A large, stylized tree graphic in a light blue color, composed of many small leaf shapes, is positioned in the background of the page. The tree's trunk and branches are also made of these leaf shapes, creating a dense, organic pattern.

UN Global Compact

Seventh Communication on Progress
from VS. April 2016.



UN Global Compact

Seventh Communication on Progress from VS
(Communication on Progress / COP)

Vereinigte Spezialmöbelfabriken GmbH & Co. KG
Tauberbischofsheim
April 2016

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Declaration of support for the UN Global Compact

**Dear VS employees and stakeholders in
VS Vereinigte Spezialmöbelfabriken GmbH & Co KG,**

VS presents its seventh annual Communication on Progress since it joined the United Nations Global Compact (UNGC) on 22 September 2008.

2015 was a year of huge significance to the long-term preservation of life on our planet. All the world's governments agreed in September in New York to a world charter for the future with 17 goals of global sustainability and in December in Paris to a global climate protection agreement which provides for a limitation of global warming to 2°C, if possible 1.5° C compared with pre-industrial levels.

We wholeheartedly welcome this success of global policy and are delighted that in these agreements business is not seen as a problem causer but as a problem solver. In this context VS has with its membership of the UNGC set itself one climate goal: to reduce its CO2 emissions in relation to sales by 2015 by 30%. With this we are helping, within the framework of our opportunities, to realize these global charters for the future which are of vital significance to us all.

This goal is extremely ambitious. It was not achieved in 2015. The reason for this is that VS' in-house electricity production by means of a cogeneration unit could only be put into operation in the fall of 2015, but over the whole year production operations in a large new factory hall required high electricity consumption and heating demand. VS can only maintain its competitiveness at its German production site in Tauberbischofsheim compared with furniture manufacture in low-wage countries through high efficiency increases. These necessitate an increasing automation of production and consequently the use of machinery with high electricity consumption.

VS has reacted to the refugee crisis since late summer 2015. However, our endeavors have been held back by the legal framework. If the legislature takes appropriate measures to enable refugees to integrate swiftly into training and work processes, VS will step up its efforts to make a suitable contribution.



The business climate has also been compromised by political imponderables in 2015. The sales of our associated company VS Middle East dropped significantly in 2015 and even some European countries failed to meet our expectations. More pleasing were the stability of new orders in the Scandinavian countries and the very positive developments in the USA. In all, however, we were unable to achieve the set goals in exports, whereas in Germany itself we achieved an increase in sales over the previous year. Thus, in total, we managed to achieve only a slight increase in sales.

Compared with the competition, VS is well positioned thanks to its ongoing product updates. With the Shift+ range VS can react very well to the demand for new forms of teaching. Quite a few new products have strengthened our position at the Didacta trade fair in the spring of 2016, and the same is true for the Orgatec trade fair in October 2016.

I am pleased that we have further increased the number of employees as a whole and specifically the percentage of apprentices/trainees in the workforce.

It is important to stress the fact that the percentage of people with disabilities employed at VS in relation to the total workforce remains unchanged. At over 10% it is much higher than the figure for the private German business sector of just 4%.

This communication on progress places emphasis on training and further education by VS, to which we attach particular importance.

I would again like to encourage our employees to become involved as contemplated by the Global Compact in social, emergency aid and development projects. This report again features examples of this.

VS is built on solid foundations. Provided we are not beset by politically occasioned setbacks, we will be able to make continued good progress in 2016.

VS will continue to support the principles of the UN Global Compact and implement them within its sphere of influence.

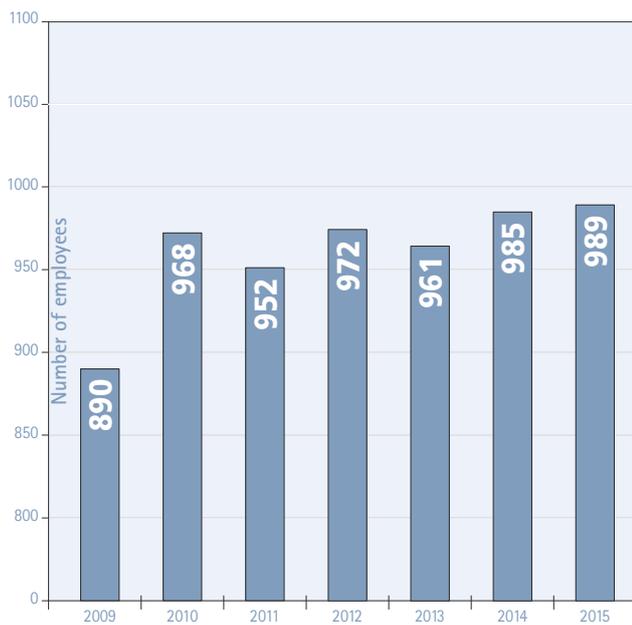
A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, representing Philipp Müller.

Philipp Müller
Chief Executive Officer

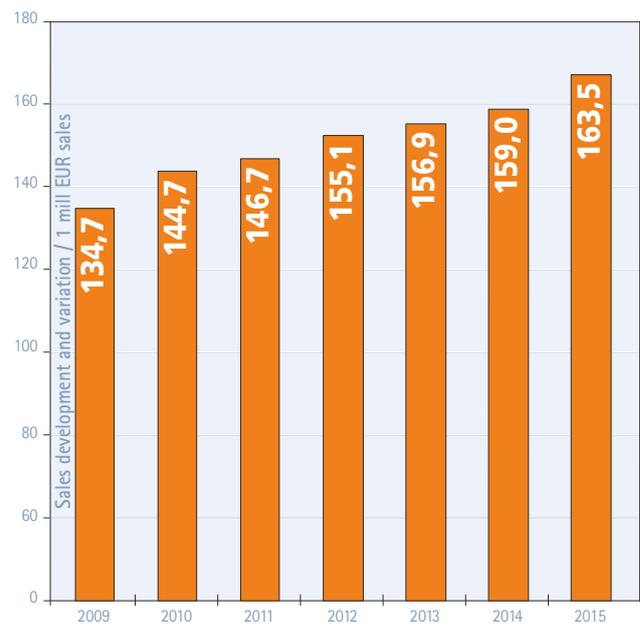


VS

VS personnel and sales development at a glance



Graphic 1: Development of personnel at VS (parent company) on 31 December of the year



Graphic 2: Development of sales at VS (parent company)



I. Human Rights and VS

I. 1 Goals

The protection and promotion of human rights within the framework of its sphere of influence are integral to VS' corporate strategy. We are guided by the International Human Rights Charter, which comprises the "Universal Declaration of Human Rights" of 1948 and the International Civil, Political, Economic, Social and Cultural Covenants of 1966. These human rights standards are enshrined in German law. In accordance with the Charter, we acknowledge the universality and indivisibility of human rights. We include in our sphere of influence not just our core business at our production site in Tauberbischofsheim in Germany, our German branches and our subsidiaries in the USA, France and Sharjah (UAE), but also our supply chain. Furthermore, we refuse to be directly or indirectly complicit in any abuse of human rights at any location where we are nurturing business relationships.

Principles of the UNGC

1. **Businesses should support and respect the protection of internationally proclaimed human rights; and**
 2. **make sure that they are not complicit in human rights abuses.**
-

I. 2 Measures and results

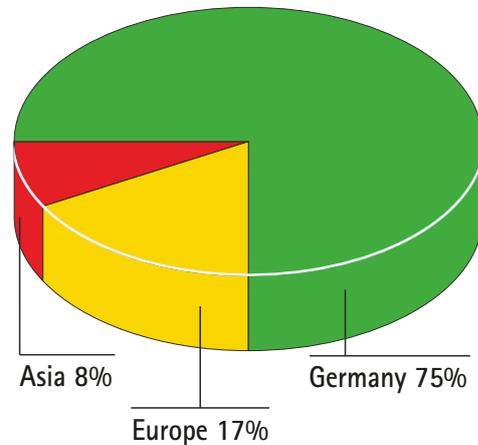
At VS we can proceed from the assumption that within our direct sphere of influence human rights standards are rigorously upheld. This is based on the fact that a high percentage of our entire value creation is accounted for by production at the Tauberbischofsheim site and that a large part of our supplies comes from companies in Germany of Central Europe where strict statutory provisions are in place and observed.

I. 2.1 Refugees

The many refugees seeking protection in Europe against political persecution and the effects of war in late summer 2015 became for Europe one of the biggest human rights challenges of recent times. In the light of the experience that most of the refugees will not be returning to their home countries in the foreseeable future, it is a question not only of a decent livelihood for the refugees, but also of their integration in our society. This means quite specifically that they find work in order to earn a living themselves and to establish social contact with work colleagues.

VS is involved in managing these tasks. However, the labor legislation restricts the opportunities significantly. Thus, refugees are not permitted to work in the first three months of their arrival in Germany. Thereafter a period of so-called secondary labor market access applies. During this period, refugees can only take on work if there is no suitable candidate with a German or EU passport for this job. This is monitored by the responsible Aliens Office (Ausländerbehörde) and employment agency. Persons entitled to political asylum and recognized refugees also receive a work permit along with their residence permit.

There are further statutory provisions in place: Refugees may not be placed with temporary employment agencies in the first four years of their residence in Germany and may not be employed for dumping wages. Therefore, refugees are by no means "cheap competition" to the native workforce. For VS this means that refugees are placed in the appropriate wage group in accordance with the currently valid wage and salary table.



Graphic 3: Supplier locations

Refugees as colleagues at VS

In late summer 2015 for the first time seven people who had fled to Germany were taken on in production by VS. They worked on a fixed-term contract to the end of 2015 under the direction of the trained permanent staff in table, clad furniture and wooden furniture assembly. Four of the refugees come from Syria, two from Algeria and one from Somalia. In April 2016 three refugees are still working at VS and a new refugee is working as a trainee.

