

# Global Compact by BoConcept

Communication on Progress – 2014

June 2014





## Statement from the CEO

The desire to take responsibility for human beings, the environment and social relations is an important element of BoConcept's global brand. At the same time, it is important that the BoConcept CSR policy strikes an obvious and healthy balance between environmental impact and business economics.

Five years ago, BoConcept joined the UN Global Compact, and the BoConcept CSR policy - which forms the framework of our CSR initiatives and priorities - is based on UN Global Compact's 10 principles relating to human rights, employee rights, respect for the environment and a prohibition against corruption.

The BoConcept CSR policy is divided into the following focus areas: environmentally friendly and safe production at our sub-suppliers and reduction in CO<sub>2</sub> emissions related to transportation and logistics.

On the proceeding pages you will find an update on the past year's developments in our designated CSR focus areas.

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

Torben Paulin  
President & CEO

## About BoConcept

BoConcept is the brand name of Denmark's most global retail furniture chain with 313 sales units in 60 markets worldwide.

### Passion at our core

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.

### Our furniture and accessories

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.



## The BoConcept vision and values

Our vision and our core values guide us in everything we do at BoConcept. These statements are not just words on a page - they are acted out every day by BoConcept employees around the world.

### Our vision

To make BoConcept no. 1 brand within urban interiors.

### 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 Holding A/S chairman and former BoConcept A/S CEO



### RESPECT

always show you care



### THINK SMARTER

always look for the better solution



### PLAY THE TEAM

always use your freedom responsibly

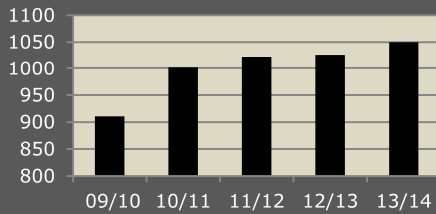


### LOVE CITY LIFE

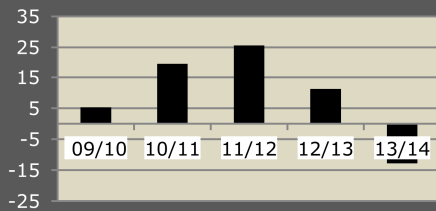
always know what's going on

## Financial highlights & key figures

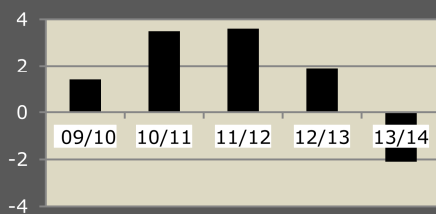
**Revenue**  
(in DKK million)



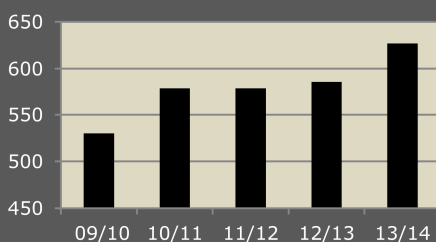
**Profit/loss after tax**  
(in DKK million)



