

tvilum

Communication on Progress

May, 2017



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Introduction

Tvilum is Europe's leading supplier of practical, environmentally friendly furniture, designed for you and your home. Tvilum is a Danish company that produces furniture, under maximum consideration for people and nature. In 2016 the first Tvilum factory abroad was opened in Szczecinek, Poland, producing furniture for some of our major European customers.

Tvilum supplies major retailers as well as medium size shops around the world with ready to assemble furniture. Our products are primarily made from chipboard or MDF, sourced from European suppliers using European timber. Surface is paper-based foil, melamine and lacquer also from European manufacturers. Hardware will have its origin in Europe and Southeast Asia.

Tvilum is owned by Revolution Capital Group (RCG), a private US based equity found.

Our Support

Tvilum supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the Sustainable Development Goals. Tvilum will make a clear statement of this commitment to our stakeholders and the general public. We support public accountability and transparency, and we therefore commit to report our progress annually according to the Global Compact COP policy.

Policy

Our policy is to conduct all business activities in a responsible manner which ensures the health, safety and wellbeing of people, preservation of the environment and quality of product and services. Our ethical business practices are an integral part of our corporate culture.

May 2017

Andrew Long
Chief Executive Officer

Human rights:

Human rights are an integral part of Tvilum's values, which we strive to pass along to our suppliers. Our Code of Conduct is the backbone of these activities, and every supplier is asked to adhere to the principles herein.

The Code of Conduct is a specific stand-alone policy based on the eight core conventions defined in the Fundamental Principles of Rights at work, ILO declaration June 1988, the Rio Declaration on Sustainable Development 1992, The UN Johannesburg Summit on Sustainable Development and the Ten Principles of the UN Global Compact 2000.

Tvilum recognizes the fundamental principles of Human Rights, as defined by the "Universal Declaration of Human Rights" (United Nations 1948) and adheres to UN decisions regarding trade embargoes and boycotts.

The Code of Conduct states general viewpoints, but also specific activities that the suppliers must undertake and guidelines for how to operate their factories in a safe and ethically responsible way.

The well-established hotline system for complaints regarding ethics (and fraud/theft) is still functioning and gives every employee in Tvilum the opportunity to report incidents or suspicions of relevant character directly to a member of the management group. Employees are made aware of this possibility in several ways not least via posters at all sites.

Labour:

In 2016 the Tvilum Personnel Policy was updated and reissued. The policy is available to all employees and states general policies on topics such as:

- Recruiting
- Collaboration
- Professional and personal development including senior policy
- Social responsibility, including equal treatment and safety in the workplace

The personnel policy is consolidated via more practically oriented documents, also available for all employees stating rules and guidelines for behavior during the employment. Here amongst other things employees are informed about their right to organize and collective agreements which are made with relevant unions.

During 2016 a new Health and safety manager position was established and filled thereby replacing the previous approach of combining this responsibility with other related tasks. This approach ensures an increased focus on employees' wellbeing.

Projects in this area during 2016 includes:

- Establishment of a task group to target ergonomic strains in the production sites. This has resulted in introduction of more robots in packaging lines, height adjustable tables in packaging lines and electric stackers with vacuum lift in the distribution center. All to minimize heavy lifts and minimize problematic working postures.

- Shifting forklift trucks from fuel driven to electric to improve indoor air quality. In 2016 the part of forklift trucks that are electrical was increased from 50 % to 60 %. Areas in production where there is a concentrated forklift activity is shifted first i.e. packaging lines.
- Improvement of facilities for employees: better lighting in work areas and redecoration of canteen areas in the distribution center.