"As one of the region's largest employers, we see ourselves as obliged to provide with prospects all people who live here, who want to work at VS and are also able to do so. This includes refugees just as much as any others," says Philipp Müller, Chief Executive Officer. In the recruitment process at VS it has always been the case that every applicant is seen as a person: "Skin color, ethnic origin, gender or religion do not play any role in our recruitment."

How well applicants master German does play a role, however. At the end of the day every VS employee must be able to communicate with their colleagues. A misunderstanding can have serious consequences, whether it be in the work routine or for health. "Adequate language skills are very important to us," confirms Christoph Gress, Head of the VS Works Council. Otherwise "multiculturalism has already been common practice at VS for some time." The specific labor legislation pertaining to refugees must also be respected. VS can employ refugees only after they have obtained a work permit.

Firstly, the refugees completed a two-week period of unpaid practical training at VS in the designated workplace. During this period both parties could see whether they suited each other. After the first "Job Speed Dating for Refugees in the Main-Tauber District", which took place at the end of July 2015, ten men expressed an interest in working for VS. Seven completed the practical training, after which four were hired. The demand for manpower at VS is currently covered. This situation can change again. "Then we shall approach refugee applicants just as we do any other applicant," says Bernhard Schwering, Personnel Manager: "We do not give them preferential treatment and we do not discriminate against them. As we have said, to us everyone is a human being."

Dagmar Wolf

I. 2.2 Supplier guidelines

In 2013 the VS management decided on guidelines for its supplier companies; these guidelines began to be implemented in 2014. They follow the principles of the UN Global Compact and are used to place our suppliers under a similar obligation to adopt consistent business practices, i.e. in particular to respect human rights, labor standards and environmental standards and to fight corruption. For the wording of these guidelines, please refer to the appendix of this communication.

VS has a large number of suppliers to cater for its diverse range of models. Orders from VS over the year are shared on average between 1,200 suppliers. The supplier base consists of approximately 6,000 suppliers.

The supplier guidelines were initially applied to the 100 strongest-performing suppliers:

- The VS Purchasing department draws up a list of the 100 strongest-performing suppliers. The supplier guidelines are sent out to these suppliers.
- The supplier guidelines contain a confirmation slip that the suppliers, after perusing the documents, sign and return to us.
- If a supplier fails to reply, they are contacted again by the Purchasing department. If a reply is still not forthcoming, further action must be taken.
- The replies are documented and archived.
- The next year the list of the 100 strongest-performing suppliers is updated. The Purchasing department writes to suppliers who are new to the list.
- In 2014 98 of the 100 suppliers contacted confirmed that they would comply with the supplier guidelines.
- In 2015 the 100 strongest-performing suppliers were again evaluated.

Result: In 2015 11 new suppliers are added to the suppliers already recorded in 2014 who acknowledged the VS supplier guidelines. VS writes to these new suppliers and places them under an obligation to comply with the guidelines.

II. Social Standards and VS

II. 1 Goals

It goes without saying that our business policy at VS is based on acknowledgement of employee participation in the management policies of the company. Employee participation is a prerequisite for ensuring that staff identify with the goals of the company, develop a vested interest in its success, and assume a sense of responsibility for the company in good times and bad. Codetermination does not work without freedom of association. Irrespective of existing laws in Germany, at VS the right to bargain collectively and refusal to be associated with forced labor and child labor and conscious discrimination against employees are implicit in how we do business. VS also expects this of its supplier companies.

Even in Germany in the area of discrimination there are areas of weakness and learning processes that need to take place. What was taboo years ago has today become the legal norm or is the subject of public debate. The relevant subject areas include in particular gender equality, and the elimination of discrimination based on religion, origin (migrant background employees), culture, age or sexual orientation. VS is fundamentally receptive to and actively participates in such change. From the outset VS does not regard a physical or mental handicap to be a hindrance to employment. In point of fact, VS tries to integrate as many people with disabilities as possible into the company.

Principles of the UNGC

- 3. Businesses should uphold the freedom of association and the recognition of the right to collective bargaining;**
 - 4. the elimination of all forms of forced and compulsory labor;**
 - 5. the effective abolition of child labor; and**
 - 6. the elimination of discrimination in respect of employment and occupation.**
-

II. 2 Measures and results

The guidelines for supplier companies requires them to: comply with ILO Core Labor Standards, especially with regard to child labor, free choice of occupation, freedom of association and the right of employees to form workers' representation, to carry out collective bargaining and to ban discrimination. In addition, wages and social benefits of supplier companies must enable employees to live a life of human dignity and workplaces must comply with internationally recognized health and safety standards. People with disabilities should be particularly supported. The principles of VS' business policy are reflected in the following social structure features:

II. 2.1 Employment of women

The total number of employees increased in 2015 to 989. The gender distribution amongst employees in total remained stable. The percentage of women in relation to the total workforce was on the cutoff date (31 Dec 2015) virtually unchanged at 12.4%. The number of full-time female office employees dropped in the reporting year again to 47 (2014: 55). The percentage of part-time female office employees of the female office employee total increased in 2015 to 47% (42% in 2014).

Compatibility of family and job.

Promoting the compatibility of family and job is an important matter of concern to VS.

Since 2012 we have been offering in the summer holidays a three-week course of educationally structured all-day care on the company premises for the children of our employees. We offer our employees the opportunity to work a wide range of part-time models, tailored to their individual needs. Home office, part time during parental leave and part time after parental leave are available. A company nursery school or reserved places the local daycare facilities are being discussed as further options, but are currently not considered to be necessary by the workforce.

Doris Franke



Workforce on 31 Dec 2013

	Gender	Part-time	Full-time	Total
Office	M	3	267	270
	F	40	55	95
	All	43	322	365
Industrial	M	12	555	567
	F	4	25	29
	All	16	580	596
Total		59	902	961

Workforce on 31 Dec 2014

	Gender	Part-time	Full-time	Total
Office	M	3	271	274
	F	40	55	95
	All	43	326	369
Industrial	M	11	574	585
	F	4	27	31
	All	15	601	516
Total		58	927	985

Workforce on 31 Dec 2015

	Gender	Part-time	Full-time	Total
Office	M	3	262	265
	F	41	47	88
	All	44	309	353
Industrial	M	13	588	601
	F	6	29	35
	All	19	617	636
Total		63	926	989

Graphic 4: Gender distribution among employees at VS 2013-2015, not inclusive trainees and management

II. 2.2 Employment of people with disabilities

In 2015 on average 100 people with disabilities and equivalent persons were employed at VS. As of 31 December 2015 67 employees are severely disabled with a level of disability of at least 50%. Because of the severity of their disability three of those are entitled to more than that number of compulsory places. Another three do not have parity notification as they work part-time for less than 18 hours a week. 32 employees have parity with a disabled person, i.e. their level of disability is at least 30%.

The percentage of severely disabled staff at VS in relation to the entire workforce has for years been double the legally prescribed percentage of 5%. When compared with the private business sector, this is outstanding. The total employment quota for severely disabled persons in Germany in 2014 was 4.67% (five-year average 4.36%), in industry only 4.1% (cf. Aktion Mensch e.V., Inklusionsbarometer Arbeit, 2015, page 14 and 2014, page 5).

The percentage of disabled persons in relation to the entire workforce has risen significantly in the past few years at VS and is more pronounced than the entire workforce itself. The quota in 2006 was 8.3%. Since 2011 it has been over 10%, and in 2015 10.06%.

This result was achieved through the following measures:

- An integration agreement was signed on 20 December 2000 between the management, the representative for the severely disabled, the VS appointee to represent the severely disabled, and the works council.
- With regard to the filling of job vacancies, together with the employment agency or integration services (IFD) VS first checks to see if these positions can be filled by persons with severe disabilities.
- All severely disabled job applicants who are qualified in their field are invited to interview.
- The works council and the representative for the severely disabled are informed about job applications from persons with severe disabilities and take part in the decision process within the framework of the legal requirements.
- Since 2006 there has only been one incident where, with the approval of the Office for Integration of the Municipal Association for Youth and Social Affairs (KVJS), an employee was discharged for conduct reasons.
- Prevention discussions and in-house integration management (§ 84 SGB IX) are conducted in the event of persons being absent for more than six weeks per year.
- The representative for the severely disabled and the company doctor work in close co-operation.
- VS attaches great importance to training and qualification within the company so that employees can be deployed as flexibly as possible. This also helps to ensure the employees' job security.

Workforce on 31 Dec 2015	Gender	w/o disab.	Eq. fr. disab. 30%	SD from disab. 50%	Total
Office	M	252	5	8	265
	F	83	0	5	88
	All	335	5	13	353
Industrial	M	525	26	50	601
	F	30	1	4	35
	All	555	27	54	636
Total		890	32	67	989

Graphic 5: Allocation of people with disabilities at VS

II. 2.3 Orders to sheltered workshops

Despite the high employment quota for severely disabled people, VS endeavors to place as many orders as possible with sheltered workshops. VS' order volume to such sheltered workshops has increased from € 98,000 in 2000 to € 262,000 in 2015 (cf. Graphic 6).

Year	Sales volume
2000	97.627 €
2007	125.036 €
2008	124.613 €
2009	168.757 €
2010	310.126 €
2011	299.390 €
2012	258.959 €
2013	282.908 €
2014	228.470 €
2015	262.588 €

Graphic 6: VS' order volume to sheltered workshops

II. 2.4 Employment with the company

The average period of employment with the company at 17 years remains very high, and the trend is rising. Even women stay with the company for a long period of time. This underlines the high level of corporate identity that staff have at VS.

