

Global Compact

by BoConcept Holding A/S

01.05.2014 – 30.04.2015

UN Global Compact Communication on Progress

'This Communication on Progress forms part of the management review of the BoConcept Holding A/S 2014/2015 annual report and constitute the compulsory statement on corporate social responsibility as specified in section 99a of the Danish Financial Statements Act. This Communication on Progress is not covered by the Independent Auditor's Report'



Statement from the CEO

The desire to take responsibility for human beings, the environment and social relations is an important element of BoConcept's global brand. At the same time, it is vital that the BoConcept CSR policy strikes an obvious and healthy balance between environmental impact and business economics.

Six years ago, BoConcept joined the UN Global Compact, and the BoConcept CSR policy - which forms the framework of our CSR initiatives and priorities - is based on UN Global Compact's 10 principles relating to human rights, employee rights, respect for the environment and a prohibition against corruption.

The BoConcept CSR policy is divided into the following focus areas: environmentally friendly and safe production at our own production facility and at our sub-suppliers and reduction in CO₂ emissions related to transportation and logistics.

On the proceeding pages you will find an update on the developments in our designated CSR focus areas in the 2014/2015 financial year.

On behalf of BoConcept, I thank you for the interest you are showing in our organisation by reading this report.

Torben Paulin
President & CEO

About BoConcept

BoConcept is the brand name of Denmark's most global retail furniture chain with 294 brand stores and studios in 59 markets worldwide.

Passion at our core

Passion and persistence are what move the people behind the BoConcept brand, whether they are designing a wall unit, leading a team, or managing a store. Our common mission is to make modern design furniture available to the urban-minded customer.

Our furniture and accessories

We offer customised, coordinated and affordable design furniture and accessories. Customised because our products can be fitted to the needs and dreams of our customers. Coordinated because we take a holistic approach in the development and design of our product range. Design because we are a design company with our own designers. Affordable because we want to spoil our customers by giving them great value.



The BoConcept vision and values

Our vision and our core values guide us in everything we do at BoConcept. These statements are not just words on a page - they are acted out every day by BoConcept employees around the world.

Our vision

To make BoConcept no. 1 brand within urban interiors.

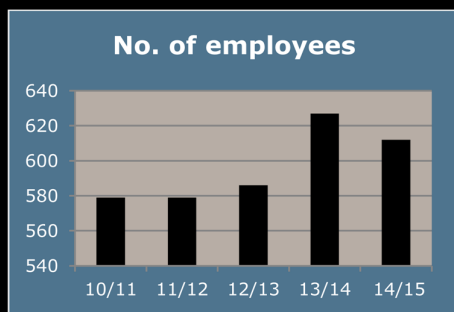
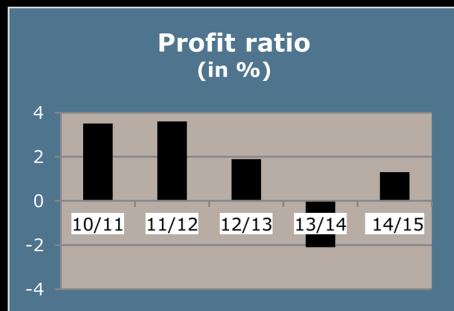
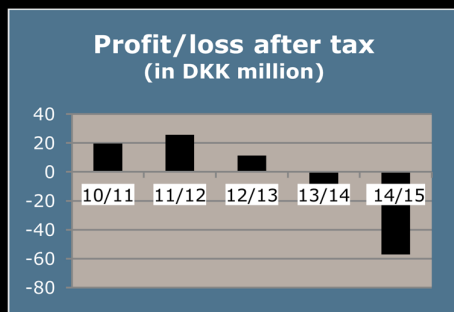
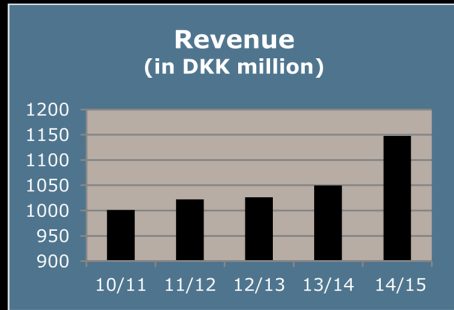
Our core values

'Values are what bring people together in a common understanding. They're a set of rules telling us how to think and act. From Herning in Denmark to Auckland in New Zealand, values unite us across occupation, language and culture. They make us family.'