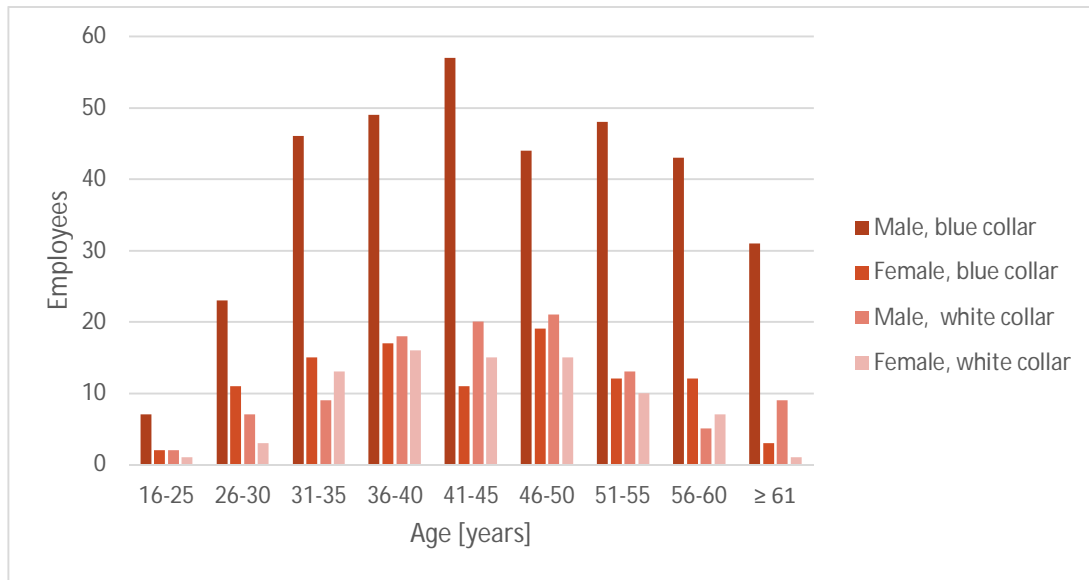


Figure 1: Age distribution of employees in Denmark.
The youngest employee is 19 years old, and the oldest employee is 70 years old.

Employee records continue to display a sensible representation of gender and age. Age distribution for employees in Denmark is found in Figure 1, the youngest employee is 19 years and the oldest is 70 years. Data of age distribution is only gathered for employees in Denmark. In terms of gender the proportion of women lies steadily near 30 %, in Poland it is somewhat smaller, only 19 %. Gender distribution is shown in Figure 2, where employees are also divided into blue and white collar. The sales organization is represented worldwide, these employees and in the warehouse in USA is combined in the international diagram.

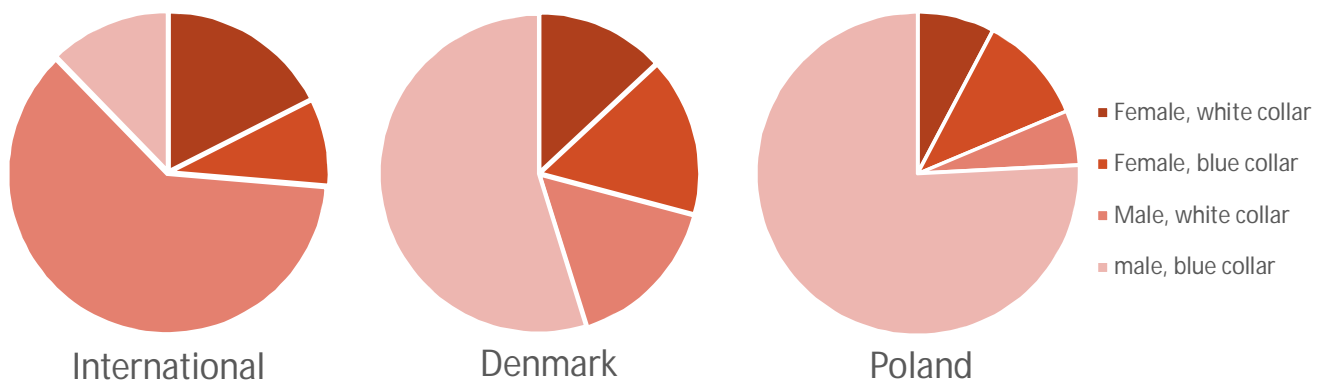


Figure 2: Distribution of gender and white/blue collar employees

Environment:

Tvilum continues to place focus on environmental related activities, since this is part of our profile and furthermore we see an increase in costumers asking for such initiatives.

2016 was the first year with a functioning energy management system, the system was ISO 50001 certified in December 2015. While it might not have been the sole cause of the energy improvement activities it has helped placing focus on what is main consuming activities, and keeping track of results. The overall development of electricity consumption for the production sites is shown in Figure 3, this also reflects the structural changes of the production set-up.