Workforce on 31 Dec 2013	Gender	Av.-Alter	Av.-period of employment
Office	M	44,49	17,55
	F	41,57	15,06
	All	43,73	16,90
Industrial	M	44,60	17,75
	F	41,31	12,28
	All	44,44	17,48
Total		44,17	17,26

Workforce on 31 Dec 2014	Gender	Av.-Alter	Av.-period of employment
Office	M	44,59	17,83
	F	41,81	15,25
	All	43,87	17,16
Industrial	M	44,67	17,38
	F	44,33	12,17
	All	44,46	17,12
Total		44,24	17,14

Workforce on 31 Dec 2015	Gender	Av.-Alter	Av.-period of employment
Office	M	46,17	19,15
	F	44,20	17,33
	All	45,68	18,70
Industrial	M	44,56	16,85
	F	43,80	11,89
	All	44,52	16,58
Total		44,94	17,34

Graphic 7: Average age and average period of employment

II. 2.5 Staff development – education and training

VS attaches great importance to professional development. VS' objective of "challenging and promoting employees" underscores the functions of training and further training within personnel development.

Training is ongoing at VS in industrial, technical and commercial areas. In addition to dual vocational training, VS has also worked co-operatively and successfully with Baden-Württemberg Co-operative State University (DHBW) at college-level education for more than 20 years. Training is arranged according to need. The aim is to offer apprentices in dual training and graduates from the Co-operative State University a job at the end of their training or period of study.

VS also enjoys educational partnerships with regional schools in the area. The aims are, among other things, support for the transition between school and training, course of studies and employment as well as improvement in training maturity and ability of students to train and study (cf. Individual special reports).

At present VS has 50 trainees and DHBW students (48 in 2014, 47 in 2013 and 42 in 2012).

The percentage of commercial trainees and DHBW students in relation to all office employees is 6.62% (5.97% in 2014, 4.8% in 2013); the percentage of industrial-technical trainees in relation to permanent industrial employees is 4.60% (4.86% in 2014 and 4.1% in 2013).

VS trains staff in the following occupations and courses of study:

- Wood Machinist
- Industrial Machinist
- Warehouse Logistics Specialist
- Industrial Business Management Assistant
- Industrial Business Management Assistant with add. qualifications
- Technical Product Designer
- IT Specialist
- DHBW / Wood Engineering
- DHBW / Business IT
- DHBW / International Business
- DHBW / Industry
- DHBW / Mechanical Engineering

In 2015 a variety of training measures were carried out within the company's further training program. Trainees and students receive support from VS for additional training courses offered by vocational schools and the Co-operative State University; for example, for language experience abroad or to qualify as a training instructor. Some employees are involved as examiners on examining boards of Chambers of Industry and Commerce.

Training prevents skills shortage

To what does VS attach importance when selecting applicants for training and study places? Questions put to Doris Franke, employee in HR.

We are constantly hearing and reading about a skills shortage. Does VS also experience difficulties finding trainees and students?

In the commercial-technical field we don't have a problem – we have plenty of applications, and very good ones at that. In the industrial field, particularly in the case of wood machinists, we notice unfortunately that skilled trades are seen as unattractive. We would welcome a greater demand for such positions.

What qualities and skills should an applicant bring to the specific fields?

In the industrial field what we are looking for absolutely is manual dexterity. We therefore have a practical test. If possible, a period of practical training should be completed. The applicant can then see for themselves whether this really is the right job for them and we also see who is suitable. A period of practical training is also a very good opportunity to gain a foothold as a technical product designer or an IT specialist. In the technical field too an applicant should show through a period of practical training what they can do. This is because a written application on its own doesn't always tell us the whole story.

What role do good grades play?

In all fields we do not place the sole emphasis on school grades, they are only one criterion among many. To us, in each case, it is the person who is important. In the industrial field practical handling plays a role. Other aspects play a role in all apprenticeships and courses of study, such as the capacity for teamwork.

VS is firmly rooted in Tauberbischofsheim and plans to stay that way. That being the case, is an apprenticeship or a course of study with us also of interest to applicants from other regions?

Less so. Because our main site is here, we also like seeking out our applicants in the region. What is top priority for us is that those people who have trained and learned with us stay with us so that we can give them prospects with us. Naturally we also need more employees who want to work in our branches or even in our subsidiaries in other countries. But we simply don't have as many jobs to offer as large company groups. We fill our positions above all on the regional level.

At VS trainees and students not only have a good chance of being taken on. They can also make a career for themselves here, as is borne out by a good many VS colleagues. Do you look out when selecting applicants for those who could have what it takes?

No, initially we don't do that. We look for those who would really like to start here with genuine enthusiasm. That is the most important thing, everything else follows on from that. In any case, there is normally a healthy mix among the applicants. There are those who are happy with the trade they have learned and want to carry on in that trade, over a period of many years as well. That is fantastic! Then there are those who want to progress. For those we are very happy to offer the opportunities: for example, to train further to become a specialist/technician, to complete an advanced vocational certificate of education, and if this isn't available, then to complete a period of study with us. In each case, we don't want pushiness, what we want is the capacity for teamwork!

Youngsters discover VS on a lightning tour

"Wow, so many Hokkis!" says René with amazement on his way through works 2 to the training workshop. "We've also got them at school. And the table tops at the front there, I recognize them too!" The nine-year-old uses the opportunity to find out about VS along with 26 other boys and girls. This year too the company has taken part in the vacation program of the town of Tauberbischofsheim and opened its doors to interested children for a whole morning.

The children walk in small groups through five stations, learning about different areas of development and production at VS. They are accompanied on their tour of discovery by wood and industrial machinist trainees.

In the wood training workshop, the schedule includes among other things a nail race: who can hammer nails into wooden boards the fastest? Hand on hammer ... and away they go!

Dexterity is also required in the factory fire department: collecting and pumping water, then blasting obstacles out of the way with a jet of water. In the VS museum the children journey back through time in the school world: unbelievable how stiff and disciplined it all was 100 years ago in the classroom!

Inspired by the products from the VS "Neutra" Series, the young visitors can put their furniture designer talents to the test in the showroom and develop color variants for the Boomerang chair. The final call is interactive learning on the InteractiveBoards, which some of the boys and girls are already familiar with from school – "but our teachers don't let us dabble on them as much as you do here!"

After three and a half intensive hours at VS the "holiday workers" get to ask the same question as many other employees at lunchtime: "What's for lunch today?" Well, it's spaghetti bolognese in the VS cafeteria.

Dagmar Wolf

Well provided for from the start - study and training at VS

"What, you already know now when you will be in what department?" When the other students at DHBW Mosbach hear that at VS every single person receives an individual training plan covering the entire training period, they are mostly amazed, sometimes even a bit envious. At VS this good structure is natural. It enables us really to go through all the departments, some more than once, and thus gain a comprehensive insight into the company's operations.

The fact that there are so many students and trainees at VS means that there is a good sense of team spirit. We exchange lots of information and ideas even between year groups, whether it be simply at lunchtime at the "trainees' table" or at the trainees' breakfast, which is organized twice a year. Or on the joint climbing day and bowling outing. At the start of training or study there is a familiarization week with guided tours, presentations, informative talks and even project tasks. Our year group's task, for example, was to rework the VS Guide. This involved us visiting all the departments, introducing ourselves and questioning our colleagues there. At the end of the task we had not only updated the Guide – we had above all gotten to know the company and thus gained the feeling in the first few weeks that we were in good hands.

Since this year the commercial trainees and students in the first year of training have also been supervised by mentors. During this period, they also have to write a report on each department in which they have been. This helps to have a better overview of the bigger picture.

My first department in January 2014, after the theory phase in Mosbach, was the Central branch. The six weeks provided me

with a very good introduction to the working world of VS. I was able to learn a lot about the department and our products – for example how to take requests for quotes, prepare offers and orders, and schedule these. I particularly enjoyed the continuous customer contact. I was also able to familiarize myself with and operate some programs which are used at VS for processing orders. This also helped me to get the hang of things in the many other departments afterwards, see the bigger picture and by the end of my training gain a complete overview of all the activities at VS.

A particular highlight for me was the period I spent in the VS branch in the USA. At the start of my studies I had already indicated that I would be happy to go abroad. There are two possibilities here: you can do the theory semester, i.e. the fourth semester, at one of the partner universities of DHBW or – and this is what I did – spend one of the practical phases abroad. This was made possible for me this September at VS America – an experience for which I am hugely thankful! Those training as industrial business management assistants with additional qualifications also have the opportunity to spend time abroad. They can apply for a language course and a period of practical training in Malta.

What I particularly liked about my training is that VS colleagues showed a lot of trust and confidence in the students and each student can develop very well thanks to the opportunities offered to them by VS. Each department makes every effort to impart the best possible advice. Students are integrated straight away in operations, are given their own assignments depending on the department, and play an active part in day-to-day business. These factors, just like the excellent working climate, have a highly motivating effect.

Viktoria Mikulicz

Training to be a wood machinist at VS

Why should one become a wood machinist? There are plenty of reasons why! Wood is a natural, warm material which is fun to work with and from which something solid and substantial can be made. The trade of wood machinist is varied. Manual dexterity is required just as much as technical understanding, creativity just as much as the ability to work meticulously. The trade also offers very good work and further education opportunities, even with us in the company.

Why training with VS is worth it is just as clear: yesterday restoring an old school table for the VS school museum, today repairing pallets, tomorrow working on the prototype for a new item of furniture, next week preparing the interior furnishing of the new hall ... Incidentally, we don't just work with wood, we also work with glass, steel, textiles, plastic and leather. And there's also surface finishing and veneering.

Anyone who is training to be a wood machinist at VS can't therefore complain about being bored! However, we do expect some things from our trainees. We therefore give the applicants an aptitude test, both practical and theoretical. If possible, they should also have completed a period of practical training with us.

In our fully equipped training workshop all trainees have their own joiner's bench and their own tools. This has not been the case for some time now elsewhere, above all in smaller firms. All the machines that are required in production are also provided in the training workshop. Finally, we are an independent

department of VS and a joiner's workshop in the company. We therefore work really productively in training and make useful stuff, including trade fair stands and workstations for the company. Furthermore, all the joinery work on doors, windows and the like goes through us. We don't produce any high-end scrap.

