

Global Compact by BoConcept

Communication on Progress – 2012

May 2012





Statement from the CEO

Our commitment to act responsibly in relation to other human beings, the environment and social conditions is a key element of BoConcept's global brand. As one of BoConcept's core values, respect is the attitude with which the company, its employees and suppliers should treat others.

BoConcept's corporate social responsibility (CSR) policy establishes guidelines and the framework for the group's initiatives and priorities. BoConcept joined the UN Global Compact in 2009, and the group's CSR policy is based on its ten principles relating to human rights, employee rights, respect for the environment and a prohibition against corruption – principles that we consider universally applicable, good and sound.

During the past 12 months, we have endeavoured to structure our CSR-related work, and we are convinced that we - by means of our ongoing improvement programme 'Beating Yesterday' - automatically will continue to improve our CSR initiatives and priorities.

On behalf of BoConcept, I thank you for the interest you are showing in our organisation by reading this Communication on Progress report.

A handwritten signature in black ink, appearing to read 'Viggo Mølholm'.

Viggo Mølholm

President & CEO

About BoConcept

BoConcept is the brand name of Denmark's most global retail furniture chain with 295 sales units in 58 countries around the world.

Passion and persistence are what move the people behind the BoConcept brand, whether they are designing a wall unit, leading a team, or managing a store. Our common mission is to make modern design furniture available to the urban-minded customer.

We offer customised, coordinated and affordable design furniture and accessories. Customised because our products can be fitted to the needs and dreams of our customers. Coordinated because we take a holistic approach in the development and design of our product range. Design because we are a design company with our own designers. Affordable because we want to spoil our customers by giving them great value.

Our core values

'Values are what bring people together in a common understanding. They're a set of rules telling us how to think and act. From Herning in Denmark to Auckland in New Zealand, values unite us across occupation, language and culture. They make us family.'

Viggo Mølholm, BoConcept CEO



RESPECT

always show you care



THINK SMARTER

always look for the better solution



PLAY THE TEAM

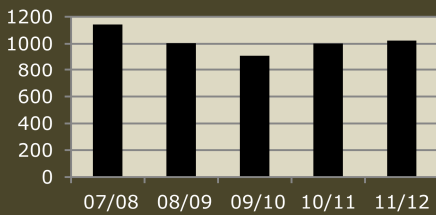
always use your freedom responsibly



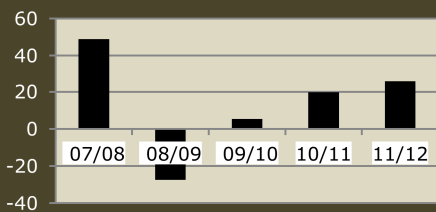
LOVE CITY LIFE

always know what's going on

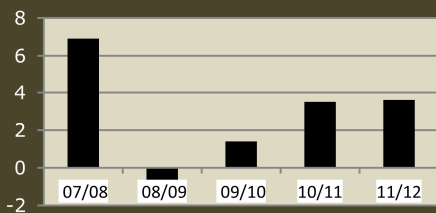
Revenue (in DKK million)



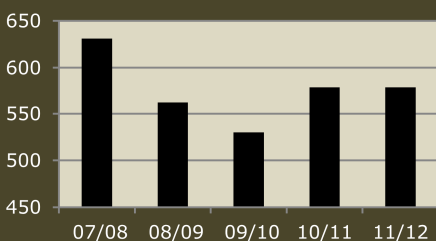
Profit/loss after tax (in DKK million)



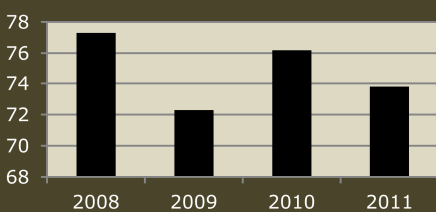
Profit ratio (in %)



