



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

Tvilum, January 2012

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Introduction

Tvilum is Europe's leading supplier of practical, environmentally friendly furniture, designed for you and your home. We are a Danish company that produces with great care for people and nature.

Tvilum is a subsidiary of Masco Corporation¹, one of the world's largest manufacturers of brand-name products for the home improvement and new home construction markets.

Tvilum supplies major retailers as well as small and medium size shops around the world with ready to assemble furniture.

Our products are primarily made from chipboard coming from European suppliers. Surface foil and lacquer are also from European manufacturers. Hardware will have its origin primarily in Southeast Asia. A growing number of finished products are sourced from several locations.

Our Support

Tvilum supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. Tvilum will make a clear statement of this commitment to our stakeholders and the general public.

We support public accountability and transparency, and we therefore commit to report our progress annually according to the Global Compact COP policy.

Policy

Our policy is to conduct all business activities in a responsible manner which ensures the health, safety and wellbeing of people, preservation of the environment and quality of product and services. Our ethical business practices are an integral part of our corporate culture.



Peter Arndrup Poulsen
Chief Executive Officer

HUMAN RIGHTS

Tvilum employees have through being a part of Masco, access to Masco Ethics Hotline.

Masco Ethics Hotline is administered by an independent company called "The Network".

Employees and stakeholders can get in touch with Masco Ethics Hotline by making a collect-call (toll free) to the U.S. at number 80-885163. When the call is accepted by "The Network" interview specialist, the caller will get a place in the telephone queue, while finding a suitable interpreter who speaks their language.

LABOUR

Tvilum has five manufacturing locations in Denmark with a total of 1120 employees from which 865 are blue collar. Of these 28% are women.

Many nationalities have found employment in our factories. Our policy is to give equal pay for equal work regardless of nationality, sex, direct hired or hired through agency.

In 2010 Tvilum passed an audit for equal wages conducted by one of our major customers and their independent accountants. In 2011 we made our own survey, stating that blue collar men are paid 6% more than women. The difference is mainly caused by greater seniority.

Workers safety has been a major issue to Tvilum. Over the last years we have spent many resources on reducing accident and severity of accidents. In 2006 we had a lost day frequencyⁱⁱ of 9.8 and in 2011 we had a lost day frequency of 1.8. At the same time the severityⁱⁱⁱ of accident has been reduced from 36 to 15.5.

ENVIRONMENT

Wood

A major part of the raw material Tvilum uses is wood. Wood is a recyclable, biodegradable and renewable material and thus an environmentally good product - provided it comes from well managed forests. Tvilum ensures that our wood does not come from intact natural forests, unless it is certified. Tvilum works with the two major certification sources for responsible managed forests, PEFC and FSC. Cutoffs and waste are recycled into new material or incinerated to create carbon neutral energy for manufacturing.

Chemicals

Tvilum has substituted solvent based lacquer in our production in order to improve work environment and the influence on indoor climate from our products.

During 2011 we have substituted chemicals used in production areas to less hazardous chemicals and have reduced the number of different chemicals from beyond 300 to 158. We will continue this work, not necessarily by reducing numbers used, but rather by reducing their impact on work environment, consumer indoor climate and nature. All our products are carrying the Danish Indoor Climate Label^{iv}

Energy

During 2011 Tvilum has implemented energy improvements on production machinery. This has resulted in 5.3% reductions on electricity consumption. In 2012 we plan to further implement reductions of approximately 2% on electricity.

We have during 2011 installed heat exchangers in more of our factories resulting in major reduction of incinerated material leaving this for recycling instead.

Waste

Focus on waste management has resulted in increased recycling and less landfill. In 2011, 79% of our waste was recycled, 20% was incinerated for heating factories and only 0.5% went to landfill. During 2011 Tvilum has changed processes for foiling. This has resulted in 80% reductions of wastewater. For 2012 we will further optimize these processes and expect to reduce to 10% wastewater compared to 2010.

ANTI-CORRUPTION

Illegal harvested wood has become an increasing problem for local society and the general environment. The challenge of avoiding illegally harvested wood is complex and difficult. Material is often traded through many companies in the supply chain, crossing borders and regions while losing origin information.

Being the number one material we use, Tvilum has long taken actions against illegal harvested wood. Our preferred sources of wood materials are from PEFC or FSC^v certified sources. We believe this to be the safest mean to avoid controversial and illegal harvest. We have managed to change the majority of our supplies to come from certified forests. Today 98% of our assortment volume is either PEFC or FSC certified. We encourage those of our suppliers that are not yet certified, to work for certification and to find sources of certified wood.

By the end of 2012 we will have basic traceability in place for our non-certified supplies. The requirements for evidence of origin and legality will vary depending of the species and the corruption perception^{vi} in the logging area.

Being part of Masco, Tvilum have high standards regarding corruption. All employees with influence on sales and purchase are receiving regular training and skills testing regarding bribery, anti-corruption and Code of Conduct.

PARTNERSHIPS

Charity

Tvilum has established a fund to support good initiatives, enthusiasts and charitable purposes. Employees at Tvilum can propose individuals and organizations to receive grants from it. No political activities will be supported, but otherwise it's only the imagination that sets the limits. This year funds have been given to the association "Families for children with cancer", three kindergartens, eight recreational activities, four sports clubs and a home for mistreated animals.

Community involvement and good citizenship are also important parts of the Masco corporate creed; and through its Foundation, the Company has demonstrated its commitment to a variety of arts, cultural and housing-based organizations, such as "Habitat for Humanity", serving the communities in which its companies and employees reside.

Following the nuclear accident at Fukushima – Japan, employees at Tvilum made a collection for the victims, and as with previous occasions, Masco raised a similar donation.

Suppliers

Tvilum Code of Conduct set requirements for our suppliers. We do this to protect our customers and our brand from being associated with unethical conduct. Through our Masco office in Beijing, we are having all our suppliers in Southeast Asia audited according to our Code of Conduct. The code sets standards for: Compliance with Law and Regulation, Child Labor / Juvenile Workers, Forced / Involuntary Labor, Physical & Mental Punishment, Freedom of Association, Discrimination, Working Hours, Wages & Benefits, Health & Safety and Environment

Tvilum do not accept child or forced labor neither the use of controversial wood. Beyond this we prefer to move suppliers towards compliance rather than not doing business. In cooperation with our office in Beijing, suppliers will work out action plans and the office will monitor progress. We rank eleven parameters in four levels, from unacceptable to being in compliance. During the last years we have audited our present suppliers in Southeast Asia, some of them several times depending on their initial score. We have moved them from scoring 71% compliance with our requirements to a score of 79 % in average. Two of the suppliers did use child labor, preventing them to do business with Tvilum. They have eliminated child labor, and now have a policy and installed procedures to prevent child labor and to protect juvenile workers.

In 2012 we will extend our audits to all suppliers from countries with a corruption perception index less than 3.8 according to Transparency International^{vii}.

Customers

In recent years Tvilum has taken a leading role in the market with our green profile. We offer our customers products with a minimum of negative impact on people and environment. We support our customers in their promotion with reliable material regarding our products' environmental impacts.

Tvilum Faarvang, January 5, 2012



Finn Hede Thomsen
QSE Manager

ⁱ www.masco.com

ⁱⁱ Lost day frequency are measured as: "lost day accidents" per 200 000 working hours

ⁱⁱⁱ Severity are measured as: "lost days caused by accidents" per 200 000 working hours

^{iv} <http://www.dsic.org/dsic.htm>

^v www.FSC.org and www.pefc.org

^{vi} According to Transparency International

^{vii} <http://cpi.transparency.org/cpi2011/results/>