Viggo Mølholm, BoConcept Holding A/S Deputy Chairman and former BoConcept A/S CEO

	RESPECT always show you care
	THINK SMARTER always look for the better solution
	PLAY THE TEAM always use your freedom responsibly
	LOVE CITY LIFE always know what's going on

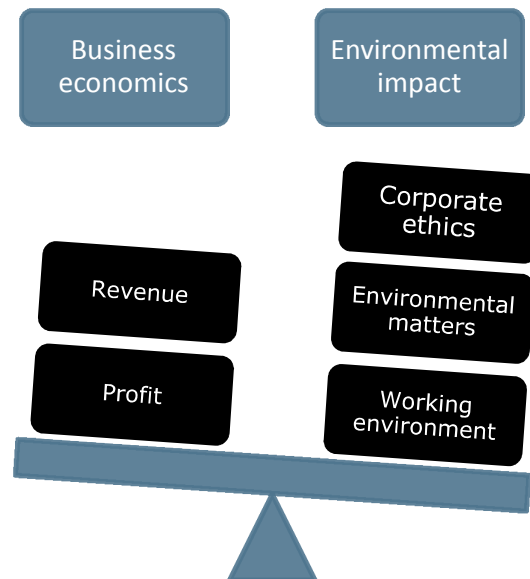
Financial highlights & key figures



BoConcept's 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.



The BoConcept CSR policy

One of the core values at BoConcept is respect. We want to show respect for our customers by delivering great design and quality at the right price. But not at any price.

All BoConcept suppliers must follow the BoConcept Code of Conduct in order to ensure that all our products are manufactured in a way that respects the rights of their employees. Our headquarters are based in Denmark and we apply our Danish background in our expectations to our suppliers when it comes to quality, environment and work processes.

Over 60 years of experience and know-how provide invaluable benefits for our production facility in Denmark as well as in our close co-operation with our global suppliers. We have carefully selected suppliers that share our commitment to high quality. Together, we work to develop competencies and processes, and to implement initiatives that take responsibility for people and the environment.

In general terms our ambition is to manufacture products with as little impact on the environment as possible. We continuously strive to make environmental improvements in the production of our products as well as the logistical processes involved in delivering BoConcept products to customers, thereby making sure that the effects of our business leave as little footprint on the global environment as possible.



Communication on Progress for the period 01.05.2014-30.04.2015

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.

Below is an update on the areas that BoConcept has designated as its principal focus areas:

Suppliers

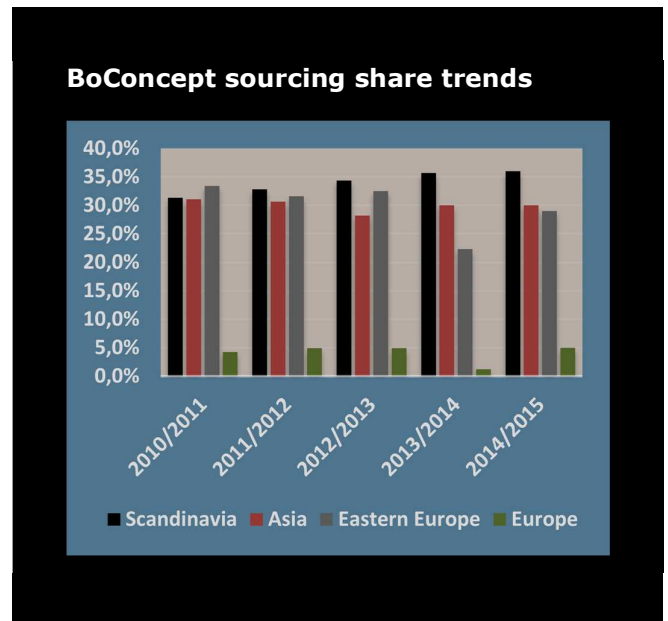
At BoConcept we have become more globally oriented as a growing share of our products is sourced from all over the world.

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.