No. of employees



Employee satisfaction index



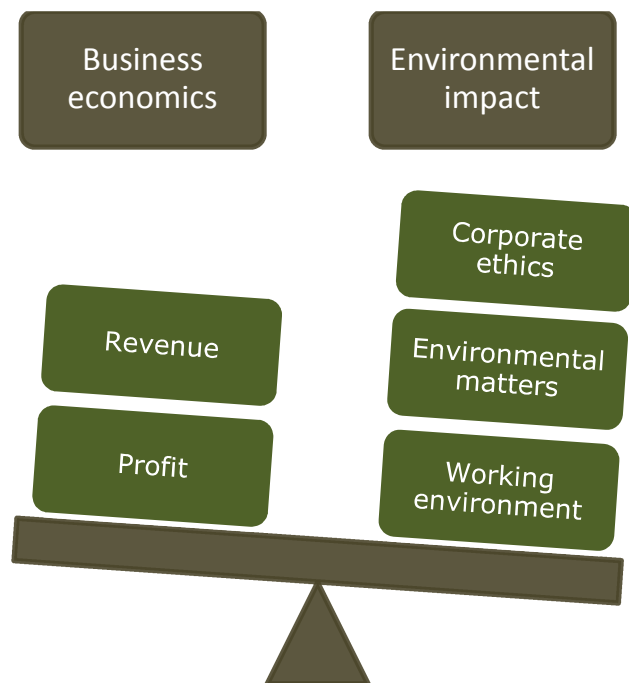
The employee satisfaction index is based on the 'Great Place to Work' concept, covering the following dimensions:

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

BoConcept's CSR vision

At BoConcept 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; and at the same time we need to be pragmatic and understand that it is impossible to avoid such impact altogether.



The BoConcept CSR policy

One of the core values at BoConcept is respect. We want to show respect for our customers by delivering great design and quality at the right price. But not at any price.

All BoConcept suppliers must follow the BoConcept Code of Conduct in order to ensure that all our products are manufactured in a way that respects the rights of their employees. Our headquarters are based in Denmark and we apply our Danish background in our expectations to our suppliers when it comes to quality, environment and work processes.

Over 60 years of experience and know-how provide invaluable benefits for our production facility in Denmark as well as in our close co-operation with our global suppliers. We have carefully selected suppliers that share our commitment to high quality. Together, we work to develop competencies and processes, and to implement initiatives that take responsibility for people and the environment.

In general terms our ambition is to manufacture products with as little impact on the environment as possible. We continuously strive to make environmental improvements in the production of our products as well as the logistical processes involved in delivering BoConcept products to customers, thereby making sure that the effects of our business leave as little footprint on the global environment as possible.



Communication on Progress - BoConcept

Below is an update on the three areas that BoConcept has designated as its principal focus areas: suppliers, transportation and retail.

Suppliers

At BoConcept we have become more globally oriented as a growing share of our products is sourced from all over the world.

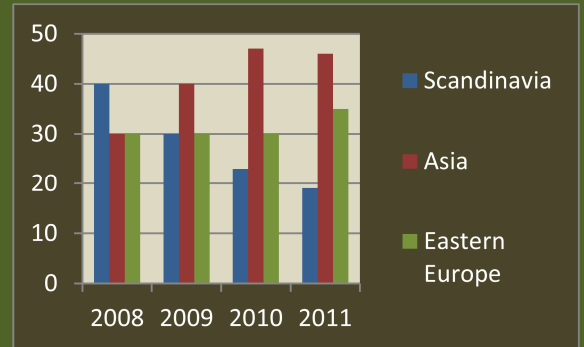
We realise that we are able to exert some influence on our suppliers, and we believe it would be natural to take advantage of this to the extent possible.

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.

Four years ago BoConcept launched the first edition of its Code of Conduct. The purpose of the BoConcept Code of Conduct is to ensure that BoConcept suppliers operate in accordance with internationally recognised standards on human rights, labour and environment. BoConcept adheres to the principles of this code and expects the same of its suppliers. The content is based on relevant ILO (International Labour Organisation) and UN conventions.

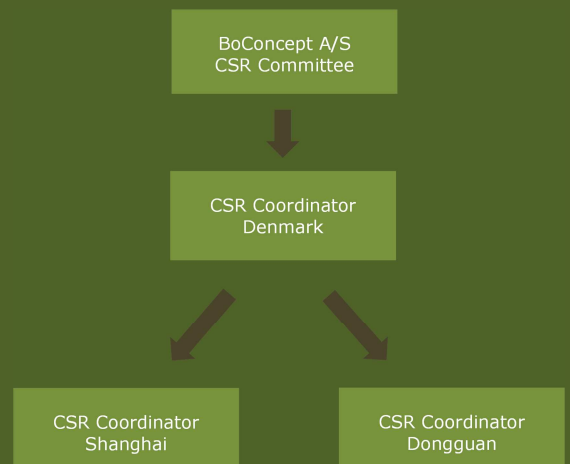
The aim of the BoConcept Code of Conduct is not to end our business with non-compliant suppliers but to help our suppliers improve their social and environmental standards. BoConcept is therefore willing to work with suppliers to achieve their compliance with this code. However, we will not conduct business with a supplier if compliance with the requirements of

