

Global Compact

UN Global Compact Communication On Progress

01.05.2016 – 30.04.2017

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.

In 2009, 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 CO₂ emissions related to transportation and logistics.

The following pages contain an update on developments in our designated CSR focus areas in the 2016/2017 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 300 brand stores and studios in 65 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, former 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



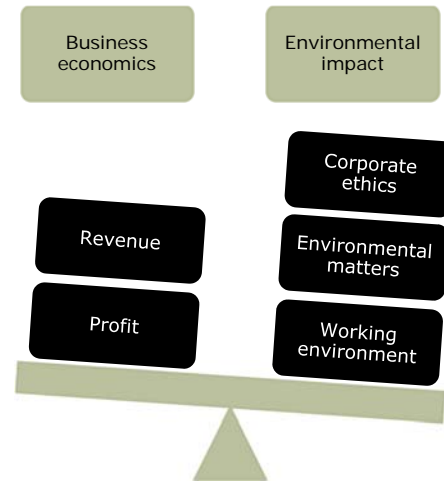
LOVE CITY LIFE
always know what's going on

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

01.05.2016 – 30.04.2017

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.

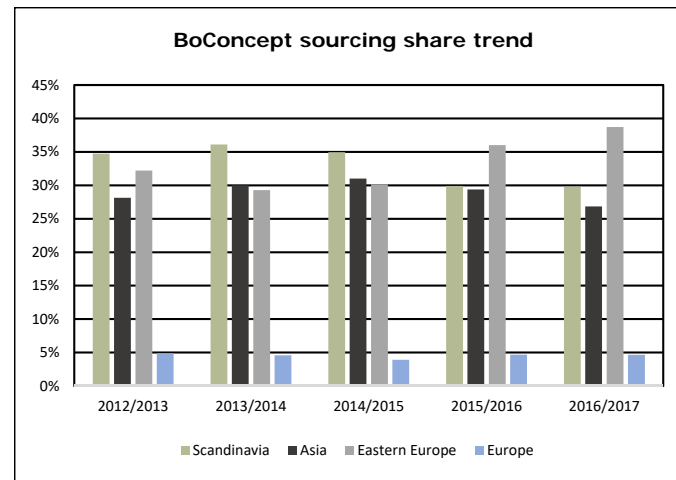
With this partnership BoConcept shows its support of the 10 principles of Global Compact with respect to human rights, labour, environment and anti-corruption.

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.



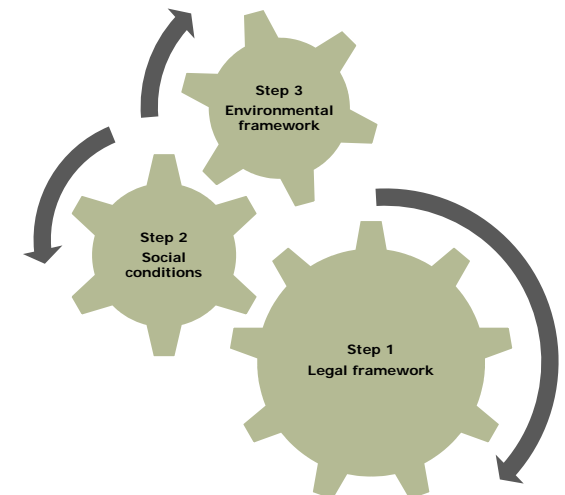
Nine years ago BoConcept launched the first edition of its Code of Conduct. The purpose of the BoConcept Code of Conduct is to ensure that BoConcept suppliers operate in accordance with internationally recognised standards on human rights, labour and environment. BoConcept adheres to the principles of 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 01.05.2016-30.04.2017

At BoConcept, we set and observe the highest standards of ethical and business conduct and are committed to combatting all forms of corruption. Therefore – in early 2017 – we adopted a formal Code of Conduct/anti-bribery policy that provides support and guidance to all employees in their efforts to prevent bribery and corruption.

Further, during the past 12 months, we have performed a general contract update together with all our category-A suppliers. As part of this update, all category-A suppliers re-confirmed their obligation to meet all the standards included in declarations from BoConcept concerning REACH, Code of Conduct and Supplier Guidelines.

Also, in the 2016/2017 financial year, we further strengthened our CSR standards and the audit of how our suppliers meet these standards. As a result of this, we have further strengthened our annual supplier audits and made sure that we never start collaborating with a supplier that fails to comply with our strict CSR standards.

Asian suppliers

During the past 12 months, our strategic supplier of upholstered products has performed an audit of its ventilation systems and subsequently updated these in its glueing workshop and at its warehouse facilities, thereby ensuring improved working conditions for its employees. Further, the same supplier has updated its production workflow, which is now less labour-intensive and this has resulted in improved ergonomics for the employees.

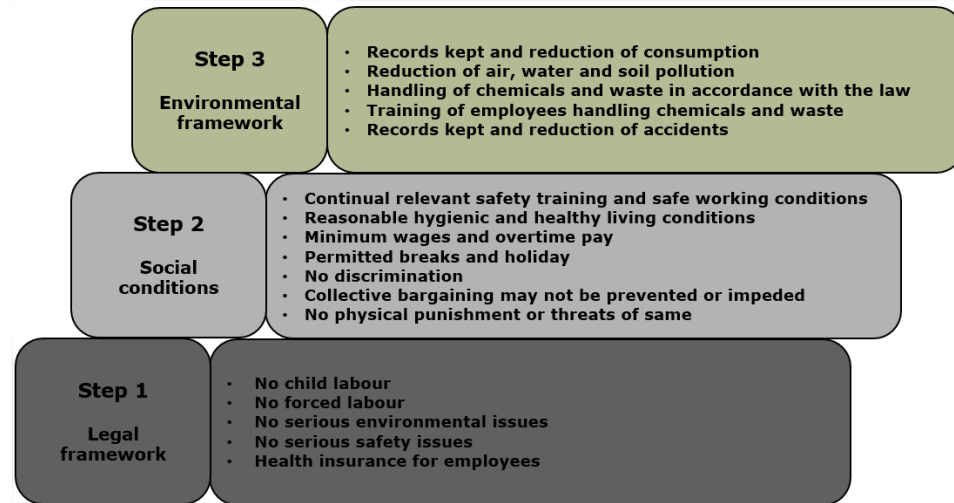
Moreover, one of our Asian metal suppliers has made further investments in updated ventilation systems, ensuring better and safer working conditions. Another Asian metal supplier has audited its handling of waste water and subsequently installed new machinery, ensuring an even better handling of waste water and reduction of the impact on the environment.

