



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

We welcome feedback on its contents.

Tvilum, May 2015

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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 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.

Until December 2013 Tvilum was owned by MASCO Corporation. MASCO Corporation sold Tvilum to Revolution Capital Group (RCG), a private US based equity fund. Regardless of this change of owner, the strategy and ethics continues.

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.

May 2015.

Andrew Long
Chief Executive Officer

HUMAN RIGHTS

When Tvilum was a part of Masco, it ensured our employee's access to an independent hotline "The Network". To replace this we have opened an internal hotline number, promising full confidentiality to anyone calling the number. The hotline will deal with financial and human issues.

LABOUR

Tvilum operates four manufacturing locations in Denmark with a total of 860 employees from which 30 % are women. In general we find that we have a fine representation of age and gender in all functions. As example, 35% of the women and 33% of the men are white collar. Youngest employee are 15, oldest are 72 years.

Several nationalities have found employment in our factories. Our policy is to give equal pay for equal work regardless of nationality, sex, direct hired or if 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 were paid 6% more than women. The difference was 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 number and severity accident and the severity of accidents. In 2006 we had a lost day frequencyⁱ of 9.8 and in 2012 it were 1.4, in 2013 it was 1.2 and in 2014 it was as low as 0.76%.

ENVIRONMENT

Wood

The major part of the raw material Tvilum uses is wood. Wood is a recyclable, biodegradable and renewable material and thus an environmentally desirable product - provided it comes from well managed forests. Tvilum are a member of PEFC and FSC. We consider them the major certification sources, for responsible managed forests. Cutoffs and waste are recycled into new material or incinerated to create carbon neutral energy for manufacturing.

Over the past years, the percentage of recycled wood in our major source of material, chipboard, has increased. From our major suppliers, the percentage has come from around 15% till now 35 to 80% of recycled material. The recycled material is mostly "post-consumer" material.

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 2012 and 2013, we have substituted chemicals used in production areas to less hazardous chemicals for some applications. For this reason we have been forced to slightly increase number of different chemicals. 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 Labelⁱⁱ

Energy

During 2011 Tvilum implemented energy improvements on production machinery, resulting in 5.3% reductions on electricity consumption. In 2012 this was further reduced 5.6%. In 2013 it was again reduced with 2.4% reduction of total energy.

During 2014, an intense effort has resulted in further 15.6% reductions of the total energy usage. A third of this comes from regaining heat from our compressors. We have replaced some older machines with more energy efficient machines. We have isolated pipes and changed some heating from fuel oil to gas.

Waste

Focus on waste management has resulted in maintaining a high percentage of recycling. In 2014, 79.6% of our waste was recycled, 19.7% was incinerated and only 0.7% went to landfill.

Incinerated material is wood material and can be considered carbon neutral.

ANTI-CORRUPTION

Tvilum has during the spring implemented a policy for “anti-bribery, anti-corruption” and trained decision makers in the policy.

Illegal harvested wood is 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. Tvilum has fully implemented the EU-Timber regulation, ensuring our wood material comes from legal sources. The risk of illegally logged wood and lack of traceable evidence, have resulted in avoiding some sources.

Wood is the number one material we use. Our preferred sources of wood materials are from PEFC or FSCⁱⁱⁱ certified sources. We believe this to be the safest mean to avoid controversial material. We have managed to change the majority of our supplies into coming from certified forests. Today all 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.

PARTNERSHIPS

Suppliers

Tvilum “Code of Conduct” set requirements for us and our suppliers. We do this to protect our customers and our brand from being associated with unethical conduct.

Our 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 will not accept child or forced labor and neither the use of controversial sources. Beyond this, we prefer to work with suppliers towards compliance to our code, rather than not doing business.

During the last years we have had our present suppliers in Southeast Asia audited, some of them more times depending on their initial score. Our target is to audits all suppliers from countries with a corruption perception index less than 40, according to Transparency International^{iv}.

Customers

We are happy to see an increasing request for product that are ethical manufactured and from sustainable sources. Over the years, Tvilum has taken a leading role in the market with our green sustainable profile. We match our customers' requirements for products with a minimum of negative impact on people and environment.

We protect their brand by testing our products to relevant safety standards and market regulations. We support our customers in their promotion with reliable material regarding our products' properties and impacts.

Tvilum Faarvang, May 6, 2015

Finn Hede Thomsen
QSE Manager

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

ⁱⁱ <http://www.dsic.org/dsic.htm>

ⁱⁱⁱ www.FSC.org and www.pefc.org

^{iv} <http://www.transparency.org/cpi2013/results>