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UN Global Compact Index

Introduction to Kvadrat

1. Reporting on CSR

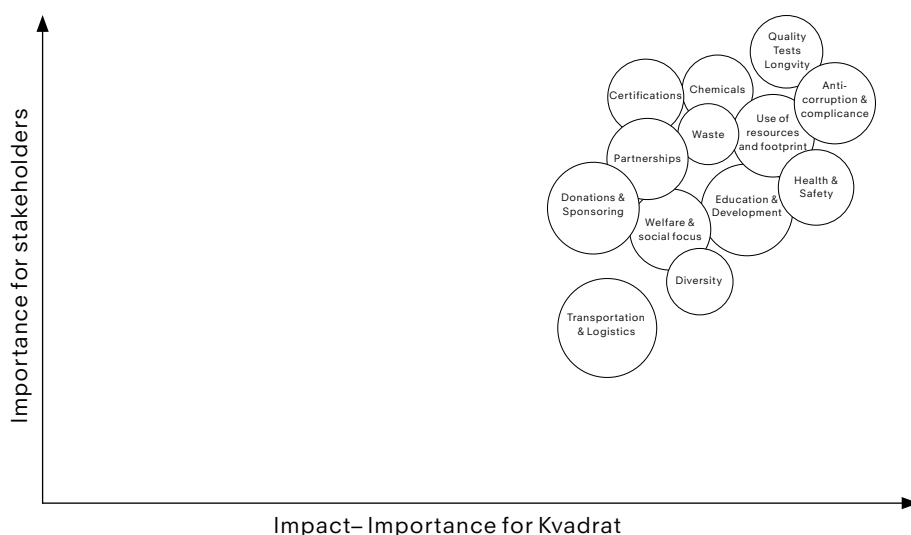
This report covers activities, data and objectives for Kvadrat A/S and covers the requirements from “The Danish Financial Statements Act § 99a & 99b” regarding reporting on corporate social responsibility (CSR). As a member of UN Global Compact, this report is also our COP (communication on progress) containing information of our activities and developments within the ten principles of UN Global Compact. We also show our support towards the 17 UN Sustainable Development Goals (SDG’s) as well as supporting broader UN Goals and principles.

As a member of UN Global Compact we believe that our business incorporate and support the 10 principles in the UN Global Compact, through our Code of Conduct and our work on environmental and social responsible topics. Through our support to the UN Global Compact we aim to move the agenda forward concerning our performance related to human rights, labour rights, the environment and anti-corruption. We will continue our work in these areas as well as annually report on the progress.

The Kvadrat A/S CSR report is published in April on an annual basis, our first report (COP) was launched in 2014 a year after entering the UN Global Compact in 2013. This report covers the financial year 2017 from 1st of January 2017 to 31 December 2017 and is launched in April 2018. The previous report was published in April 2017.

The materiality of topics communicated in this report has been chosen through a materiality analysis where sustainability topics has been assessed in terms of how the topic is important for stakeholders and how the topic has an impact on Kvadrat. Those topics which were material for stakeholders and Kvadrat has been communicated in this report.

Materiality Analysis



Important stakeholders for Kvadrat has been identified to be among others: Employees, Customers, Suppliers, Owners, Subsidiaries, Media, Designers and NGO’s as well as Industry Associations.

2. Foreword by the CEO

Kvadrat is a company deeply rooted in our design culture and uncompromising focus on quality. Since our foundation back in 1968 we have focused on delivering the best quality together with extraordinary design and materials. For us, quality and design goes hand in hand with sustainability as we want to ensure products for many generations ahead and thereby integrating environmental and social considerations in our business strategy and through all processes in a closed-loop-thinking from raw material extraction to design, production, use and recycling.



We apply strict standards towards our suppliers who through our code of conduct shall support, sign and comply to the content aligned with the ten principles in UN Global Compact as well as to comply with legislation and international conventions and not least our requirements for product quality.

With this report we want to express our continued support for the UN Global Compact and communicate progress as well as objectives within all 10 principles. We find the 17 UN Sustainable Development Goals an important tool to reach common targets and will in this report identify which goals we through our activities and initiatives contribute to. Today more than ever, we need to create shared value through collaborations and together create results, which put sustainability on the agenda. For us 2017 has been a year of partnerships with focus on circular economy and sharing knowledge. We wish to continue our focus on development and improvements within resource efficiency, reduction of environmental impacts, valuable partnerships and product development, great work environment and continuous close collaboration with suppliers on environmental and social topics.



Circular economy is part of our focus and we are creating exciting and innovative new opportunities for textile waste, as we find it valuable for our business to consider waste as a resource and to work strategic with waste streams to ensure a more sustainable business.

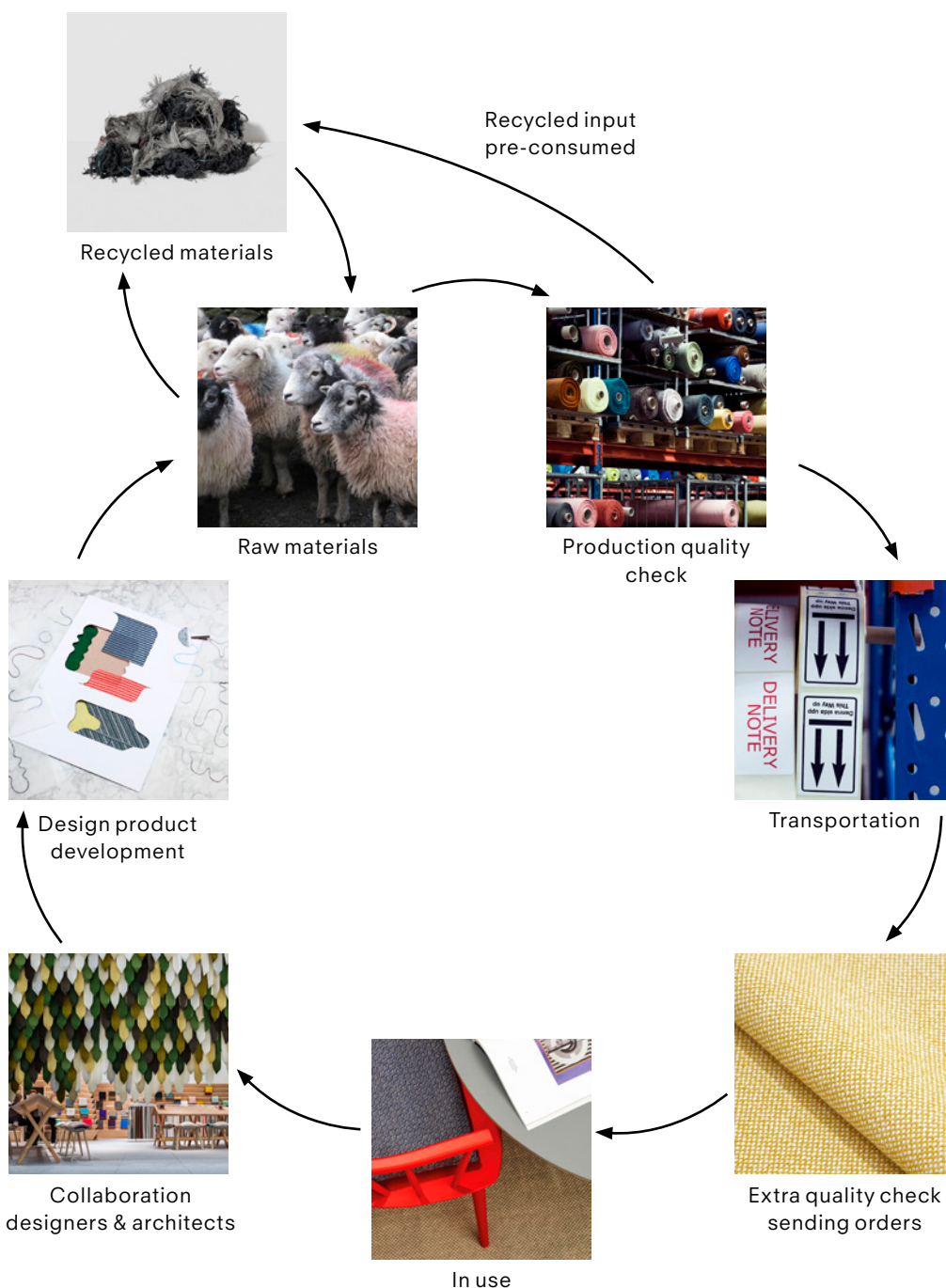
In 2017 we emphasized our focus on circular economy with the launch of the company Really, which upcycles end-of life-cycle cotton and wool into acoustics felts and solid textile boards. Really challenge the design and architecture industries to rethink their use of resources when making furniture, buildings and to design with a circular economy in mind. We strive to create the most sustainable solutions and will continuously evaluate how we through the value chain can support UN's Sustainable Development Goals and contribute to add value to our surroundings by focusing on Environment, Employees, Compliance and Culture.