From the second year of training – the trainees spend the first year, apart from a three-week period of practical training, in vocational school – there is a project assignment to be done almost every month. To start with, this work involves smaller pieces of furniture, such as a stool or a phone cabinet. In the third year each trainee must plan and build a larger piece of furniture, which they are allowed to take home with them. If you need a bed or would like to have a particular type of table, no problem! You only have to pay for the material for this piece of furniture yourself.

Someone who finishes their training/apprenticeship with us is a genuine all-rounder and can be employed anywhere in furniture making and interior furnishing. But a company naturally wants to hold on to well-trained people. Therefore, everyone who has completed training with us has an opportunity to prove themselves in the job. At VS 80% of wood machinists are "home grown". Whether they work in the different production departments or study to be a specialist or master craftsman: an interesting task awaits everyone.

Olivier Stöckle, Bruno Freisleben

The buyer of the future – training in procurement

In the course of their training the students, trainees and practical trainees in the commercial professions also pass through the Purchasing department. Always kept in sight here are the purchasing objectives of quality improvement, maintaining security of supply and reducing costs. Practice-oriented training is given in the individual stages of the procurement processes at VS.

Thus, for example, a special door fitting is required for a special cabinet. Order Planning writes a requirement for this which must be converted into an order in Purchasing: Who can supply us with this fitting, how much does it cost and how quickly can we have it? It must then be ascertained which of the existing ordering systems is the best one to use in this case. "Learning by doing" is the order of the day, because the aim of training in Purchasing is that the trainees implement the requested tasks using SAP as quickly and independently as possible. Before the orders are passed on to our suppliers, an experienced buyer has another good look to ensure that no incorrect parts/items are delivered. Above and beyond this pure day-to-day business

training is given in supplier management and procurement controlling. What is also important here is knowledge and awareness regarding co-operation with our suppliers and the other VS specialist departments, for example to support product development.

Within the framework of these strategic purchasing processes the business management students are also given assignments to be completed on their own in a project or bachelor dissertation. Thus in 2015 Marie-Therese Mack wrote a project dissertation on the "Conception for further development of supplier assessment". Marvin Lindl is working on the subject of demand forecasting within the framework of company order policy. To complete his DHBW study Lukas Horn has chosen the subject of "Risk management in the procurement" and intends to show with this bachelor dissertation where in this connection there is a need for action on the part of Purchasing. Both trainees and the company benefit from this situation. Training for the future is the order of the day!

Olaf Mertens



II. 2.6 Workplace health promotion at VS

The health and wellbeing of our employees are extremely important to us.

We offer all employees, through our company doctor and in compliance with doctor/patient confidentiality and data privacy protection regulations, a free annual prevention check (more details in the 6th COP 2014).

In co-operation with the medical insurance company AOK Heilbronn-Franken we started a pilot back health project for employees from production in 2015.

Workstations at VS are designed in line with safety and ergonomic considerations. In this respect we go significantly beyond the statutory requirements. For instance, every employee working in an administrative role can adapt to the situation in the course of the working day by changing their seating furniture. Height-adjustable workstations are naturally available.

We offer our employees and visitors in our cafeteria a range of wholefoods for breakfast and lunch. The cafeteria sources organically grown fruit and vegetables from our own in-house market garden.

Communal leisure and sporting activities for employees are supported by the management. In 2015 VS teams took part in the volleyball town championships, in soccer tournaments and in the IG Metall soccer trainees cup. And for the fourth time VS offered a skiing and tobogganing weekend in Oberstaufen, organized by VS employees.

Work clothes

In 2014 a works agreement for wearing defined outer clothing in production-related departments was jointly signed by the works council and the management. Since then the qualifying employees have been paid a specific monthly allowance with which they can order where required from the defined clothes catalog. Since 1 January 2015 it has been mandatory for employees from these departments to wear this clothing.

In 2015 the VS clothes catalog was extended to include various shirt and blouse designs as well as a Coolmax technical shirt; it currently features 36 designs. This wide variety of designs ensures that every employee can find the right clothing for them.

In order further to promote a uniform image and also to offer administrative employees a financial incentive to wear the company clothing, the management decided in the spring, by arrangement with the works council, to issue a voucher for 50 euros to all VS industrial and office workers so that they could buy VS outer clothing.

Jürgen Rappel, Christoph Greß



III. VS and Environmental / Climate Protection

III. 1 Goals

The management at VS is convinced that conservation of resources and climate protection are a part of economic activity.

Principles of the UNGC

- 7: Business should support a precautionary approach to environmental challenges;
 - 8: undertake initiatives to promote greater environmental responsibility, and
 - 9: encourage the development and diffusion of environmentally friendly technologies
-

The main objectives of VS' environmental policy including minimizing the environmental impact in the supply chain and at the production site in Tauberbischofsheim and being able to offer our customers products which have been made in the most environmentally friendly way possible. VS also endeavors to minimize the environmental impact of waste disposal.

Environmental policy is therefore an essential element of VS' corporate strategy. In-house environmental protection is thus integral to all company departments and processes. Our aim is to achieve long-term, sustainable, integrated results through individual measures – often irrational in terms of economic and business reason – and without making a great fuss about it.

Since joining the UN Global Compact, VS has set itself a climate target. **By 2015 the company's CO₂ emissions in relation to sales should drop by 30%.**

Commitment to the natural environment at VS means:

- Protecting the environment, our employees and our customers by avoiding harmful effects in the production, use and disposal of our products
- Eliminating or minimizing emissions and waste
- Using the smallest amounts possible of the natural resources of water, soil and air
- Using energy and materials in an economical way in all areas of production (recycling)
- Promoting the use of regenerative energy
- Exceptionally long-lasting VS products, an environment-oriented choice of materials and recyclable, modular designs for VS products



Graphic 8: Substitution of natural gas with wood shavings for works 3/4

III. 2 Measures and results of environment management

In line with the aforementioned principles VS operates an environment management system (DIN EN ISO 14001) that is integrated into its business activity. In 2013 VS completed the introduction of a comprehensive sustainability report system based on the concept and standards set up by the American "Business and Institutional Furniture Manufacturers Association" (BIFMA). VS is also introducing an energy management system (DIN EN ISO 50001). By this means we can ensure a continuous improvement process for environmental protection.

The performance of our environmental protection system is documented by certification in accordance with the provisions of DIN EN ISO 14001 and since October 2013 most VS products have received certification in accordance with BIFMA sustainability standards. Our company has been certified in accordance with the PEFC standard since October 2014.

III. 2.1 Introduction of an energy management system

VS took the decision in the reporting year to have the company certified in accordance with the requirements of the energy management system DIN EN ISO 50001. To this end the following steps have been implemented up to now:

- Appointment of an energy management officer (Chapter 4.2.1 b)
- Drawing up of an energy policy (Chapter 4.2.1 a and 4.2.2)
- Identification of energy sources and consumption (Chapter 4.4.3a)
- Retention of the certifying company (Chapter 4.5.3)

The further necessary steps will be implemented in the course of 2016. A preliminary audit is taking place in October 2016.

The certification audit will be conducted at the end of November in combination with the supervision audit in accordance with DIN EN ISO 9001 (quality management) and DIN EN ISO 14001 (environment management).

III. 2.2 VS generates its own electricity

Projekt 139

VS - this is made up of 68,000 m² building floorspace and 102,500 m² usable floorspace, roughly 88,500 m² of which in the works. To run the works and administrative buildings VS uses roughly as much electricity as 4,000 average German homes and as much heat as 1,000 homes.

This energy is also becoming increasingly expensive for VS. It is therefore necessary to consider on a permanent basis where energy can be saved or obtained from cheaper and resource-conserving sources.

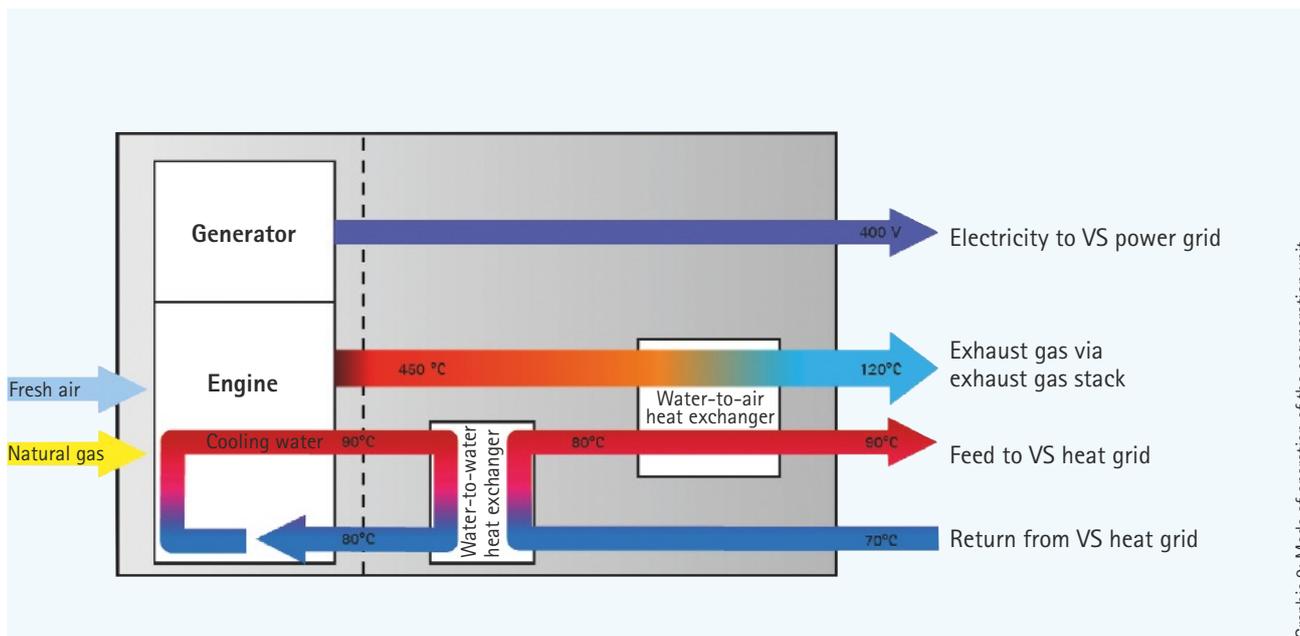
The internal Project 139 has been addressing this fundamental question since 2007. The mission statement "Sustained increase in the efficiency of the energy supply in the company" has been the guiding principle here. From this abstract formulation two large building projects have already been identified and implemented in the last few years.

