

Global Compact by BoConcept

Communication on progress – 2011

May 2011



Statement from the CEO

We signed up for the UN Global Compact programme because we subscribe to its ten principles, which we consider universally applicable, good and sound, and because the programme calls upon us to commit to it and report on our work in this respect.

Although corporate social responsibility is inherent in our values as expressed by the concept of Respect as we define it, we have previously lacked structure and determination in many ways, and we have endeavoured to change this.

We have identified 24 initiatives under the heading of 'Initiatives for Life', initiatives which we have launched already and will present together with a clear CSR policy in the summer of 2011.

We will make an effort to add new initiatives to this list on a regular basis. As an organisation, we feel responsible for improving our production processes and the way in which we treat our environment, locally and globally.

The 'Initiatives for Life' list will never be finished: there will always be new initiatives to launch.

On behalf of BoConcept, I would like to thank you for the interest you are showing in our organisation by reading this report.

Viggo Mølholm

President & CEO



Background

BoConcept is an international furniture retailer with 256 stores in more than 50 countries.

BoConcept is a Danish-owned company solidly planted in the sandy moors of the Jutland peninsula, where money is tight but determination strong.

Country of origin

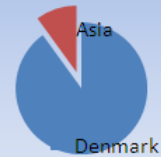
BoConcept has been manufacturing furniture for the past 60 years. In the course of several years, the company has made the transition from manufacturing 90% of its products itself to outsourcing approximately 75% of its product range today. Because of this outsourcing we have had to learn new skills. However, we always use the knowledge and know-how gleaned from our own production processes when we source products, both with regard to production technology and in environmental and working environment matters.

Our core values are:

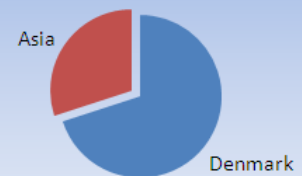
- Respect! – always show you care
- Think smarter – always look for the better solution
- Play the team – always use your freedom responsibly
- Love city life – always know what's going on.

Country of origin

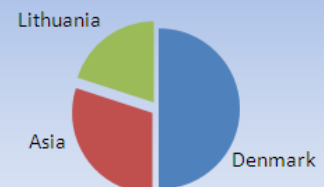
2003



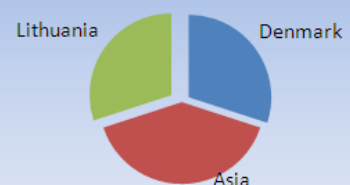
2005



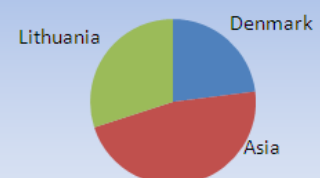
2007



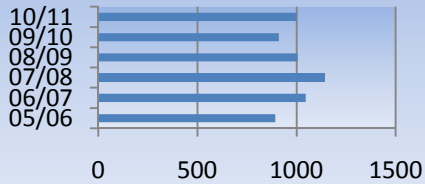
2009



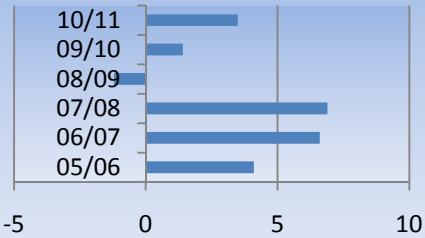
2010



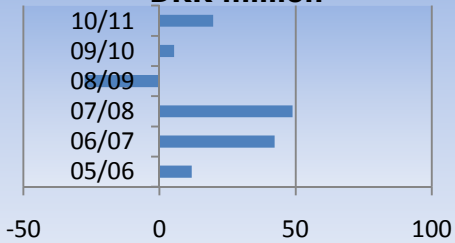
Turnover - in DKK million



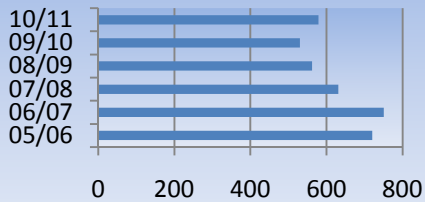
Profit ratio



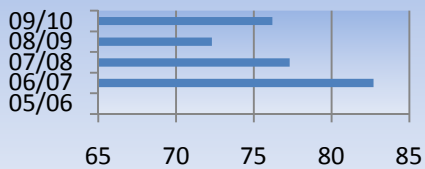
Profit after tax - DKK million



No. of employees



Employee satisfaction index

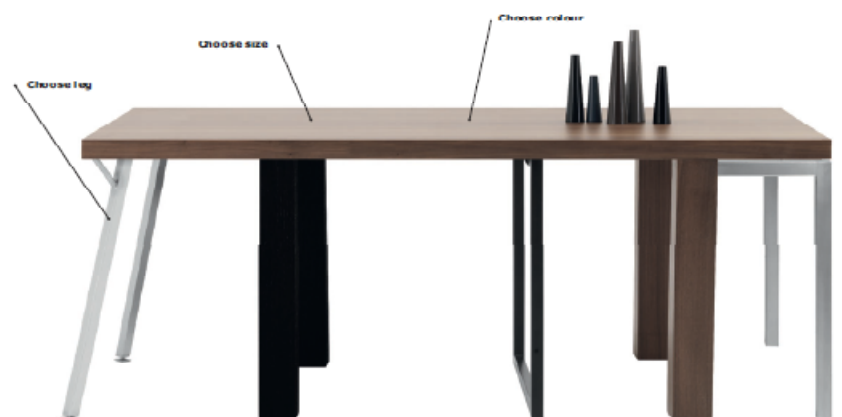


The employee satisfaction index is based on the 'Great Place to Work' concept, which has the following five dimensions:

- Credibility
- Respect
- Fairness
- Pride
- Sense of community
- Overall satisfaction

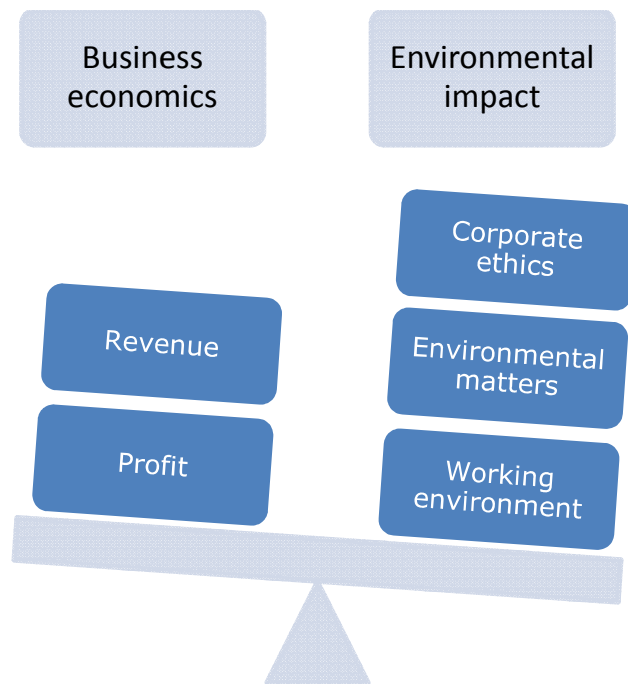
MAKE YOUR CHOICE!

BOCONCEPT DESIGN EQUALS MODULARITY. COMBINE YOUR OWN WALL SYSTEM, SOFA, DINING TABLE, COFFEE TABLE, MEDIA UNIT, CHAIR, DESK, BED, CHEST OF DRAWERS, WARDROBE... AND GET THE LOOK AND SIZE THAT FITS IN YOUR HOME.



BoConcept's CSR policy and vision

It is vital that our CSR policy strikes an obvious and healthy balance between environmental impact and business economics. As an organisation, we wish to ensure that our conduct has the least possible adverse environmental impact; at the same time we need to be pragmatic and understand that it is not possible to avoid such impact altogether.



CSR Policy

Preface

Respect is one of BoConcept's fundamental values and an important basic principle for our employees to apply in their conduct both towards the environment and towards other people.

The 'Think smarter' principle is just as important and natural for us: not only when designing furniture and running the business, but also in our actions towards our associates and the environment. We believe that we can optimise our operations and our financial results with consideration and consistency while also making a targeted effort to be protective of the environment and fulfil our corporate social responsibility.

We want the BoConcept brand to be universally perceived as a brand with designer furniture manufactured in a sustainable yet realistic way while also ensuring the future competitiveness of our business.

We do not have all the answers to a better world today, but we have launched a number of initiatives, and we will involve our employees in our plans and encourage them to always look for ways in which to improve, taking a starting point in our CSR policy.

Production and transportation

With regard to production and sourcing, BoConcept desires to ensure that its employees have the best possible working conditions in the industry in the geographical region in which production takes place. And with the least possible environmental impact, of course.

BoConcept's own production units consistently comply with the code of conduct, which is attached to this report. Moreover, our suppliers are committed to complying with the principles of the code. In close collaboration with our suppliers, we will ensure compliance with the fundamental principles and arrange for a plan to be drawn up to deal with any remaining issues.

Furthermore, the ten principles described in the UN Global Compact programme will be reviewed and reported on once a year.

BoConcept will invariably produce goods that are safe to use for our customers. We do this by ensuring that our products do not emit chemical substances that exceed the current thresholds in the countries in which BoConcept distributes its products. The products will also be made in such a way that users run no risk.

By its choice of materials, BoConcept will thus ensure that its products continue to be safe, available and affordable.

We wish to reduce the need for transportation by manufacturing and packing our products in such a way that they take up the least possible space and that the route from production facility to end user is as short and direct as possible. In this way, we ensure that our CO₂ emissions are minimised and that customers are offered our products at the lowest possible prices at the same time.

Corporate social responsibility

BoConcept wants to create a good physical and psychological working environment in all its workplaces. We ensure this through targeted training of executives and other employees, by reinforcing BoConcept's values, by contributing to social events for our employees and by investing in a good physical working environment.

Locally

In and around the cities of Herning and Ølgod, where BoConcept is a respected and prominent business, we will support selected educational, cultural and sports events. We will choose what activities and associations to support on the basis of their local importance: in other words, their importance to the families of our employees and whether they can offer BoConcept employees cultural and sports experiences.

In addition to the above, sponsorships above a certain size must also have a commercial objective such as branding the business or generally attracting employees.

Globally

Our business is to create wonderful homes for our customers. We wish to support organisations that, based on our values, help the homeless and refugees to find suitable living quarters.

If we have items of furniture or accessories that for some reason are difficult to sell to our customers, we will always endeavour to donate these products, both from Denmark and from our regional distribution centres in Asia and the USA, and we will urge our franchisees to do the same.