At Kvadrat we are committed to play our part in meeting the global challenge of climate change, and operating as socially responsible business. We believe our many different CSR initiatives help us to achieve these goals. And, as technology evolves and new opportunities arise, we plan to introduce many more.

Anders Byriel, CEO Kvadrat

3. Business model

Kvadrat has been leading the field in textile innovation since 1968 when our company was founded. We produce contemporary high-quality textiles and textile-related products for architects, designers and private consumers to specify in public spaces and domestic interiors. Our head quarter and warehouse is placed in Ebeltoft Denmark and we have over 25 representative sales offices around the world. At Ebeltoft we together with chosen designers develop and design fabrics and innovative products, as well as it is from our warehouse in Ebeltoft that we control the quality of the products and handle and send orders to our customers. We wish to have a close collaboration with suppliers to ensure the best quality, we do even have partner suppliers where we have a share in the company as well as we have subsidiaries contributing to our assortment within rugs, curtains, textiles, acoustics and upcycled textile boards.



Key facts

kvadrat

kvadrat soft cells

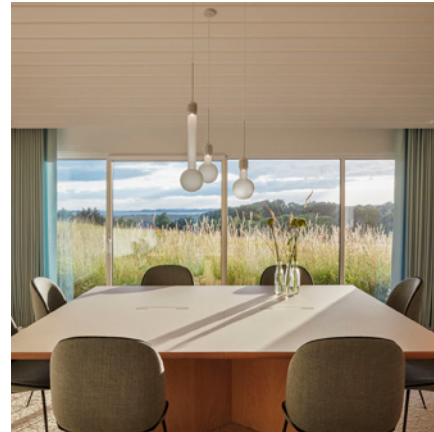
KVADRAT / RAF SIMONS

KINNASAND

Really.



500 Employees



Sales offices in 25 countries



30 showrooms



158 M € turnover 2017

4. CSR Policy

In our approach to business we focus on integrating sustainability in the business strategy through unique design and service, the best quality standards, social-, economical- and environmental responsible concerns. Having signed the UN Global Compact in 2013, Kvadrat A/S has committed itself to support the United Nations' ten principles regarding human rights, labour rights, environment and anti-corruption. In this CSR report we are embracing essential topics which through a materiality analysis has shown to be important for the company and its stakeholders. We have outlined four main areas of our work with CSR and sustainability, which embraces essential Kvadrat initiatives and objectives and in a transparent way communicate our responsible and sustainable progress.

These are:

Environment

Employees

Compliance

Culture

The standards we adhere to provide us with a framework for continually reducing the environmental impact of our production and internal processes, minimizing the unnecessary use of raw materials, and creating a secure and healthy environment for employees. Beyond this, the framework we use also ensures, that our exclusive products always live up to our strict quality requirements. In a number of areas, we go beyond existing legislation while respecting necessary functional requirements in order to create a proactive approach to a responsible business.

We support and respect the protection of internationally proclaimed human- and labour rights. We are strongly opposed to any kind of corruption, including extortion and bribery. All suppliers must commit to and sign our Code of Conduct which is aligned with law, international conventions and the ten principles in the UN Global Compact. Furthermore, we expect suppliers to regularly document how they are meeting our requirements.

We are ISO 14001 and 9001 certified and we ensure that our management systems are efficiently implemented and are capable of supporting our organization.

5. The sustainable journey

1968	Kvadrat was founded
1992	The Kvadrat headquarters in Ebeltoft is certified according to the international standard ISO 9001.
1997	The Kvadrat headquarter is certified according to the international standard ISO 14001. We stop moth-proofing our woollen products to protect the workers involved in the process and to prevent additional contamination of waste water.
2004	Our <i>Hallingdal</i> textile receives the EU Ecolabel certification. <i>Molly</i> , a fabric with strong environmental credentials, also receives the EU Ecolabel certification.
2007	A large number of our textiles are GREENGUARD® certified. This certification is awarded to products that meet strict emission levels of pollutants and therefore enhance indoor air quality.
2008	Our headquarters achieves the health certification from Dansk Firmaidrætsforbund (Sports Confederation of Denmark). This covers our approach to diet, smoking, alcohol, fitness and stress.
2010	More of our textiles are awarded with an EU Ecolabel, bringing the number carrying the EU Ecolabel to 21. Our headquarters starts to use 'green electricity' from a Norwegian hydropower plant.
2011	We expanded local charity initiatives and donations to art projects to international charity programmes.
2012	Kvadrat wins award for being 'the healthiest company in Denmark'. We introduce life-cycle assessment (LCA).
2013	Our headquarters use 'green electricity' from Danish windmills, which are less than two years old. We join the UN Global Compact.
2014	We acquire part ownership of REALLY to work with upcycling of wool and cotton. The expected launch is in 2017.
2017	The canteen is ReFood certified – due to our focus on reduction of food waste. Launch of Really – a subsidiary going to close the loop by upcycling cut-offs and end-of-life cycle wool and cotton into acoustic or solid textile boards.

Environment

6. Kvadrat Headquarters

Our headquarters is located in 60,000 m² of natural surroundings. The landscape has been shaped into a permanent ever evolving art work by landscape architect Günther Vogt and contemporary artist Olafur Eliasson. It features a combination of garden and untamed natural habitat, and encompasses five unique artworks by Olafur Eliasson, which are inspired by the reflective waters of glacial pools. By combining a garden and areas of wilderness, it offers a space where people, animals and plants can all benefit from the landscape, and simultaneously supports the local biodiversity. We want to share the artworks and beautiful surroundings with the local society, therefore it is accessible for employees and the public, free of charge.