Stage 1 - Construction of an additional shavings silo:

Until 2009 there was only one shavings silo in which shavings from production could be stored to a limited extent. For this reason, another larger shavings silo was planned and built (volume approx. 2,500 m³) to be able to store all the wood shavings accumulated in production for thermal recycling.

Stage 2 - Construction of a long-distance heating pipe:

The next stage was implemented in 2012. By constructing the long-distance heating pipe it was possible to connect to each other the previously independently operated energy centers boiler house 1 and boiler house 3 (in front of works 3). By this route it is now possible to transport heat - which is generated cost- and CO₂-effectively from shavings in boiler house 1 - underground to boiler house 3.



Graphic 9: Mode of operation of the cogeneration unit

There the heat is made available for the consumers in works 3 and works 4. This has resulted in savings of around 10% on the annual natural gas consumption in boiler house 3.

The largest percentage of renewable energy produced by VS comes from the utilization of waste wood, especially wood shavings, for general heating and hot water.

The CO₂ savings from the utilization of wood shavings are shown in the following table.

Year	Year	CO ₂ savings [t/a]
1. Savings on heating oil by using shavings	up to 2012	3.120
2. Savings on gas by using shavings	from 2013	438
Total of 1+2 Savings by using shavings	from 2013	3.558

Graphic 10: CO₂ savings in tons per year by using wood shavings instead of heating oil or gas at VS

In determining CO₂ savings, we had to take into account the fact that wood shavings demonstrate a far more favorable CO₂ balance than heating oil and natural gas. By installing a long-distance heating pipe in 2012 and putting it into operation in 2013 it was possible to reduce even further gas consumption for heat production. Energy from the long-distance heating pipe is sourced from the incineration of wood shavings.

Graphic 8 shows the heat energy requirement in boiler house 3, which in 2012 was still completely covered by gas as its energy source (green bars). From 2013 heat energy was delivered from the long-distance heating pipe (orange bars). In total approximately 2,000 MWh of gas could be replaced with regenerative energy sources.

Stage 3 – Cogeneration unit:

Because the first two stages focused on heat provision and supply, the third stage was to examine the issue of electricity utilization. In the last ten years, electricity has developed into a cost driver for VS. Electricity has become increasingly expensive, above all due to levies.

It is also to be assumed that power grid operators and the German government will in the future introduce further levies to cover the costs of grid expansion and energy turnaround. Studies have therefore been conducted since 2012 as to whether and how VS can generate cost-effective electricity which it also consumes itself. VS decided on a cogeneration unit, which after a great deal of planning and approval was built and commissioned in 2015.

A cogeneration unit obtains electrical energy and heat through the operation of a combustion engine. The plant constructed at VS is made up of three core modules:

1. Container-construction cogeneration unit: The heart of the plant is a container in which all the important energy generation processes take place. Graphic 9 shows in simplified form the energy flows that exist in the container. Similar to a car a V8 spark-ignition engine (39 liter capacity and 1,200 bhp) installed in the container combusts a natural gas/fresh air mixture. Instead of the wheels on a car, the engine drives a power generator; this generates 854 kW electricity, which is fed directly into the VS power grid.

Decentralized electricity generation:

Supply: All factory, staff and administrative buildings
 Coverage: approx. 40% of the consumption of VS Möbel

The combustion process in the engine produces heated cooling water and hot exhaust gas. Unlike in a car this energy is utilized in the cogeneration unit and not simply dissipated to atmosphere. Thus the energy is transferred to the cold heating water via two heat exchangers. The heating water that is then heated to 90 °C is fed into the VS heating system to supply production plants and buildings.

Wood shavings silos at VS



Decentralized heat consumers:

Supply: Washing facility of powder-coating installation & room heat for works 4, works 4.2, works 6, hall 6, staff buildings, central parts warehouse
Coverage: approx. 75% of the heat demand of the buildings mentioned

The exhaust gas is cleaned by an ultra-modern oxidation catalytic converter so that the impact on the environment is kept to an absolute minimum. Particularly when it comes to formaldehyde emissions the statutory limit value is clearly undershot by more than 35%.

2. Buffer tanks: Situated between the cogeneration unit container and the entrance to the staff building are two so-called buffer tanks. Here a total of 60,000 liters of water is stored in a heated state to enable power and temperature fluctuations in the heating system to be spontaneously compensated. In this way, the required energy supply is stabilized, expensive load peaks are leveled off, and financial and energy savings are achieved.

3. Exhaust gas stack: After the exhaust gas has been cleaned in the oxidation catalytic converter and the volume reduced in a large muffler, the exhaust gas is discharged to atmosphere through a 24 meter high stack. Here VS must adhere to stringent exhaust gas standards, which are checked every three years during regular operation.

Are the investment costs paying off? The cogeneration unit primarily achieves savings in in-house electricity generation. The natural gas used to generate electricity is much cheaper than the electricity that would otherwise have to be bought on a regular basis.

Furthermore, the cogeneration unit achieves through so-called combined heat and power the best overall efficiency in relation to all known types of power station. Coal power stations in Germany have an overall efficiency of just 46%. A further 11% is lost during the transportation of so-called coal electricity via overhead and ground lines to the socket-outlet of the consumer. Thus, only 35% of the originally used energy arrives at the consumer.



The outlook is much better with the VS cogeneration unit: here as a rule up to 87.5% of the starting energy is further utilized. Another improvement is the fact that electricity and heat generated in the cogeneration unit are consumed directly at VS. On account of the short distances to the consumers in the works there are only minimal energy losses. The unit's high efficiency means that VS' overall CO₂ emissions can be further reduced.

By building and operating the unit, VS is also supporting decentralized energy generation called for by politicians.

Another positive effect is the improvement of security of internal supply. All the production facilities recently acquired by VS react with great sensitivity to minimal short-term voltage fluctuations or even voltage losses which are occasionally transferred from the public power grid to the VS power grid. The cogeneration unit can combat these problems with its grid-supporting function. However, the cogeneration unit cannot overcome a longer-term power failure.

Already in the preliminary stages of construction of the cogeneration unit the coupling points for electricity and heat in works 4 were completely replaced at the start of 2015 and are now state of the art. In addition, a modern consumption-dependent plant automation facility was built which among other things controls the cogeneration unit in such a way that the total amount of electricity generated by the cogeneration unit is consumed by VS and not fed into the external public power grid. This automation facility is supplemented by a building services management system module which can control heat consumers in accordance with demand.

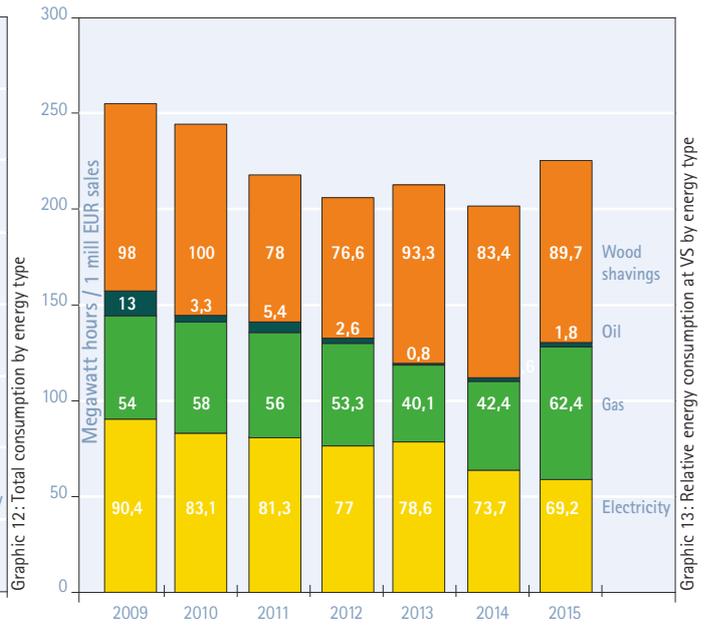
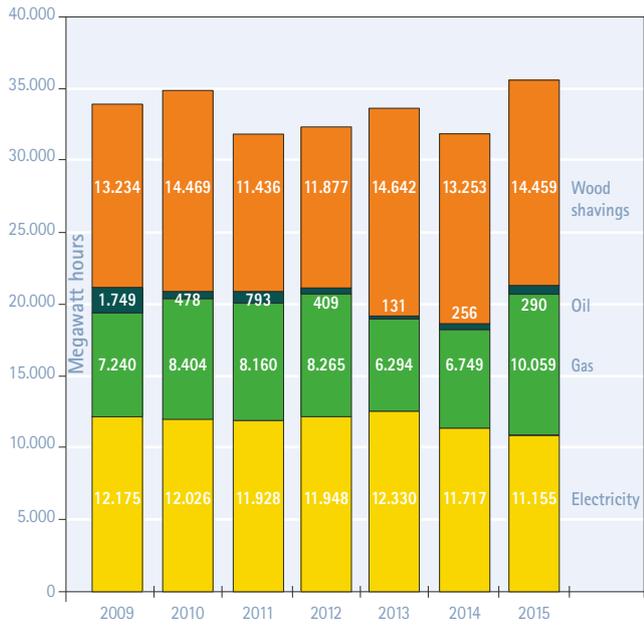
As a further expansion stage all the energy flows (input, consumption, output) are documented and automatically prepared visually for further use - a requirement of the ISO 50001 energy management system.

Photovoltaic

Since 2001 electricity has been generated by photovoltaic installations on the works roofs. Compared with 2013, with the larger number of hours of sunshine, the annual yield from the photovoltaic installations rose again from 730 to 836 MWh, but failed to reach the previous maximum of 872 MWh in 2012.