In the 2016/2017 financial year, one of our Asian glass suppliers updated its production workflow in relation to the handling of large glass units. As a result, work routines are now less labour-intensive, which has improved ergonomics for the employees.

Further, our Asian supplier of plastic units has performed an audit of the work routines in its loading areas. Following this audit, new loading platforms were installed, resulting in improved ergonomics for its warehouse employees.

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.

Finally, one of our suppliers of solid wood products has audited its production equipment and added further safety devices, thereby ensuring increased safety and improved working conditions.

European suppliers

In 2016, our strategic supplier of upholstered products initiated a move of its production facilities into newly renovated premises. These premises are equipped with a modern heating system that uses biomass to generate heat, which ensures CO₂ neutral heating. The supplier expects to complete the move into these newly renovated premises by the end of 2017. Also, the supplier constantly focuses on improvements in working environment and ergonomics. Production facilities are e.g. equipped with height-adjustable work stations, and the production flow is arranged in a way that work routines can be performed as efficiently and comfortably as possible. Finally, the supplier works intensively with recycling and waste separation in order to reduce the amount of waste.

In the 2016/2017 financial year, our European rug supplier has increased its focus on printing and as a result reduced the amount of printing for each employee by 26.3%. Further, the same supplier cooperates with a sub-supplier, whose rug production facilities are now powered by solar energy. The shift to this energy source has enabled the sub-supplier to reduce its energy consumption significantly.

Own production / internal warehouse

In the 2016/2017 financial year, our own production facility in Ølgod, Denmark, replaced its main compressor, which reduced energy-related costs by DKK 100,000 per year. Further, the installation of frequency-regulated motors on some of our production equipment has reduced costs related to power and heating by DKK 400,000 per year. Also, following EU legislation, a compulsory energy report was prepared in the 2016/2017 financial year. This report served to identify areas in which energy-related improvements can be implemented. Finally, our own production

facility implemented LEAN in the 2016/2017 financial year. One of the results of this implementation is an efficiency improvement of 18% in the lacquer department as well as an increase of 48% in job satisfaction in the same department.

During the past 12 months, our internal warehouse has focused on reducing the number of boxes that are handled manually. The increased focus ensures an annual reduction in manual handlings of 4,144, and with an average box weight of 30 kg, our employees now manually handle approx. 125 tonnes less than before.

GOALS AND FOCUS FOR THE COMING YEAR

Our goal for the 2017/2018 financial year is to further strengthen our current follow-up/KPI meetings with all our category-A suppliers. The primary focus at these meetings was originally product-related, however, for the coming year, focus will also include Global Compact and CSR related issues.

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.

For many years, BoConcept has operated with only one weekly departure to our BoConcept stores in order to ensure direct deliveries and through this reduce both costs and environmental impact. In recent years, the tendency has been to have many weekly deliveries. However, so far we have been able to maintain our present delivery set-up.

STATUS ON DEVELOPMENTS 01.05.2016-30.04.2017

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 CO₂ emissions from their vessels. However, reductions levelled out in 2016, mainly due to increased sailing speed.

Air transport

The airlines used by BoConcept have a strong 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 2016, BoConcept reduced the air-transported volume by 75% 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 CO₂ emission levels. Due to changes in carrier mix and volume in different transport corridors, we saw no change in the use of the less polluting truck engine types (Euro norm 5-6) from 2015 to 2016. This means that in 2016, the share of Euro norm 5-6 truck engine types remained at 83%. However, the use of the more polluting engine types (e.g. Euro norm trucks 3) was reduced significantly.

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

THE BOCONCEPT WAREHOUSE AND DISTRIBUTION SET-UP



BoConcept has two distribution centres:

- Ølgod, Denmark
- Shanghai, China

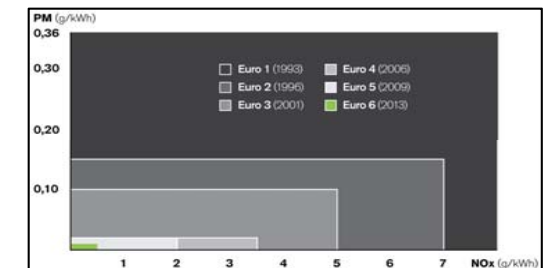
One distribution point:

- Lithuania

One sourcing office:

- Shanghai, China

NOX AND PM EMISSION STANDARDS FOR DIESEL TRUCKS



THE UN GLOBAL COMPACT PRINCIPLES		BOCONCEPT'S ACTIONS:
HUMAN RIGHTS:	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: 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>
LABOUR:	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: 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 make 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>
ENVIRONMENT:	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: 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>
ANTI-CORRUPTION:	<p>Principle 10: 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>

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)

GOALS AND FOCUS FOR THE COMING YEAR

For the 2017/2018 financial year it is our goal that the share of Euro norm 5-6 truck engine types represents 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.

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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