6.1 ISO 9001 & ISO 14001

In 1992, we got the ISO 9001 certification standard for Quality Management. In 1997 we also became ISO 14001 certified, which focus on the environmental management through all processes in our company. These ISO standards require the establishment of a quality- and environmental management system, ensuring we meet customer requirements whilst continuously optimizing our processes to their benefit.

With the ISO 14001 and ISO 9001 management systems and certifications, we can, as a company, demonstrate that we have the ability to:

- Consistently provide products that meet customer requirements.
- Enhance customer satisfaction.

- Work systematically to control and minimize our impact on the environment.

- Document that we are constantly working on improvements.

Below is a brief overview of the way it influences our behavior:

- We follow our obligation to comply with legislation and other regulatory requirements.

- We aim to promote transparency and dialogue between our company and stakeholders.

- We require our suppliers to constantly explore environmentally sound disposal options for the process waste they may have.

- We maintain a consistent focus on training and motivating employees to perform their jobs with respect for the environment.

- We aim to develop processes with minimal environmental impacts. In our production, we consistently concentrate on optimizing our use of resources, whilst minimizing the generation of waste.

- We use as few packaging materials as possible, and all our packaging materials are made from materials that can be recycled. Packaging materials are either re-used for the shipment of our products or collected by a professional recycling company and used for manufacturing of new packaging materials.

We continuously monitor our resource consumption as well as educating new employees in environmental friendly procedures such as sorting waste, paper usage and turning of electronical devices when not used to be able to manage our environmental impact in the most efficient way and reduce risk of unnecessary over consumption. Consumption of energy and heat has increased from 2016 to 2017, which has to do with our increasing number of employees as well as the expansion and refurbishment of our headquarter.

We have appointed an internal auditor team consisting of employees, who are deeply committed to work with our quality and environmental management system. Internal audits are carried out regularly to ensure that we are always in line with the requirements of the system, and every year, external auditors also audit the implementation of our quality and environmental management system.

In 2016, our head quarter was renovated and upgraded in terms of more environmental friendly solutions. Except from the light in the quality textile control area, all light at the head quarter have been changed to LED, which contribute to approximately 50-75% energy reduction compared to conventional light¹. The old windows has been replaced with new and more energy efficient windows as well as the insulation has been upgraded together with our CTS heat system.

Digital meters and online warning systems for big fluctuations energy and water consumption has been installed n beginning 2018 to ensure exact data collection, which can be used to evaluate our resource consumption and conduct optimizations. Objectives will be set next year for 2019 as new digital meters as well as the new office area has to be integrated, monitored and evaluated properly to ensure the most qualified objectives are set. Consumption of water has decreased due to the refurbishment, where several employees did not work on sight during the construction period and therefore used less water. Due to our growth and increase of orders there has also been an increase of waste, which is sorted and recycled.

Consumption at HQ Kvadrat	2016	2017
Electricity (kWh)	378,091.00	478,501.00
Heat (kWh)	416,740.00	621,330.00
Water (m3)	1,052.00	1,000.00

Waste in tons	2016	2017
Paper/cardboard	46.19	55.83
Plastic	8.40	11.17
Other	21.20	21.99

¹<http://www.online-ledlys.dk/content/28-fra-halogen-til-led>

6.2 Transportation and logistics

We aim to manage distribution of the deliveries to customers in the most environmental efficient way, this mean that we work with direct deliveries and strive to have full loads of trucks and vans as well as look into geographical delivery to create the most effective routes. We primarily use transportation services from logistics- and transportation suppliers who focus on their corporate social responsibility and environmental impact. As well as educating their drivers in eco-driving and work with newest technology to ensure effective logistics and reduced CO₂ emissions.

We furthermore have a constant focus on reducing our CO₂ emissions when it comes to travelling, and use in a wide extent video conferences, where travel by car or flight can be omitted.

6.3 Canteen – sustainability

Our canteen is an important part of the employees' day when they go to enjoy their lunch. In our canteen we do not only focus on serving healthy culinary power food to ensure welfare, we do also focus on our environmental footprint. Therefore we mainly serve organic food at our canteen, which represents around 75% of the food we prepare and cook for the employees. Furthermore we support local farmers and also buy local farmed fruit and vegetables in season. Besides organic and local supply of food we have implemented additional initiatives to reduce our carbon footprint, by replacing a lot of the meat-dishes with a variety of green alternatives. Vegetables and fruit have a significant lower environmental impact in their life cycle than meat.

Food impact fact

The CO₂-emission of 1 kg beef is approx. 20 kg CO₂ corresponding to, that an average car shall drive 97km to derive the same amount of CO₂. Meanwhile 1 kg of carrots derive approx. 0.1 kg of CO₂ corresponding to, that an average car shall drive 0,5km to derive the same amount of CO₂²

In summer 2017 we received the ReFood certification due to our focus and processes of reduction of food waste in our canteen. We strive in every process to minimize our impact on the environment and therefore our bio-waste are being processed into CO₂-neutral biogas. Furthermore the canteen only use organic cleaning products

Ca. 75% of food served in the canteen are organic.

Left overs, which are still fresh and eatable will be re-used in new tasteful dishes.

Use of nudging by using smaller plates, which reduces leftovers and thereby food waste.

Food that no longer is suitable for consumption are processed into CO₂-neutral biogas.

²Source: <https://videnskab.dk/miljo-naturvidenskab/sadan-pavirker-din-mad-klimaet>

7 Product development

Within our product development, we prioritize high-quality products with a reduced environmental impact by continuously searching for the best possible alternative production methods, materials, new developments and optimizations in production. Our processes and finished products all reflect a focus on the environmental impact throughout the value chain as well as enhancing the well-being of the people involved in production and end of life cycle consideration when it comes to disposal of the textiles.



7.1. Products

There is a limited amount of raw materials available worldwide, we therefore have a responsibility to look into innovations that reduce the use of raw materials and also develop processes for recycled materials that can substitute virgin materials. As a high quality brand we also meet the demand of resource efficiency by creating quality products with a long life span.

Using the best raw materials is our starting point for creating high-quality products with a long life span; products that, in the long run, have less impact on the environment. Reflecting this, most of the textiles in our collection are made from wool and polyester Trevira CS and in a smaller amount cotton and viscose. We are aware of the impact our products affect the environment and the risks concerning chemical substances, waste, waste water, scarce resources, length of life cycle and quality. We are therefore continuously looking into how to operate more sustainable and in collaboration with suppliers ensure the most environmental responsible approach to production. Below is a brief overview of the main environmental and functional benefits of our main materials.

7.1.1 Wool



Wool is a renewable resource and consists of natural fibers. Wool is naturally flame retardant, which means that no chemical treatment is necessary³. Thereby a cleaner indoor environment is ensured. The wool used in our products comes primarily from New Zealand and Australia. Only biodegradable detergents and spinning-oils are used in our scouring and spinning processes. In addition, as far as possible, waste fibers are gathered and recycled by other industries.