Year	Installation size Total	Annual yield Total	Hours of sunshine	CO ₂ savings
2001	486 KWp	416 MWh	1.672 h	181 t/a
2010	935 KWp	515 MWh	1.551 h	225 t/a
2011	935 KWp	881 MWh	1.926 h	385 t/a
2012	935 KWp	872 MWh	1.874 h	381 t/a
2013	935 KWp	730 MWh	1.511 h	319 t/a
2014	935 KWp	808 MWh	1.613 h	351 t/a
2015	935 KWp	836 MWh	1.722 h	365 t/a

Graphic 11: Photovoltaic installations at VS and CO₂ savings



III. 2.3 Energy consumption

Apart from its own production of renewable energy, VS sets great store by energy savings and increasing energy efficiency. In previous annual reports (COP) we reported on the introduction of energy-saving lighting concepts, energy savings on color powder-coating for manufactured furniture, more energy-efficient furniture, and production of table tops made from the recycled material LIGNOdur. The result of all these measures was that relative energy consumption in relation to production volume and sales was significantly reduced.

Although the set climate goal for VS was not achieved for the whole year 2015, the following conclusion can be drawn: despite numerous investments in machinery and an associated higher degree of automation, which also results in higher energy consumption, and despite the building of new production and assembly halls, VS has achieved a significant reduction in CO₂ when compared with 2008.

III. 2.4 Realization of VS' climate goal

VS' climate goal.

VS has set itself the goal of reducing the company's CO₂ emissions in relation to sales by 30% in the period from 2008 (the year that VS joined the UNGC) through 2015. The goal is achieved primarily through the use of renewable energies which VS itself produces.

In the following graphic the previous indicator is supplemented by the key figure t CO₂ emissions referred to the "converted heated room volume".

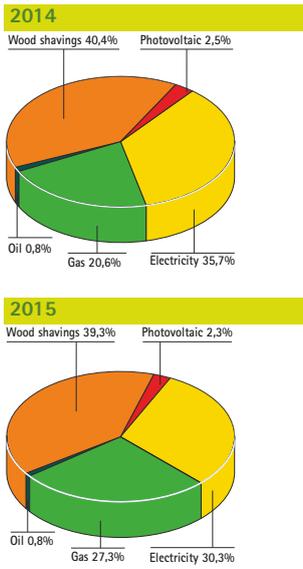
Year	t CO ₂ per 1 Mio. € sales	Reduction in % taking 2008 as base year	t CO ₂ per 1.000m ³ *	Reduction in %
2008	54		14,53	
2009	56	+ 4%	15,87	-9,2%
2010	51	-6%	15,13	+4,1%
2011	49	-9%	14,82	+2,0%
2012	46	-15%	14,53	0%
2013	44	-19%	13,99	-3,7%
2014	42	-22%	13,62	-6,3%
2015	45	-17%	13,01	-10,5%

*converted heated room volume

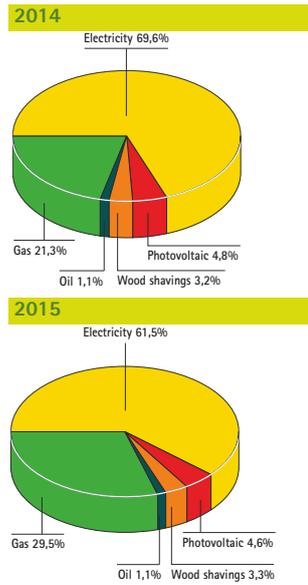
Graphic 14: CO₂ emissions in relation to sales and to heated room volume at VS

In order to show and compare the effects on the climate of the energy measures, it is useful to resort to the key figure of CO₂ emissions in relation to production volume or sales. VS was able to reduce its CO₂ emissions from 54 t per one million euros sales in 2008 (year that VS joined the UNGC) to 45 t last year (see Graphic 14). The slight increase in CO₂ emissions compared with the previous year instead of a further reduction to the VS climate goal of 37.8 t CO₂ per 1 million euros sales can be attributed above all to the fact that a new assembly works (works 6 + hall 6) was commissioned, but the cogeneration unit only started running in October with the result that the effect of a more favorable CO₂ balance of gas in relation to electricity is not yet showing for the period under review of one whole year.

Energy consumption by energy source (kWh)



CO₂ Proportion (t) by energy source



Graphic 15: Development of percentages of energy sources consumed at VS 2012-2014

Graphic 16: Solvent percentage in the wood lacquers

III. 2.5 Solvent consumption and VOC percentage

VS uses environmentally friendly, water-based lacquer systems. VS' lacquer systems are subject to the 31st Federal Emission Control Act (Solvents Regulation). The aim of this regulation is to limit the use of volatile organic compounds (VOCs). VS has been using water-based lacquer systems for 15 years now and was one of the first companies to do so. These contain only 6% volatile solvents (VOCs) compared with 70% in conventional systems (containing solvents). VS products fall well below the prescribed limits.

In Graphic 16 the red bar shows the emissions of solvents calculated for each year using conventional systems based on the total amount of lacquer consumption. The actual solvent emissions at VS (blue bar) are very much lower. In 2014 VS' actual VOC emissions were 71% below the level required by law.

III. 2.6 Guidelines for supplier companies

The guidelines for suppliers in respect of environmental protection include: maintaining nationally valid guidelines and laws, definition of their own environment goals as part of their business principles, the introduction of an environment management system, if not already in place, and environmentally friendly production and environmentally friendly products including eco-friendly packaging. The products supplied must be free from substances that are harmful to health.



BIFMA certificate



100% PEFC zertifiziert

Schul- und Büromöbel, das Holz aller am Standort Tauberbischofsheim gefertigten Serienmöbel stammt aus nachhaltig bewirtschafteten Wäldern und kontrollierten Quellen. www.pefc.de

"PEFC certified" logo

III. 3 Certificates

III. 3.1 BIFMA certificate

Since October 2013 the majority of VS products have been certified in accordance with the standards of the American Business and Institutional Furniture Manufacturers Association (BIFMA). In 2008 BIFMA introduced a guideline on sustainability for office furniture, BIFMA Level e3-2012. VS furniture has been assessed according to this guideline under the following criteria:

Materials

The choice of materials should already be taken into account in the company's environment policy and include sustainability aspects such as climate neutrality, recyclability, recycled content, efficiency of material consumption, and the life cycle of the material.

Energy and atmosphere

The impacts on the environment of processes and products by reference to the consumption of gray energy, greenhouse gas emissions and total transports are calculated.

Human health and eco-system

All the supplied chemicals for the materials, the processes and the finished products are listed and compared with appendices to the standard containing critical chemicals. In addition, harmful waste and emissions in air and water are assessed.

Social responsibility

The company's occupational health and safety, human rights, safety and health management, and inclusion and commitment to the community and society are aspects of corporate responsibility and are also assessed in the supply chain.

VS has implemented this guideline for seven product groups with 52 model ranges of chairs, tables and clad furniture, and has been awarded the relevant product-specific BIFMA Gold certification.

III. 3.2 European Timber Regulation (EUTR)

The European Timber Regulation (EUTR), based on EU Timber Regulation No. 995/2010, has applied since 3 March 2013. The aim of the Regulation is to ensure that only timber from secure sources is circulating within the EU market. Placing illegally harvested timber on the market is prohibited. Importers of timber and timber products must exercise due diligence and register with the German Federal Office for Agriculture and Food (BLE). VS established due diligence by way of a work instruction and registered with the BLE on 28 August 2013. der BLE registriert.

III. 3.3 PEFC wood certificate

VS has since September 2014 been entitled to carry the PEFC logo on furniture that contains components made of wood or wood composites and are produced at the Tauberbischofsheim site. PEFC stands for "Program for the Endorsement of Forest Certification Schemes".

Forests are crucial to life and survival on our planet. They are the lungs of the Earth, vital CO2 sinks and therefore of huge significance for climate protection. At the same time, they are vital energy reservoirs in that CO2 is photosynthesized and stored as carbon in wood. Forests offer the largest possible variety of resources for bio-diversity but also not least for wood for furniture making. Thus to a great and increasing degree our forests are in need of protection. While most industrial countries recognize the need to preserve our forests and manage them sustainably, in the developing world forest are often under threat. Overexploitation and the destruction above all of tropical rainforests continue apace. Furniture manufacturers are therefore required to make their contribution to preservation of the forests tangible: we have to provide evidence for the sustainability of our products. This means that we have to ensure our timber and timber-based materials come from sustainably managed forest lands.



PEFC certificate



LGA pollutant-tested



GREENGUARD certificate

VS has decided on the **PEFC certificate**. PEFC is one of the largest global non-governmental organizations forest certification. Its guiding principles are:

- Mixed plantings of local types of trees are to be maintained and developed
- Clear cutting must be avoided
- An optimum deadwood supply is to be maintained
- When using machinery, it is very important to conserve the forest floor
- The use of pesticides is to be avoided (a certificate is required)
- It is of vital importance to respect protected biotopes and conservation areas and protect endangered animal and plant species

An external audit conducted in 2014 confirmed that VS satisfies all the requirements of the **PEFC standards** for successful certification.

At the heart of **PEFC certification** is the chain of custody (certified product chain – from the certified forest through to the end product). To this end a supplier list must be kept itemizing all the current wood and wood composite suppliers. Supplier details are recorded in this list: in particular, the certificate number and the type and quantity of the material supplied. In addition, a risk assessment of the supplier is conducted in accordance with the corruption perception index (CPI) of Transparency International. If this CPI is below 50 for a specific supplier, special measures must be taken by that supplier to eliminate the possibility of wood originating from disputed sources (among others supplier audit and verification of the supplier documents as to the origin of the wood).

This certification entitles VS to carry the PEFC logo on furniture made at the Tauberbischofsheim site and containing parts that are made of wood or wood composites.

