

Global Compact

by BoConcept

UN Global Compact - Communication On Progress

01.05.2019 – 30.04.2020

Statement from the CEO

The desire to take responsibility for human beings, the environment and working circumstances is an important element of BoConcept's global brand.

In 2009, BoConcept joined the UN Global Compact and the BoConcept Corporate Social Responsibility policy is based on the 10 principles relating to human rights, employee rights, respect for the environment and a prohibition against corruption. It also ties in with the UN global goals for sustainable development.

The BoConcept CSR policy is divided into the following focus areas: safe and environmentally friendly production at our own production facility and at our sub-suppliers around the world 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 2019/2020 financial year.

On behalf of BoConcept, I thank you for the interest you are showing in our organisation and our good work in this field by reading this Global Compact report.

Peter Linnet
CEO



About BoConcept

Main activity

BoConcept is a truly global brand and an international furniture retail chain in the premium segment. The furniture and accessories collection is sold through a franchise chain with stores in more than 60 different countries worldwide with BoConcept as designer, business developer, exclusive supplier and international distributor.

Our foundation

For us at BoConcept, a culture should be built from the inside out. Growth, customer focus and performance have many metrics. But we believe the most important is the satisfaction of our people. The feeling of being empowered to produce our best results. That's why we have created a set of values: the foundation of our collective culture and shared success: We call it **The BoConcept Way**.

The BoConcept way

At BoConcept, we believe that our success starts from our people. Each and every one of us, with our varied abilities, strengths and potential.

We believe that uncovering that potential is an everyday process. A journey of individual choices: The day-to-day attitudes we hold. The actions we take. And the habits we form.

It's only by being mindful of those choices and building on our individual potential, every day, that we can achieve lasting success – together.

At BoConcept, we believe in empowered people, who have...
D.R.I.V.E

Develop yourself

Constantly develop and renew yourself so that you are always ready for a new challenge.

Reach the goal

Decide where you're headed and dedicate yourself to finding the best way to get there.

Initiate solutions

You can always choose to create your own reality instead of depending on the circumstances.

Value differences

Seek to understand others' perspectives and use differences to create even better results.

Embrace collaboration

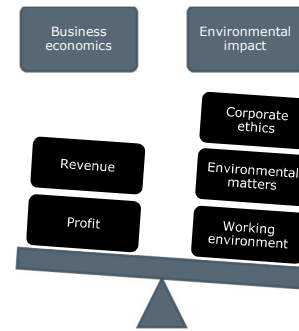
Respect each other and play together to get the best results for everyone.

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

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.

REPORT ON THE GENDER DISTRIBUTION IN MANAGEMENT, CF. SECTION 99 B OF THE DANISH FINANCIAL STATEMENTS ACT

At present, 1 out of 3 general assembly elected members of the Board of Directors is a woman. The company has therefore obtained equal distribution on gender and hence no new target figure has been set.

At other management levels, it is the company's objective to ensure a gender distribution that is representative of the BoConcept A/S group's organisation.

Activities for increasing the underrepresented gender include having both genders invited to job interviews, wherever possible. We encourage current employees to seek management positions within the company on an ongoing basis.

At present, the underrepresented gender share is 33% in other management compared to 42% in the total organisation. This compares to an underrepresented gender share in other management of 30% and 47% in the total organisation last year. We acknowledge that the female gender currently is underrepresented in the other management segment and we are working on a more equal distribution of gender.

THE UN GLOBAL COMPACT PRINCIPLES		BOCONCEPT CSR POLICY	RISKS AND 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>At BoConcept, we constantly assess the risks we see around human rights, labour, environment and anti-corruption.</p> <p>We risk assess our activities and supplier base on an ongoing basis. In our supplier base we see the highest risk in e.g. the Asian countries. Therefore, our supplier base is divided into three main categories (A, B and C suppliers) primarily based on geographical location. Our high-risk suppliers are subject to more frequent audits than our low risk suppliers.</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>BoConcept knows that people make the difference! 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>	<p>All suppliers – both high- and low-risk - are covered by a fixed KPI and audit structure, which focuses on developments in the areas relating to human rights, labour, environment and anti-corruption.</p> <p>If a supplier fails to meet our standards, a detailed action plan will be prepared and follow-up on this action plan will be a fixed part of the agenda at KPI and audit meetings with the supplier in question.</p> <p>In the 2019/2020 financial year we saw no major incidents of non-compliance with our standards in our supplier base.</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>At BoConcept, environmental matters are a top priority. We constantly work to reduce the environmental impact of our chain and products.</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.</p>	<p>Anti-corruption is an integrated part of our Code of Conduct, which we ask our suppliers to confirm in writing.</p> <p>Further, we have formulated an anti-corruption policy applying to all BoConcept employees. The policy helps us make sure that we comply with all relevant legislation and regulations, and that we live up to being a company with high ethical standards.</p> <p>In the 2019/2020 financial year we saw no incidents of non-compliance with the anti-corruption policy applying to all BoConcept employees.</p>

Communi- cation on Progress

01.05.2019 – 30.04.2020

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.

