

# Global Compact

UN Global Compact Communication On Progress

01.05.2015 – 30.04.2016

*'This Communication on Progress forms part of the management review of the BoConcept Holding A/S 2015/2016 annual report and constitutes the compulsory statement on corporate social responsibility as specified in section 99a of the Danish Financial Statements Act. This Communication on Progress is not covered by the Independent Auditor's Report'*

# Statement from the CEO



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

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

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

The following pages contain an update on developments in our designated CSR focus areas in the 2015/2016 financial year.

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

A handwritten signature in black ink, which appears to read "Torben Paulin". The signature is written in a cursive, flowing style.

Torben Paulin  
CEO



# About BoConcept

BoConcept is the brand name of Denmark's most global retail furniture chain with 297 brand stores and studios in 63 markets worldwide.

## Passion at our core

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

## Our furniture and accessories

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

## THE BOCONCEPT VISION AND VALUES

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

### Our vision

To make BoConcept no. 1 brand within urban interiors.

### Our core values

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

Viggo Mølholm, BoConcept Holding A/S Deputy Chairman and former BoConcept A/S CEO



**RESPECT**  
always show you care



**THINK SMARTER**  
always look for the better solution



**PLAY THE TEAM**  
always use your freedom responsibly



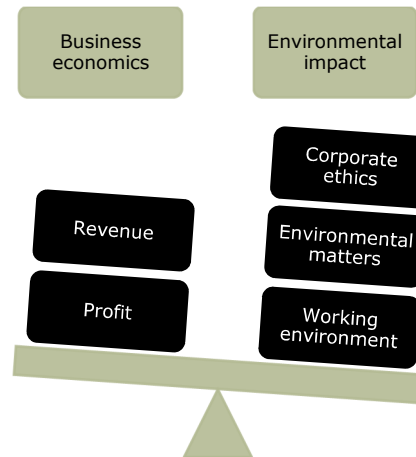
**LOVE CITY LIFE**  
always know what's going on

# CSR Vision and Policy

## CSR VISION

At BoConcept it is vital that our CSR policy strikes an obvious and healthy balance between environmental impact and business economics

As an organisation, we wish to ensure that our conduct has the least possible adverse environmental impact; and at the same time we need to be pragmatic and understand that it is impossible to avoid such impact altogether.

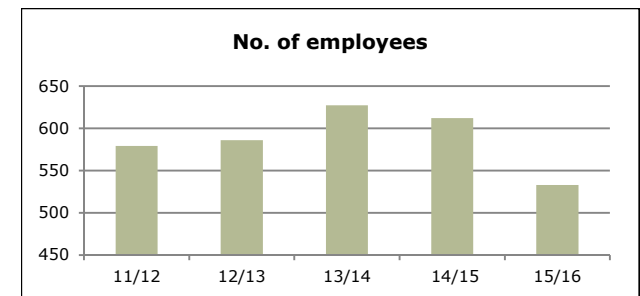
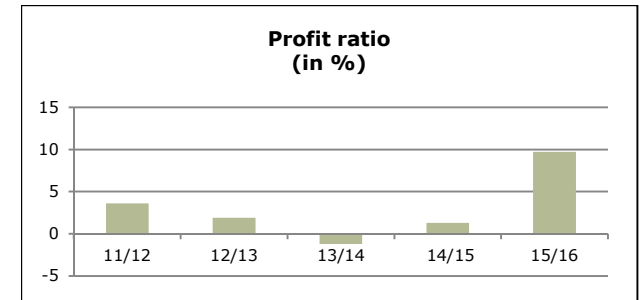
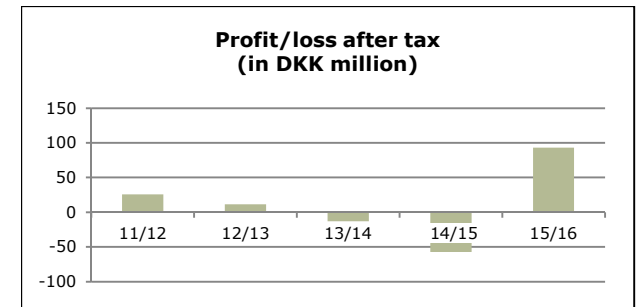
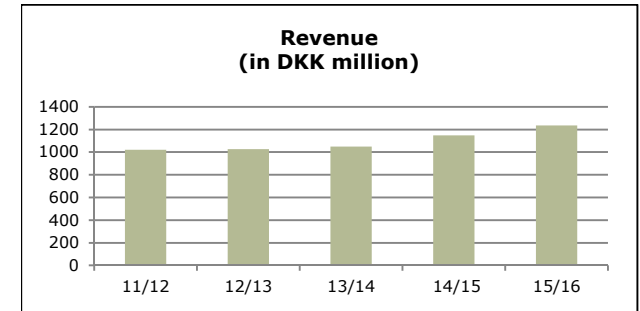


