

UN GLOBAL COMPACT COP 2019

TCM Group is committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards. We believe that social responsibility and sustainability are key elements in the continued development and success of our business. We therefore work with social responsibility and sustainability in a number of areas:

- Our employees are one of the company's most important assets. We therefore strive to create a safe, creative and stimulating working environment.
- We consider the earth's unique resources as vulnerable and limited, and our products should therefore originate from sustainable sources.
- The environmental effect of our production and distribution should be minimized.
- The use of our products should not cause harm or damage and environmental impact should be minimized.

TCM Group's business model and strategy are described in section "Strategy and financial targets".

It is our ambition to promote the UN Sustainable Development Goals through our core business operations. In order to do so, we focus on the Sustainable Development Goals, which are most relevant to our business. The specific Sustainable Development Goals which we have selected to focus on are:



Furthermore, our Chief Executive confirms TCM Group's ongoing commitment to being a member of the UN Global Compact and thereby conduct our business according to the 10 UN Global Compact principles(UNGC):

Human rights (UN SDG 5+8)

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that TCM Group is not complicit in human rights abuses

Labour (UN SDG 5+8)

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Eliminate all forms of forced and compulsory labour
5. Effectively abolish child labour
6. Eliminate discrimination in respect of employment and occupation

Environment (UN SDG 12+13+15)

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption (UN SDG 12)

10. Work against corruption in all its forms, including extortion and bribery

Besides ensuring our own compliance with the 10 UNGC principles, we encourage our suppliers and business partners to conduct their businesses according to the 10 principles. This section constitutes our Communication on Progress (COP) to the UN Global Compact and covers the statutory statement by the Danish Financial Statements' Act 99a and 99b.

HUMAN RIGHTS

TCM Group strongly support and promote the principles regarding human rights outlined in the UNGC principles, and it is of utmost importance to us that we comply with these principles at any point in time. The primary risks we face in connection to human rights in compliance are discrimination of employees and cases where specific conditions at our suppliers do not comply with the human rights principles. TCM Group takes specific measures to ensure that no in compliance with human rights principles takes place within the company or via our suppliers. The measures are e.g. full implementation of a whistle blower system and conducting arbitrary supplier audits. Both measures will be further outlined in sections "Whistle Blower System" and "Supplier Management".

TCM Group can firmly state that no products sold in 2019 or in previous years were developed or produced using child labor.

LABOUR AND WORKING CONDITIONS

In TCM Group, we acknowledge that our employees are one of our most important assets. We continuously strive to create a working environment characterized by a high focus on safety and a good collegial unity. There is further a risk to work related accidents, that it could impact our ability to attract and retain employees.

The physical workplace is one of our key focus areas. We have formed multiple working groups throughout the entire organization each with clear areas of responsibility such as introduction of new employees to safety policies and procedures, prioritizing potential risk areas, suggesting concrete solutions and influencing the safety culture on a daily basis. Furthermore, we conduct regular examinations of our workplace, by asking all employees to rate their working conditions and encourage them to give their recommendations and ideas on how we can improve our working environment.

REPORTED NEAR-MISS WORK ACCIDENTS

| | 2019 | 2018 | 2017 |
|---|-------|------|------|
| # of reported near-miss work accidents in TCM Group | 1,139 | 780 | 627 |

As a natural part of ensuring a *Safety First* culture throughout the company, we have an increasingly high focus on reporting near-miss work accidents and mitigating the underlying root causes as a means of increasing safety awareness and preventing accidents. The number of reported near-miss accidents has increased to 1,139 reported near-miss work accidents in TCM Group in 2019, whereas 780 near-miss accidents were reported in 2018, indicating increased safety awareness.

Sickness and absence is another one of our key focus areas, and especially absence related to work accidents. From 2018 to 2019 the absence ratio related to work accidents decreased from 1.7‰ to 0.8‰, which is a very satisfactory development. The decrease in the absence ratio has been obtained through various initiatives all focused on how to commission employees in the daily operation as quickly as possible after an incident, e.g. by introducing the employee to new tasks and areas of responsibility. Health and safety will continue to be a key focus area in 2020 in all parts of the organization. The TCM Group motto is that "one work accident is one too many". Safety has top management attention and we will continue to launch specific initiatives in order to reduce the number of work accidents.

