

Trip Trap

Social and Environmental report

2010- 2011

Period covered; July 2010 – June 2011

Introduction

Trip Trap constantly strives to deliver the highest achievable quality throughout the value chain. Accordingly, quality is also a matter of socially and environmentally responsible production based on sustainable, renewable resources - and, just as important, having respect for the people who are affected by the manufacture of our products in one way or another.

Environmental responsibility also extends to the service life of products. When you choose a quality product in a design you like, it will last many years - in terms of both its functionality and its aesthetic qualities. This way, you minimise the environmental impact of extracting raw materials, production and transportation. There is a big difference whether a suite of furniture lasts twenty years or whether you replace your furniture four or five times in twenty years - even in purely environmental terms.

Wood raw material

It is our declared intention that, as far as possible and as far as is justifiable in terms of quality and economy, we must and we will use FSC™ - certified wood. This has led, among other things, to all our white-painted furniture now being produced using FSC-certified eucalyptus ¹.

The teak used in our products originates primarily from Asia. We are currently implementing a program to ensure that all wood used in our products at least complies with the new EU Timber Regulation requirements which means that the wood at a minimum must be legally harvested and traded. Our goal is of course that all wood raw material that we use shall be FSC certified in the future.

A sustainable partnership

Our products are mainly manufactured in Thailand and Indonesia and to some extent also in Vietnam and China. We work closely with a small handful of suppliers that have been thoroughly selected and with whom we have developed a long term relationship. We are usually a large customer to them which means we are able to exert maximum influence on production processes and conditions in the companies that supply to us.

Because we collaborate with supplies over the long term, they are very open to dialogue, and we use this to develop and improve the working environment for employees.

Code of Conduct

All manufacturers of Trip Trap products adopt our Code of Conduct, through which they undertake not to use child labour, to buy all wood legally, to ensure optimum working conditions for employees and to participate actively in making ongoing improvements of manufacturing conditions for the purpose of maximising plant safety, etc. We monitor all our suppliers regularly in order to ensure that all requirements are fully implemented and where deviations exist we set up

¹ Trip Trap is FSC Chain of Custody certified since 2008. FSC-C004462

individual actions plans for when and how the agreed corrective actions shall be implemented. Our technical staff visit each supplier often which means that we have very good knowledge about the conditions in the factories that produce our products and also that we can consistently monitor the development and directly influence when we see something that needs improvement.

Trip Trap is a signatory to the United Nation's Global Compact. We are committed to aligning our operations and strategies to the Global Compact's 10 principles in the areas of human rights, labour, environment and anti-corruption.

Jesper Panduro
Director/CEO

Our Code of Conduct

Social and environmental performance has been an essential part of Trip Trap's business culture for many years and in 2010 we decided to focus more on the subject by implementing a more structured and uniform way of working with a defined Code of Conduct and tools for implementing and monitoring the requirements.

Trip Trap joined the Global Compact in June 2010 and by doing so we also committed to implement the Global Compact 10 principles in the areas of human rights, labour, environment and anti-corruption. The 10 principles have been incorporated into our Code of Conduct that is implemented in our own operations and at all our suppliers. Since all our production takes place at our external suppliers in Asia we have focused much of the implementation work on these external suppliers. As we have a limited number of suppliers that we work very close with we have also been able to discuss the Code of Conduct in detail with each one of them to ensure that they fully understand the reason behind the requirements and the importance of an open and transparent dialogue that will help developing social and environmental conditions in the companies.

Our Code of Conduct consists of a set of principles that must be fulfilled at all times. The Code of Conduct includes a set of Management principles as well as detailed requirements that the suppliers must comply with;

- Compliance with international labour standards and national legislation
- Health and Safety
- Working hours
- Wages, benefits and terms of employment
- Freedom of Association and the Right to Collective Bargaining
- Prohibition of Forced and compulsory Labour and Disciplinary Measures
- Prohibition of Child Labour
- Prohibition of Discrimination
- Environmental protection
- Anti corruption
- Sub Suppliers

Each of these subjects are further broken down into detailed requirements describing what exactly it is that the supplier must comply with. Some of these requirements have been classified as so called zero tolerance requirements meaning that we will not accept any deviations against them at any time.

Our Code of Conduct will be further developed based on our experiences and cooperation with our suppliers and our external CSR auditor NEPCon.

Implementation of the Code of Conduct

Since we have a limited number of suppliers that we work very close with we are also able to have a regular close dialogue with each one of them on the purpose and content of our Code of Conduct. As a part of the implementation of our new Code of Conduct all our major suppliers were requested to fill in a self assessment of their performance against the requirements in the code. The filled in self assessment served as a base for further discussions with the suppliers about the content and purpose with the code. The results of the self assessment were analysed by our third party auditor and also used as a base for the third party audits of the suppliers.

Our technical staff visit each supplier regularly and follow up on the implementation of the Code of Conduct and possible open action plans is a fixed point on the agenda during these visits. We believe that our suppliers have accepted our Code of Conduct very well and that they have an honest will to develop their operations to comply with our requirements. We also try to make them

realise that good working conditions is good for their own business since it is crucial for ensuring product quality and is also a good means for them to attract and maintain skilful workers.

Our suppliers are required to communicate and take action to support the implementation of our Code of Conduct at their sub-suppliers but so far our implementation and monitoring work has focused primarily on our suppliers.

It is our goal to have all Trip Trap and Skagerak suppliers to sign the Code of Conduct by end of 2011.

