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## **UN Global Compact Index**

# Introduction to Kvadrat

## 1. Reporting on CSR

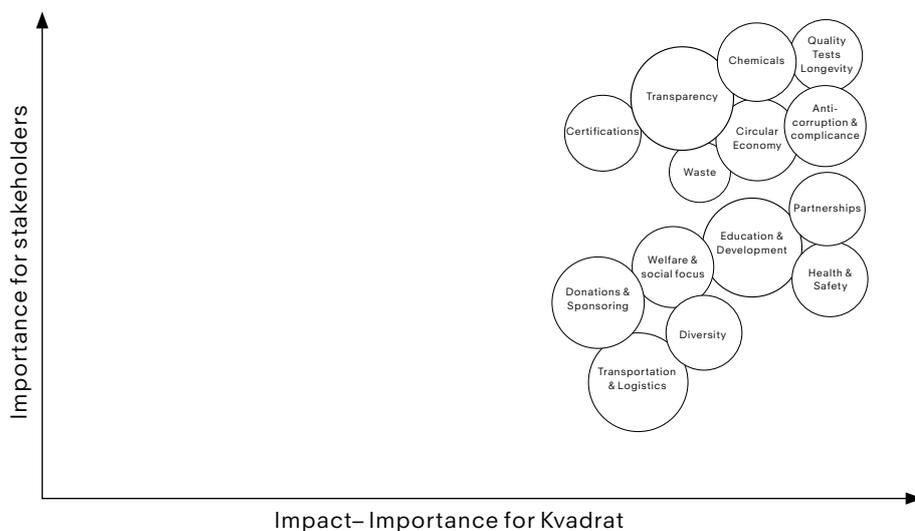
This report covers activities, data and objectives for Kvadrat A/S<sup>1</sup> and addresses the requirements outlined by The Danish Financial Statements Act § 99a & 99b about reporting on corporate social responsibility (CSR). As a member of UN Global Compact, this report is also our COP (communication on progress), containing information about our activities and developments according to the ten principles of UN Global Compact. We support the 17 UN Sustainable Development Goals (SDG's) as well as the general UN goals and principles.

We believe that our business incorporates and support the 10 principles set out by the UN Global Compact through our Code of Conduct and work on topics concerning the environment and social responsibility. With our support to the UN Global Compact, we aim to move the agenda concerning our performance related to human rights, labour rights, the environment and anti-corruption forward. We will continue our work in these areas and report on the progress annually.

Our Sustainability Report – our COP – is published every year in April. The first COP was released in 2014, a year after entering the UN Global Compact in 2013. This report covers the financial year of 2018 from 1st of January 2018 to 31 December 2018 and is published in April 2019.

*The materiality of topics 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. The topics considered material for stakeholders and Kvadrat is covered in this report*

Materiality Analysis



Important stakeholders for Kvadrat include among others: Employees, customers, suppliers, owners, subsidiaries, media, designers and NGO's as well as industry associations.

<sup>1</sup> Includes Kvadrat Holding and covers activities on Kvadrat Group level

## 1.1 Foreword by the CEO

2018 has been an exciting year for Kvadrat. Our 50th anniversary this year has been a great motivational reminder of what we have accomplished and where we are heading in the future. The development within these last five decades has been amazing to follow and we want to continue the growth, staying focused on our values and affection for design and quality.

Sustainability is a topic we have been addressing for decades and in recent years, it has become increasingly evident that we all feel the global effects of climate change and the consequences that follow.



Therefore, we are obliged to act and do our utmost to develop sustainable solutions. Sustainability – the ability to sustain – requires companies to acknowledge and integrate three different aspects; social, economic and environmental. Environmentally friendly solutions and social responsibility are integrated in our business strategy and in the Kvadrat DNA, but a strong business is only sustainable if it addresses global issues and invests in solutions supporting a sustainable future.

The textile industry is known for its impact throughout the supply chain and we believe that issues need to be solved by a proactive innovative approach where companies are ready to invest for future solutions, creating valuable partnerships in order to solve common challenges. Therefore, we collaborate with researchers, students, companies and organizations to share knowledge and push the agenda. We find these collaborations extremely valuable and have experienced how different mindsets and points of view can create synergy and exciting initiatives.



