are internationally recognised quality and environmental standards that we are assessed against each year.

ISO√

2015 CERTIFIED

ISO√ |

2015 CERTIFIED

We are committed to the UN's Race To Zero initiative

RDEF TA 7FRA

**<u>GECA certified</u>** – many of our products have been independently certified as being environmentally innovative





Continuing as a leader in the *B Corp* movement



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2023 has kicked off our commitment to circularity and we are working hard to put everything contained in this plan into action; and will continue doing so for the months and years to come.

If you'd like to stay in the loop with our progress, sign up to our newsletter here or reach out to info@koskela.com.au Γ

We'll see you soon.

LOOD

 $\sqrt{2}$ 2027 CIRCULARITY ACTION PLAN  $\rightarrow$  pg. 33

## SOURCES, REFERENCES

<sup>1</sup>https://www.paulsrubbish.com.au/furniture-waste-statistics-australia/

<sup>2</sup> https://blog.handkrafted.com/landfill-australias-underground-furniture-movement/

<u><sup>3</sup>https://www.ft.com/content/5ef31328-2855-4637-9045-318267cc999c</u>

<sup>4</sup> https://ellenmacarthurfoundation.org/topics/circular-economy-introduction/overview

<sup>5</sup> https://australiainstitute.org.au/post/carbon-credits-and-offsets-explained/

<u>https://sdgs.un.org/goals</u>

## FURTHER READINGS

Australian Bureau of Statistics – Waste Account Australia Experimental Estimates 2018-19

<u>GECA – New Initiative to Tackle the Growing Problem of Commercial Furniture Waste</u>

DCCEEW – Designing out waste for commercial furniture and furnishings – Furniture 360