As part of our campaign strategy, BoConcept will at times and in some geographical regions donate a small percentage of its revenue from selected product groups to a designated charity or purpose.

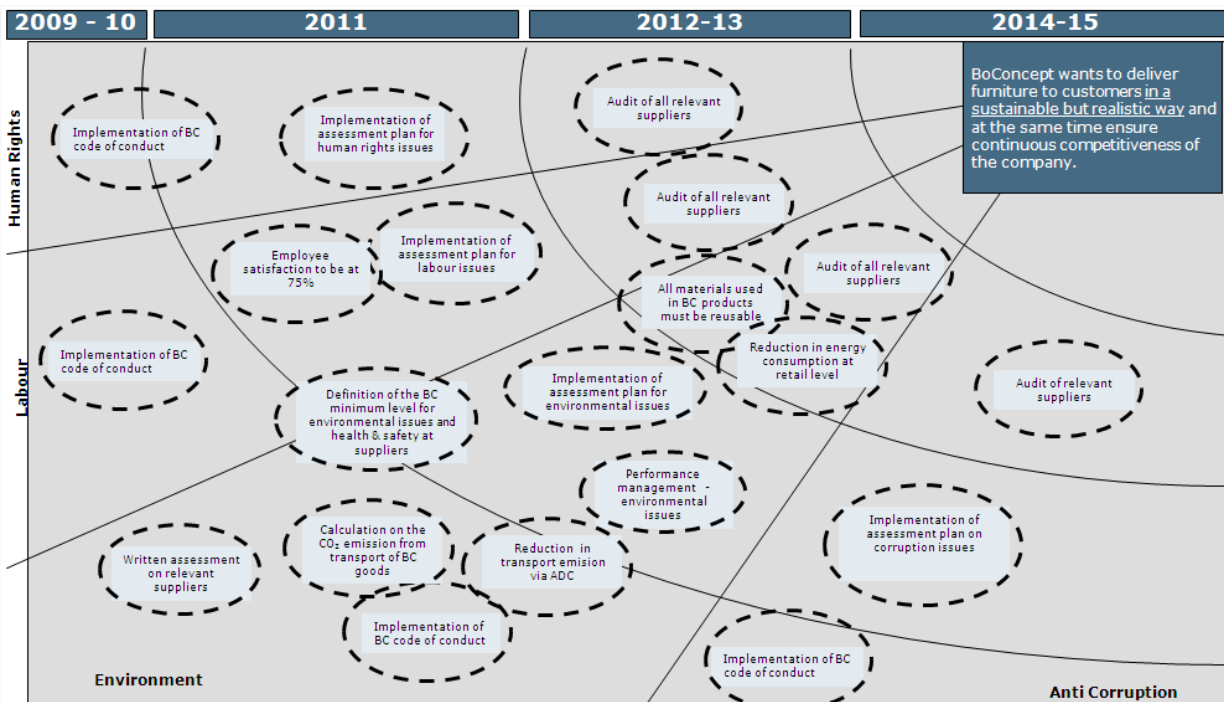
It is our goal in 2012 to designate a specific area in which BoConcept intends to make a difference.