## CSR POLICY

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

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

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



# Communication on Progress

01.05.2015 – 30.04.2016

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

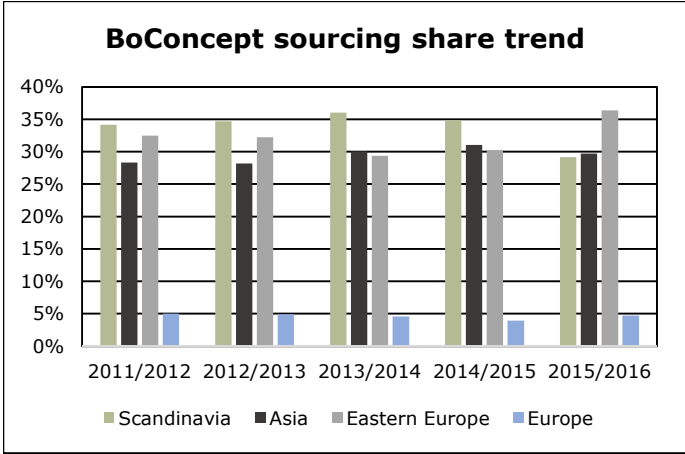
With this partnership BoConcept shows its support of the 10 principles of Global Compact with respect to human rights, labour, environment and anti-corruption.

The following pages contain an update on the areas that BoConcept has designated as its principal focus areas:

### SUPPLIERS

At BoConcept we have become more globally oriented as a growing share of our products is sourced from all over the world. We realise that we are able to exert some influence on our suppliers, and we believe it would be natural to take advantage of this to the extent possible.

At BoConcept, we believe that personal relationships, mutual respect, communication and determination are useful drivers for growth. With this in mind, we regularly discuss environmental and safety issues with our suppliers, and we have in the past encouraged our suppliers to abide by the 10 Global Compact principles, just as we endeavour to do so ourselves.



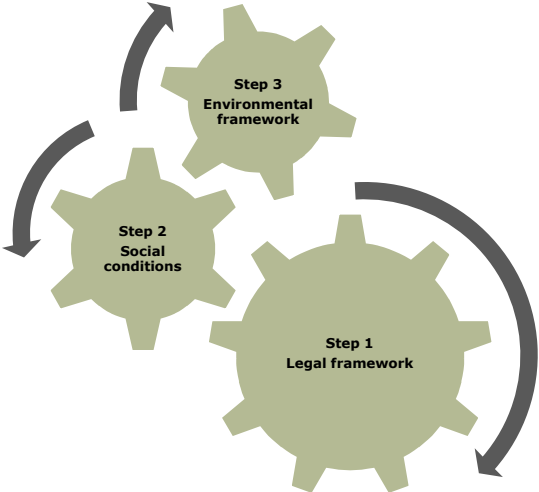
Eight years ago BoConcept launched the first edition of its Code of Conduct. The purpose of the BoConcept Code of Conduct is to ensure that BoConcept suppliers operate in accordance with internationally recognised standards on human rights, labour and environment. BoConcept adheres to the principles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

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

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

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

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



## SUPPLIERS

### STATUS ON DEVELOPMENTS 01.05.2015-30.04.2016

#### Asian suppliers

During the past 12 months our strategic supplier of upholstered products has built a new production facility, containing the latest production equipment, resulting in more efficient work flows and improved working conditions for the supplier's employees. In connection with the move to the new production facility, which is located in another geographical district, BoConcept A/S has paid all costs related to the move of its two quality controllers whose permanent workplace is with this supplier.

Moreover, one of our Asian metal and glass suppliers has made further investments in updated ventilation systems and polishing workshop areas, thereby ensuring better and safer working conditions. Also, the supplier has further improved the social conditions mentioned in step 2 in the 'Steps to becoming a BoConcept supplier' (shown in the illustration to the right) by ensuring its employees a company-paid annual health check.

Also, one of our suppliers of solid wood products has built a new gluing workshop area with updated heating and ventilation equipment, thereby obtaining even better working conditions. Another supplier of solid wood products has invested in an updated ventilation system in the company's wood working area, serving to further improve the employees' working conditions.