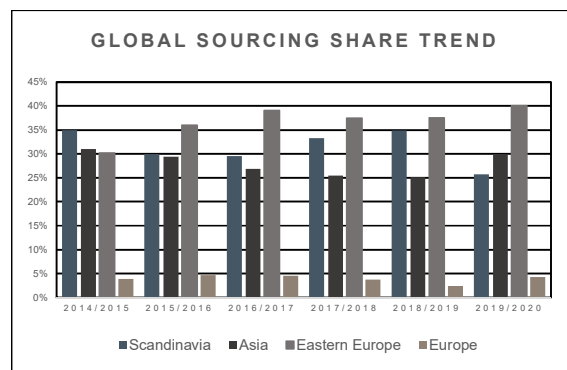
With this partnership BoConcept shows its support of the 10 principles of Global Compact with respect to human rights, labour, environment and anti-corruption.

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.



Comments to global sourcing share trend graph:

From 2018/2019 to 2019/2020 we saw a 9% decline in the total sourcing amount. This is attributable to a general decline in sourcing as well as a reduction in the BoConcept safety stock.

Further, there has been a shift in the different regions' share of the total sourcing amount. This is primarily due to a change in our accessories sourcing strategy and an increased sourcing of upholstery from Eastern Europe. Also, a change of reporting system from 2018/2019 to 2019/2020 may have affected the distribution across the different regions.

12 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, environment and anti-corruption. 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 01.05.2019-30.04.2020

Own production and office facilities

In the 2019/2020 financial year, our own production and office facilities have:

- increased focus on the use of virtual meetings rather than physical meetings as a result of the COVID-19 outbreak
- radically changed our travel habits due to the outbreak of COVID-19 and revised our travel policy accordingly
- ensured that 99% of our wooden raw materials are FSC certified
- established a project group with the aim of investigating the possibilities of a full FSC certification of the entire value chain
- continued the ongoing shift to more energy-efficient and long-lasting LED-lights at all workstations in the production
- invested in an additional container emptier at our warehouse in Herning, which ensures a more ergonomic handling for our employees in their day-to-day work
- further increased focus on safety and in particular the registration of near-by accidents
- launched a project under the Working Environment Organisation with focus on ergonomics. The project has focus on ensuring improved ergonomics at all work stations in production, warehouse and administration. Further, all our working environment representatives have been educated further in the field of ergonomics

European suppliers

During the past 12 months, our largest European upholstery supplier has:

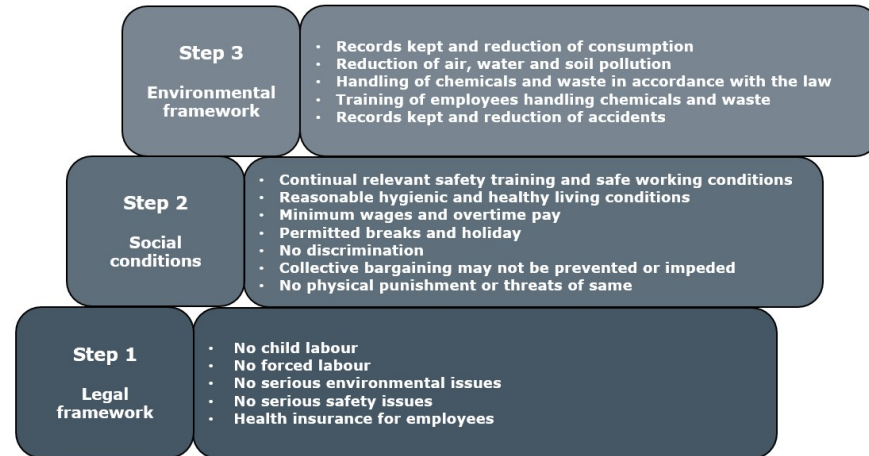
- established a specific program for its employees covering education as well as improved working conditions in general
- increased its focus on energy-related investments. E. g. surplus heat from the production equipment is used to heat the production facilities
- further increased its focus on recycling in the form of waste separation
- invested in an internal transport system, serving to reduce the amount of manual lifting in the packing process

Asian suppliers

During the past 12 months we have further increased focus on our accessories sourcing program in India – in particular in the rug and textile segments. In addition to meeting the usual BoConcept supplier requirements (see illustration in the upper-right corner), BoConcept expects all its rug and textile suppliers to meet a specific set of CSR-related key requirements such as use of solar energy, recycling of water as well as establishment of local social responsibility-related and educational programs for its 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.