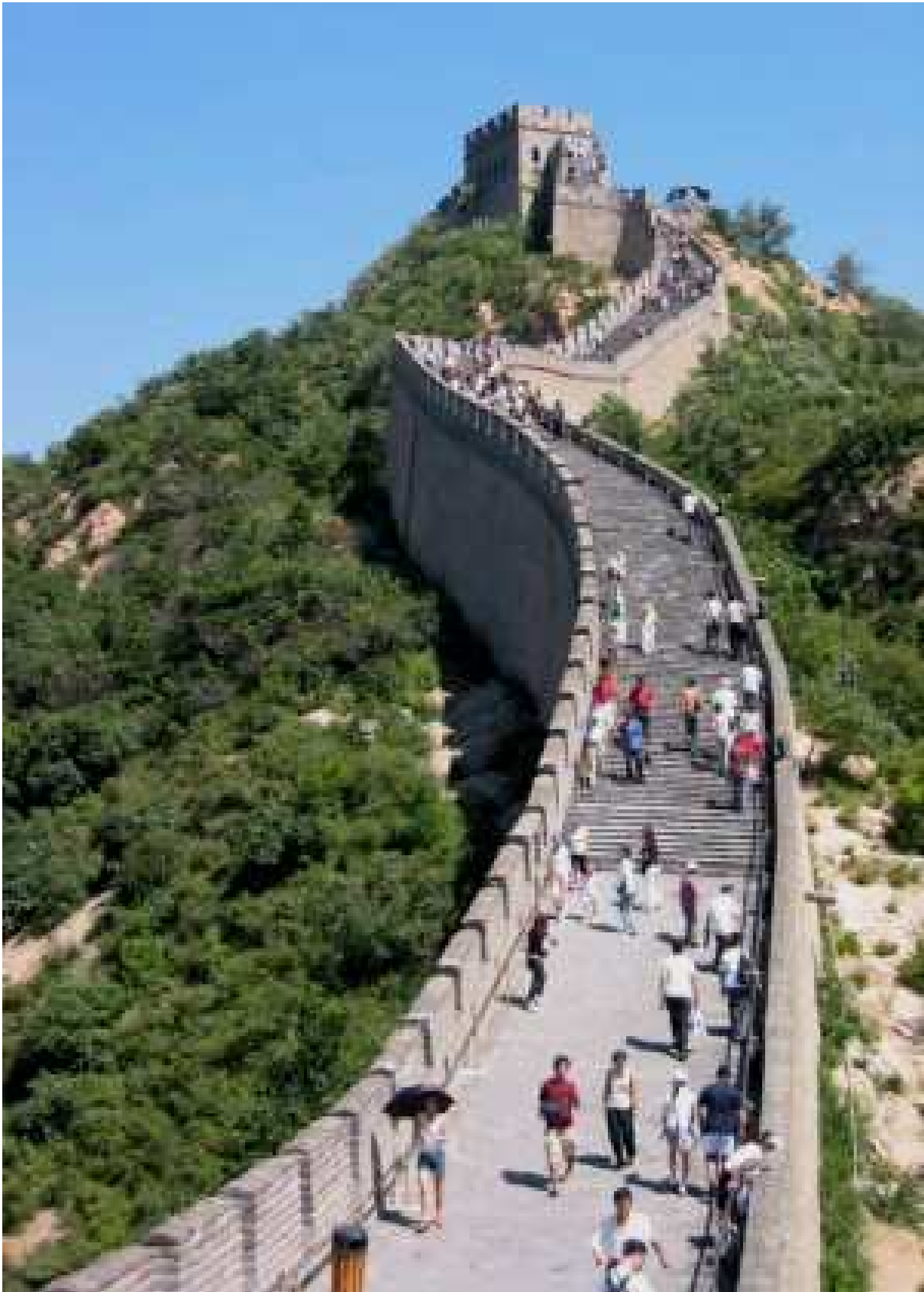
Organisational anchoring

The development and anchoring of the organisation's corporate social responsibility policy is handled by a committee composed of at least four persons, the chairman being the chief executive officer.

All CSR initiatives will be launched at the company's website under the heading 'Initiatives for Life'. BoConcept aims to launch a new initiative every quarter, which will then be added to the always-open list making up BoConcept's contributions to a better world. The company's employees are encouraged to submit suggestions for initiatives and are rewarded for submissions.

The road map below outlines the general direction chosen by BoConcept with respect to obtaining a higher degree of sustainability, but it is an overview that in no way provides a complete picture of the activities that have been or will be launched, representing instead some of the activities required before BoConcept can obtain its objectives in this area.





COP - BoConcept

Below is an update on the three areas that BoConcept designated as its focus areas last year.

Suppliers

As described above, BoConcept experienced dramatic growth in production and purchasing in the past decade. Whereas we used to focus on ensuring that our Danish production entities were in compliance with Danish law, we have become more globally oriented as a growing share of our products are sourced from all over the world.

We realise that we are able to exert some influence on our suppliers, and we believe it would be natural to take advantage of this to the extent possible.

At BoConcept, we believe that personal relationships, mutual respect, communication and determination are useful drivers for growth. With this in mind, we regularly discuss environmental and safety issues with our suppliers, and we have in the past encouraged our suppliers to abide by the ten Global Compact principles, just as we endeavour to do so ourselves.

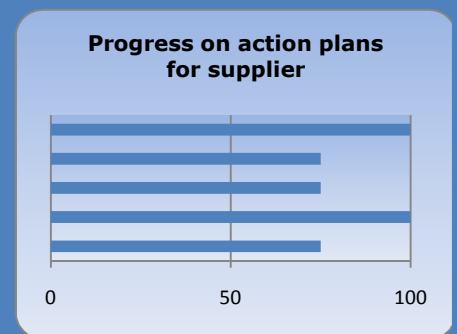
BoConcept launched the first edition of its Code of Conduct four years ago.

Our Code of Conduct is a document that informs our suppliers of BoConcept's fundamental requirements for collaboration. They include compliance with ILO, UN Conventions and other statutes.

The fact that a supplier has signed BoConcept's Code of Conduct is not in itself a guarantee for compliance, but should be seen as a tool for dialogue that influences supplier attitudes and their understanding of the direction in which BoConcept wishes to move. Not all suppliers will comply with the code completely, but as long as a supplier demonstrates the desire to improve, BoConcept will continue to work with that supplier, which is also in line with the recommendations of the Danish Council on Corporate Social Responsibility as published in its new guidelines for responsible supplier management.

Current status on last year's targets:

Last year we decided to make a preliminary survey of the environmental, health and safety performance of our suppliers. The graph below shows that we did not fully complete this task last year.



We will continue to work towards this objective in the coming year and plan preliminary surveys of the environmental, health and safety performance of another three suppliers, corresponding to about 80% of our suppliers in Asia.

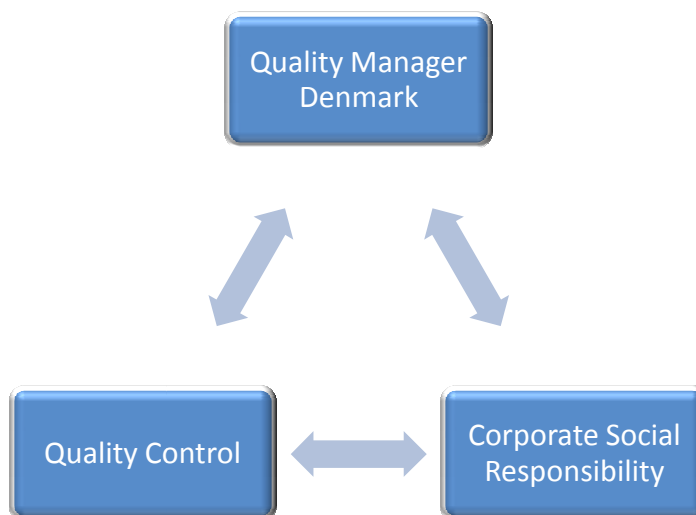
BoConcept has decided to concentrate on direct suppliers only, so we do not at this time have any structured follow-up on sub-contractors.