SICKDAYS AND ABSENCE

| | 2019 | 2018 | 2017 |
|---|------|------|------|
| # of sickdays caused by work accidents | 83 | 184 | 128 |
| Absence ratio related to work accidents (‰) | 0.8 | 1.7 | 1.4 |

From 2018 to 2019 the absence ratio related to work accidents decreased from 1.7‰ to 0.8‰, which is a very satisfactory development.

Overall, the sickness related absence (excl. absence due to sick children and maternity leave) in TCM Group was at 3.3% in 2019 versus 3.5% in 2018. A major reasoning behind this decrease is an increased focus on dialogue with and support to our most vulnerable employees.

We continue to offer light duty jobs for employees who are temporarily ill and we have a continuous dialogue with employees who have an absence level higher than the standard, in order to understand the reasoning behind their absence. In our internal occupational health and safety organization we continuously try to increase the knowledge and competence level in order to support our employees in the best way possible. The average absence level in the industry is 3.3% according to Dansk Arbejdsgiverforening (2018).

APPRENTICES IN TCM GROUP

| | 2019 | 2018 | 2017 |
|-------------------------------|------|------|------|
| # of apprentices in TCM Group | 17 | 14 | 12 |

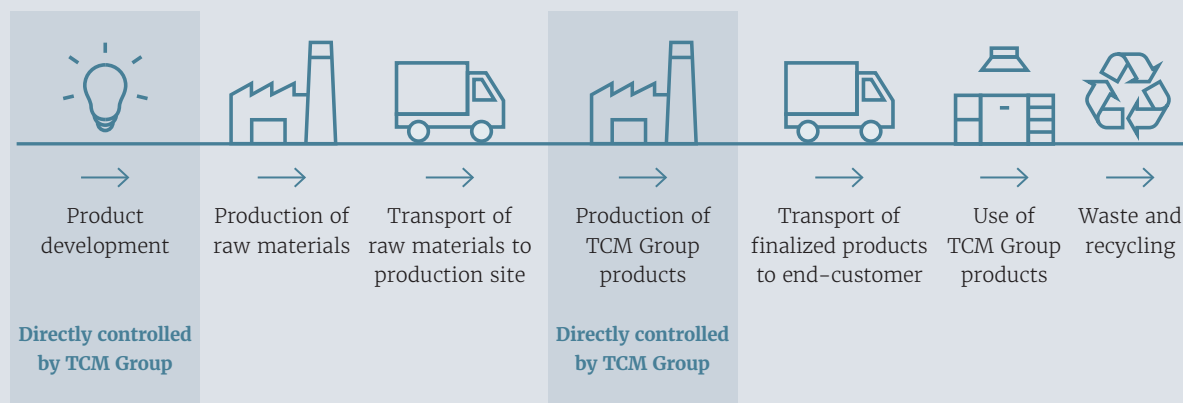
TCM Group is determined to support the education of our next generation workforce. We do so by hiring apprentices in our production and some of our staff functions. From 2018 to 2019 the number of apprentices in TCM Group has increased from 14 to 17.

GENDER DIVERSITY

TCM Group is determined to promote diversity and achieve a sensible gender diversity in both the Board of Directors and the Executive Management based on a desire to strengthen the versatility, gathering competencies and better decision-making processes within the company. It is the Board's goal that its members should complement each other as far as age, background, nationality, gender etc. are concerned. We identify and assess new candidates for the Board based on these conditions, and nomination of candidates is always based on an assessment of candidates' competencies, their match with the needs of the group and contributions to the Board's overall effectiveness.

VALUE CHAIN

Sale of TCM Group products



GENDER DIVERSITY (# OF UNDERREPRESENTED GENDER)

| | 2019 | 2018 | 2017 |
|--|---------|---------|--------|
| Board of Directors | 1 of 5 | 1 of 5 | 1 of 5 |
| Mgmt. (Executive mgmt. and Middle mgmt.) | 2 of 10 | 2 of 12 | 1 of 9 |

TCM Group has a target for the Board of Directors that both genders are represented by at least 20%. As of 31 December 2019, the distribution is 20% women and 80% men, which means that the target is met.

In terms of the Executive Management and the management group below, the goal is to have a management group that complement each other in all aspects. When recruiting management group members internally or externally, the selection is always based on the candidates' competencies and whether they match the requirements of TCM Group. TCM Group does not allow discrimination of any kind e.g. regarding age, nationality, gender, religion, sexual orientation, disability etc. As far as possible, we assure that the final pool of candidates is diversified.