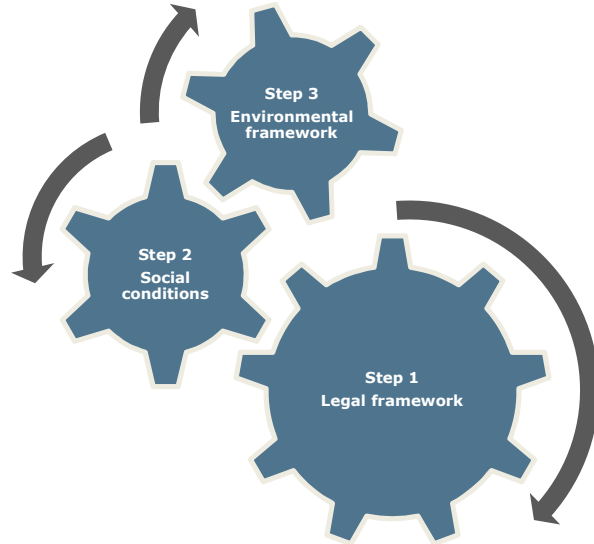
Seven years ago BoConcept launched the first edition of its Code of Conduct. The purpose of the BoConcept Code of Conduct is to ensure that BoConcept suppliers operate in accordance with internationally recognised standards on human rights, labour and environment. BoConcept adheres to the principles of this code and expects the same of its suppliers. The content is based on relevant ILO (International Labour Organisation) and UN conventions.

The aim of the BoConcept Code of Conduct is not to end our business with non-compliant suppliers but to help our suppliers improve their social and environmental standards. BoConcept is therefore willing to work with suppliers to achieve their compliance with this code. However, we will not conduct business with a supplier if compliance with the requirements of the code is deemed impossible. Nor will we conduct business with a supplier engaged in violations of fundamental human rights.



At BoConcept, we visit all our principal suppliers to ensure that these comply with the BoConcept Code of Conduct and that action plans are established to deal with the most important issues.

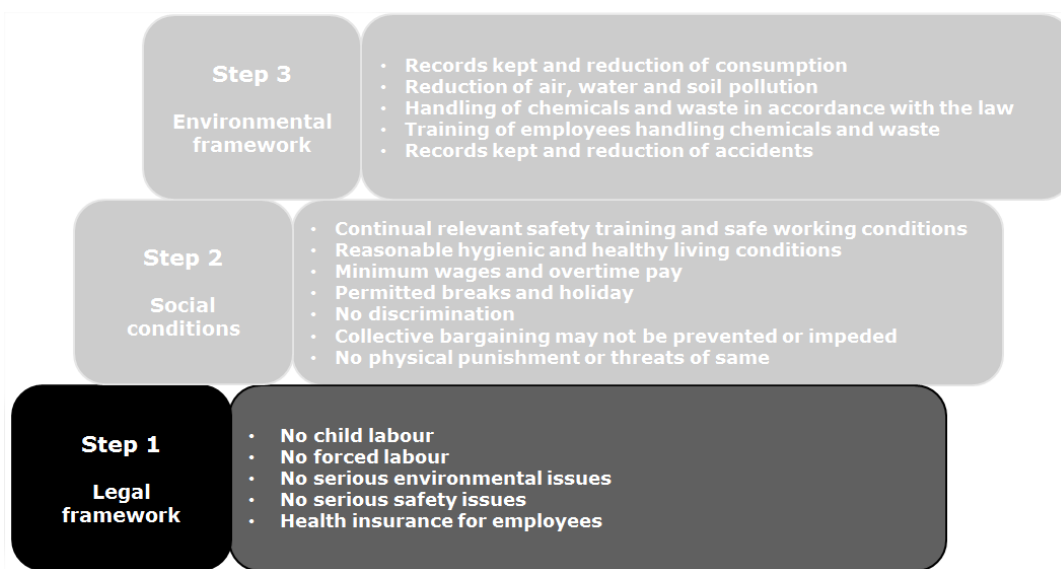
While adherence to the BoConcept Code of Conduct brings our suppliers up to a certain standard, it basically only sets out our minimum requirements. With this in mind, we work with a 'development wheel' that is used in our ongoing dialogue with suppliers.