Furthermore farmers shall comply with national animal welfare law as well as respecting the IWTO (International Wool Textile Organization) specifications for wool sheep welfare. Kvadrat do not use wool from sheep that has been subject to mulesing.

Functional benefits:

- Very comfortable because of its ability to absorb and release moisture.
- Naturally soil resistant.
- Very good abrasion performance.
- Low pilling.
- Very good lightfastness.
- Elastic fibers ensure it is flexible to work with and will not crease.

Environmental benefits:

- Biodegradable.
- Long life span: ages well.
- A renewable resource.
- Naturally flame retardant, so chemical treatment is not necessary.
- Woolen textiles can potentially be used to obtain LEED credits as, usually, they can be GREENGUARD® certified.
- Certain woolen textiles comply with EU Ecolabel criteria.

³We only treat woolen textiles with flame retardant treatment if the project requires a certain level of fire safety standard. In these cases no use of halogenated based flame retardants are used, as well as Industry Associations.

7.1.2 Cotton



We use high-quality cotton. During the manufacturing processes, the different types of waste are gathered, sorted and recycled. Excess dye and wastewater is drained to the local water treatment plant, cleaned and, whenever possible, recycled. To further protect the environment, spinning oil is never used.

Functional benefits:

- Very comfortable.
- Good colour and printing properties, thanks to the high absorption capacity of the fiber.
- Good abrasion performance.
- Good lightfastness.

Environmental benefits:

- Renewable resource.
- Biodegradable.
- Cotton textiles can potentially be used to obtain LEED credits as, usually, they can be GREENGUARD® certified.

7.1.3 Polyester



The majority of our curtains consist of polyester and some are made of a unique type of polyester which is inherently flame retardant. As a result, it does not require chemical fireproof treatment, which ensures that it has no negative impact on indoor environments. Polyester textiles are durable and economical to maintain. Furthermore, the yarns are hypoallergenic.

Polyester functional benefits:

- Good abrasion performance.
- No pilling.
- Good lightfastness.
- Can be washed at 60 degrees (if used for curtains or loose covers).

Environmental benefits:

- Hypoallergenic yarns provide a cleaner indoor environment for people who suffer from allergies.
- Dries fast, so tumble drying is not necessary.
- Short production processes.
- Some of our unique polyester textiles are inherently flame retardant so no chemical treatment is needed.

Furthermore polyester made from recycled plastic bottles can be made into polyester yarn, which can be used in the production of textiles and thereby contribute to the reduction of plastic waste, which our textile *Revive* is a good example of.



Really – a circular paradigm

Really is a company responding to the urgent global issue of textile waste. Really upcycles end-of-life textiles to create materials that challenge the design and architecture industries to rethink their use of resources and to design with a circular economy in mind. Really was founded in 2013 by Wickie Meier Engström, Klaus Samsøe and Ole Smedegaard. In 2017 Kvadrat could happily announce our acquisition of a 52% stake in Really.

Solid Textile Board and Acoustic textile felts by Really are high-quality engineered board and felts made from end-of-life cotton and wool sourced from fashion and textiles industries and households. The manufacturing does not involve the use of dyes, water or toxic chemicals and generates only recyclable waste and binders. The material used can eventually be re-granulated and formed into new boards. As a champion of circular design, Really encourages innovative concepts that prolong the lifespan of textile resources.

Solid Textile Board: For furniture and architecture, Solid Textile Board performs like wood and composites. Its aesthetic and tactility make it a warmer alternative to stone, plasterboard and masonry. Solid Textile Board and Acoustic Textile Felt exemplify the main natural fiber material streams. Acoustic textile felt: The felt absorbs sound well, with a Noise Reduction Coefficient (NRC) of 0.45, which in direct comparison to PET felt, commonly used for acoustic solutions, is around 50% better.

Textiles infiltrate every aspect of our lives. 95% of the textiles we use has the potential to be recycled but only 25% actually are. Much of the World's textile waste are burnt or consigned to landfill with all the problems this causes.

With Solid Textile Board and Acoustic Textile Felt, Really launches its first products tapping into the potential of textile waste; taking a readily available waste stream – in this case end-of-life textile – and redefining its use, transforming it into a new raw material and inviting designers to turn it into something interesting.

Our ambition is a no waste solution. Really's products are recyclable and can be transformed into new boards again – after its second life has ended. Really's real task is to challenge and transform mindsets, creating the desire to change wasteful habits and making it feasible for designers and manufacturers to take a new approach to materials on an industrial scale. Really's debut collection of Solid Textile Board was launched in April 2017 during Salone del Mobile, with projects by designers Max Lamb and Christien Meindertsma.



Innovative machinery

One of our partner supplier's, Wooltex has insourced all their production processes and upgraded their machinery to reduce energy, water and chemical consumption. The new machines use much less energy and water. The new dyeing machines use only a few liters of water per kilogram of wool in comparison to 20 liters previously. 85% of the water used is recycled as well as the closed system of the machines reduces energy and heat loss in the production process and recycles the chemicals, which altogether decreases the resource consumption within water, energy and chemicals.



MUDP-project

Together with other stakeholders, Kvadrat joined in 2017 the MUDP-program for development of sustainable hemp textiles. The program is initiated by the Danish Ministry of Environment and Food – The Environmental Protection Agency (EPA). The Environmental Technology Development Program (MUDP) supports the development of technologies, processes and/or services within environmental technology, and focuses on innovative projects that creates value for society.

The objective of the project is to improve the opportunity of a production of sustainable hemp textile in the Nordic countries. Kvadrat is among others interested in creating innovative production methods as well as look into alternative environmental friendly materials and resources. That is why we are engaging in this project, as hemp is known for its potential when it comes to low input of chemical substances, water usage and ability to be grown organic with a great yield potential – and you can use the entire plant for both food and textile fiber.

The project focuses on the entire value chain from farming to harvest, design, textile production and circularity. The project is aimed to ensure the most efficient resource utilization and enhance supply of hemp as well as to create the foundation for a new Nordic business model with local production of hemp as a more sustainable option compared to e.g. conventional cotton.

Circularity

Kvadrat has during 2017 looked into optimization of resources by researching opportunities within recycling, re-use and upcycling of yarns and textiles.

Together with 11 directors representing different businesses, CEO Anders Byriel took part in the Advisory Board for Circularity formulating their 27 recommendations on circularity addressed to the Danish Government. The 64 page report was received by the Government in June 2017.

LAUNCH Circular

Kvadrat is a proud and active partner in the innovation platform LAUNCH Circular. LAUNCH was originally initiated in the US where high profile brands such as Nike and public organizations like NASA and the EPA first came together to use their influence and experience to accelerate the transition towards a more sustainable society.

Kvadrat has been involved in LAUNCH since the starting point in 2014 and strive each year to push the sustainability agenda together with all the LAUNCH members to contribute to the debate and help up-scale and accelerate innovation by sharing knowledge, ideas, network and advice with chosen innovators. This years' theme was Design for Circularity where innovators presented sustainable solutions that could decrease environmental impact, upcycle waste to valuable resources or closing the loop as well as create efficient use of natural raw materials all within the context of circularity. We aim to support and contribute to acceleration of sustainable innovations by giving advice or partnering with, investing in or becoming a client of a new innovator presenting a product, solution or service at LAUNCH Circular. LAUNCH Circular includes Kvadrat, the IKEA Group, Novozymes, The Danish Ministry of Foreign Affairs, The Danish Environmental Protection Agency and Region Skåne.