III. 3.4 LGA pollutant-tested

The majority of materials used by VS are subject to the "**LGA pollutant-tested**" certificate. In the year 2015/2016 a recertification in accordance with the latest requirements of the testing institute was conducted for the following product groups: clad furniture, chairs and tables. The fact that our products have been certified for many years in accordance with this test label underline the continuity of low pollutant emissions in the case of VS furniture.

The requirements are essentially the same as those for the "Blue Angel" (**RAL-ZU 38**). The following points show that our requirements exceed those stipulated by the Blue Angel standard and by the statutory provisions.

In addition to the Blue Angel requirements:

- The manufacturing site is subjected to an annual inspection
- There are regular product controls within the framework of a monitoring agreement
- Lower limit for formaldehyde emission than that prescribed by law: the limit for formaldehyde release is for LGA pollutant-tested 0.05 ppm (legally prescribed limit: 0.1 ppm)

III. 3.5 Environment management system

VS' environment management system is certified in accordance with DIN EN ISO 14001. Certification is monitored regularly.



AEO Status F

III. 3.6 Authorized Economic Operator

"The increasing globalization and the changing international security situation have induced the World Customs Organization (WCO) to create with a 'Framework of Standard to Secure and Facilitate Global Trade' (SAFE) worldwide boundary conditions for modern, effective risk management in customs administrations. On the European level the security policy aspects of SAFE have been implemented by means of security changes in the Customs Code and in the Customs Code Implementing Regulation. The introduction of the Authorized Economic Operator (AEO) is an important element of the EU security concept" (cf. German Customs homepage).

Since July 2011 VS has had the status of a "type C Authorized Economic Operator". A company is awarded this status if it fulfills certain requirements for reliable global trade. The "C" stands for customs simplification.

However, the ever growing demand for VS furniture on the international market and the associated customs and above all security requirements in international trade induced VS in 2013 to aim for the AEO status F (Full). This is because, in contrast to C, the status F is recognized by a whole series of important non-EU countries (among others Switzerland, Norway, USA) and reduces inspection overheads, costs and waiting times in the receiving country.

In addition to shaping and describing a secure supply chain in contact with our suppliers and a documented procedure for checking our customers, the main requirement of the AEO status F is to protect the buildings and central incoming goods areas against unauthorized access on foot and by vehicle. Considerable security measures had to be taken in 2014 for this purpose. The constant closing of doors and windows in turn necessitated a comprehensive overhaul of the ventilation concept in the factories in order to create a pleasant working climate.

On 8 October 2014 VS was awarded the AEO status F.

III. 3.7 Indoor air quality

The majority of VS furniture carries the "Greenguard – Indoor Air Quality" certificate.

IV. Zero Tolerance of Corruption at VS

IV. 1 Goals

At VS anti-corruption is standard and binding in accordance with the requirements laid down by the UN Convention against Corruption, by the Convention of the Organization for Economic Cooperation and Development (OECD) on Combating Bribery and by the non-governmental organization "Transparency International".

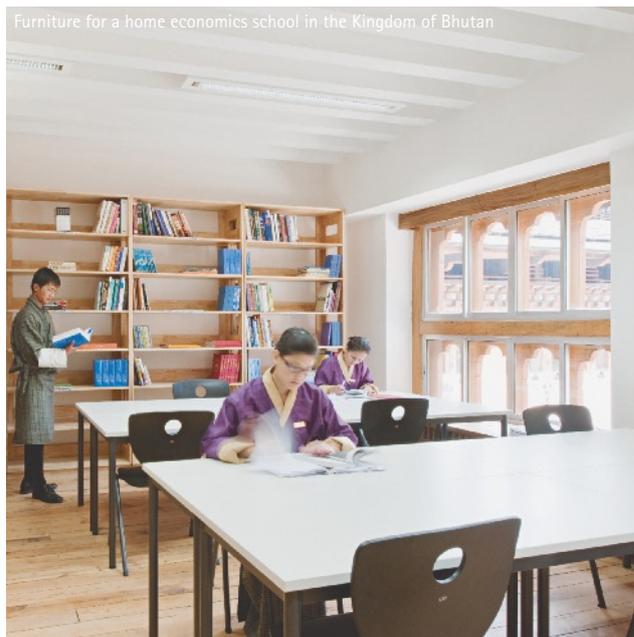
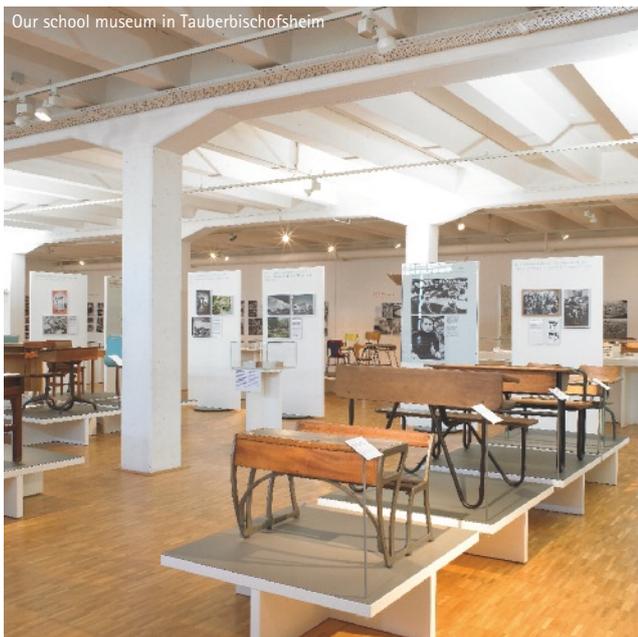
Principles of the UNGC

10: Businesses should work against corruption in all its forms, including extortion and bribery.

IV. 2 Measures and results

In 2004 the VS management agreed on a ruling according to which employees in sales can only claim small amounts as expenses for customer support. Independent distributors of VS furniture are also required not to acquire orders through bribery. VS cannot, however, monitor whether distributors in individual instances are involved in bribery in the course of their business transactions. If such instances become known, there will be a dialog to review the business relationship with the aim of eliminating such practices. There have not been any complaints in the period under review.

The guidelines for supplier companies require them not to tolerate corruption. Suppliers must ensure that VS employees are not offered any advantages aimed at gaining orders or any other type of business preferences. Accordingly, invitations and gifts for VS employees may only be warranted if the occasion and scale are appropriate, i.e. they are inexpensive and considered compatible with general local business practices.



VS also expects its suppliers to behave fairly towards its competitors and observe the prevailing anti-trust laws. They must not take part in agreements in violation of anti-trust laws nor abuse any market-dominant position that may exist.

VS also expects its suppliers to observe the applicable statutory regulations on money laundering prevention and not to participate in financial transactions that support money laundering either directly or indirectly.

V. Social Responsibility

V. 1 There's more to life than just good furniture

Responsibility must not stop at the boundaries of one's own company. As part of society we want to be involved above and beyond our direct area of activity and set the tone for a dignified, valued community.

Promotion of arts and culture

- With our school museum in Tauberbischofsheim we complement the regional museum landscape with an original exhibition and educational facility. Visitors experience a unique journey through the history of national and international school equipment and architecture from the beginning of the 20th century to the present day. Entry to the museum is free.
- We support the Förderkreis Bronnbacher Klassik (Bronnbach Society for the Promotion of Classical Music), the Music Academy in Weikersheim Castle and the German organization of Jeunesses Musicales International, the largest youth culture organization recognized by UNESCO.

Youth development and promotion of education

- We are actively involved in the "Kreative Köpfe Taubertal" (Creative Minds of Taubertal) competition. The competition is open to children from all schools in the region and promotes ingenuity, individual initiative and co-operation between participating youngsters and regional companies.

Non-profit promotion

- We make regular donations to regional charitable and social initiatives.
- We support international aid projects by donating school furniture and logistics services.

Promotion of sport

- We are involved in the promotion of up-and-coming young sportsmen and women. Every year we sponsor the International VS-Möbel-Cup, a ranking tournament in Tauberbischofsheim.
- Regional sports clubs regularly receive donations for their youth work.
- Athletes who are completing vocational training or are employed at VS are supported by us in combining training, competition and work in the best possible manner.

V. 2 Increasing gross national happiness in the Himalayas

Furniture for a home economics school in the Kingdom of Bhutan

Bhutan is a kingdom in the Himalayan mountains. It is bounded in the north by Tibet (China) and the south by India. 80% of the land area is above 2000 m. Bhutan has a population of roughly 700,000 and is around the same size as Switzerland. Bhutan's former King Jigme Singye Wanchuck made the country and himself famous by developing the concept of gross national happiness, raising it to the position of gross national product and endeavoring to put it into effect. He should be awarded the Nobel Prize in Economics for this. VS has supplied school furniture for a home economics school.

Ten 20-foot containers were loaded in Tauberbischofsheim and driven by truck to Aschaffenburg. There they were transferred onto an inland waterway vessel and then in Rotterdam onto a



Donation of school furniture for Armenia

container ship. In Colombo (Sri Lanka) the containers were transhipped onto another container ship bound for Kolkata (India). The ongoing voyage to Kolkata was delayed by a week due to monsoons. In Kolkata (India) the goods were cleared through customs since Bhutan is part of India for customs purposes.

Clearing customs in India is always very exciting as India is one of the few countries in the world that weighs the goods. The weights of the goods were then checked. After the customs check the containers were brought through the only border station in the town of Phuntsholing to Bhutan, initially put into intermediate storage and then loaded onto trucks because the local road conditions only permit the use of certain types of truck.

The goods were then transported on countless winding roads up to Thimpu, the capital of Bhutan. An assembly manager from VS was - after an equally adventurous journey via Frankfurt, Delhi and Paro (there is only one flight a week from Delhi to Paro) - to supervise delivery and assembly and bring the operation to a successful conclusion.

Now young women and men from Bhutan are learning on VS furniture the things they need for domestic science and with which Bhutan increases its gross national happiness.