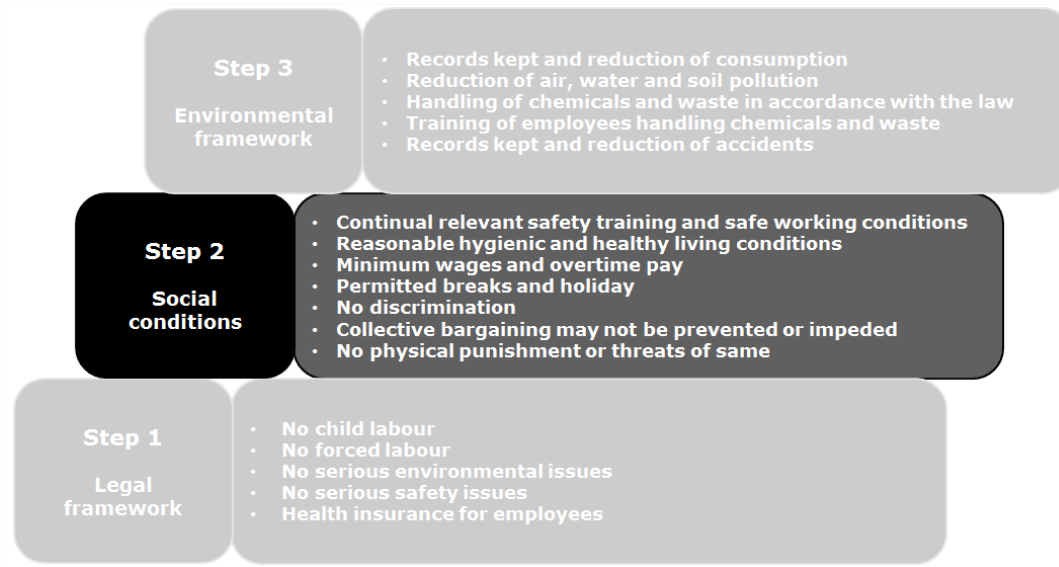
The model to the right illustrates how we hold our suppliers to their CSR commitments, and it shows that it is an ongoing process.

Supplier parameters

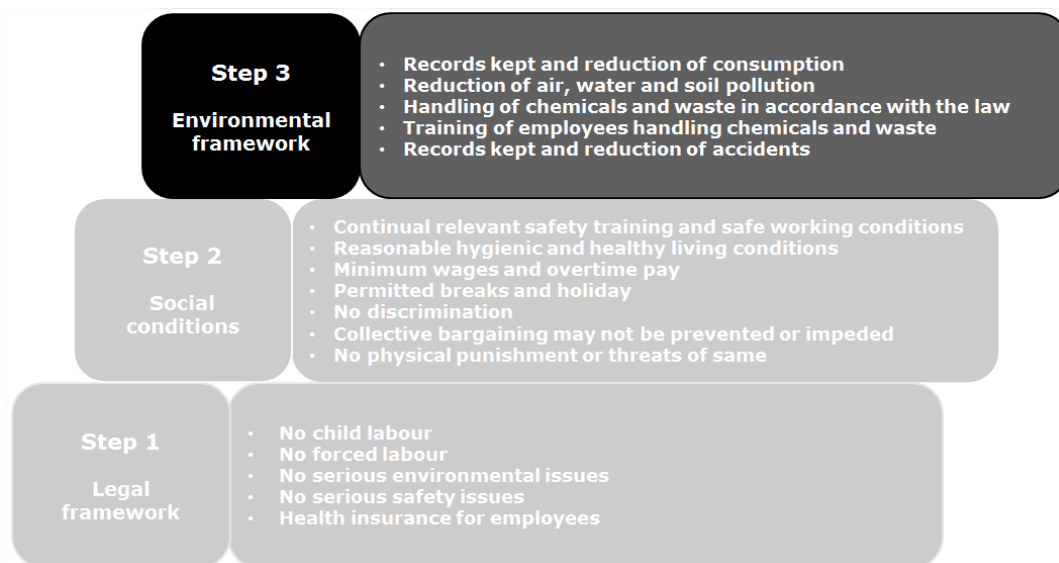
The model below shows a number of parameters that BoConcept requires its suppliers to live up to. BoConcept will not begin collaborating with a company that fails to comply with Step 1.



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.



Status on developments in the period 01.05.2014-30.04.2015

Asian suppliers:

During the past 12 months one of our strategic suppliers of upholstered products has invested in a new spray booth, which is equipped with the latest ventilation solutions, thereby ensuring improved working conditions for the staff handling these processes. Further, the same supplier has built new drying booths in which the different units are placed while the glue sets.

Also, one of our suppliers of wooden products has installed new dust extraction equipment in the factory's wood workshop area, serving to improve working conditions.

Our strategic supplier of metal products has recently built new production facilities, which has resulted in improved working condition, more efficient work flows and better storage space for raw materials.