**Profit ratio**  
(in %)



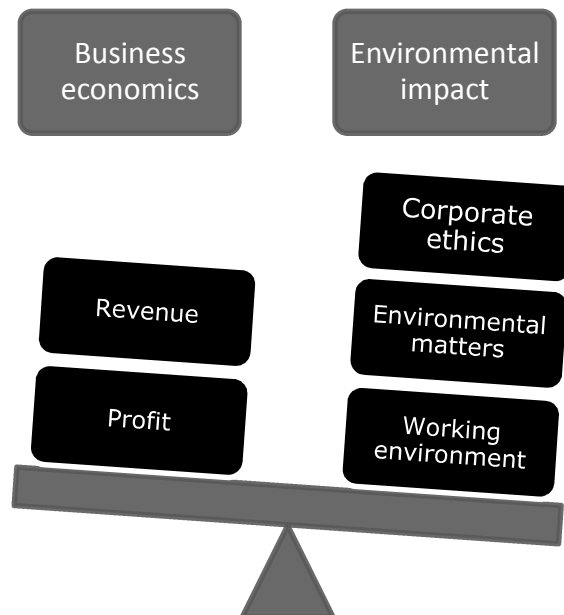
**No. of employees**



### 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.



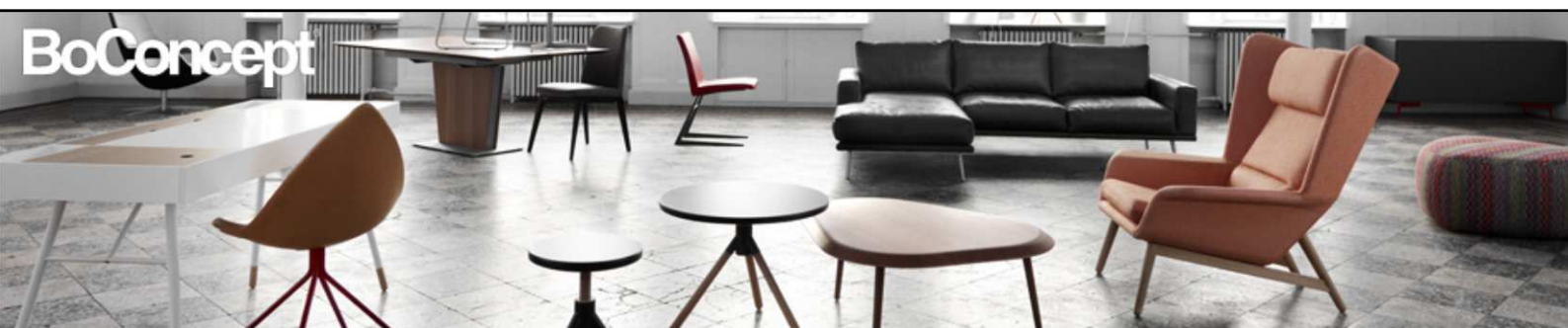
### **The BoConcept CSR policy**

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

Due to BoConcept's social commitment and sense of responsibility, BoConcept has joined the UN's Global Compact in its attempt to build a more sustainable and inclusive global economy.

With this partnership BoConcept shows its support of the 10 principles of Global Compact with respect to human rights, labour, environment and anti-corruption.

Below is an update on the areas that BoConcept has designated as its principal focus areas:

### Suppliers

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

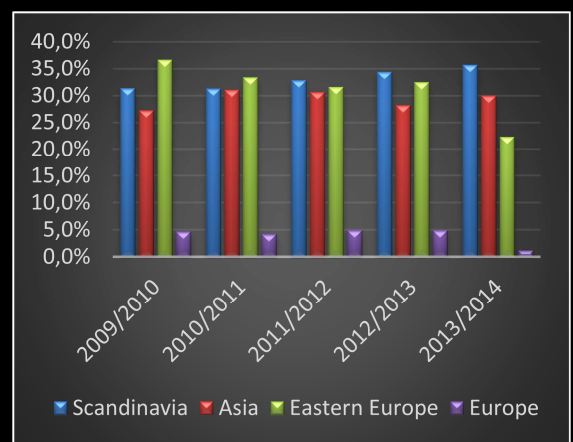
We realise that we are able to exert some influence on our suppliers, and we believe it would be natural to take advantage of this to the extent possible.

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 10 Global Compact principles, just as we endeavour to do so ourselves.

Six 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.

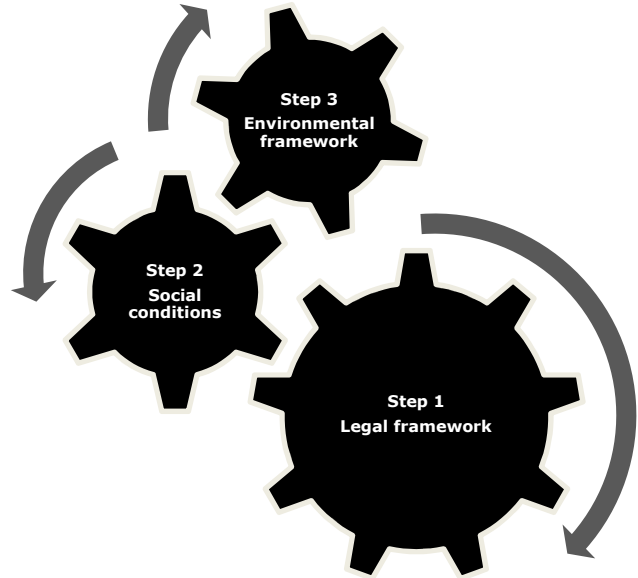
The aim of the BoConcept Code of Conduct is not to end our business with non-compliant suppliers but to help our suppliers improve their social and environmental standards. BoConcept is therefore willing to work with suppliers to achieve their compliance with this code. However, we will not conduct business with a supplier if compliance with the requirements of the code is deemed impossible. Nor will we conduct business with a supplier engaged in violations of fundamental human rights.