Monitoring compliance

In 2010 and beginning of 2011 we have used a third party organisation NEPCon to conduct independent audits at all our main suppliers. The 5 audited suppliers represent the majority of our products. These supplier audits covered all requirements in our Code of Conduct and were done based on international principles for third party audits. The individual reports from the audits have been discussed in detail with the management from each supplier and individual action plans have been agreed for each identified non-compliance. The agreed action plans have been reviewed by the third party auditor and our own Quality and CSR manager is now working with the suppliers to ensure that the actions plans are implemented within agreed time frames.

New third party audits will be carried out again at each supplier within individually agreed time frames.

Performance and challenges

Human Rights

We believe that good working conditions must be a matter of course in all business and purchasing activities. For us it's very important that all our products are produced in factories where workers have a safe working environment and where workers' rights are respected.

Working conditions take up a significant part of our Code of Conduct. Some of our most important requirements are that we do not accept any harsh, inhumane or degrading treatment or punishment of employees and we require that workers shall be protected from exposure to severe safety hazards.

All our suppliers are operating in Southeast Asia and China where working conditions and workers' rights have always been a challenge. We believe that we through our thorough selection of suppliers and long term relation with them have managed to identify partners that have the possibility and will to comply with our requirements.

Challenges

One of the biggest challenges for us and our suppliers is that a big part of our product range is seasonal which means that the production is concentrated to certain periods of the year. This makes it challenging for the suppliers to have a stable production volume throughout the year which in turn causes challenges in balancing the number of workers with the fluctuating production volume.

The audits we have made on our suppliers have shown that work place health and safety usually is in good order at most of our suppliers. The factories are usually fairly clean with low noise and dust levels. Workstations are usually reasonably safe and machinery is equipped with functioning safety devices. Personal protective equipment is usually provided but one challenge is that workers do not always understand the need to use the protective equipment. Also most factories have fire extinguishers available in sufficient numbers near the work stations. Though the overall situation is fairly good when it comes to work place health and safety there are also challenges in all these fields but they are usually such that they can be corrected fairly easily and within reasonable time frames.

Since our production and related production processes does not have a significant impact on the environment and people living near the factories have we focused our work on implementing our Code of Conduct at our suppliers and have so far not worked much with the local communities and authorities. Still we appreciate and support the work that some of our suppliers do in order to communicate and support the local communities.

Labour Principles

We do want our customers to feel safe that our products have been produced under good working conditions and that the workers' rights are respected at all time. One of our most important principles is that we do not accept child labour or any form of forced or bonded labour. We also believe that it is very important that the workers have freedom of association.

The audits made at our suppliers have confirmed that no forced or bonded labour is used to produce our products. Our suppliers also have a very positive attitude against discrimination in any form (e.g. religious, sex, race etc) and many of them encourage diversity in the employment process and daily working life.

Migrant workers are fairly common in some of the countries where our suppliers operate. Many of our suppliers face challenges with high staff turnover meaning that workers easily move to other companies which makes it difficult to create long term relations and to develop and educate the workers.

Challenges

One challenge in some of the countries we operate is the common use of young workers and weak systems to control of workers age. We believe that young people must be allowed to work after they have finished their education but that such work must not jeopardise their health and safety. Thus we do not accept that young workers work overtime or in places that can jeopardise their health. In countries where this is relevant we work closely with our suppliers to ensure that young workers are exempted from such work. Where relevant we also ensure that our suppliers have a functional system for controlling workers age and that they are aware of what to do in case child labour would be discovered.

Workers Unions or other means of workers associations are not very well developed in some of the countries where our suppliers operate. We require all our suppliers to support the workers' right to form and join workers unions. Our audits showed that this was not functioning satisfactorily at some of our suppliers which is something we have found very serious. Thus this is something that has been addressed with concerned company managements and which we follow up thoroughly. We believe that these issues will be mostly solved within the near future.

Environmental Principles

Wood is the most important raw material in our products. The wood raw material is therefore where we have focused most of our efforts to ensure that the sourcing, production and use is as sustainable as possible. We believe that our business concept to produce durable products that last longer is good for the environment because a product that lasts for decades has a lower environmental impact from raw material sourcing, production, transport, packaging and destruction than one that only lasts for a few years.

In our choice of raw materials and production techniques we try to use the most environmentally friendly alternatives and our internal risk analysis have shown that the direct impact from the production of our products is fairly limited. Together with our suppliers we also try to optimise the use of the raw material and our suppliers are always involved in the design and product development to ensure an efficient use of the raw material.

It is our declared intention that, as far as possible and as far as is justifiable in terms of quality, production wise and financial terms, we must and we will use FSC-certified wood. Currently 36% of the wood used in our furniture is FSC certified and we are striving to improve this. Our goal is that all our wood raw material shall be FSC certified in the future.

Wood is a renewable resource and when produced and harvested in a responsible way it has a neutral impact on the CO₂ balance. We also believe that high product quality is good for the CO₂ balance because the longer the product is used the longer it will store the carbon that is bind in it.

Many of our wooden products are sold unfinished which we believe reduces the environmental impact from the production. When surface treatment is used we try to use the most environmentally friendly method taking into account the product durability and functionality.

The audit of our suppliers showed that the environmental impact from our production is fairly limited and in most cases the suppliers have taken relevant actions to limit the impact.

Anti-Corruption Principles

We do not accept corruption in any form, whether direct or indirect, and we work proactively to prevent it. We clearly refrain from all kinds of corruption in our own activities and strongly encourage our suppliers to follow the same principles.

A commitment against bribing is included in our Code of Conduct but we are also aware of how difficult it is for small companies to fight against a system that is deeply rooted in the respective country's business culture.