

Kopenhagen Fur Communication on Progress 2017

CEO statement

I am pleased to confirm that Kopenhagen Fur reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress (COP) we describe our actions to continually improve the integration of the Global Compact guiding principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Since we submitted our last COP in November 2016, we have continued to sustain and improve Kopenhagen Fur's policies and performance within Human Rights, Labour, Environment and Anti-Corruption. We have also continued to look outwards and help our customers and partners to improve on these areas. We commit to continue this work in the years to come.

Sincerely yours,
Jesper Uggerhøj
Chief Executive Officer

Human Rights

Assessment, policy and goals

Description of the relevance of human rights for the company (i.e. human rights risk-assessment).

Description of policies, public commitments and company goals on Human Rights.

- Kopenhagen Fur adheres to the Universal Declaration of Human Rights.
- Kopenhagen Fur's declared core values include respect, involvement, openness, transparency and the cooperative movement's belief that humans are strengthened through collaboration. These values underscore the company's devotion to the Human Rights principles.
- All employees enjoy the right to free assembly and association, and three different labour unions are represented at Kopenhagen Fur.

Implementation

Description of concrete actions to implement Human Rights policies, address Human Rights risks and respond to Human Rights violations.

- At Kopenhagen Fur we have a full set of policies regarding Human Rights for our employees. These include e.g. policies regarding stress, smoking, pregnancy, illness, consistent repeated work, health etc., which in several cases go beyond minimum law requirements.
- We have volunteer groups consisting of both management and employees, which work to improve these policies continuously.
- Kopenhagen Fur's extensive policies on labour rights also show our commitment to human rights.

Measurement of outcomes

Description of how the company monitors and evaluates performance.

- Copenhagen Fur is OHSAS18001 (Occupational Health and Safety Assessment Series) certified and adheres to all the requirements regarding this certification.
- We have chosen to focus our policies and resources on adhering to OHSAS18001 standards, as this occupational health and safety management system has a people (employee)-focus.
- As we want to focus our resources on sustaining and further developing a good and positive working environment for employees at Copenhagen Fur, we have chosen to no longer pursue ISO9001 certification, when our current certificate expires by the end of 2017. We believe that focusing our efforts on OHSAS18001 is in the best interest of very important stakeholders such as our employees and, by extension, our owners (the Danish fur breeders), as these efforts create a good working environment and contribute to ensuring a stable staff situation in the organization.

Labour

Assessment, policy and goals

Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.

- As a Danish company, Copenhagen Fur is governed by Danish working environment legislation, where the individual company is responsible for solving the safety and health issues, which may arise.
- Our adherence to OHSAS18001 principles ensures that we work systematically to improve the working environment in the organization.
- Moreover, Copenhagen Fur has the fundamental view that work life should be a rewarding and developing part of the entire life cycle.
- Copenhagen Fur wishes to promote a good working environment with both physical and mental wellbeing of all employees. As a result, work must be carried out safely based on objective assessments of the conditions of the working environment, which both in the short and long term can affect the physical, mental and general health.
- Copenhagen Fur has a full set of Human Resources (HR) strategies and follow up procedures for all phases of employment: Recruitment, retention (including working environment standards), development and retirement.
- Further, Copenhagen Fur has a strategy for continuous improvement in our production divisions (skin sorting) and employs a Continuous Improvement Consultant who is responsible for educating and guiding colleagues within this field.
- As also reported last year, the strategy for continuous improvement includes goals to
 - Create willingness among employees to adapt by implementing short changeovers and increase the employees' competence level
 - Improve the employees' working environment and working conditions through better use of our physical environment
 - Achieve a high degree of employee involvement in problem solving and continuous improvement of processes and working conditions
 - Create an awareness in the whole company of the importance of the production (skin sorting) divisions, and their contributions to the whole value chain

Implementation

Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.