**BoConcept sourcing share trends**



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.

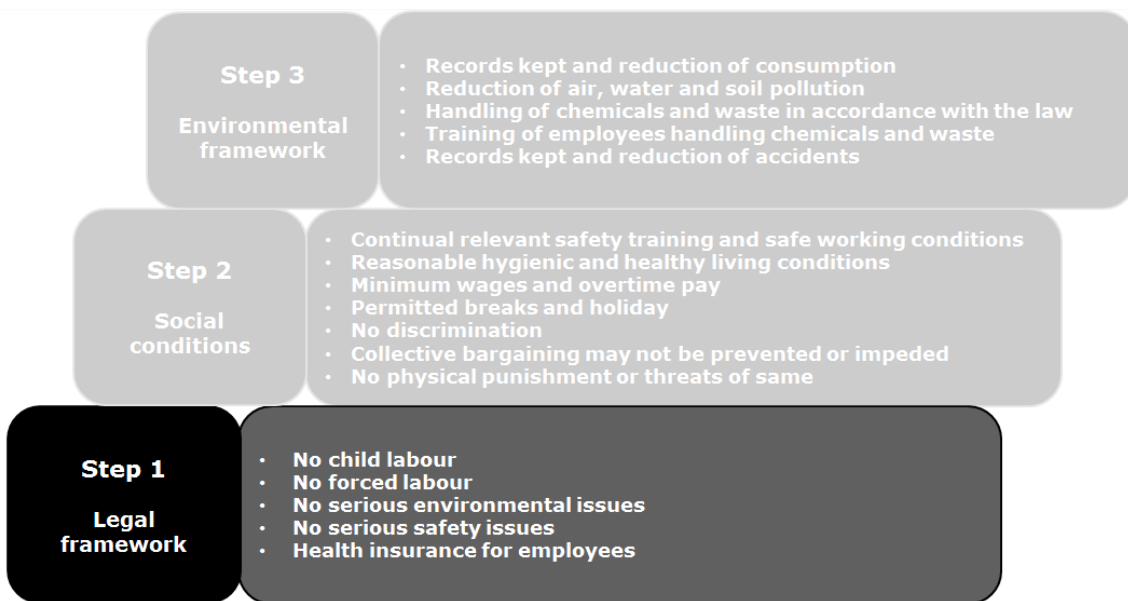
While adherence to the BoConcept Code of Conduct brings our suppliers up to a certain standard, it basically only sets out our minimum requirements. With this in mind, we work with a 'development wheel' that is used in our ongoing dialogue with suppliers.



The model to the right illustrates how we hold our suppliers to their CSR commitments, and it shows that it is an ongoing process.

**Supplier parameters**

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 fails to 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 year's developments

### Upholstery:

Reducing the amount of chemicals in materials used for our upholstered furniture is an ongoing process at BoConcept and our strategic upholstery suppliers in Asia and the EU, respectively. Still, some national regulations and standards may often only be achieved by the use of chemically treated materials.

At BoConcept, we expect all our suppliers to comply with **REACH**, which is the European Community Regulation on chemicals. The regulation deals with the Registration, Evaluation, Authorisation and Restriction of Chemical substances. To comply with the regulation, companies must identify and manage the risks linked to the substances they manufacture and market in the EU. Based on findings from supplier audits, incoming goods inspection at our warehouses and feedback from the BoConcept stores, we perform product risk assessments on an ongoing basis. These assessments are performed in cooperation with the Danish Technological Institute, who provides advisory information and recommendations related to REACH as well as other regulations. This way we ensure that the products included in the BoConcept collections always comply with the current regulations.

Further, during the past 12 months our European supplier of upholstered furniture has focused on reductions in the waste of glue. Through an adjustment of the glue spraying process at the supplier's production facilities, it has been possible to reduce glue waste by approx. 15%. Further, the very same supplier is currently working on the introduction of a new packing method for its upholstered furniture, serving to reduce the use of cardboard by approx. 25-35%.