Another supplier of metal products has invested in a new dust-free powder coating booth in order to ensure safer working conditions for the staff. The supplier has also expanded the polishing workshop area and upgraded with improved ventilation solutions, serving to ensure better and safer working conditions.

European suppliers:

During the past 12 months our strategic supplier of upholstered products has primarily focused on energy improvements. The air extraction system used in connection with the factory's gluing process has been optimised, and as a result of this 90% of the air that is extracted and cleaned is reused to heat the factory. Further, the insulation of the production facilities has been improved, thereby ensuring reductions in the energy consumption.

One of our suppliers of wooden products has invested in new wood-drying kilns that use up to 80% less energy than standard wood-drying kilns. The same supplier has invested heavily in various machinery upgrades and through this reduced the energy consumption. Also, the machinery upgrades have led to noise reductions, which again have resulted in improved working conditions. Further, the supplier has invested in new and improved pallet trucks/jacks, serving to improve ergonomics for the staff.

Our lamp supplier has invested in new metal surface treatment machinery that cleans and reuses lacquer to the extent possible, thereby ensuring less lacquer waste. Further, new lifting equipment has been installed at the supplier's warehouse, which has resulted in improved ergonomics for the staff handling these work processes.

Also, our rug supplier now funds a school in India through the Fair & Care organisation. All expenses for the school - which is frequented by more than 300 pupils every day - are paid by our supplier. Also, during the past 12 months, the

school has been equipped with a solar energy system, serving to reduce the use of generators.

Recently, our accessories supplier introduced a new waste separation system. The purpose of the system is to ensure a more environmentally friendly handling of the supplier's substantial amount of packaging material. Also, the supplier aims at reducing the internal use of prints by 20% by the end of 2015.

Own-production/internal warehouse:

In recent years, our own production facility has increased its focus on working conditions/environment and in particular reductions in occupational injuries. The extra focus has resulted in a decrease of 40% in occupational injuries so far in 2015 compared to the same period last year.

Moreover, the change to LED lighting at our production facility continued in the 2014/2015 financial year. So far, 16 light fixtures have been upgraded to LED lighting, and for each upgrade, the energy consumption of the light fixture in question is reduced by as much as 50%.

In the 2014/2015 financial year our own production has been testing the use of dyed edgings on board furniture units in order to reduce the use of lacquer in the production of board furniture. In 2015, we intend to apply this method in the production of our best-selling desk in the colour white. The estimated annual lacquer use reduction related to this initiative is approx. 150 kg. Also, efficiency improvements in the surface treatment of one of our board product lines is expected to result in an annual lacquer use reduction of approx. 80 kg. The estimated annual lacquer use reduction of the above-mentioned initiatives totals 1.5% of the total lacquer use in the production.

At the internal warehouse a vacuum lifting mechanism has been installed for the handling of large glass table tops. This ensures the warehouse staff improved ergonomics.

Goals and focus for the coming year:

Our focus for the coming financial year is to ensure continuous CSR/environmental improvements with our suppliers. CSR/environmental audits will thus become an integral part of future supplier visits performed by key CSR co-ordinators from the BoConcept organisations in Denmark and China.

Also, in the coming year we will keep on working on ensuring that 70% of our total buying volume within the upholstery and board furniture categories is sourced from suppliers with established CSR and Global Compact-related action plans.

Transportation

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

BoConcept has its own production facility in Denmark, but otherwise also purchases goods from the Far East and Europe.

In order for this to be successful, a strict and precise management of logistics and suppliers is required.

Status on developments in the period from 01.05.2014-30.04.2015

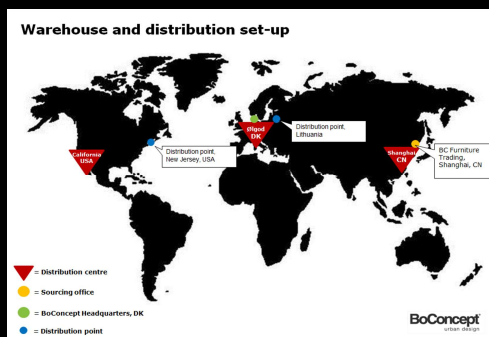
During the past 12 months, BoConcept has strived to establish an overview of and document the CO₂ emissions for which it is responsible in connection with its sourcing (where BoConcept is responsible for arranging and paying transportation) and sale of furniture worldwide (only up to ports in destination countries).