The LAUNCH Circular network creates value for us, as it helps us move faster in the area of sustainability. The research we do with new innovators involves different institutions and experts and creates knowledge and shared value. Those learnings we experience through these project collaborations and dialogues add value to our company and keeps us in front in terms of research and development, which support our strategy of sustainable growth, innovation and quality products.

Queen of Raw

As a result of Queen of Raw's participation as an innovator at Launch Nordic 2016, Kvadrat and founder of Queen of Raw started a dialogue of how to reduce textile waste and create a second life for dead stock fabrics. Kvadrat needed a platform to be able to ensure the most efficient use of our textiles. In the beginning of 2018 we will enter into a partnership with the New York based sustainability & tech startup Queen of Raw.

Queen of Raw is a digital platform, that connects creatives, like design students and independent designers, with textile companies like Kvadrat, to give discontinued fabrics a second life and connects supply and demand via their platform.

8 Quality – Built to last

At Kvadrat, we seek the latest technologies to minimize the environmental impact of our products, whilst enhancing their aesthetic quality, functional performance and longevity. In doing so, we place a strong emphasis on minimizing the use of energy in production and wastage of raw materials. In addition, we consistently seek to optimize our processes and products by exploring new production methods. Reflecting our commitment to the environment, quality and longevity, all our fabrics are tested by independent test institutes, to meet the textile requirements for the contract market concerning abrasion, pilling, lightfastness and flammability. We are certified within quality management ISO 9001 to ensure best quality and service. We are very confident in the quality and durability of our products. All our upholstery and curtain textiles comes with a quality guarantee up to 10 years.

8.1. Product documentation

We seek to document our focus on quality, and environmental concerns, by getting our textiles certified or labelled. Currently, there are many certifications on the market, several of which have similar requirements.

Approximately 40% of our woolen products are EU Ecolabel certified. 51,8% of our woolen textiles sold in EU have the EU Ecolabel.

Approximately 90% of all our textiles are GREENGUARD® certified.

8.1.1. EU Ecolabel



The EU Ecolabel helps customers to identify products and services that have a reduced environmental impact. It takes into consideration everything from the extraction of raw material through to production, use and disposal. We have chosen to apply for certification of a number of our woolen textiles according to the EU Ecolabel. In 2017 17 of our 42 woolen Kvadrat textiles were certified. Our main reason for choosing EU Ecolabel is that our values correspond with the demands of the EU Ecolabel as they evaluate the product from 'cradle to grave' and focus on quality and long life span, thereby ensuring that no extra resources are wasted in the new manufacturing. Finally, we believe that choosing EU Ecolabel sends a strong and transparent message to our customers, as the label is not a privately owned label, but instead represent an EU initiative established in 1992 and is a third party certified, Type I ISO 14024 certification.

8.1.2 GREENGUARD®



GREENGUARD® certification verifies that chemical and particle emissions emitted by building products and materials fall within acceptable indoor air-quality pollutant thresholds. Maximum allowable emission levels are defined by the State of Washington's indoor air-quality program for new construction, the U.S. Environmental Protection Agency's procurements specifications, the recommendations from the World Health Organization, Germany's Blue Angel program for electronic equipment, and LEED for New Construction and LEED for Commercial Interiors.

A large number of our textiles carry the GREENGUARD® certification. These can help to gain LEED credits if they are made from renewable content, like wool or cotton, or recycled content. Textiles can typically receive 1– 2 points depending on the application, the project, etc. It is not possible to apply LEED certification to textiles, as LEED is a building certification. However, the US-developed certification. GREENGUARD® is accepted by LEED.

8.2 End of life-cycle

We believe that waste is a valuable resource, which can be recycled or even upcycled to reduce the environmental impact and at the same time create value to society. We are therefore looking into different options for our textile waste and used products.

One way we recycle is by supplying or donating 'seconds', which are textiles that are no longer in our standard collection, to charitable institutions or creative projects. Or selling in cheap through the Queen of Raw platform.

In 2017 we launched the company Really which upcycles wool and cotton into textile acoustic felts and textile solid boards used in the design, furniture and building industry. The next coming years we will improve the supply of waste in-put material to Really and thereby help suppliers, other companies and institutions to upcycle their textile waste. We are furthermore working close with suppliers to find responsible solutions for their waste handling such as wasted blends or mono materials.

8.3 LCA (Life-Cycle Assessment)

LCA highlights the environmental impact throughout the life time of the product. Some of the key areas covered by LCA are potential contribution to CO₂ emissions such as energy consumption of a product's production and global warming potential. The LCA also looks into potential negative influence on people and/or environment such as acidification: emissions, which damage vegetation, buildings, aquatic life and human health and eutrophication: emissions, which increase the nutrients in water or soil affecting the ecosystem. The last key area is photochemical ozone: emissions from chemicals that cause smog, adversely affecting human health, ecosystems and crops.

Working with LCA means that all the environmental impacts from the different manufacturing phases are evaluated. This evaluation is, in general, split into five phases:

- 1) Material phase
- 2) Production phase
- 3) Transport phase
- 4) Usage phase
- 5) Waste phase

Life-cycle assessment enables us to provide our customers with information about the environmental impact of our products.

LCA helps to ensure that we do not optimize one process without looking at the whole chain i.e. the entire life-cycle. Additionally, it helps us to gain valuable insights into the areas where we should increase our efforts to reduce our environmental impact.

Our LCA model is based on the recognized LCA databases, GaBi and Ecoinvent, supplemented with data from our suppliers and literature. The model follows the principles of the international LCA standards ISO14040. The model is updated in 2018 to be aligned with the EN 14804 standard in order to offer EPD (Environmental Product Declaration) and LCA's upon request.

On request, we can prepare documentation with LCA data for our textiles. We will also be able to provide a background documentation report. This report gives you a more detailed description of the data quality for our LCA.

9. Suppliers

We strive to build long-term relationships with our suppliers. These are founded on a shared commitment to enhance quality, reduce impact on the environment and focus on social responsibility. We like to work with few suppliers in order to build valuable partnerships that contributes to transparency, good quality, dialogue and responsible development. Therefore 90 % of our textiles are delivered by only six different main suppliers.

To ensure we are achieving our common goals, we follow the performance of our suppliers in the above-mentioned areas very closely. We conduct continuous assessments of their performance, which we follow up with revised action plans during the year and make visits at their production sights as well as at some of their essential sub-suppliers to be able to create the best action plan, dialogue and follow the development very closely. Furthermore, we invite suppliers to participate in seminars, to discuss and explore new ways to reduce our environmental impact and enhance sustainability. The majority of our suppliers, are situated in Europe.

Before we enter into a partnership with suppliers, they must sign a document whereby they commit to effectuate our Code of Conduct, which contains the elements put out in the ILO convention, the ten principles of the UN Global Compact as well as essential international guidelines and law, such as: no forced labour, legal compliance, no child labour, non-discrimination, freedom of association, workplace health and safety, conditions of employment and work, as well as anti-corruption and a responsible environmental approach. In addition, once we are collaborating with them, we expect them to meet the concrete demands we put forward concerning products and production processes, environment and working environment. Importantly, we require that suppliers regularly document their performance in these areas.