As of 31 December 2019, the gender distribution in the management group is 20% women and 80% men. This is an improvement from 2018 in terms of gender diversity in the management group.

2018 EMISSIONS

| | Total [ton CO ₂] | Percent of total |
|---------------------|---------------------------------|---------------------|
| Scope 1 (GRI 305-1) | 1,360 | 47% |
| Scope 2 (GRI 305-2) | 1,523 | 53% |
| Total | 2,883 | 100% |

In 2018, our total scope 1+2 emission was 2,883 ton CO₂. This means that our emission was 3.2 ton CO₂ per 1 mDKK net revenue.

2018 - KEY FIGURES

| | Total (ton) | Unit |
|---------------------------------|--------------------------------|------|
| Emission per 1 mDKK net revenue | 3.2 ton CO ₂ e/mDKK | |

2019 EMISSIONS

| | Total [ton CO ₂] | Percent of total |
|---------------------|---------------------------------|---------------------|
| Scope 1 (GRI 305-1) | 1,427 | 45% |
| Scope 2 (GRI 305-2) | 1,727 | 55% |
| Total | 3,154 | 100% |

In 2019, our total scope 1+2 emission has increased to 3,154 ton CO₂, mainly due to the increased activity level in our production facilities. Our emission was 3.1 ton CO₂ per 1 mDKK net revenue, whereby our emission has decreased by 0.1 ton CO₂ per 1 mDKK net revenue.

2019 - KEY FIGURES

| | Total (ton) | Unit |
|---------------------------------|--------------------------------|------|
| Emission per 1 mDKK net revenue | 3.1 ton CO ₂ e/mDKK | |

ENVIRONMENT AND CLIMATE IMPACT

TCM Group is committed to reduce the environmental impact of our production processes. In order to do so and to create transparency on the progress of our pollution reduction initiatives, we measure our CO₂ emissions, by following the GRI standards 305-1 (Scope 1) and 305-2 (Scope 2). Scope 1 implies the direct emissions of our business activities whereas Scope 2 measures the indirect emissions via our electricity and heat consumption. We are not yet measuring our other indirect emissions (Scope 3), but are evaluating whether to start measuring Scope 3 in the near future. This also means that we are not measuring the emissions related to our distribution processes, as the distribution has been outsourced and is thereby not within scope 1 or 2. Further information about the GRI standards is available at www.globalreporting.org/standards.

The main sources of emission are our electricity and heat consumption, which are mainly related to our production facilities. In 2018, our electricity consumption was 53% of our total scope 1+2 emissions whereas our heat consumption was 41%. The remaining 6% was emission related to transport activities (company cars and vehicles at our production facilities). In 2019, electricity and heat consumption was 55% and 40% respectively, whereas 5% of our emission was related to transport activities.

TCM Group has set a target to reduce the electricity consumption with 25% per kDKK revenue in 2020, from 19.2 kWh in 2011 to 14.4 kWh in 2020. In 2019, the electricity consumption was 13.1 kWh per kDKK revenue, whereby

our 2020 target has already been achieved. However, we stay committed to continue reducing our electricity consumption ratio.

By the end of 2019, TCM Group invested in a comprehensive upgrade of our lacquering production unit, which will enable us to increase efficiency in our lacquering process, reduce the number of production errors and significantly reduce the electricity consumption in this part of the production process. In the end this will result in a significant reduction of our CO₂ footprint.