This year we have engaged in even more projects that address a circular economy. We believe that working towards a circular economy is a step in the right direction in order to use resources in the most efficient way and creating solutions for waste reduction and use of alternative raw materials etc. Hence, it was a pleasure to launch Re-wool, a new woollen textile consisting of 45% postproduction wool waste fibres. This new, innovative product is just one example of our work with designing textiles for the future. A circular economy is part of our focus for the future 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.

With this report we want to express our continued support to UN Global Compact and communicate progress and 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. For us, 2018 has been a year of collaboration, growth and partnerships with focus on circular economy and transparency. 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.

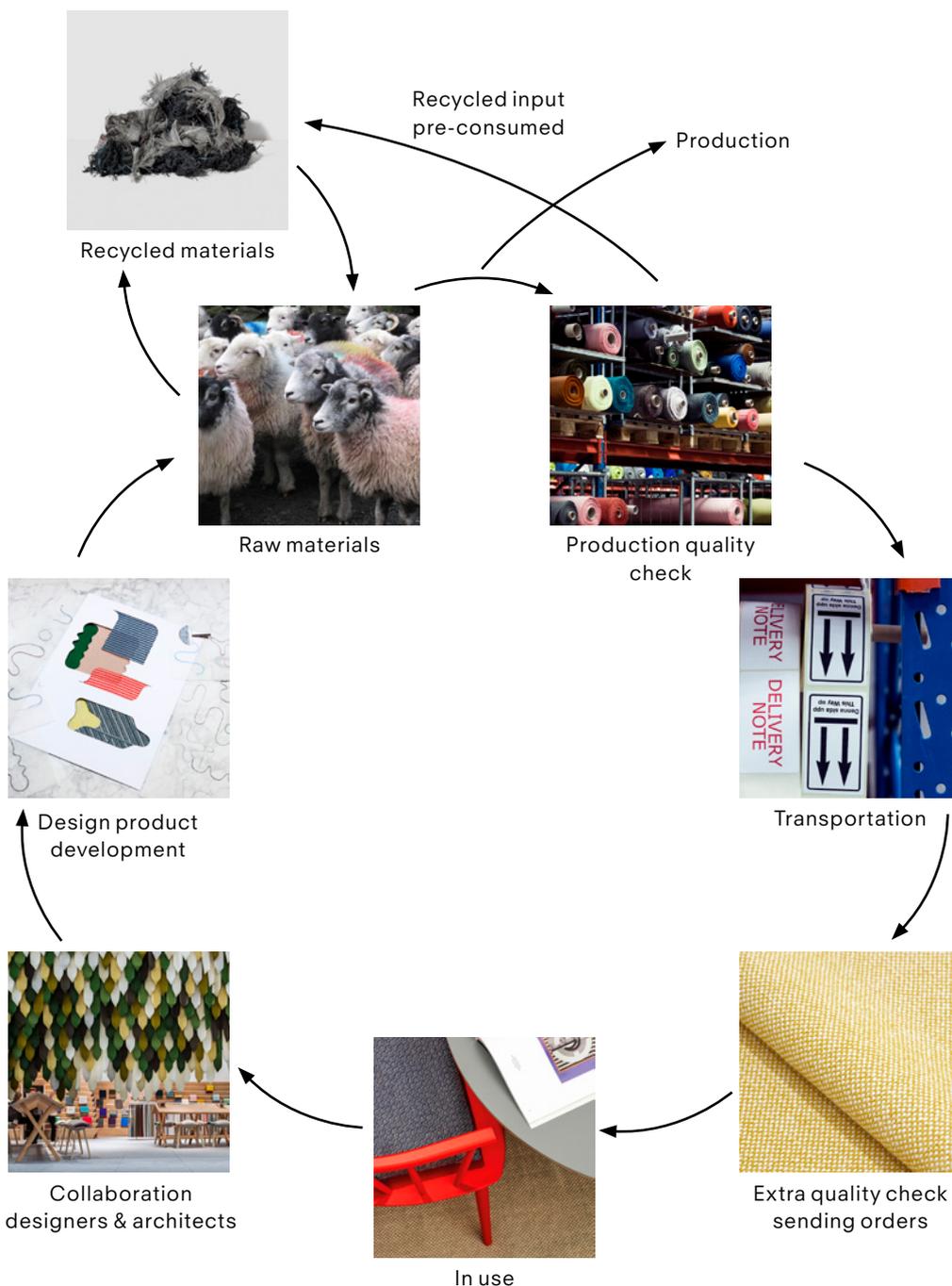
At Kvadrat, we are committed to play our part in meeting the global challenge of climate change, operating as a socially and environmentally responsible business. We are happy for what we have achieved the past 50 years, but we rather look ahead and ensure our license to operate the next 50 years by always developing and ensuring a sustainable business.