9.1 Requirements of substances

Our suppliers have all confirmed that they have fulfilled their obligations according to REACH as well as all other required standards. They have also confirmed that they have made the necessary pre-registrations for the chemicals requiring registration. In addition, we impose strong standards on our suppliers, which in some areas go beyond existing legislation:

Our suppliers must comply with relevant law, this also counts for the demands in REACH, and they must be able to fulfill a number of areas in the EU Ecolabel criteria.

Our suppliers must ensure that potentially damaging substances and substances from the List of undesirable substances are never present in our products and processes.

We only use approved AZO dyes, which do not release certain aromatic amines.

We only use dyes that live up to EU Ecolabel requirements.

We do not use dyes that contain heavy metals. The dyes we use must comply with The Ecological and Toxological Association of Dyes and Organic Pigments Manufacturers (ETAD) norm.

We do not use halogen based flame retardants for our textiles.

We do not use chemicals that require chlorine during production









Our collection does not contain any PVC (polyvinyl chloride).



In general we do not use PFC's (perfluorinated compounds) in our production.

Woolen products shall not be moth proofed.

Safety data sheet for used substances shall be available upon request

10. Progress and objectives

SDG	UNGC Principle	Year	Activity	Objective
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	8-9	2019	Full production of Really upcycled textile products.	Look into opportunities of circular processes, which can support the brand in terms of material flow and product development.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	8	2018/19	Focus on textile waste streams and find solutions together with suppliers and subsidiaries for recycling or upcycling of textile waste.	Investigate, plan and test at least two scenarios that meet our ambition of increased circularity in our value chain.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	8-9	2018/19	Develop innovative products with a sustainable profile.	Introduce at least two new products or projects that support Kvadrats sustainable profile.
 <p>13 CLIMATE ACTION</p>	7-8	2018	Ensure resource efficiency at HQ in terms of electricity, heat and water consumption as well as sorting, recycling and reduction of waste.	Headquarter get ISO 9001 and 14001 certified according to the newest standard update.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	8-9	2020	Reduce our environmental impact in terms of materials used in our textiles. Develop more sustainable solutions without compromising the quality of our products.	Increase amount of recycled material or alternative environmental friendly raw materials in our production of textiles
 <p>6 CLEAN WATER AND SANITATION</p>	7-9	2018/19	Identify and improve potential issues concerning release of micro plastic from our textiles.	Dialogue, screening and if relevant; a development plan together with top ten suppliers.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	8-9	2017	Five woolen products received the EU Eco label in 2017. 42 % increase in EU Eco labelled wool products in 2017. Now 40 % of our woolen products are EU Eco labelled certified	90 % of woolen products are EU Eco label certified within the next years.
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	7-9	2017/2018	Hosted Launch Circular an international network, which supports innovators within a sustainable context.	To support and contribute to acceleration of sustainable innovations by giving advice or partnering with, investing in or becoming a client of at least one new innovator presenting a product or service at Launch Circular.

SDG	UNGC Principle	Year	Activity	Objective
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	9	2018/19	Look into more sustainable substitutions of chemical substances and materials.	Remove or substitute chemical substances that we find critical in relation to health and environment.
17 PARTNERSHIPS FOR THE GOALS 	7-8	2018	Systemize a development program together with suppliers to ensure a sustainable focus in the supply chain.	Set and achieve common goals for top ten suppliers.

Employees

11. Employee policy



Our employees are our key resource and carries an important role in conducting responsible behavior and creating responsible solutions and improvements. We therefore need to work proactively to take best care of our work force and prepare for future growth, market- and employee expectations. As an employer we have a responsibility to ensure a safe and healthy working environment and create initiatives which support the competencies of our employees and creates motivation, happiness and creativity.

At Kvadrat, we believe that growth and development depends on having the right employees. Our employees should be empowered with high degree of responsibility and given the opportunity to perform in groups and as individuals.

We know that we must ensure both their professional and personal development, so all are equipped to deal with future demands and tasks. Therefore Performance & Learning Conversation (PLC) development interviews are carried out twice a year.

We aim to maintain an attractive workplace, to create good facilities and act with a high degree of social responsibility towards all our employees. Finally, we wish to actively contribute to creating a healthy balance between work and family lives for our employees.

11.1 Employee satisfaction worldwide

Once a year we carry out a global employee engagement survey. The results of these surveys are very positive: they show our employees are very satisfied. Our objective of the total score was 78 points but the result was impressive 81 points on a score from 1-100. We are happy with the result and will strive to keep up a high score of employee satisfaction supported by activities mentioned in the chapters below. The survey results are presented to all employees and followed up by dialogue meetings in all units. The outcome of these dialogue meetings are action plans with initiatives, which both employees and managers believe will enhance employee engagement and satisfaction. The purpose is to have healthier, happier employees which inevitable will have a positive effect on the bottom line and customer experience and contribute to a sustainable business.

11.2 Education and development

Education, learning and development are some of our most essential management values which we put a lot of effort in executing in order to meet our common goals to release the full potentials in our teams. This is why the theme learning and education is incorporated and plays an important part of our Performance & Learning Conversation. The content of the conversations together with the plan for further development are described in the employee's development plan, which is a part of the PLC program.

To support the development of competencies of each individual, Kvadrat offers a variety of different learning activities such as our internal educations program Kvadrat Academy that offers several courses and training customized to meet the needs of the many different fields of specialty within Kvadrat.

To create synergies through collaborations across departments at Kvadrat, as well as create understanding of the different activities and initiatives performed each day in the different departments, all employees joins an activity called Learning2Go. Learning2Go was initiated in 2016 at the headquarters and introduces minimum six different topics or areas of Kvadrat, which all employees will attend to during the year. Representatives from the selected areas will introduce their field of specialty to their colleagues. Experience has shown that these presentations have raised interest among colleagues contributing to questions, learnings, dialogue, exiting workshops, new ideas and inputs and an increased incitement for collaboration and understanding of each other's work.

12. Health

As our employees are the key resource to our success we show respect and responsibility by offering several activities which contributes to a good health. The different activities can inspire and motivate our employees to adopt a healthy lifestyle through information, motivation and concrete actions. For instance, we serve healthy food in the canteen every day. The majority of the food is vegetables or fruit and up to 75 % of the food we serve is organic. In addition, all our employees are offered a free health check every other year. We also have free gym facilities, yoga and outdoor exercise and offer a massage treatment. Thanks to our focus on health, we have increased job satisfaction and loyalty, and also increased social interactions and relations across departments through sports and joint exercises.