BoConcept sourcing share trends in %



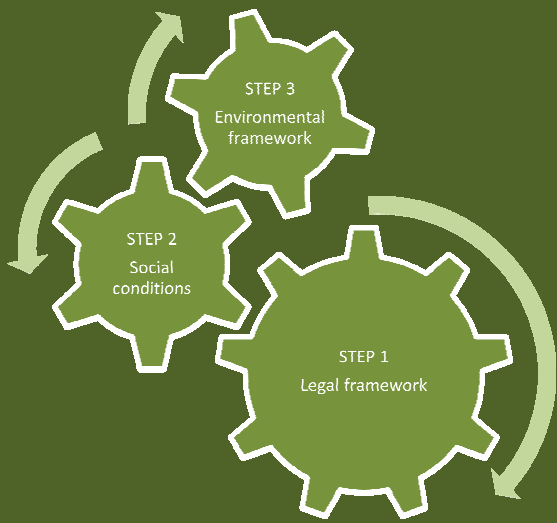
BoConcept's CSR work towards suppliers

In terms of CSR-related work, the BoConcept CSR Committee sets overall goals. After this, the CSR coordinator in Denmark communicates these goals to the local CSR coordinators in Shanghai and Dongguan, China, respectively, who are responsible for the implementation.



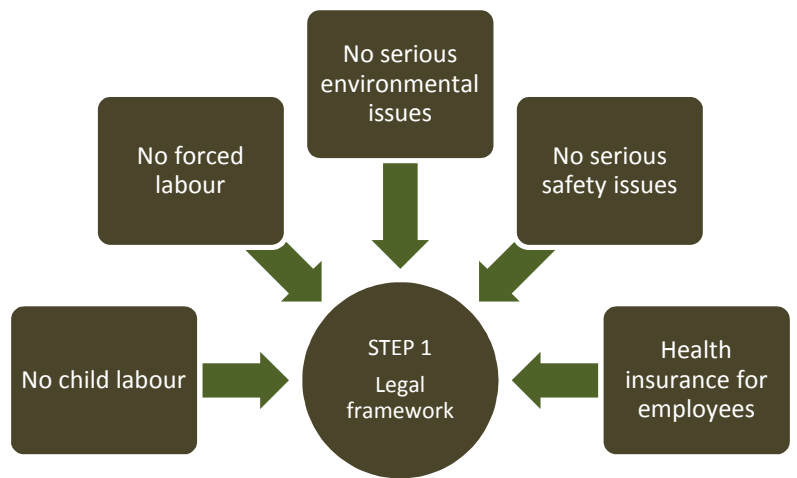
At BoConcept, we visit all our principal suppliers to ensure that these comply with the BoConcept Code of Conduct and that action plans are established to deal with the most important issues.

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 work with a 'development wheel' that is used in our ongoing dialogue with suppliers. The model below illustrates how we hold our suppliers to their CSR commitments, and it shows that it is an ongoing process.