#### European suppliers

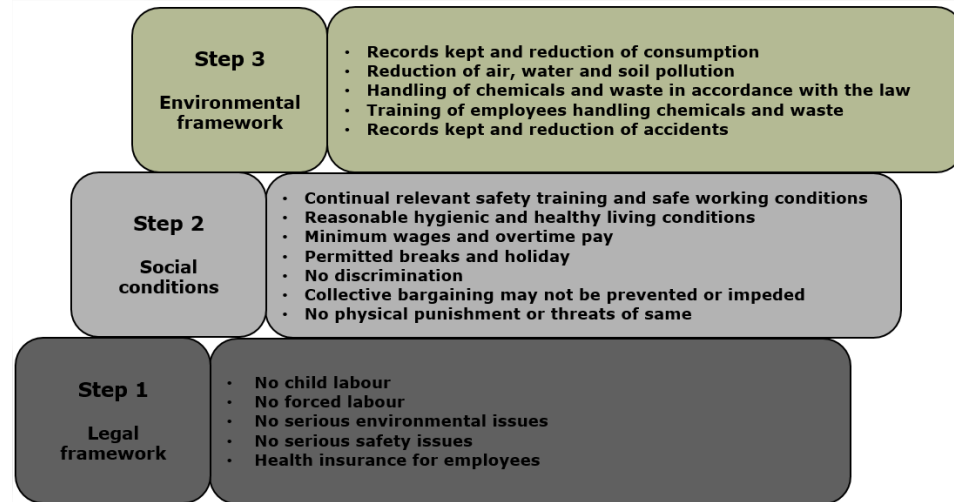
At the beginning of 2016 our accessories supplier became GoodWeave certified, thereby providing their customer the best possible assurance that no child labour is used in the production of their rugs. Further, the supplier actively supports a project aiming at preventing child labour in the rug manufacturing industry. Also, the supplier aims at reducing the internal use of prints by 20% by the end of 2016.

In recent years, our own production facility in Ølgod, Denmark, has further increased its focus on working conditions/environment and in particular reductions in occupational injuries. In the 2015/2016 financial year, the extra focus has resulted in a decrease of 50% in occupational injuries compared to the 2014/2015 financial year.

Also, at our production facility in Ølgod the test of dyed edgings on our best-selling desk in the colour white in 2015 proved to be a success, and consequently the use of dyed edgings is now applied to all similar products. This has reduced the annual lacquer use by 1764 litres, equaling a reduction of 35% compared to last year.

### STEPS TO BECOMING A BOCONCEPT SUPPLIER

The model below shows a number of parameters that BoConcept requires its suppliers to live up to. BoConcept will not begin collaborating with a company that fails to comply with **Step 1**.



**Step 2** states a number of the expectations BoConcept has to established suppliers. A BoConcept supplier should fulfil most of these expectations. In case there are any remaining issues, a written action plan will be drafted in consultation with the supplier, setting out practical steps for improvement.

**Step 3** comprises a number of expectations relating more to management and control issues, and a BoConcept supplier should be able to comply with these specifications. Once Steps 1 and 2 have been established, plans will be drawn up for implementation of Step 3.

Further, in the 2015/2016 financial year, an energy report on the production facility in Ølgod, Denmark, was prepared. One of the recommendations in the energy report was to further investigate the energy consumption of the ventilation system used at the production facility in order to establish if further energy consumption reductions can be obtained. This is currently being investigated.

### GOALS AND FOCUS FOR THE COMING YEAR

In the 2015/2016 financial year 70% of our total buying volume was sourced from our strategic suppliers, who all have established CSR and Global Compact-related action plans. Our focus for the coming financial year will be turned to the suppliers accounting for the remaining 30% of our total buying volume. Here our goal is to ensure that 1/3 of these suppliers have established CSR and Global Compact-related action plans. This way we will ensure that 80% of our total buying volume comes from suppliers with established CSR and Global Compact-related action plans at the end of the 2016/2017 financial year.

## TRANSPORTATION

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

BoConcept has its own production facility in Denmark, but otherwise also purchases goods from the Far East and Europe. In order for this to be successful, a strict and precise management of logistics and suppliers is required.

### STATUS ON DEVELOPMENTS 01.05.2015-30.04.2016

#### Sea transport

During the past 12 months, there has been no change in the BoConcept sea transport set-up. The shipping lines used by BoConcept all have a strong focus on reductions in CO<sub>2</sub> emissions from their vessels, and they continued to improve the energy efficiency again in 2015.

#### Air transport

The airlines are developing in the same positive direction as the shipping lines. These have focus on minimisation of fuel consumption through initiatives such as development of new

aircraft types, more efficient aircraft engines and a general optimisation of flight routes.

In 2015, BoConcept reduced the transported volume by 7.8% due to improved control within our supply chain.

#### Road transport

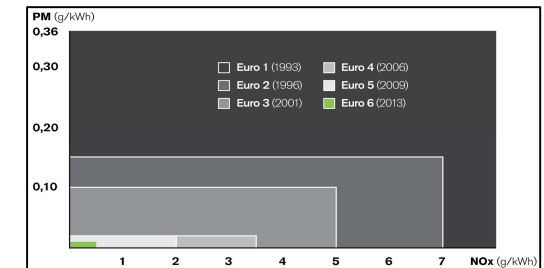
As for the European road transport, we constantly encourage our carriers/transport operators to minimise their environmental impact.