- Working environment concerns all employees at Copenhagen Fur and we believe in employee involvement. In daily life, it is the individual employee's and manager's mutual responsibility to ensure a good working environment.
- Copenhagen Fur has an Occupational Health and Safety (OHS) organization made up of a general committee with representatives from management and employees, as well as six working environment groups. The function of the working environment committee is to plan and coordinate the local working environment groups' work for safety and health, as well as prioritizing and ranking the tasks related to sustaining and improving Copenhagen Fur's working environment.
- Copenhagen Fur prioritizes and encourages professional development for all groups of employees. Therefore, our HR department has a unit responsible for educational activities across all departments. The unit, called Fur Academy, aims to develop the organization by offering newly developed, recurrent and needs specific training for the individual employee.
- In 2017, Fur Academy has held various development and training activities on individual, team and organizational level. Fur Academy has focused on developing employees' skills within project management, sales, leadership and change management. Furthermore, Fur Academy has facilitated several strategy and team workshops to support the implementation of a new organizational structure in the company. Each year, Fur Academy also offer training in more job specific skills within areas such as driving a forklift, language and IT.
- As part of the implementation of our devoted strategy for continuous improvement in our production divisions, Copenhagen Fur continues to use TWI (Training within Industry) standards, process descriptions, and instructions to describe and learn more about the processes we work by. We evaluate and improve the processes based on the TWI standards.
- We are improving the employees' competences by educating TWI trainers who can train their colleagues in our processes and thereby ensure that people have the right competences and deliver correct quality of work.
- Continuous improvement is, by definition, an ongoing process, and in 2017 we have continued to work with the initiatives, which we reported on last year:
 - Employees who operate machines on a daily basis are encouraged to find new methods to do the job. The respective methods suggested by the employees are tested, and if they get approved we document them as a new standard
 - Train the trainer session, where 2-3 TWI trainers are coached to improve their skills and get the opportunity to challenge our standards
 - Board meetings where relevant members of management meet to discuss Key Performance Indicators twice a week and operators once a week. If deviations from standards occur, we take action. Each time, we assess if the standard has to be reassessed and improved, or if training is called for
 - Continuous workshops, e.g.:
 - SMED (Quick Changeover) Workshops
 - Flow: How to design a production floor setup where transportation time between stations are reduced

Measurement of outcomes

Description of how the company monitors and evaluates performance.

- As an OHSAS18001 certified company, Copenhagen Fur systematically works with improving working environment in the company through continuous improvements, deviation handling and preventive actions. Activities include risk assessments in connection with changes, systematic handling of near injuries and injuries, safety inspections, internal and external audits. Copenhagen Fur makes workplace assessments and measures supplier satisfaction, employee satisfaction and working environment, including the amount of sick leaves and injuries.
- Regarding the work with continuous improvement in our production divisions, Copenhagen Fur documents all TWI trainings in a competence matrix and evaluates the number of resources needed in a given process to remove vulnerability (i.e. we make risk assessments). Middle management tracks their respective teams' performances. If needed, our in-house Continuous Improvement Consultant helps them improve.

Environment

Assessment, policy and goals

Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.

- Copenhagen Fur continuously works to implement protection of the environment in our daily business practices and to reduce our external environmental impact at corporate level. This includes ensuring sustainable and economically sound operations of Copenhagen Fur's buildings and processes within electricity, water, heating and cooling, in order to ensure that Copenhagen Fur is an environmentally and resource-conscious business.
- In this area, we work with SDG no. 7, and commit to reducing energy consumption in own operations, including through using heating and cooling technology, and efficient lighting.
- As world leader within our field, Copenhagen Fur also aims to inspire, help and nudge our partners to become aware of environmentally friendly alternatives within their respective fields.

Implementation

Description of concrete actions to implement environmental policies, address environmental risks and respond to environmental incidents.

In 2017, we have continued our work to reduce the environmental impact of our auction house facilities.

Lighting:

- Copenhagen Fur has continued to install LED lights, or other environmentally friendly lighting solutions in existing as well as new buildings, as reported in previous years' COPs.
- In 2017, we have focused on finding the best possible environmentally friendly lighting solutions for our sorting areas, where the right lighting is crucial in order for our experienced sorters to sort and grade fur skins correctly. The process is still ongoing, as the lighting solutions, which we have tested for now, can provide the correct colour of lighting, but not the correct brightness (lumen).

Therefore, the search for the perfect solution will continue in 2018.

Ventilation and heating:

Kopenhagen Fur has continued to focus on reducing energy consumption and using energy more efficiently at company headquarters in Glostrup outside Copenhagen, also when it comes to purchases of new equipment.

- Last year we could report, that we worked towards being able to reuse excess heat in internal heating loops in 2016. This work continued in 2017.
- For instance, this strategy was taken into consideration, when purchasing a new compressor. As we install new, automatic sorting machines, the need for compressed air increases. The compressed air is used for controlling the machines and to keep sensitive parts of the machines free of hair and other small and fine particles. Throughout 2016, the need had become so great that our two existing compressors could not provide enough air. Therefore, we initiated a process for dimensioning and purchasing one new compressor in 2017. It was a high priority, that the compressor should use as little energy as possible for the sake of the environment and business, as the energy cost of compressed air typically constitutes more than 80% of the lifetime cost. The reason for this is that when compressed air is formed, heat develops. Therefore, we chose a compressor, which is designed to regain the majority of the developed heat. The regained heat is used to heat our buildings.
- As reported in 2016, it had been a longtime idea and dream of ours to send surplus heat from our auction house to a heating plant, so it could be used for heating private homes. We are proud to announce that 2017 became the year when the dream came true.
- In September 2017, we began to send our surplus heat to our neighbor - a district heating plant called Glostrup Forsyning. The heating plant estimates that the surplus heat received from Kopenhagen Fur will cover the annual consumption of 1000 single family homes in our neighborhood. To enable this process, we have installed a compressor station, which cools our storage areas and sends surplus heat from this process to the heating plant next door.