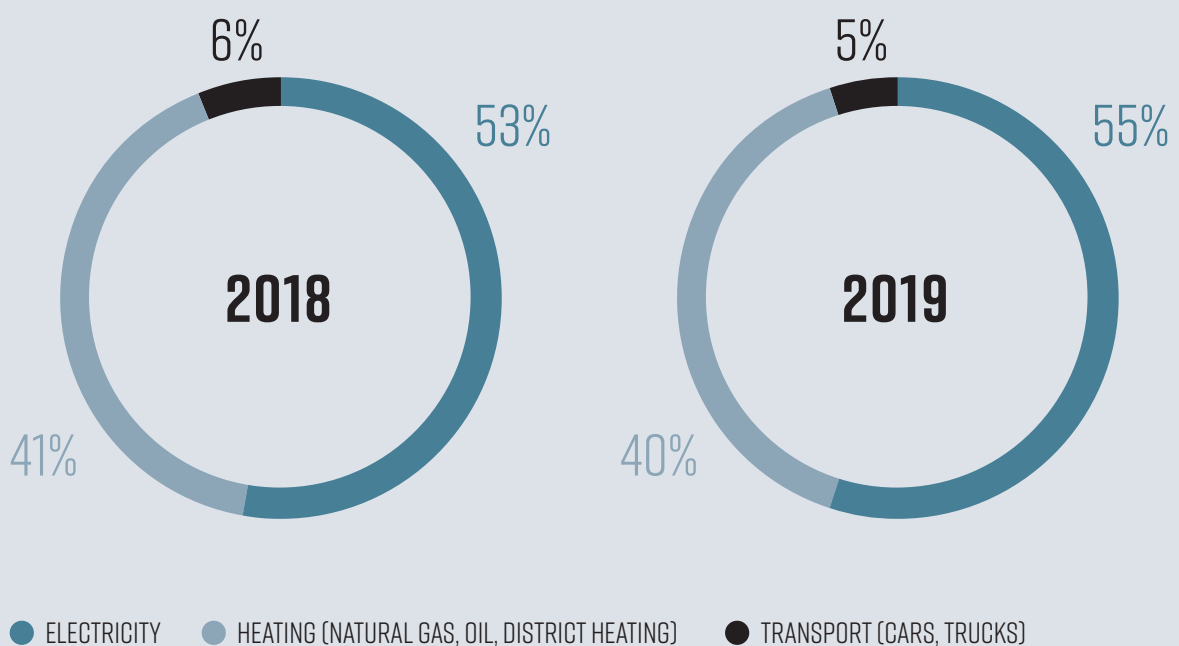
From a risk perspective it is a considerable risk if TCM Group is not considered an environmentally responsible company, that it could damage our brand value.

ELECTRICITY CONSUMPTION

| | 2019 | 2018 | 2017 |
|--|------|------|------|
| Electricity consumption (kWh) per kDKK revenue | 13.1 | 12.4 | 12.5 |

The production process in TCM Group is mainly characterized by woodworking, gluing and painting / lacquering. Throughout our entire production process we have a high focus on reducing the amount of waste material. As an example, the waste wood from our cutting of chipboard is returned to our suppliers and re-used in their production of new chipboard.

DISTRIBUTION OF CO₂ EMISSIONS





Approximately 95% of our purchased chipboards are produced using 70% waste wood from Danish industry production, incl. TCM Group.

In order to ensure that our handling and usage of paint and glue during the production process has as minimal an environmental impact as possible, we ensure that the application of paint and glue only takes place in appropriate and closed surroundings within our factory, and we handle all waste products with care.

In 2010, TCM Group was FSC® certified and in 2015 our FSC® certificate was renewed until 2020. In 2017, Netto-line A/S also received a FSC® certification. TCM Group only produce massive wooden table tops, which are FSC® certified. The certification ensures that only sustainable logging is carried out. Furthermore, the FSC® certificate guarantees that vegetation and animals are protected and that the employees of the forest plantations are properly educated, use proper protective equipment and are paid

WHISTLE BLOWER SYSTEM

In 2019, TCM Group finalized the implementation of an internal whistle blower system, which allows our employees to report any concerns or witnessed activities regarding non-compliance with our Human Rights, Labour, Environmental or Anti-corruption rules and regulations.

All TCM Group employees, customers, suppliers, advisors and other individuals with connection to the company are able to access the whistle blower system through an externally hosted website. The system is anonymous and all communication is encrypted, which means that TCM Group is not able to trace any specific whistle blower report back to the reporting individual. Furthermore, the supplier of the whistle blower system complies with GDPR.

No whistle blower cases were registered during 2019.