Anders Byriel, CEO Kvadrat

## 1.2 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 headquarters, including warehouse, is located in Ebeltoft, Denmark, while we have 39 representative sales offices around the world. We work with selected designers to develop the innovative products, while our warehouse staff carry out continuous quality control and send the textiles out to our customers.

We wish to maintain a close collaboration with our suppliers to ensure the best quality. In doing so, we work with selected partner suppliers, where we own a share in the company, while incorporated subsidiaries contribute to our assortment of rugs, curtains, upholsteries, acoustics and upcycled textile boards.



# kvadrat

**kvadrat** soft cells

KVADRAT / RAF SIMONS

KINNASAND

**Really.**

SAHCO

FEBRIK



717 Employees



Sales offices in 25 countries



39 showrooms



187 M € turnover 2018

### **1.3 Areas of focus**

Kvadrat is deeply rooted in the design culture and our uncompromising focus on quality. Since the foundation in 1968, we have focused on delivering products that combine the best quality materials with extraordinary design. For us, quality and design go hand in hand with sustainability, as we want to ensure products that last for many years. Therefore, environmental and social considerations are intrinsic parts of our business strategy and sustainable solutions are considered for all steps of the process from raw material extraction and design to production, use and recycling.

We always strive to create the most sustainable solutions and continuously evaluate how we can support UN's Sustainable Development Goals throughout our value chain to add value to our surroundings.

In this sustainability report we address essential topics which has proved to be important for the company and its stakeholders. We have outlined four main areas of our work with CSR and sustainability, which embrace key initiatives and objectives, while communicating our responsible and sustainable progress in a transparent way. These are:

**Environment**

**Employees**

**Compliance**

**Culture**

#### **1.4 CSR policy**

We consider sustainability a key parameter for making valuable business. By integrating it into our business strategy and business DNA, we are actively considering sustainability in everything we do. Not only does it prepare a strong business for the future, it also creates shared value in our daily business for our stakeholders and Kvadrat. Our responsible business conduct and focus on sustainability has already proven to create results that make Kvadrat head of the game in terms of innovation and design as well as securing the business through the value chain and strengthening the ties between us and Kvadrat stakeholders.

Having signed the UN Global Compact in 2013, Kvadrat A/S has committed itself to support the ten principles regarding human rights, labour rights, environment and anti-corruption.

The standards we adhere to provide us with a framework for continually reducing the environmental footprint of our production and internal processes, efficient and responsible use of raw materials, and creating a secure and healthy environment for employees as well as a proactive approach to responsible business conduct and compliance.

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 relevant legislation, international conventions and the ten principles in the UN Global Compact. Furthermore, we expect suppliers to regularly document how they are meeting our requirements.

Our suppliers also adhere to our strict requirements for quality and substance and together, we continuously look for sustainable production or substance alternatives to further reduce our environmental impact.

Our CSR policy and statements in this report apply to all products developed and produced by Kvadrat. However, our complete offering also includes products from external brands and partners, who seek to meet specific market demands through their individual policies and developments.