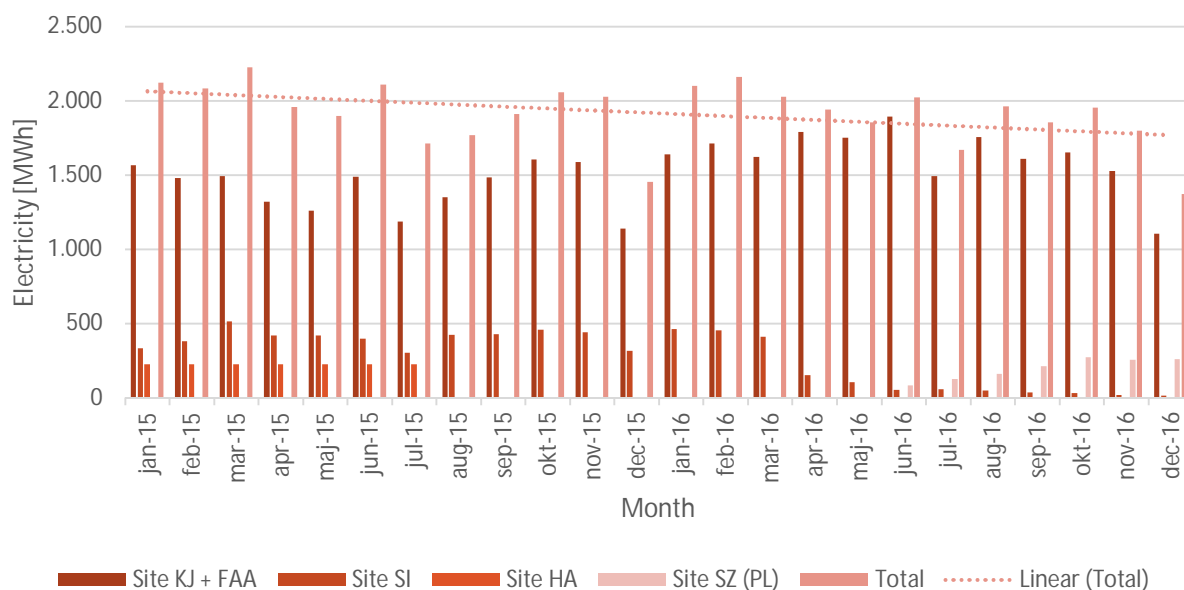


Figure 3: Electricity consumption in production sites 2015-2016, displaying the reorganization of production facilities during the period, where production is gathered at fewer production sites and a new production site in Poland is introduced.

Highlights relating to energy in 2016

- Extensive reorganization of production facilities challenges baseline measures and makes it difficult to account for improvements
- Stronger understanding of energy consumption
- Improved measurements with 27 new measure points established, enabling a more direct feedback to production about consumption patterns and improvement possibilities.

Optimizing energy consumption is a project that continues in 2017. Main objectives are establishment of a baseline matching current production set-up and continued improvement of energy consumption understanding including broadening out understanding in the organization.

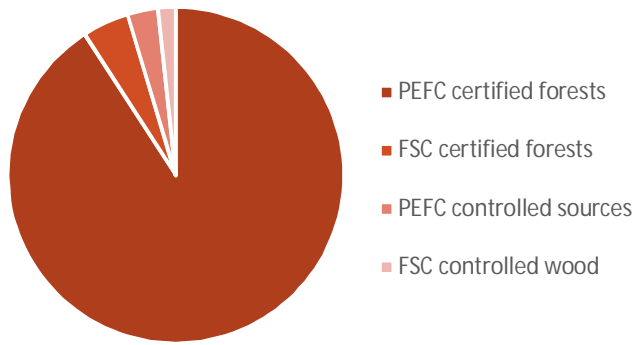


Figure 4: Distribution of certification status of sources

A resource receiving special attention is the wood making up the major part of the end users product. As in previous years all Tvilum products are sold under a wood certification scheme. With the opening of a production facility in Poland, the production of furniture sold with FSC claims became reality. All products from Danish factories continued to be sold under PEFC claim.

We strive to source as high a part of our raw materials as possible from certified forests and eliminate purchasing of wood that needs to be included in a risk management program and eventually also reduce the amount of controlled wood/wood from controlled sources. In 2016 the distribution was as shown in Figure 4. In 2017 a shift to FSC production at the Danish production facilities will be combined with the effort to completely eliminate non-certified sources.

While we continuously work to reduce the wood-waste generated in products, eliminating it is not a viable option. In Denmark our cut-offs are therefore sought utilized in the best possible way. Some is used for incineration at the sites, warming up production facilities and administration buildings. The latter and larger part of the cut-offs are returned to our supplier of particle boards where it is recycled in the production of new boards.

Every sold piece of furniture generates waste at the end-consumers in terms of packaging. While this is not easy reduced due to product quality issues and general product appearance in stores, all cardboard (which is the main component of packaging) is made from recycled material – and can be recycled again.

Relating to organizational changes in 2015 and 2016 an opening was made for optimizing the usage of chemistry in the production sites: With all purchase of substances and products for maintenance of production facilities and machinery gathered at one department, an important stepping stone is laid for the management and reduction of harmful chemicals at the facilities. Parallel to this; procedures were updated to clarify and streamline processes relating to evaluating and introducing new products. The work with optimizing the usage of chemical products continues in 2017.

Anti-corruption

Tvilum maintains the “anti-bribery, anti-corruption” policy implemented in 2015. The policy which is available for all employees at the internal web-portal states the zero tolerance viewpoint. The previously mentioned Tvilum hotline is also promoted as means to react if employees become aware of corruption.

On a more practical note the challenges of ensuring and documenting that all supplies are traceable backwards in supply chain to legal sources continues. Wood is not only our most important raw material; it is also a material where the risk of purchasing controversial materials is present.

Increasing the portion of wood purchased under certification, is an important means to ensuring that wood origins from non-controversial sources. Yet we still need to document according to EUTR requirements, to ensure complete transparency in the supply chain.

As part of our management system relating to wood a procedure for complaints handling was introduced in 2016. This sets in place a guideline of how to handle complaints regarding the sourcing, origin and/or marketing of wood-based products. The procedure is aimed at complaints from consumers, but could as well handle complaints from Tvilum's own supply chain and employees.