Apart from an open and honest dialogue with its suppliers to ensure responsible production, BoConcept also has other methods at its disposal.

For a number of years, BoConcept has run a well-established and highly trained quality assurance organisation in Asia whose main focus is to ensure the quality of our production processes and products.

With this objective, the organisation pays daily inspection visits to suppliers to ensure that their products fulfil BoConcept standards.

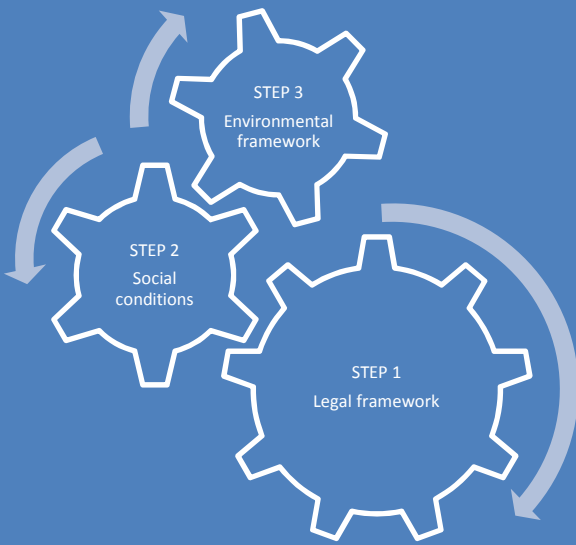
With this as a starting point, BoConcept has begun extending the focus area of the quality assurance organisation to also include the environmental, health and safety issues.



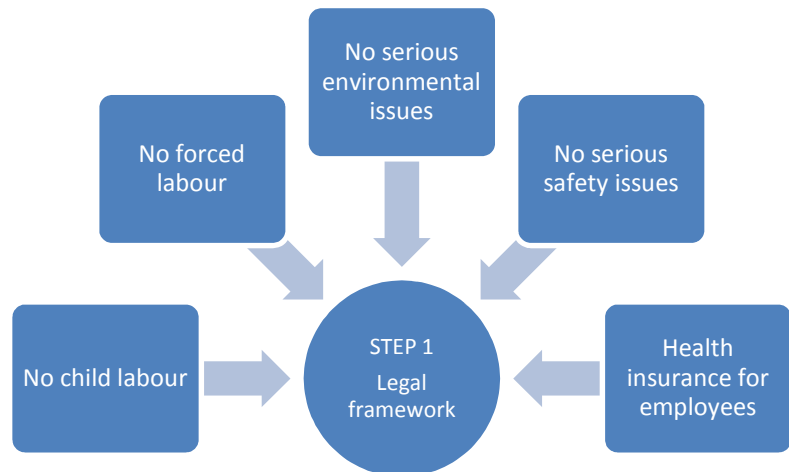
The expansion process is run from Denmark in close collaboration with our Asian quality assurance organisation. BoConcept has as yet relatively little experience with this task, so at this point quality inspections have only dealt with checking the use of protective equipment.

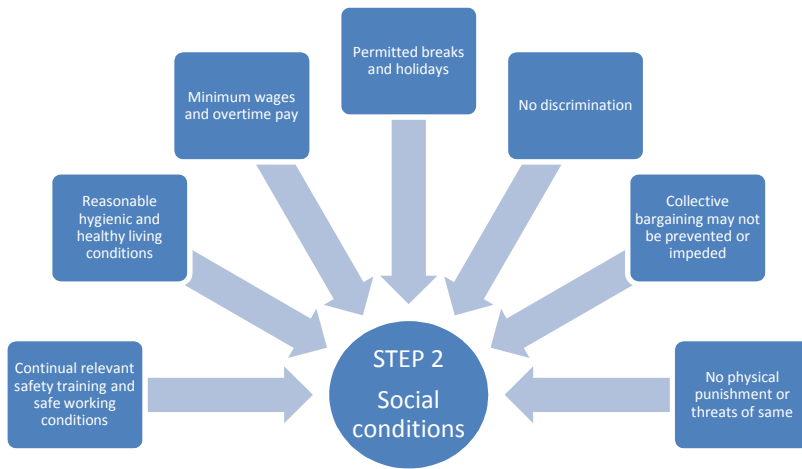
In future, we will visit all our suppliers to ensure that they comply with BoConcept's Code of Conduct and that action plans are established to deal with the most important problems.

While adherence to the BoConcept Code of Conduct brings our suppliers up to a certain standard, it basically only sets out our minimum requirements. With this in mind, we have created a 'development wheel' that is also to be used in our ongoing dialogue with suppliers. This model illustrates how we hold our suppliers to their CSR commitments, and it shows that it is a continual and never-ending process.