When selecting carriers for our European transport corridors, the use of the best truck engine type/highest Euro norm (norms 5-6) is an important parameter.

Our carriers' use of the different truck engine types/Euro norms directly affects the CO<sub>2</sub> emission levels. From 2014 to 2015 the use of less polluting truck engine types increased by 2.9%. Also, in 2015, the share of Euro norm 5-6 truck engine types represented 83%.

The environmental impact of the different engine types appears from the illustration to the right.

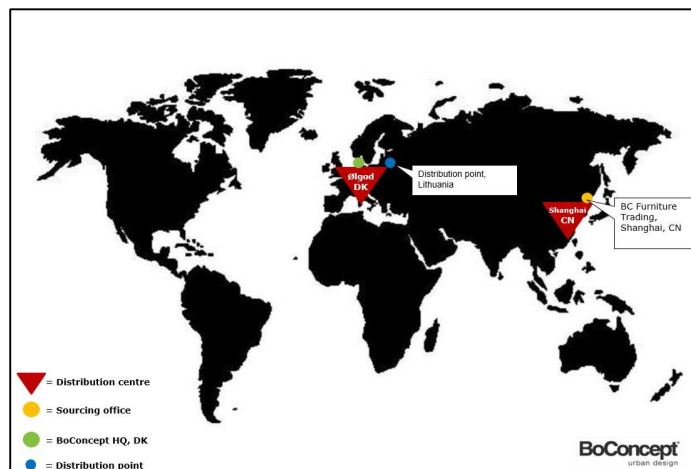
### NOX AND PM EMISSION STANDARDS FOR DIESEL TRUCKS



Further, a large share of our carriers uses the following initiatives to reduce their environmental impact:

- Tyre pressure monitoring
- Idle-running reductions (truck engines)
- Transport reports on each truck/driver
- Further training of drivers
- Driver bonus schemes (based on the use of diesel per km)

### THE BOCONCEPT WAREHOUSE AND DISTRIBUTION SET-UP



#### BoConcept has two distribution centres:

- Ølgod, Denmark
- Shanghai, China

#### One distribution point:

- Lithuania

#### One sourcing office:

- Shanghai, China

### GOALS AND FOCUS FOR THE COMING YEAR

For the 2016/2017 financial year it is our goal that the share of Euro norm 5-6 truck engine types represent min. 85%.

Further, our focus for the coming financial year is to ensure continuous distribution set-up improvements, in addition to which we strive to minimise the impact of our distribution set-up on the environment as far as possible.



THE UN GLOBAL COMPACT PRINCIPLES		BOCONCEPT'S ACTIONS:
<b>HUMAN RIGHTS:</b>	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p><b>Principle 2:</b> make sure that they are not complicit in human rights abuses.</p>	<p>BoConcept supports the international declared human rights.</p> <p>We do not discriminate against any person, regardless of race, sex, colour or religion.</p> <p>Being a global organisation, BoConcept has employees with many different cultural backgrounds. It is vital to BoConcept to maintain this.</p>
<b>LABOUR:</b>	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;</p> <p><b>Principle 5:</b> the effective abolition of child labour; and</p> <p><b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>One of BoConcept's core values is 'Respect'. In this context the value covers respect for other people and their rights.</p> <p>BoConcept knows that people makes the difference! Therefore all employees are encouraged to bring up their ideas to improve workflow, work environment or ideas to improve other parts of the BoConcept business.</p> <p>The BoConcept Code of Conduct states that all suppliers must ensure that basic human rights and basic labour standards are implemented.</p> <p>Further, we have communicated to our present suppliers that we have enrolled in the UN Global Compact program and that we expect they will run their companies applying the same 10 principles as we do.</p>
<b>ENVIRONMENT:</b>	<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.</p>	<p>As can be read on the preceding pages, BoConcept has prepared a specific plan for the clarification and reduction of the environmental impacts of our chain and our products.</p> <p>This plan covers sub-suppliers/production and transportation. At BoConcept, we will continue our work to improve the accuracy of the data.</p>
<b>ANTI-CORRUPTION:</b>	<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>At BoConcept we do not accept any form of corruption. We do not use bribe or extortion in any way. Further, anti-corruption is an integrated part of our Code of Conduct, which we ask our suppliers to confirm in writing.</p>

## WE VALUE YOUR FEEDBACK

If you have any questions, comments or proposals relating to this report, please feel free to contact the designated contact person:



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Quality Manager

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