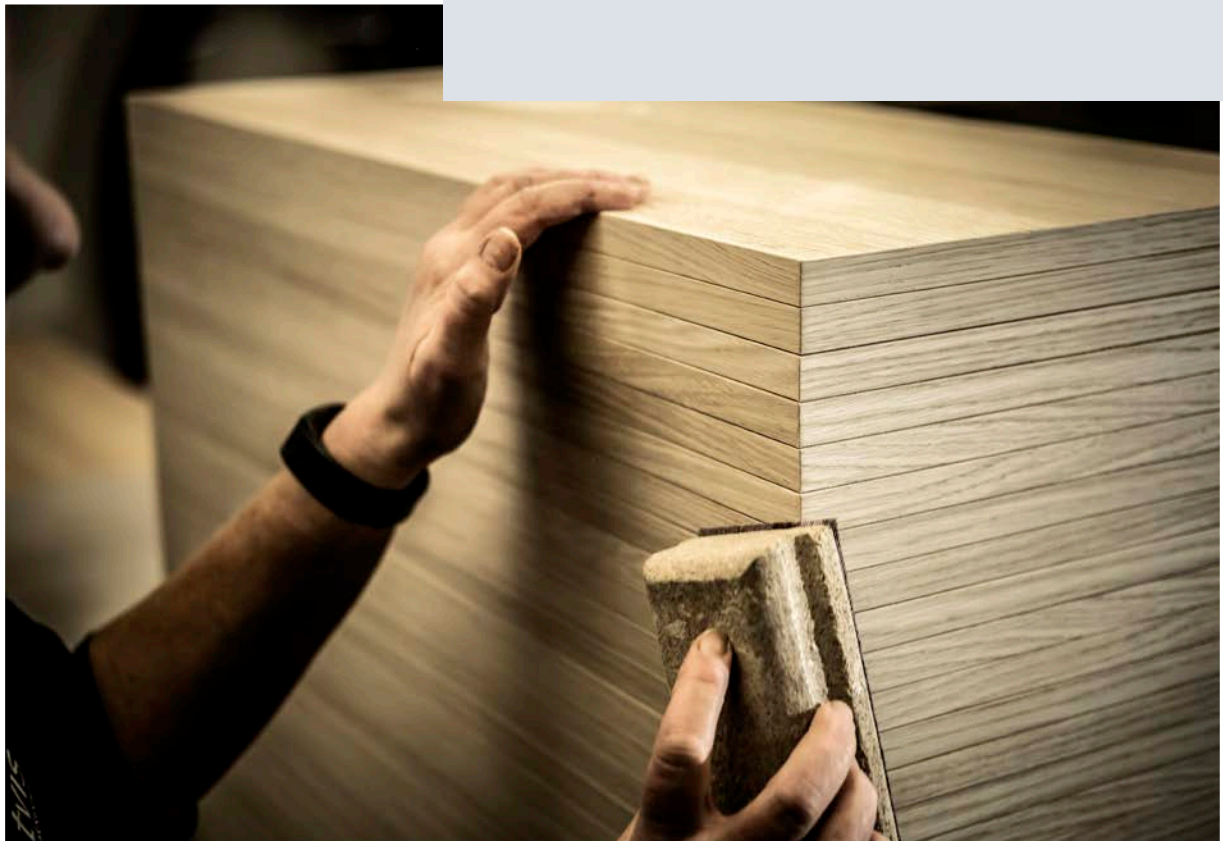
fairly during their employment. Further information about FSC® is available at www.ic.fsc.org.

ANTI-CORRUPTION

TCM Group is exposed to the risk of non-compliance with anti-corruption rules and regulations, for example obtaining an advantage with illegal means, via our employees, suppliers, franchisees and dealers. The consequence could be fines and brand damage. Therefore, our policy is to comply with all applicable regulations and to promote an anti-corruption behaviour to all our business relations.



The total share of TCM Group' purchasing, covered by our Code-of-Conduct was 100% in 2019 and cover all suppliers from non-EU countries.



In TCM Group, no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the company. Violations of these rules will have disciplinary consequences for the employees involved.

There has been no incidents violating the anti-corruption policy in 2019.

SUPPLIER MANAGEMENT

TCM Group intends to influence suppliers via a Code-of-Conduct, which broadly covers all aspects of the principles outlined by the UN Global Compact.

TCM Group suppliers are primarily located in Europe. However, some of our suppliers use sub-suppliers located in Asia. TCM Group management is aware that produc-

tion in Asia implies risks in terms of social responsibility and supplier management, and that our stakeholders expect us to actively ensure that these sub-suppliers are fulfilling regulations in terms of working conditions and environmental-friendly production.

TCM Group' Code-of-Conduct was developed and approved by the Board in 2011, and further improved in 2016. All of our primary suppliers have signed our Code-of-Conduct.

The total share of TCM Group' purchasing, covered by our Code-of-Conduct was 100% in 2019 and cover all suppliers from non-EU countries.

TCM Group will continue to monitor all suppliers in 2020 and conduct arbitrary audits, though with special attention on the suppliers doing business in Asia.