This is a huge task, as the logistics flow through our supply chain is relatively complex and, in many instances, the information available is not detailed enough.

For these reasons, we have been forced to work with certain limitations in accounting for the various sources: for example, truck and air transport has been excluded from the report.

Accordingly, it appears from our calculations that our transportation activities, bearing the above-mentioned limitations in mind, have an annual impact on the environment of 877,486 tonnes of CO₂, which is a decrease of 10.8% compared to last year.

The BoConcept warehouse and distribution set-up



BoConcept has three distribution centres:

- Ølgod, Denmark
- Shanghai, China
- California, USA

Two distribution points:

- New Jersey, USA
- Lithuania

One sourcing office:

- Shanghai, China

As for the European road transport, we constantly encourage our carriers/transport operators to minimise their environmental impact.

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

Our carriers' use of the different truck engine types/Euro norms directly affects the CO₂ emission levels. From 2013 to 2014 the use of less polluting truck engine types increased by 5.2%. Also, in 2014, the share of Euro norm 5-6 truck engine types represented 81%.

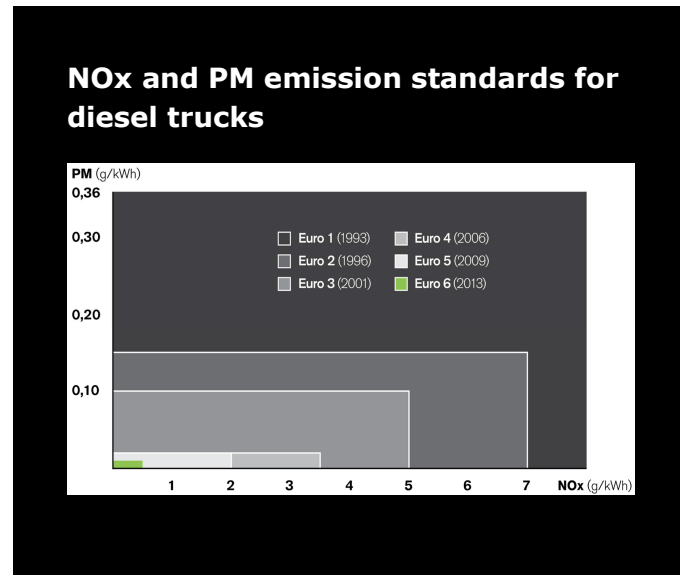
The environmental impact of the different engine types appears from the illustration above.

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

- Tyre pressure monitoring
- Idle-running reductions (truck engines)
- Transport reports on each truck/driver
- Further training of drivers
- Driver bonus schemes (based on the use of diesel per km)

Goals and focus for the coming year

For the coming year, our focus is to ensure continuous distribution set-up improvements, in addition to which we strive to minimise the impact of our distribution set-up on the environment as far as possible. Also, we intend to develop our reporting on European road transport further.



BoConcept's Global Compact in essence

The UN Global Compact Principles		BoConcept's Actions:
Human Rights:	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>BoConcept supports the international declared human rights.</p> <p>We do not discriminate against any person, regardless of race, sex, colour or religion.</p> <p>Being a global organisation, BoConcept has employees with many different cultural backgrounds. It is vital to BoConcept to maintain this.</p>
Labour:	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>One of BoConcept's core values is 'Respect'. In this context the value covers respect for other people and their rights.</p> <p>BoConcept knows that people makes the difference! Therefore all employees are encouraged to bring up their ideas to improve workflow, work environment or ideas to improve other parts of the BoConcept business.</p> <p>The BoConcept Code of Conduct states that all suppliers must ensure that basic human rights and basic labour standards are implemented.</p> <p>Further, we have communicated to our present suppliers that we have enrolled in the UN Global Compact program and that we expect they will run their companies applying the same 10 principles as we do.</p>
Environment:	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>As can be read on the preceding pages, BoConcept has prepared a specific plan for the clarification and reduction of the environmental impacts of our chain and our products.</p> <p>This plan covers sub-suppliers/production and transportation. At BoConcept, we will continue our work to improve the accuracy of the data.</p>
Anti-Corruption:	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>At BoConcept we do not accept any form of corruption. We do not use bribe or extortion in any way.</p> <p>Further, anti-corruption is an integrated part of our Code of Conduct, which we ask our suppliers to confirm in writing.</p>

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:



Torben Blindbæk

Quality Manager

E-mail: toj@boconcept.com

Telephone: +45 7013 1366