## 1.5 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	The upholstery textiles <i>Hallingdal</i> and <i>Molly</i> receive the EU Ecolabel certificate
2007	A large number of the textiles from the collection receive the GREENGUARD® certificate. This certification is awarded to products that meet strict emission levels of pollutants and therefore, enhance indoor air quality.
2008	Kvadrat headquarters in Ebeltoft achieves the health certification from Dansk Firmaidrætsforbund (Sports Confederation of Denmark). This covers our approach to diet, smoking, alcohol, exercise and stress
2010	More textiles from the collection receive the EU Ecolabel certificate. Kvadrat headquarter is 100% covered with renewable energy.
2011	Kvadrat expands local charity initiatives and donations to art projects and international charity programs.
2012	Kvadrat is appointed 'The healthiest company in Denmark'
2013	Kvadrat introduces life-cycle assessment (LCA). Kvadrat joins the UN Global Compact
2014	Launch of <i>Revive</i> , an upholstery textile made of 100% recycled post-consumer plastic bottles.
2017	The canteen at Kvadrat headquarters is ReFood certified, thanks to the focus on reducing food waste. Launch of <i>Really</i> , introducing Solid Textile Board and Acoustic Textile Felt made of upcycled woollen and cotton-based textile waste.
2018	<i>Really</i> wins 'Design of the Year' at Bo Bedre Design Awards for <i>Bibliothèque</i> , a furniture piece designed by the Swedish architecture and design studio Claesson Koivisto Rune. Launch of <i>Re-wool</i> , an innovative upholstery textile made of 45% recycled post-industrial waste wool fibres. <i>Patio</i> , a durable outdoor textile developed with water repellent properties without any use of PFC chemicals, is ready to be launched in January 2019.

## 1.6. Policies, risk and actions<sup>2</sup>

Chapter	Environment
<b>Topic</b>	Environment
<b>Policy</b>	Continually reducing the environmental impact of our production and internal processes, efficient and responsible use of raw materials
<b>Action</b>	<p>We will document our CSR initiatives by committing to the UN Global Compact and issuing this report.</p> <p>We will foster close collaborations with suppliers and work on reducing the environmental footprint throughout the supply chain.</p> <p>We want to increase the number of textiles certified according to the EU Ecolabel.</p> <p>We will bring new products to market, which addresses the circular economy. We recognise waste as a resource and will continue to work with circular business models to create recycled and up-cycled solutions within the textile industry.</p> <p>We pledge to continue to monitor our textiles for unwanted substances, measure our consumption of energy and water, as well as participate in external sustainability work.</p>
<b>Risk</b>	When evaluation environmental impacts in textile production most impacts are to be found in the supply chain, including energy and water consumption, responsible sourcing and efficient use of raw materials and waste (circular economy). Chemicals are within the limits set out in relevant legislation.
<b>Procedure</b>	Besides being ISO 14001 and ISO 9001 certified, all departments hand in quarterly reports on their activities, including risks assessments and initiatives that can ensure product quality and innovation. This will in turn contribute to the reduction of the negative environmental impact. Although many textiles have already received the EU Ecolabel certificate, we regularly make tests to ensure an environmentally friendly production processes and check the chemical content. We are in frequent dialogue with our suppliers and through visits, questionnaires and follow-up meetings, we evaluate risk related topics and potential sustainable developments. This is done to ensure compliance with the standards set out in our Business Partner Code of Conduct and to set common goals for sustainable development to guarantee progress and continuous improvements.
<b>Results and objectives</b>	Page 15 – 17

<sup>2</sup> Related to the requirements outlined in “The Danish Financial Statements Act § 99a & 99b” about reporting on corporate social responsibility (CSR)

<b>Chapter</b>	<b>Employees and culture</b>
<b>Topic</b>	Social and employee conditions
<b>Policy</b>	Growth depends on the right people. Whatever level employees are at, we strive to instil a strong balance between performance, behaviour and learning, and create a secure and healthy environment.
<b>Action</b>	We must ensure both professional and personal development, so that we are well-equipped to deal with future demands and tasks. Employees discuss learning and performance with their manager twice a year, setting goals and evaluating the performance. Employees are offered relevant courses and workshops, as well as cultural and social events. Gender equality and diversity are in focus to ensure strong teams. Health and safety committees meet to develop initiatives that will ensure a healthy and safe work environment, while evaluating risks and areas of improvement.
<b>Risk</b>	Employees must be educated and supported in their development to ensure wellbeing, motivation and ability to solve the tasks of the future. As a growing company, we risk not being able to attract the workforce that is required. We need to be fit for the future, ensuring strong, collaborating teams, where we focus on equality, diversity, wellbeing, education, health and safety.
<b>Due diligence</b>	Along with the performance and learning conversations, our HR department has developed procedures to ensure that employee satisfaction surveys are carried out and followed up by department meetings and goalsetting. Workshops and courses are offered to ensure continuous education and development of competencies. Health and safety committee regularly meet to evaluate risks and implement improvements. In the recruiting process, the HR department follow guidelines to ensure coherence and fair evaluation of all candidates.
<b>Results and objectives</b>	Page 38 and 47