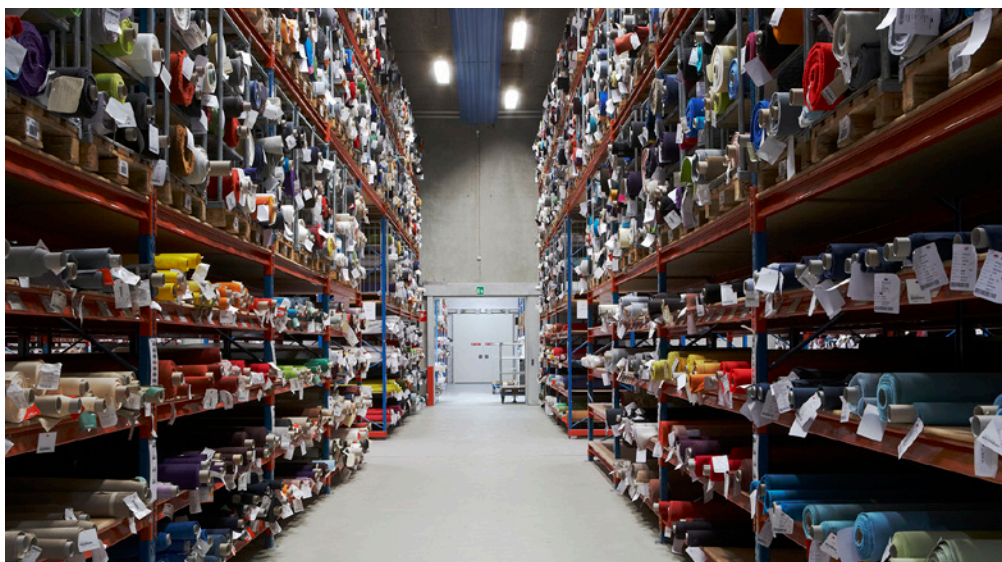
Sick rates

	2016	2017	Objective 2018
Days of sickness absence in percent ⁴	1.06%	1.35%	Max. 1.00 %
Comments	Within the limits of the objective.	The HR department will evaluate the results to reach the goal of max. 1.00%	

Kvadrat A/S has a relatively low sick rate but never the less, the goal is max. 1.00% days of absence due to sickness. Kvadrat is therefore striving to reduce the number even more and has in 2017 initiated different initiatives; such as developing a process to review stress and ensure the best access to mentors. As well as inviting all managers for a seminar concerning welfare and establishing a plan and process handle issues like stress in the most appropriate way to ensure the wellbeing of the employees.

⁴ The number is exclusive long-term sickness, which is defined as absence due to sickness for over one month. The days of absence caused by sickness in percent including employees with long-term sickness was in 2017: 2.31%.

12.1 Safety



At Kvadrat we have a health and safety committee consisting of representatives from different departments at Kvadrat, to ensure the best insight in current status, improvements and to ensure the best communication and implementation of safety procedures.

All work-related injuries are registered. In 2016 one work-related injury was reported and in 2017 five work-related injuries were reported. Even though the number of injuries are low we have an overall objective of zero injuries. The increase of injuries in 2017 is therefore something the committee are evaluating as well as introducing initiatives that can reduce the risk of injuries and contribute to a healthy and safe work environment.

To increase safety in the warehouse we have installed Blue Spot devices on all new forklift trucks, which represent 80% of our forklift truck fleet. The Blue Spot solution is a blue LED spot lamp used as an additional safety-aid to increase visibility of moving trucks for pedestrians working in the busy warehouse environment. The blue spot projects a bright blue beam of one diameter in a 25 meter distance to alert other employees that a forklift truck is approaching in order to avoid collisions and injuries.

Another initiative to reduce injuries in the warehouse area is building a bridge from the administrative offices throughout certain parts of the warehouse, to reduce number of pedestrians in the area where the forklift trucks are operating. The bridge-project is still in the development phase and is set to be evaluated in 2018.

In 2017 a fully automatic storage system was established to store and handle our extra long rolls of curtain textile at 3 meters. The new system is more efficient and leaves more time for the employee to solve other tasks related to handling curtain orders while the system quickly find or storage the big rolls of textiles. Furthermore the automatic handling of the heavy rolls reduces risk of lifting injuries and unnecessary traffic with forklift trucks having to store the curtain textile manually.

13. Diversity



We believe that a broadly composed employee and management team ensures more nuances and perspectives and provides for a wider spectrum of competences. This increases the quality of our approach to tasks and decision-making and thus benefit Kvadrat customers. Different experiences and competences boost learning and creativity, which are both strong elements of the Kvadrat culture. Diversity is also about ensuring equal opportunities for all. To us, diversity comprises gender, age, cultural background and seniority. Goals for diversity in the board Kvadrat has for several years been focusing on increasing number of women in the board. The goal was to have at least 15% women in the board, and in 2016 we reached that goal – the gender distribution in percentage has been unchanged in 2017.

Goals for diversity in management

We measure gender distribution in management - i.e. the percentage of men and women at the management level. We strive for a 50/50 distribution of men/women in management at Kvadrat, with a plus/minus margin of 10 % as acceptable. The growth in the representation of women in management in 2017 means that we are close to reach our goal and it lies within our acceptable margin.

Diversity managers	Men	Women
2016	63,5 %	36,5 %
2017	56,7 %	43,3 %

Kvadrat is an international company and we want our management to reflect the world we operate in. Our goal is that at least 40% of our managers have a non-Danish cultural background. 30% of managers at Kvadrat have a non-Danish cultural background (2016). We also want a broadly composed management based on experience and competences. We achieve this by having managers of different ages and with different seniority.

Diversity age distribution goals	2016	2017
< 35 years (20%)	39%	40%
36-50 years (40%)	40%	42%
> 50 years (40%)	21%	18%






To ensure consistency in management while ensuring that we receive outside inspiration. Our goal is that 80% of managers at Kvadrat must be sourced internally, while the remaining 20% must be recruited externally. By 2017, 92% of managers has been recruited externally and 8% has been sourced internally.

In order to achieve our goals on diversity in management and the employee team, we focus on the above parameters (gender, age, cultural background and seniority) both when we recruit, develop, form project groups, establish teams and promote managers and employees at Kvadrat.

As part of the recruitment process, we make sure to incorporate the above goals already in job descriptions and job ads to ensure as diverse a field of candidates as possible and that all candidates are given equal opportunities. This concerns both how we define the conditions for the position and where we look for potential candidates – internally or externally.

We focus on how to ensure our leadership pipeline. Kvadrat is growing and we need to generate managers for the management teams of the future. We identify where in our organization we need greater diversity and strive to act accordingly. We do so via e.g. Kvadrat Academy where we offer learning and development to all Kvadrat managers and employees. In our internal processes, we make sure to apply diversity as a guiding principle when we appoint and develop the future Kvadrat management.

14. Progress and objectives

SDG	UNGC Principle	Year	Activity	Objective
3 GOOD HEALTH AND WELL-BEING 	1	2018	Kvadrat will continue to offer different activities that support the health and wellbeing of the staff.	At least two different work-out programs will be offered as well as continuous development of training facilities and activities.
3 GOOD HEALTH AND WELL-BEING 	1	2018	Focus on healthy and organic food.	To sustain the high level of vegetable based food at the daily lunch buffet as well as to maintain the 2017 level of 75% or increase the proportion of organic food and ingredients served at Kvadrat.
3 GOOD HEALTH AND WELL-BEING 	1-2	2018	Continuous focus on employee wellbeing and development through annual questionnaire, Performance & Learning Conversation, Kvadrat Academy and Learning2Go.	Maintain or improve previous years' ratings on employee satisfaction above a 78 score. The frequency of PLC shall be executed twice a year as well as Learning2Go shall invite employees for six different courses through the year.
3 GOOD HEALTH AND WELL-BEING 	1-2	2018	The health and safety committee will look into activities which can reduce the risks of work-related injuries as well as develop activities that ensures a good work environment.	Work-related injuries shall be less than five with an overall goal of zero injuries reported in 2018.
5 GENDER EQUALITY 	6	2018	As a result of our growth we are continuously increasing our workforce. We will remain to focus on diversity and elimination of discrimination.	To maintain at least 15% representation of women in the board. The gender distribution on management level is now close to our 50/50 goal. We will continue to work on meeting our goals within the acceptable margins.