### Board:

Wooden materials used for the BoConcept products must always come from sustainable forestry and never originate from illegal logging.

With effect from March 2013 all wooden materials imported to the EU must comply with the **EU Timber Regulation**. Consequently, all BoConcept suppliers must be able to present documentation of the country of origin of any wooden material at BoConcept's request. Also, BoConcept uses 'The LegalSource Due Diligence System' as its logging risk assessment system. In case a supplier is unable to provide useful information on country of origin, BoConcept and the

### Close and continuous CSR cooperation

At BoConcept, we strive to establish a close and continuous CSR cooperation with our suppliers.

An example of this is the cooperation with our Asian suppliers: **BoConcept staff/quality controllers are present at 80% of our Asian suppliers on a daily basis.**

Further, **every third week a BoConcept manager visits all our Asian suppliers.** This way we ensure that all the necessary actions are taken, thereby maintaining a close and continuous CSR cooperation with our supplier platform.

supplier in question draft an action plan, setting out steps for improvement. If the supplier fails to comply with this action plan, it is BoConcept policy to change supplier.

**Goals and focus for the coming year:**

Our focus for the coming financial year is to ensure continuous CSR/environmental improvements with our suppliers. In this context, CSR/environmental audits will become an integral part of future supplier visits performed by key CSR coordinators from the BoConcept organisations in Denmark and China.

Also, in the coming year we will keep on working on ensuring 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.



## 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.

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

### Status on the recent year's developments

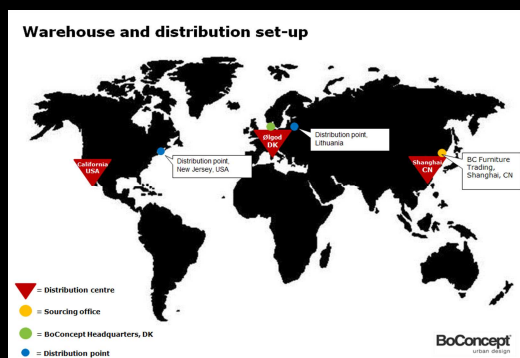
During the past 12 months, BoConcept has strived to establish an overview of and document the CO<sub>2</sub> emissions for which it is responsible in connection with its sourcing (where BoConcept is responsible for arranging and paying transportation) and sale of furniture worldwide (only up to ports 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 983,472 tonnes of CO<sub>2</sub>, which is an increase of 17.1% compared to last year. The increase is primarily attributable to increased sales to BoConcept markets using sea transport corridors.

### The BoConcept warehouse and distribution set-up



### BoConcept has three distribution centres:

- Ølgod, Denmark
- Shanghai, China
- California, USA

### Two distribution points:

- New Jersey, USA
- Lithuania

### One sourcing office:

- Shanghai, China

### Goals and focus for the coming year

For the coming year, BoConcept intends to keep on improving the quality of its calculations by including more relevant sources in order to provide better insight into the impact from transportation. In relation to European road transport, a model for the reporting of CO<sub>2</sub> emissions will be introduced, and figures included in this reporting will be included in the next year's Communication on Progress from BoConcept A/S. Originally, this was also a goal for this year's report. However, we have realised that this task is more complex than originally anticipated.

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 collections in the best possible way in its stores. This includes clean surroundings and displaying 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 year's developments

In last year's Global Compact report we formulated the goal of offering a new LED/metal halogen lighting system to all existing BoConcept stores at a reduced price. As a result of this offer, approx. 25% of all BoConcept stores now have the new lighting system installed, which is in line with the goal for the 2013/2014 financial year.




## BoConcept's Global Compact in essence

The UN Global Compact Principles		BoConcept's Actions:
<b>Human Rights:</b>	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p><b>Principle 2:</b> 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>
<b>Labour:</b>	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;</p> <p><b>Principle 5:</b> the effective abolition of child labour; and</p> <p><b>Principle 6:</b> 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>
<b>Environment:</b>	<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b> 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 sub-suppliers/production and transportation. At BoConcept, we will continue our work to improve the accuracy of the data.</p>
<b>Anti-Corruption:</b>	<p><b>Principle 10:</b> 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 feel free to contact the designated contact person:

Quality Manager



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