<b>Chapter</b>	<b>Compliance</b>
<b>Topic</b>	Human rights and anti-corruption
<b>Policy</b>	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 relevant legislation, international conventions and the ten principles of the UN Global Compact.
<b>Action</b>	All suppliers must commit to and sign our Business Partner Code of Conduct. We visit all suppliers on a regular basis to maintain a close dialogue and ensure continuous development. An anti-corruption policy and relevant guidelines will be introduced for all employees in 2019.
<b>Risk</b>	<p>The majority of our textiles are produced in Europe – primarily in England, Norway and the Netherlands – and we visit all suppliers often. We ask all suppliers to respect and comply with human and labour rights, as well as anti-corruption practices.</p> <p>Many of our rugs are handmade in India and Nepal, in communities where generations have worked with this traditional craft, and we value the specialised craftsmanship and quality of rugs that are made within these collaborations. As countries, Nepal and India are traditionally rated as risk areas when it comes to corruption and human and labour rights. Therefore, we make extra efforts to ensure compliance by frequent visits, interviews and meetings, just as we have strict requirements when it comes to choice of new suppliers.</p>
<b>Due diligence</b>	All suppliers must commit to and sign our Business Partner Code of Conduct. To follow up, we regularly visit our suppliers, conduct interviews, schedule meetings and make shared development plans to ensure responsible production and great quality.
<b>Results and objectives</b>	Page 45

## Environment

### 2.0 Kvadrat Headquarters

Our headquarters is located in 60,000 m<sup>2</sup> of natural surroundings in Ebeltoft, Denmark. The landscape has been made into a permanent, ever-evolving piece of art by landscape architect Günther Vogt and contemporary artist Olafur Eliasson. It features a combination of groomed garden and untamed, natural habitat, and encompasses five unique pieces by Olafur Eliasson, 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, while supporting the local biodiversity. We want to share the artwork and beautiful surroundings with the local society and it is therefore accessible for employees and the public, free of charge.



## 2.1 ISO 9001 and ISO 14001

In 1992, Kvadrat received the ISO 9001 certificate for quality management. In 1997, the ISO 14001 certificate was added, which focus on the environmental management through all processes in our company. These ISO standards require an established quality and environmental management system, ensuring that we meet customer requirements whilst continuously optimizing our processes to their benefit. With the ISO 14001 and ISO 9001 management systems and certifications, we demonstrate that we, as a company, 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 that our suppliers constantly explore environmentally sound disposal options for the process waste they may have.

We maintain a consistent focus on training to motivate 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 optimising our use of resources, whilst minimising the generation of waste.

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

The two standards require internal audit as well as an independent third-party audit. This is conducted once a year and the certificates are renewed every third year. Recently, the ISO standards have been updated and coincided with our need to have the certificates renewed. In the summer of 2018, we received our renewed certificates, which document that we fulfil ISO 9001 and 14001 standards – even with the most recent updates to the standards. The certificates are available on our website.

We continuously monitor our resource consumption and educate new employees in environmentally conscious behaviour, such as sorting waste, considering the use of paper and turning off electronic devices

when they are not in use. This helps us to manage our environmental impact in the most efficient way and reduce risk of unnecessary overconsumption. Since the refurbishment of our headquarters was completed, the energy consumption has decreased and all energy consuming practices are back to an efficient use. Heat consumption has increased due to a long, cold winter.

We have appointed an internal audit team of employees, who are deeply committed to the 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. Every year, external auditors also audit the implementation of our quality and environmental management system.

In 2016, our headquarters was renovated to implement more environmentally sound solutions. Except from the light in the area where the quality control takes place, all light at the headquarters has been changed to LED, which contribute to approximately 50-75% reduction in energy compared to conventional light<sup>3</sup>.

Digital meters and online warning systems for big fluctuations in energy and water consumption were installed in the beginning of 2018 to ensure exact data collection. We use this data to evaluate our resource consumption and conduct optimisations. The surveillance and analysis of the resources listed in the table below reduce risks of unnecessary consumption and wasted resources.