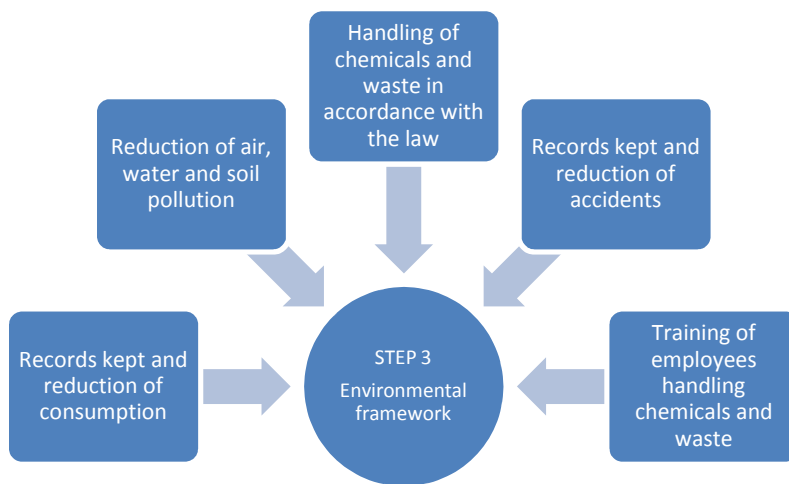
The model shows a number of parameters that BoConcept requires its suppliers to live up to: these are the basic elements of the 'Legislation' model, requirements that suppliers must fulfil. BoConcept will not begin collaborating with a company that does not comply with Step 1.





Step 2 states a number of the expectations BoConcept has to established suppliers. A BoConcept supplier should fulfil the most important of these expectations.

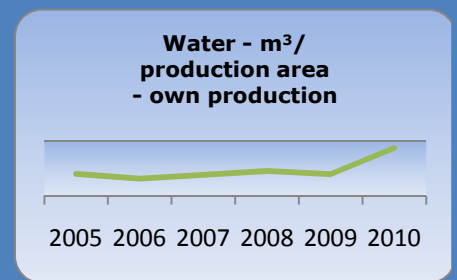
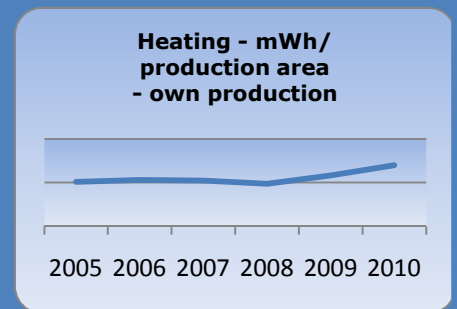
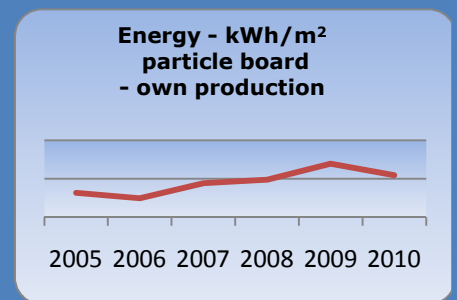
In case there are any remaining issues, a written action plan will be drafted in consultation with the supplier, setting out practical steps for improvement.



Step 3 comprises a number of expectations relating more to management and control issues, and a BoConcept supplier should be able to comply with these specifications. Once Steps 1 and 2 have been established, plans will be drawn up for implementation of Step 3.

The information below stems from the performance management system we use in our own production and a sample of the type of graph suppliers adopt and prepare under Step 3.

Additional action plans for how reductions will be achieved.





0301

Transportation

As an international enterprise, both with regard to retail and supply chain, transportation and logistics are key aspects of our business. Being able to buy and sell at the right prices is of vital importance to BoConcept; however, it is just as important to maintain high quality and ensure reliable delivery.

BoConcept has its own production facilities in Denmark, but otherwise also purchases goods from Lithuania, Poland, Romania, India, China and Indonesia, to name a few.

BoConcept markets are marked in blue.



BoConcept has three distribution centres:

- Ølgod, Denmark
- Shanghai, China
- New Jersey, USA

Since last year, BoConcept has closed its warehouse in Tokyo, which means that the warehouse in Shanghai supplies the entire Asian market as well as North and South America.



The closing of the Tokyo warehouse and establishment of the Asian distribution centre (ADC) in Shanghai have cut transportation requirements by about 15%. This is not due to reduced sales, but instead to the fact that products sourced in Asia are not shipped to the central warehouse in Denmark before being shipped to stores in China, Japan, the Philippines, The USA, etc.

For this to be successful, a strict and precise management of logistics and suppliers is required.

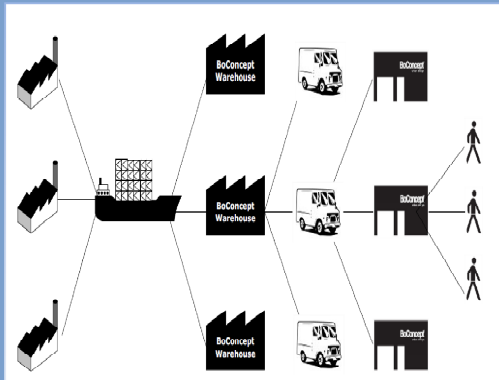
Likewise, it is important to control transportation costs since they have an impact on prices and the environment.

With the implementation of the Asian distribution centre, the connection between transportation costs and environmental impact became evident, and it became clear that what benefits the economy also benefits the environment.