Compliance

15. Compliance and risk assessment

As a company working on a global scale we have to integrate our values and sustainable focus in all those markets in which we operate. Our business will continuously focus on how to develop and improve a positive impact on our surroundings. The risks related to different markets vary depending on the country's political situation and cultural history etc. We seek to ensure compliance through close dialogue with our suppliers, focus on close long-term collaboration with few suppliers which support efficient development opportunities and transparency. Furthermore, all suppliers need to sign our supplier contract together with our requirements and Code of Conduct, which integrate human- and labour rights, environment as well as anti-corruption as crucial areas that needs to be respected and fulfilled. These areas are material risks which we will comply with through procedures described in this chapter. We will continuously visit our suppliers and address potential risks as well as activate development plans to ensure compliance and sustainable development.

16. Human- and labour rights





It is essential for our business that we as well as our suppliers contribute to a healthy and safe work environment and comply with human- and labour rights. Therefore we address human and labour rights in our CSR policy and suppliers have to sign and comply to our Code of Conduct where these topics also are addressed. We are continuously visiting suppliers' sights and through close dialogue with our suppliers we address potential risks and activate plans for sustainable improvements.

17. Anti-corruption

Working against corruption is integrated in our CSR policy as well as our Code of Conduct, which all suppliers have to sign and comply to.

In 2018 we will present a revised version of our Code of Conduct where essential areas from primarily the UK-Bribery Act and Danish law against corruption are integrated, and launch an updated anti-corruption policy, which will be presented for employees as well as suppliers. Risk assessment will be our tool to evaluate the areas of high concern to be able to put our effort into these areas and together with our stakeholders handle issues systematically to avoid the risk of corruption in the supply chain.

18. Progress and objectives

SDG	UNGC Principle	Year	Activity	Objective
8 DECENT WORK AND ECONOMIC GROWTH 	1-10	2018	Update of Code of Conduct	Update Code of Conduct and send to all current suppliers for signature, and present all details to ensure common understanding of the content.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	10	2018/2019	Policy against corruption	Implement an anti-corruption policy applied for Kvadrat A/S
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	10	2018/2019	Courses in anti-corruption and compliance	Educate all relevant employees who have contact with suppliers as well as management level.
17 PARTNERSHIPS FOR THE GOALS 	1-10	2018/2019	Dialogue and action plans with suppliers in order to comply with UN Global Compacts 10 principles	Meetings and action plans for Kvadrats' top ten suppliers in order to ensure compliance and create shared value.

Culture

19. Kvadrat – a design culture



We are an internationally renowned and progressive design company, committed to continuously pushing the boundaries of aesthetic, creative and technological advancement in textile design. The worlds most accomplished architects, artists, designers, furniture manufacturers and retailers are our clients. Together, we bring warmth, tactility and colour into public buildings and homes. We consider ourselves as a design culture who integrate creativity and design in our daily work and way of thinking. This also affects our relation to society and partners in the way we interact and contribute with know-how, financial or material support and added cultural value. Being able to use our expertise to support society either locally or globally through cultural and artistic experiences creates value for us as a company. We evaluate all potential sponsorships to evaluate risks and ensure best match and collaboration opportunities. We find it most valuable to support organizations and projects, which are in some way related to our core business values and stakeholders in order to be able to add value to the partnership or sponsorship and activate it in the most efficient and proper way.

Design culture is an important part of our DNA, we find it important to keep inspire our employees and therefore we invite to cultural events minimum twice a year. In 2017 Kvadrat A/S invited to more than five different cultural events. Both internal oriented events concerning Aarhus Cultural Capital, the refurbishment of the headquarter as well as external artistic and cultural events such as the Red Worm, The Seven Deadly Sins, and different artwork in Aarhus.



20. Art projects & sponsoring

We have a close collaboration with several designers and in relation to Aarhus was Culture Capital 2017 we decided to support art projects displayed at museums in the city of Aarhus created by Ronan & Erwan Bouroullec as well as Roman Signer to show people how textiles can be integrated in art to create great aesthetics and expressive experiences. We supported the projects with textiles. Ronan and Erwan Bouroullec contributes in a wide extent to modern international design and at Kunsthall Aarhus they presented four new outdoor installations for seating. Roman Signer is internationally recognized for sculptures, film and installations and in the summer 2017 Kvadrat could present Signer and his art works at Kunsthall Aarhus together with two outdoor sculpture pieces made especially for Kvadrat, which can be enjoyed by the public at the headquarter in Ebeltoft.

Furthermore we sponsor the Design museum as well as Aros Art Museum located in Aarhus. Just as we have supported the union of Danish Craftsmen and Designers and students from the Design School for their exhibition at the Milano Fair.

We support the local community to attract visitors to the city of Ebeltoft as well as to support the community in activating culture and creating value locally. This year we have among other things supported the local Glass Museum, art works in the city center, Ebelfestival – a local festival, Stafet for Livet – a charity run to beat cancer, where employees and their families could join and run and Kvadrat donated the amount to the facilitator Danish Cancer Society (Kræftens Bekæmpelse)

21. Progress and objectives

SDG	Year	Activity	Objective
	2018	Donation and sponsoring of textiles and know-how.	Contribute to social responsibility and create value by donating or sponsoring textiles for charity.
	2018	Financial partnerships and sponsorships.	Continuous support of the local community in Ebeltoft and the municipalities around. Add value locally and expand art and the opportunity to experience art for a wider audience.

UN Global Compact Index

UN Global Compact Principle			Activity	Page
Principle 1	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights; and	Reporting on CSR CSR Policy Compliance and risk assessment Human- and labour rights	4, 5, 9, 37
Principle 2		Make sure that they are not complicit in human rights abuses.		
Principle 3	Labour Rights	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Reporting on CSR CSR Policy Employee Policy Health Safety Diversity Compliance and risk assessment Human- and labour rights	4, 9, 30-35
Principle 4		the elimination of all forms of forced and compulsory labour;		
Principle 5		the effective abolition of child labour; and		
Principle 6		the elimination of discrimination in respect of employment and occupation.		
Principle 7	Environment	Businesses should support a precautionary approach to environmental challenges;	Reporting on CSR CSR Policy Environment	4, 9, 11-27
Principle 8		Undertake initiatives to promote greater environmental responsibility; and		
Principle 9		Encourage the development and diffusion of environmentally friendly technologies.		
Principle 10	Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	Reporting on CSR CSR Policy Anti-corruption and competition law.	4, 9, 37



UN GLOBAL COMPACT

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.