Due to growth and a rising number of orders, there has been an increase in our plastic waste. We are currently looking into this and are continually emphasising best practice for how shipments must be wrapped in order to reduce plastic packaging and waste. The rest of the waste categories have been reduced thanks to an increased lot of focus on waste handling. All waste is sorted and both plastic and paper/cardboard is recycled.

<b>Consumption at HQ Kvadrat</b>	<b>2016</b>	<b>2017</b>	<b>2017<sup>4</sup> Consumption/ employee</b>	<b>2018</b>	<b>2018<sup>5</sup> Consumption/ employee</b>
Electricity (kWh)	378,091.00	478,501.00	2,917.68	430,001.00	2,606.06
Heat (kWh)	416,740.00	621,330.00	3,788.59	644,680.00	3,907.15
Water (m <sup>3</sup> )	1,052.00	1,000.00	6.09	1,016.00	6.15

<b>Waste in tons</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Paper/cardboard	46.19	55.83	54.83
Plastic	8.40	11.17	12.88
Other	21.20	21.99	19.65

<sup>3</sup> <http://www.online-ledlys.dk/content/28-fra-halogen-til-led>

<sup>4</sup> Number of employees at HQ ultimo 2017: 164

<sup>5</sup> Number of employees at HQ ultimo 2018: 165

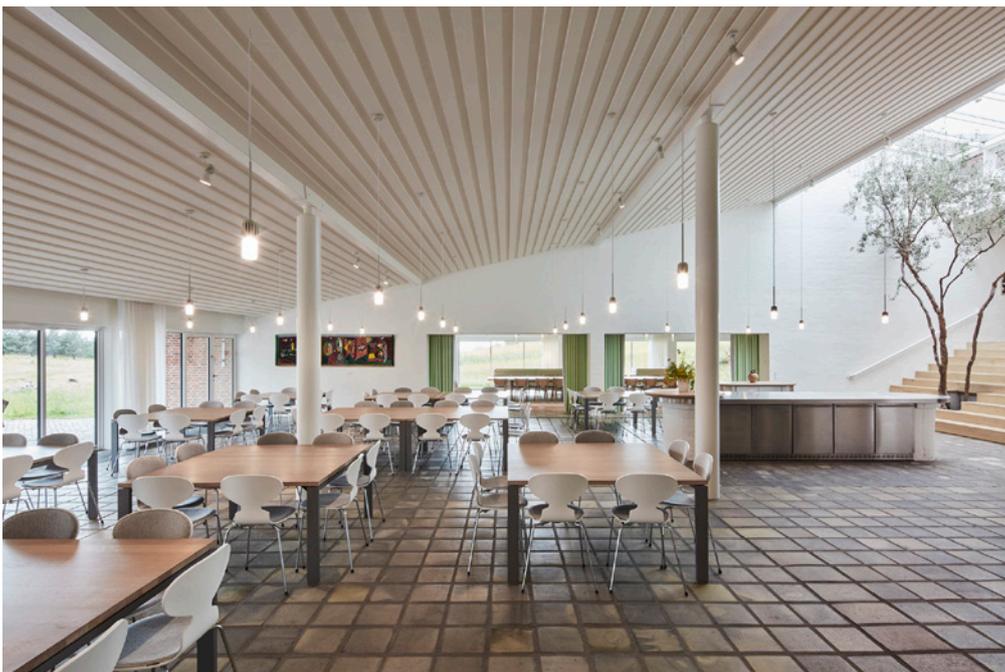
## 2.2 Transport and logistics

We aim to manage distribution of deliveries to customers in the most environmental efficient way. This means 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 transport services from logistics and transportation suppliers who actively work with their CSR activities and environmental impact. They educating their drivers in eco-driving and work with the newest technology to ensure effective logistics and reduced CO<sub>2</sub> emissions.

Furthermore, we have a constant focus on reducing our CO<sub>2</sub> emissions when it comes to travelling. Video conferences are used to a wide extent, which means that travel by car or flight can be omitted.