The main reason why BoConcept spends time calculating and subsequently describing the extent of its CO₂ emissions in this report is that transport emissions comprise much of its environmental impact.

BoConcept's CO₂ emissions related to transportation

In the past year, BoConcept endeavoured to create an overview of and document the CO₂ emissions for which it is responsible in connection with its sourcing and sale of furniture worldwide.

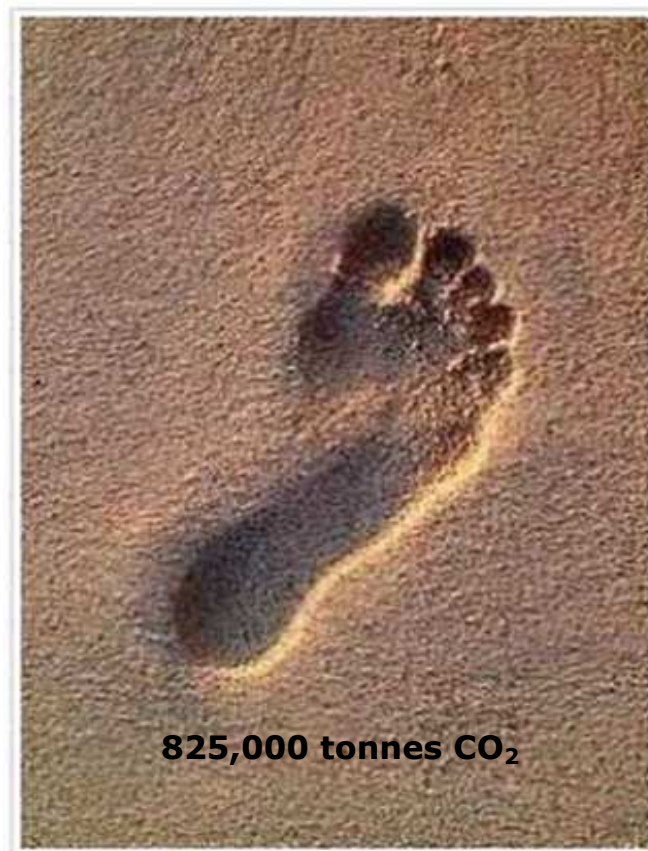


As expected, this proved to be a huge task, as the logistics flow through our supply chain is relatively complex and, in many cases, the information available is not detailed enough.

For these reasons, we have been forced to work with certain limitations in accounting for the various sources: for example, truck and air transport has been excluded from the report.

However, we have included the most important transport corridors in the report.

Accordingly, it appears from our calculations that BoConcept's transportation activities, bearing the above-mentioned limitations in mind, have an annual impact on the environment of approximately 825,000 tonnes of CO₂.



For the coming year, BoConcept intends to improve the quality of its calculations by including more relevant sources, which would provide better insight into the impact from transportation.

Below we provide an account of some of the reductions achieved by means of our various optimisation projects. These emission reductions total approximately 5% of our CO₂ emissions from transportation.

At this point in time, we are pleased with having achieved this result, but wish to reduce our CO₂ emissions further.

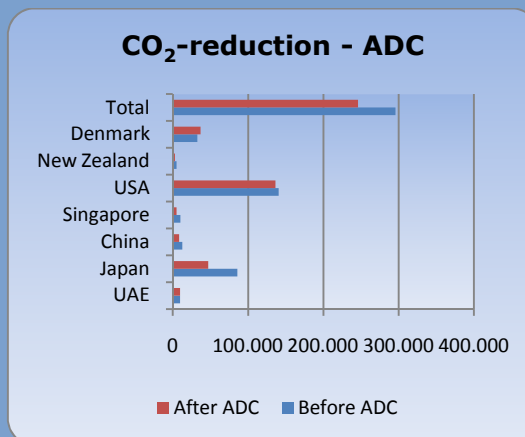
Project examples

The existing local warehouse in Tokyo was closed and replaced by a regional warehouse in Shanghai, covering a larger area.

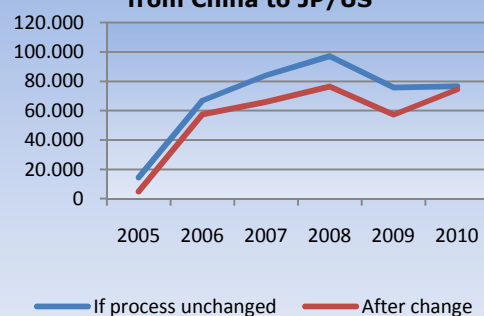
The move reduced costs and CO₂ emissions by approximately 15% at the same time, corresponding to about 50,000 tonnes CO₂ annually.

We have also endeavoured to optimise our upholstery production flow to reduce delivery times and costs. With this in mind, we changed to an upholstery supplier in Asia.

Not only did we significantly reduce delivery times and costs in this way; we also reduced our CO₂ emissions by approximately 18% during that period. The graph also shows, however, that there is no significant difference from before. The reason for this is that the volume of sales rose dramatically in the USA, and the American market in particular benefits from reduced delivery times with no corresponding reduction in CO₂ emissions.



CO₂ emissions from upholstery from China to JP/US



BoConcept will also in future endeavour to optimise its logistics set-up, which we know from previous experience will have a relatively major effect on transport emissions. For the coming year, BoConcept will also work to heighten the quality of its carbon accounts by including more sources in its calculations and improving the degree of detail.