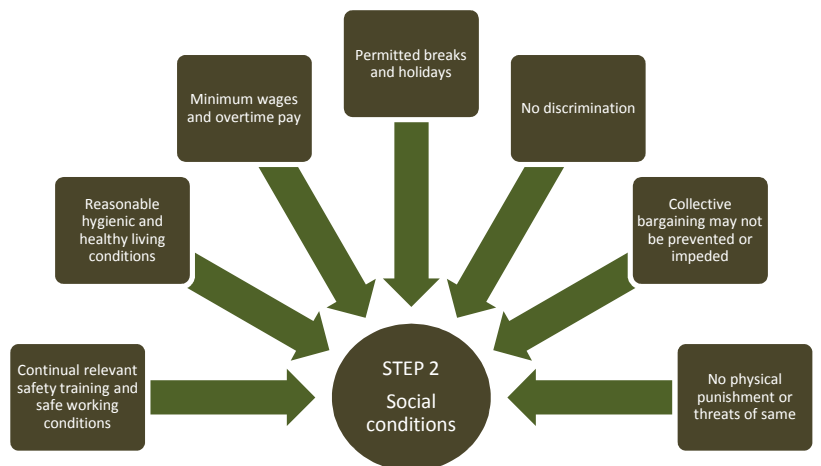


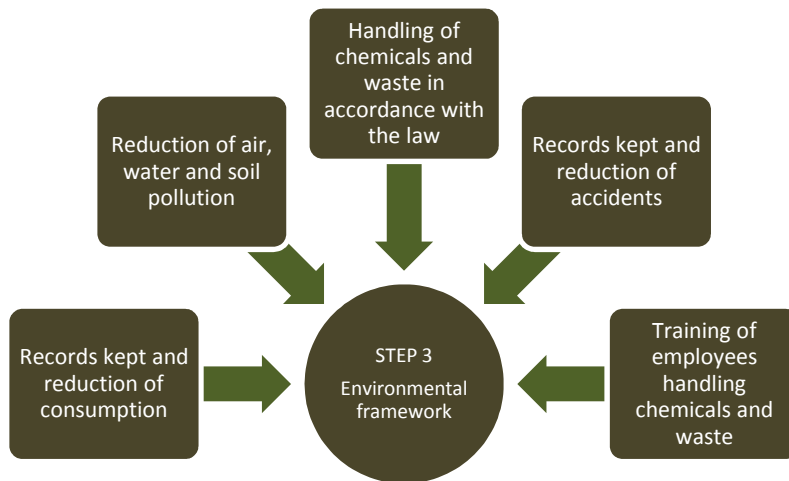
the code is deemed impossible. Nor will we conduct business with a supplier engaged in violations of fundamental human rights.

The model below shows a number of parameters that BoConcept requires its suppliers to live up to. 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 most 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.

Status on the recent 12 months' developments

In 2010/2011, we decided to make a preliminary survey of the environmental, health and safety performance of our suppliers with a view to establishing action plans for improvements in cooperation with the suppliers. We decided to concentrate on direct suppliers only, so we do not at this time have a structures follow-up on sub-contractors inclusive of accessories suppliers.

The past 12 months we have worked towards establishing specific supplier action plan requirements, and assisted our suppliers in implementing improvements according to a set time-frame. As a result of this, action plans have been established for all principal suppliers at the end of the 2011/2012 financial year, and we continue to follow up on old as well as new initiatives included in these action plans.

Goals and focus for the coming year

Our goals for the coming year is to ensure that 90% of our total buying volume within the upholstery and board furniture categories is sourced from suppliers with established action plans that are audited on an annual basis. In connection with

The Indoor Climate Label

A good indoor environment is important for your health and well-being. It is not only the ventilation and construction materials, but also the materials inside that influence the indoor environment of your home. The Indoor Climate Label (Indeklimamærket in Danish) has been developed in order to help consumers make qualified decisions when it comes to choosing products that contribute to a healthy indoor climate.

In 2011, all BoConcept board furniture received The Indoor Climate Label as our board furniture has been tested thoroughly with regards to release of gasses and odours, thereby making it safer for customers to bring BoConcept board furniture to their homes.



these annual audits, the principal focus area for the coming year will be safe and appropriate working conditions. In continuation of this, we will be appointing an employee, whose primary responsibility is to assist our suppliers in establishing safe and appropriate working condition. Further, this new employee will have CSR as his/her primary work area.

Transportation

As an international company, both with regard to retail and supply chain, transportation and logistics are key aspects of our business. Buying and selling at the right prices is of vital importance to BoConcept. However, it is just as important to maintain a high quality standard and ensure reliable delivery.

BoConcept has its own production facilities in Denmark, but otherwise also purchases goods from the Far East and Eastern Europe.

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

The BoConcept warehouse and distribution set-up



BoConcept has three distribution centres:

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

Two distribution points:

- West coast, USA
- Lithuania

Two sourcing offices:

- Shanghai, China
- Dongguan, China

Status on the recent 12 months' developments

During the past 12 months, BoConcept has strived to establish an overview of and document the CO₂ emissions for which it is responsible in connection with its sourcing (where BoConcept is responsible for arranging and paying transportation) and sale of furniture worldwide (only up to ports in destination countries).

This is a huge task, as the logistics flow through our supply chain is relatively complex and, in many instances, 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.

Accordingly, it appears from our calculations that our transportation activities, bearing the above-mentioned limitations in mind, have an annual impact on the environment of approximately 1,020,000 tonnes of CO₂.

Below we provide an account of some of the reductions achieved during the past 12 months through our various optimisation projects.

Project examples

During the past 12 months, the volume of air freight from China has been reduced by 25%. This has been achieved through better planning in connection with the product development process and improved control of inventory levels.

A small reduction has been achieved by use of feeder transport from Hamburg, Germany, to ports in Denmark and road transport further to our European distribution centre (EDC) in Ølgod (DK) rather than using road transport all the way from Hamburg to EDC. The reduction in CO₂ emissions related to the change in this transport corridor accounts for approx. 10%.