## 2.3 Canteen

The canteen at our headquarters is an important part of the employees' work day and the place where they go to enjoy their lunch. In our canteen, we do not only focus on serving healthy, culinary power food to ensure the employees' welfare; we also focus on the environmental footprint. Therefore, around 75% of the food we prepare and cook for the employees is organic, and we support local farmers by buying the local produce in season. Besides the focus on organic and local ingredients, we have implemented additional initiatives to reduce the carbon footprint, e.g. by replacing a lot of the meat-dishes with a variety of green alternatives. Vegetables and fruit have a significant lower environmental impact than meat. In the summer of 2017, we received the ReFood certificate due to our focus on reducing the food waste from the canteen. We strive to minimise our impact on the environment in every process and therefore, our bio-waste is processed into CO<sub>2</sub>-neutral biogas.



## 2.4 Materials

Within our product development, we prioritise high-quality products with a reduced environmental impact, and we continuously search for the best possible alternative production methods, materials, new developments and optimisations in production. Our products and processes reflect a focus on the environmental impact throughout the value chain and include considerations for prolonging the life of textiles through new life cycle scenarios, while enhancing the well-being of the people involved in production.



There is a limited amount of raw materials available worldwide, and therefore, it is our responsibility to look into innovations that reduce the use of raw materials and develop processes where recycled materials can substitute virgin materials. As a brand with strong focus on high quality, we also meet the demand of resource efficiency by creating textiles and textile-related products with a long lifespan and, in the long run, have less impact on the environment.

Using the best raw materials is our starting point. Reflecting this, most of the textiles in our collection are made from wool, polyester and polyester FR/Trevira CS, along with smaller amounts of cotton and viscose.

We are aware of the environmental impact of our products and the risks concerning chemical substances, waste, waste water, scarce resources, end-of-lifecycle scenarios and quality. Hence, we are continuously looking into how to operate even more sustainable and collaborate with suppliers to ensure the most environmental responsible approach to production. Below is a brief overview of the raw materials environmental and functional benefits.

## **2.4.1 Wool**

Wool is a natural, biodegradable fibre. It is also renewable in the sense that sheep can be sheared multiple times a source of providing fibres and, at the same, take care of the land by enjoying the free range of terrain for grassing all year around. The farmers take care of the sheep's health and shear the heavy wool off in the warm seasons to collect the wool fibres. The wool used in our products are primarily from New Zealand and Australia.

Wool is naturally flame retardant, which means that normally no chemical treatment is necessary<sup>6</sup>. This contribute to a cleaner indoor environment. Only biodegradable detergents and spinning oils are used in our scouring and spinning processes. In addition, waste fibres are – as far as possible – gathered and recycled by other industries.

Functional benefits:

- Very comfortable because of its ability to absorb and release moisture
- Very good abrasion performance
- Very good lightfastness
- Elastic fibres ensure that the textile is flexible to work with and will not crease

Environmental benefits:

- EU Eco Label certified
- Biodegradable
- Naturally stain resistant
- Long life span, ages well
- A renewable resource
- Naturally flame retardant
- GREENGUARD® certified

### **2.4.1.1 Animal welfare policy**

Good quality wool and animal welfare is closely linked and together with our corporate values and responsible approach to our business, we require that our wool suppliers follow our code of conduct and comply with animal welfare regulations. The farmers shall comply with national animal welfare legislation as well as respect the specifications for wool sheep welfare set out by the IWTO (International Wool Textile Organization). Kvadrat do not use wool from sheep that has been subjected to mulesing.

<sup>6</sup>We only treat woolen textiles with flame retardant treatment if the project requires a certain level of fire safety standard. Otherwise our standard collection is never treated with flame retardant chemicals as it potentially can cause negative impact on the environment and health and in many cases are unnecessary to apply.

Our business partners must manage all significant potential and actual adverse impacts on animal welfare. Materials derived from animals used in products delivered to the Kvadrat Group, such as wool, must be from animals that are treated according to all applicable animal welfare legislation and ensure that the Five Freedoms of animal welfare are provided:

1. Freedom from hunger or thirst by ready access to fresh water and a diet to maintain full health and vigour
2. Freedom from discomfort by providing an appropriate environment, including shelter and a comfortable resting area
3. Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment
4. Freedom to express most normal behaviour by providing sufficient space, proper facilities and company of the animal's own kind
5. Freedom from fear and distress by ensuring conditions and treatment which avoid mental suffering

**Traceability:** The business partner must source wool which can be traced back to the country and origin, such as listed groups of wool growers or to the exact farm.