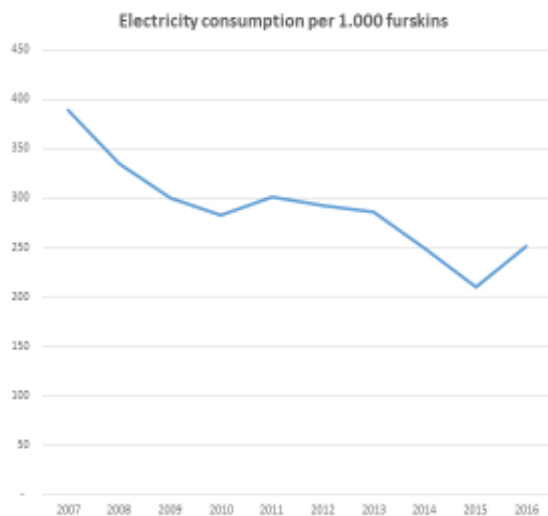
Measurement of outcomes

Description of how the company monitors and evaluates environmental performance.

- In March 2017, Kopenhagen Fur won the CSR prize at the well-known fashion magazine Elle's yearly award show, Elle Style Awards. We won for our continuous work to optimize our energy consumption, among other things.
- Energy consumption is continuously measured and possible waste is located through the energy analysis system. However, no reports have been published, until now. Therefore, we are happy to announce that in 2017 we have gathered key performance data from 2006-2016 into an energy accounting report for the first time.
- We are proud that the energy accounting report shows that our energy consumption per unit area has remained virtually unchanged from 2007 to 2016. This despite the fact that Kopenhagen Fur

has handled (received, sorted, packed and sold) 75 per cent more mink skins from 2007 (16.1 million mink skins) to 2015 (28.7 million mink skins) with a small reduction in 2016 (25.6 million skins). To handle this increased volume of skins, we have also increased our building mass by more than 20.000 square meters of storage and office facilities and installed new machinery throughout the period. This positive development shows that our continued focus on improving our energy performance has proven effective.

Electricity consumption per 1.000 furskins



- Amount of furskins has gone up from 16 mill. in 2007 to 25.5 mio. in 2016
- Despite this steep increase in number furskins, overall electricity consumption has remained virtually unchanged – from 6.1 mill. kWh in 2007 to 6.4 mill. kWh in 2016

Anti-Corruption

Assessment, policy and goals

Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment).

Description of policies, public commitments and company goals on anti-corruption.

Kopenhagen Fur is situated in Denmark, which is one of the least corrupt countries in the world. However, Kopenhagen Fur is a center for international trade, and therefore we take our obligations to prevent corruption in an international perspective seriously.

Kopenhagen Fur continues to uphold the following values and procedures:

- One of Kopenhagen Fur's declared core values is transparency. The transparency principle dictates that all customers or suppliers are treated equally, and that all terms and conditions, sales programs and sales reports are made public.
- Kopenhagen Fur has exact procedures for new customers and makes a great effort to know all our suppliers and customers.

Implementation

Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.

- The principle of transparency is one of the most important elements of Kopenhagen Fur's core values. To ensure that all employees embrace this value, all new employees are educated in the principle – both specifically for their own area of expertise, but also for the entire company.
- We only carry out financial transactions to buyers and suppliers, if the transactions are related to trade with pelts and products related to the fur industry.
- Kopenhagen Fur has a restrictive gift acceptance policy, which applies to all employees.
- In 2017, we have strengthened our active compliance policy in regard with payments and handling of cash. This entails that we will conduct additional and ongoing compliance checks of our business partners (fur breeders selling their skins at our actions and auction customers buying skins at the auctions). To this ends, we have purchased an acknowledged compliance check system.

Measurement of outcomes

Description of how the company monitors and evaluates anti-corruption performance.

- The transparency principle and our effective policies has entailed that Kopenhagen Fur has not experienced any cases of corruption within the last year.