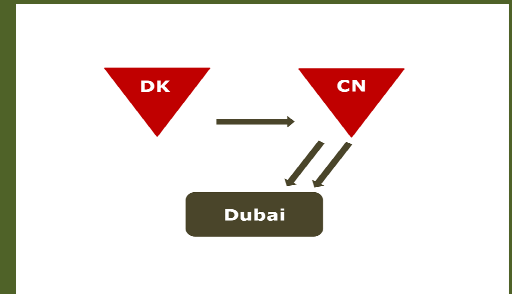
During the past 12 months we have continued to establish more direct transport through our supply chain resulting in shorter delivery times and reductions in costs and CO₂ emissions.

Products manufactured in Denmark for UAE, Kuwait and Qatar are now shipped directly to Dubai and not via our distribution centre in Shanghai, China, which previously supplied these markets. The old and new transport corridors appear from the illustration to the right.

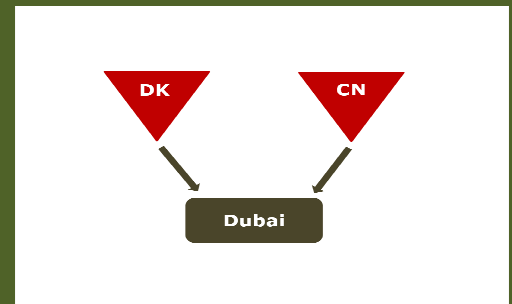
Upholstery products from China to the US and Canadian west coast stores are no longer shipped via our distribution centre in New Jersey, USA, but via a distribution point in California, USA. By this, we reduce both sea and

Old vs. new transport corridor for products manufactured in Denmark for the stores in UAE, Kuwait and Qatar.

Old transport corridor:

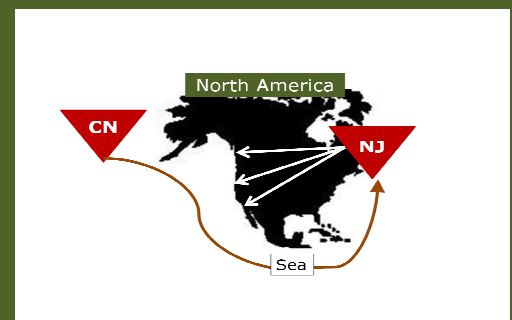


New transport corridor:

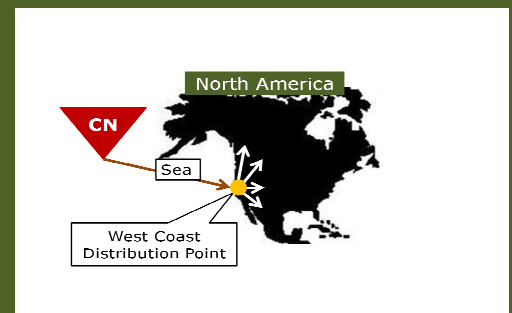


Old vs. new transport corridor for upholstery products from China for the US and Canadian west coast stores.

Old transport corridor:



New transport corridor:



road transport. See illustrations on the previous page.

Goals and focus for the coming year

For the coming year, BoConcept intends to improve the quality of its calculations further by including more relevant sources, with a view to providing better insight into the impact from transportation. In relation to European road transport, a model for the reporting of CO₂ emissions will be introduced, and figures included in this reporting will be included in next year's Communication on Progress from BoConcept A/S.

Finally, BoConcept's process of shifting to a more direct distribution set-up will continue the coming year.

BoConcept Retail

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

Lighting plays an important part in the arrangement of our furniture in the 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.

Status on the recent 12 months' developments

During the past 12 months, BoConcept has searched the market for LED bulbs to use in our efforts to reduce energy consumption in our stores. The search resulted in 10 suitable LED components, which were all tested. After these tests, we decided to go ahead with one of the LED bulb solutions, and at the moment we are awaiting a prototype of the design from the supplier.

Goals and focus for the coming year

For the coming year, BoConcept expects to be able to offer a new LED bulb solution to all its stores. The new LED bulb solution is expected to result in a reduction in the stores' energy consumption of at least 30%, which is a substantial reduction.

BoConcept's Global Compact in essence

The UN Global Compact Principles		BoConcept's Actions:
Human Rights	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<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>
Labour	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>One of BoConcept's core values is 'Respect'. 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 the BoConcept business.</p> <p>The BoConcept Code of Conduct states 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>
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>As can be read on the preceding pages, BoConcept has prepared a specific plan for the clarification and reduction of the environmental impacts of our chain and our products.</p> <p>This plan covers production, transportation, and retail. At BoConcept, we will continue our work to improve the accuracy of the data.</p>
Anti-Corruption	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<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>

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:

Vice President – Supply Chain

A handwritten signature in black ink that reads "Troels Dyrup Petersen". The signature is written in a cursive style with a long horizontal flourish at the end.

Troels Dyrup Petersen

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