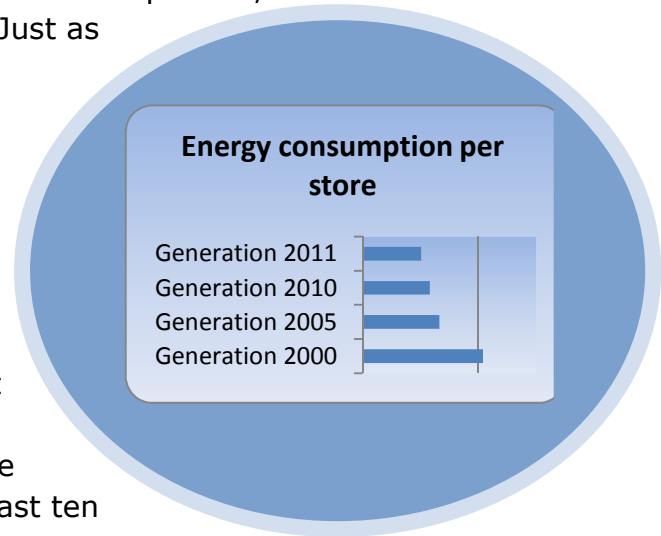


BoConcept Retail

BoConcept attaches great importance to presenting its furniture in the best possible way in its stores. This includes clean surroundings and arranging the furniture correctly and in the most advantageous light.

Lighting is a major factor in the arrangement of our furniture in stores. It is essential that the light has the right glow, ensuring correct colour reproduction and perception. Thus the light sources used are important, and so is the number and arrangement of these light sources. Just as technology changes, so has BoConcept's lighting concept over the past ten years.

As the above graph illustrates, energy consumption in kilowatt hours (kWh) has changed dramatically over the past decade: the fourth generation of BoConcept Brand Stores has an energy consumption that is less than half of that of the first generation stores, corresponding to a reduction of about five million kilowatt hours globally over the past ten years.



For the past year, BoConcept has been looking at the market for LED bulbs to use in its efforts to reduce energy consumption.

However, we have been unable to find alternatives that reproduce the desired shades of colour sufficiently well.

As a result, our conclusion is that LED bulbs are not yet suitable for BoConcept stores, even though the use of such bulbs would considerably reduce their energy consumption.

BoConcept monitors the development of LED bulbs closely with a view to changing its store lighting concept once acceptable colour reproduction is available.

We are also considering launching a project to benchmark energy consumption in our stores. By closely monitoring this area, we expect to be able to reduce energy consumption in stores further, simply by changing behaviour.

BoConcepts Global Compact in essence

Global Compact Principles		Actions
Human rights	Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.	<p>BoConcept supports the international declared human rights.</p> <p>We do not discriminate against any person, regardless of race, sex, colour or religion.</p> <p>Being a global organisation, BoConcept has employees with many different cultural backgrounds. It is vital to BoConcept to maintain this.</p> <p>One of BoConcept's core values is 'Respect'.</p> <p>In this context the value covers respect for other people and their rights.</p> <p>BoConcept knows that people makes the difference! Therefore all employees are encouraged to bring up their ideas to improve workflow, work environment or ideas to improve other parts of BoConcept business.</p> <p>In the BoConcept Code of Conduct it is stated that all suppliers must ensure that basic human rights and basic labour standards are implemented.</p> <p>Further we have communicated to our present suppliers that we have enrolled in the UN Global Compact program and that we expect they will run their companies applying the same 10 principles as we do.</p>
Labour standards	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.	<p>As can be read on the preceding pages, BoConcept has prepared a specific plan for the clarification and reduction of the environmental impacts our chain and our products.</p> <p>This plan covers production, transportation, sales and the use of our products. BoConcept will work to improve the accuracy of the data.</p> <p>Further BoConcept will use the influence we have on our suppliers making them gradually a part of the reduction scheme.</p>
Environment	Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.	<p>At BoConcept we do not accept any form of corruption. We do not use bribe or extortion in any way.</p> <p>Further anti-corruption is an integrated part of our Code of Conduct, which we ask our suppliers to confirm in writing.</p>
Anti-corruption	Businesses should work against all forms of corruption, including extortion and bribery.	

It's a no limits mission

We believe that we still have a long way to go.

To motivate our employees to contribute their ideas and thoughts on further reducing the impact of our business and to be able to present our initiatives and commitment to our customers and stakeholders in general, we have decided to keep them posted at our website www.boconcept.com.

In future, the website will contain information on the many small steps constantly taken by employees and suppliers, because we believe that many small steps are just as welcome as a few big steps.

- As previously mentioned, BoConcept took the initiative in making significant reductions in its CO₂ emissions during the past year. While these reductions are important globally, the company has also on a local level helped the homeless and less fortunate families in the USA and Denmark by donating mattresses and furniture.
- BoConcept has made donations of money to Disaster Relief, and it has focused on supplier waste handling.
- BoConcept has worked to prevent industrial accidents on supplier premises and to reduce energy consumption in stores.
- BoConcept has worked to reduce the amount of packaging it uses and to eliminate heavy lifting by employees in its production processes.

In the coming year, we will continue to work on many different fronts because we believe that this work makes a difference, especially for the people involved and for the people who benefit from this work. Like our values, our efforts in this respect come from the heart.

We value your feedback

If you have any questions, comments or proposals relating to this report, please do not hesitate to contact the designated contact person:

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