V. 3 School furniture for Armenia

Vanadzor is the third largest city in Armenia, situated in the Caucasus between Georgia, Azerbaijan, Iran and Turkey. Almost half of the almost three million inhabitants of Armenia live, despite the economic upturn of the past few years, below the poverty line. There isn't much money available to furnish and equip schools.

Thanks to the involvement of VS Area Sales Manager Hermann Braun and the former Tauberbischofsheim Olympic medalist and world épée fencing champion, Alexander Pusch, two schools in Vanadzor have been equipped with used, but almost new VS school desks and chairs. Pusch is also the ambassador of the Eagles Charity Golf Club, which initiated the project and organized the transport of around 400 pieces of furniture. The transport was carried out on a voluntary basis by Karlsruhe businessman Günter Pilarsky.

It was "a lot of work", according to Alexander Pusch and Hermann Braun, after they dispatched the loaded truck on its way to Armenia. But it was well worth it.



Furniture for Sivas (Yildirim family)

V. 4. School furniture for Sivas – a family affair

Sivas, the capital of the province of the same name in Anatolia, is the home town of the Yildirim family. Even though the family members have lived in Tauberbischofsheim for a long time, many were born here and all call here their home – as soon as Sivas is mentioned, their eyes light up.

Therefore, it was also "something quite special" for Murat Yildirim, who has been working for VS for six years, when he noticed on a delivery note: VS is supplying school furniture to Sivas. "I'm not bothered about the rest of Turkey," he says, "but Sivas – I was really proud."

The same is true of the other members of the family, who have in part already been working for VS for 25 years. Bugra has just visited and seen the construction of the school campus during the Whitsun vacation: "Simply brilliant!" Even the youngest members of the family are thrilled to be involved in the project: Abdullah and Kerim, who are working in production during the school vacation.

Another member of the family is Idris Yildirim, who manages the VS sales office in Istanbul. "It's absolutely fantastic that we have been allowed to furnish the Doga school in Sivas, and from top to bottom," he enthuses. The school in the city with a population of 350,000 has ordered more than 1700 chairs, stools and seating modules, as well as a good 600 tables and almost 300 cabinets and shelves. The school was opened on 15 September 2015, offering places for up to 1200 boys and girls, from nursery up to school-leaving exam level.

The Doga schools are private schools situated above all in Turkey. They are currently VS' biggest private customer in the country. There are already around 110 of these schools and they are attended by a total of 8000 students.

In contrast to Turkey's state school system, the Doga schools benefit from small classes and an extensive range of educational and leisure time programs, according to the school's owners in Sivas, brothers Ahmet and Mustafa Eken. The site therefore features, as well as class-, science and common rooms, "two swimming pools, a horse-riding stable, a tennis court and 6000 m² of gardens," report the brothers on their visit to VS.



And why is a school in Turkey buying furniture from Tauberbischofsheim – even though there is a large regional school furniture manufacturer in the vicinity of the school, as the brothers have mentioned? “Doga schools are the number one in our country, and that’s why we want to offer our students the best possible facilities,” says Mustafa Eken in justification of the decision to go with VS. His brother nods: “Quality and concept are just right – we have no regrets at all about spending so much money.”

V. 5 Youth development

In 2015 too VS took part in the regional youth development sponsorship competition called “Creative Minds”. The aim of the competition is to arouse in young people a spirit of discovery and invention, to give them an insight into companies, and to establish a spirit of innovation and growth potential in the region.

A panel of judges selects the best project ideas from those submitted by the students. The youngsters are assisted in their efforts by experts from the companies involved in order to develop fully functional models from their designs.

This year VS supervised two projects: “An innovative trombone stand design” (Marvin Leber and Julian Retzbach, Martin-Schleyer-Gymnasium Lauda) and “The intelligent desk chair” (Cora Bittorf and Ludwig Ditter, Matthias-Grünwald-Gymnasium Tauberbischofsheim).

V. 6 Students' fencing tournament with international flair

Since 2008 VS has been the main sponsor of the international youth fencing tournament “VS-Möbel-Cup”, which is held every year in late fall in Tauberbischofsheim. 163 girls and boys from the 2004 to 2006 age groups registered this year for the foil and saber categories. From all over Germany – Berlin, Weimar, Hamburg, Frankfurt, Aachen, Koblenz, Nuremberg, Stuttgart and Wetzlar – they came on 28 November 2015 to the Olympic center in Tauberbischofsheim to cross swords. The Cup was lent an additional international flair by participants from the Czech Republic, Singapore and Vitry-le-François in France.

The hosts, the FC Tauberbischofsheim Fencing Club, were also strongly represented. Eight podium finishes were recorded by the



up-and-coming athletes from FC, with three victories and two second places. Like all entrants finishing first and second, they were awarded for their outstanding performances with a VS PantoMove-LuPo student's chair (1st place) or a Hokki (2nd place).

The breaks in fencing were filled by skill competitions, supervised by Karina Grünwald and Pascal Braun. The trainee and the dual student from VS had already been involved in preparing the tournament and were on site to help with the organization.

VI. Appendices

VI. 1 Supplier guidelines – Code of Conduct

Sustainable development is an important company goal for the VS Vereinigten Spezialmöbelfabriken GmbH & Co. KG. We are implementing this aim through our certified environment management system in accordance with DIN EN ISO 14001:2009 and participation in the UN Global Compact. It is within this framework that we place practical requirements on our suppliers to adopt sustainable business conduct. The following section sets out the most important and relevant requirements, the observance of which we request you confirm to us in writing.

I. Human rights and working conditions

No child labour

Adherence to ILO Core Labour Standards is stipulated, whereby the general minimum age is fixed at 15 years, in the case of underdeveloped countries 14 years.

Free choice of occupation

Employees may not be forced or compelled to work.

Freedom of association

VS expects its suppliers to respect the rights of employees to form workers' representation and carry out collective bargaining in accordance with their own national legislation.

Wages and social benefits

Wages should be paid at least at national minimum or standard wage levels. Wages must enable the employee to lead a life of human dignity. Working hours and recreation times must at least comply with national laws or standards.

Health & Safety

Workplaces must be in accordance with internationally recognized health & safety standards. Supplier companies must carry out measures to avoid frequencies of accidents and occurrence of health risks. Workers must receive appropriate training and be equipped with safety clothing if required. If the supplier company provides accommodation this must be decent living conditions. If it provides food and drink these must comply with recognized health & hygiene conditions.

Integration of people with disabilities

People with disabilities must be particularly well supported in the company. The appointment and training of people with disabilities is to be promoted.

Ban on discrimination

VS suppliers should promote equality of opportunity and equality of treatment and prevent discrimination when appointing employees as well as in the advancement or granting of training and further training measures.

No employee may be disadvantaged on account of his/her gender, age, skin color, culture, ethnic background, sexual identity, a disability, religious affiliation or world view.

II. Environment standards

Responsibility

Nationally applicable environment relevant guidelines and laws must be observed. VS suppliers should have established their environment principles in their company policy. The introduction of an environment management system should be aspired to, if it is not already in place.

Environment friendly production

For us the important points in environment friendly production are:

- economic use of energy and materials in all manufacturing areas (recycling),
- promotion of use of regenerative energies,
- the smallest use possible of natural resources: water, land and air,
- avoidance or minimisation of emissions and waste,
- dealing with harmful substances must be regulated to protect people and the environment,
- production sites and plants should be appraised at regular intervals in respect of the relevant environmental factors.

Environment friendly products

Materials and products that are supplied to VS must fulfil certain criteria:

Packaging

Goods must be adequately protected against damage; unnecessary packaging is to be avoided. Likewise, packaging materials should be recyclable and where possible produced from recycled substances. Where possible reusable packaging is to be preferred.

Harmful contents

- CMR substances (carcinogenic, mutagenic, toxic for reproduction), categories 1 and 2, must not be used as content.
- In addition the requirements of the Chemicals Prohibition Order must be observed.
- Substances that fall within the REACH Regulation must be registered.

III. Business ethics

Anti-corruption measures

Corruption should never be tolerated. The United Nations Convention against Corruption and the Organization for Economic Co-operation & Development’s (OECD) Convention on Combating Bribery must be observed. It is important to ensure that VS employees are not offered any advantages intended to obtain orders or any other business preference.

Gifts

Accordingly, invitations and gifts for VS employees may only be warranted if the occasion and scale are appropriate, i.e. they are inexpensive and considered compatible with general local business practices.

Free competition

VS expects its suppliers to behave fairly towards its competitors and to observe VS also expects its suppliers to behave fairly with its competitors and observe the prevailing anti-trust laws.

They must not take part in agreements in violation of anti-trust laws nor abuse any market dominant position that may exist.

Money laundering

VS also expects its suppliers to observe the applicable statutory regulations on money laundering prevention and not to participate in financial transactions that support money laundering either directly or indirectly.

IV. Observance of supplier guidelines

Infringements relating to the aforementioned principles and requirements will be viewed as significantly damaging to the contractual relationship on the part of the supplier. If nonobservance of the principles and requirements are suspected VS reserves the right to demand information about the issue. Furthermore, VS has the right to terminate the contractual relationship exceptionally and without notice, after it has set a reasonable period of time, if single or all contractual relationships with suppliers are proved to have not been fulfilled, or measures for improvement have been neither aimed at nor implemented.

Acknowledgement of "Supplier Guidelines – Code of Conduct"

The information content "Supplier Guidelines – Code of Conduct" is an integral part of the assignment of an order.

We herewith acknowledge the guidelines and undertake to observe them.

Date: Company stamp:

Name: Signature:



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VS Vereinigte Spezialmöbelfabriken GmbH & Co. KG
97941 Tauberbischofsheim, Germany | Hochhäuser Straße 8
Tel: 09341-880 | Fax: 09341-88107 | vs@vs-moebel.de
Export: Phone: +49-9341-88888 | Fax: +49-9341-88830 | vsexport@vs-furniture.com