In the 2019/2020 financial year, our largest Asian supplier of upholstery has:

- invested in upgraded fire doors at its production facility
- invested in an upgrade of the system used to improve the air quality in the painting shop at its production facility
- upgraded the system used for handling of waste water

In the 2019/2020 financial year, our Asian suppliers have:

- invested in new lighting equipment to improve working conditions for its employees
- had extra focus on the handling of waste water
- established various social responsibility-related and educational programs for its employees

Anti-corruption is an integrated part of our audit structure and supplier dialogue in particular in relation to our high-risk Asian suppliers (category C suppliers). In the 2019/2020 financial year

we saw no major incidents of non-compliance with our anti-corruption standards.

GOALS AND FOCUS FOR THE COMING YEAR

Our goal for the 2020/2021 financial year is to continue our Global Compact and CSR-related follow-up meetings with all our category A suppliers, which account for 86% of our annual buying volume.

Moreover, as part of our future strategy we will tighten our requirements for CSR and CSR-related activities in the selection of new suppliers. This way, we emphasise the importance and prioritisation of the constant focus on CSR activities in the BoConcept supplier portfolio.

TRANSPORTATION

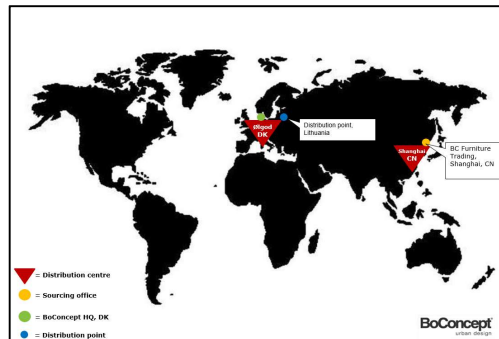
As an international company, both with regards to retail and supply chain, transportation and logistics are key aspects of our business. Buying and selling at the right prices is of vital importance to BoConcept. However, it is just as important to maintain a high quality standard and ensure reliable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

We operate with an asset-light transportation model. Physical transport is 100% outsourced and operated by forwarders using airlines, shipping lines and haulage companies.

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. During the past year we have even reduced the number of departures to some destinations thus improving utilisation of containers and reducing our environmental impact.

THE BOCONCEPT WAREHOUSE AND DISTRIBUTION SET-UP



STATUS ON DEVELOPMENTS 01.01.2019-31.12.2019

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. Many initiatives have been taken in order to move to carbon-neutral shipping. This is done through many technical initiatives and by planning and optimising networks. Test of biofuels have taken place and exploration of new fuel together with knowledge and partners within the shipping/marine industry will continue (alcohol, biomethane, ammonia, etc.)

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 2019, BoConcept decreased the air-transported volume by 13%. Air transport is only used in special circumstances and not as a regular mode of transport.

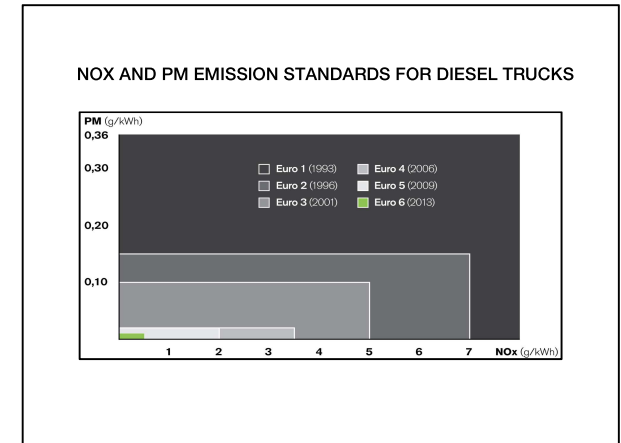
Air transport emits approx. 100 times more CO₂ per shipment than sea transport and 9 times more than cargo transported by road.

Road transport

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

Our forwarders' use of the different truck engine types/Euro norms directly affects the CO₂ emission levels. Due to changes in forwarder mix and volume in different transport corridors, we were again this year able to improve the use of the less polluting truck engine types (Euro norm 5-6). This means that in 2019, the share of Euro norm 5-6 truck engine types improved from 87.3% to 91.7%.

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



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

- Tyre pressure monitoring
- Idle-running reductions (truck engines)
- Surveillance of consumption and eventual mistakes
- Transport reports on each truck/driver
- Training of drivers
- Driver bonus schemes (based on the use of diesel per km)
- Change of trucks to better engine types on a regular basis
- Test runs with biodiesel
- Investment in projects related to development of new fuel like e.g. hydrogen (wind energy)

Progress is made by all our forwarders. One of our largest forwarders increased energy efficiency for sea transport by 8%, road transport by 5% and air transport by 2% in 2019.

GOALS AND FOCUS FOR THE COMING YEAR

For the coming year, it is our goal that the share of Euro norm 5-6 truck engine types represents min. 92%.

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