**Environment:** The wool must be sourced from farmers who support practices that ensure the environmental sustainability of the land and resources.

**Social responsibility and ethics:** The business partner must source wool from farms who comply with human and labour rights, follow national legislation and meet health and safety regulations. All employees at the farm connected to husbandry and the shearing procedures of the animals must undergo training focused on responsible handling of animals and shearing procedures. Farmers and their staff must comply with national law concerning animal welfare, including, but not limited to, husbandry regulations, shearing practices, handling of livestock, nutrient management and transportation.



## 2.4.2 Polyester



We produce textiles using polyester, polyester FR and Trevira CS. The majority of curtains and many of our upholstery textiles from this part of the collection contain inherently flame retardant polyester, either Trevira CS or polyester FR. As a result, the textiles do not require additional chemical flame retardant treatment, which ensures that they have no negative impact on indoor environments or health. Polyester textiles are durable and economical to maintain. Furthermore, the yarns are hypoallergenic.

Polyester functional benefits:

- Good abrasion performance
- Low pilling for upholsteries
- Good lightfastness
- Can be washed at 60 degrees

Environmental benefits:

- Fast drying
- Shorter production processes
- Most of our unique polyester textiles are inherently flame retardant

Recycled post-consumer plastic bottles can be made into polyester yarns, which in turn can be used in the production of textiles and thereby, contribute to the reduction of plastic waste. Our textiles *Revive* and *Ace* are a good example of this. 30 plastic bottles are used to make 1 meter of *Revive* and in 2018 plastic waste was reduced with more than 2.3 million plastic bottles that were all used to produce the meters *Revive* 1 and 2 sold during the year.



### **Re-wool – woollen re-purposing**

*Re-wool* is a result of our development of more sustainable products, where we always look into raw material efficiency, circularity and sustainable solutions. *Re-wool* is crafted using 45% recycled wool and is a rich upholstery textile with a sustainable profile. The textile is partly made by reusing woollen waste fibres from Kvadrat's yarn spinners in the UK. Collecting woollen waste fibres from the yarn spinning production and spinning yarn that integrates these woollen fibres has been an exciting challenge pushing the sustainable agenda by innovating the use of waste fibres and incorporating it into a new life cycle.

The fibres used for the recycled content are spills from multiple spinning processes of yarns in all kinds of colours. Mixing fibres in these many colours will always result in a dark grey shade. To ensure the aesthetic quality, a yarn made from new wool dyed in vivid colours is added in the weft, while the yarn in the warp, made from waste fibres, pay tribute to the natural look of recycled wool.

Designer Margrethe Odgaard worked on colours that could add some life and emphasise the environmental aspect. *'In developing the palette, I have focused specifically on finding the right balance between warp and weft. I thought of shimmering pearls on a recycled woollen base. It was important to me, that the tones in the weft had a certain glow that could lift the colour from the dark base. It reminds me of early morning dew on blades of grass. The idea was to create a both honest and environmentally friendly – textile with a poetic feel by recycling leftover material from Kvadrat's own production'*, explains Margrethe Odgaard.



By adding 45% recycled woollen waste fibres to the textile, we reduce the environmental footprint as the processes for farming sheep, transport, scouring and dyeing the wool has been taken out of the equation for this part of the content. *Re-wool* is a great example of how we continuously develop more sustainable solutions in our close collaboration with our suppliers and, in this case, could reduce leftover material at the yarn spinner. Waste has been used as a resource to create a beautiful long-lasting new product.



## Patio – taking outdoor textile to its right environment

Patio is the result of three years of intensive research for making a highly durable outdoor textile with a long lifespan and an environmental-friendly, water repellent fluorocarbon-free finish.

- Very good abrasion
- Very good lightfastness
- Permanently flame retardant
- Resistant to chlorine and sea water
- Resistant to weathering and mildew
- Washable
- Fast drying





With our responsible business approach, we wanted to innovate outdoor textiles and invest in more sustainable techniques and finishes than the ones seen on the market today. As a front-runner on the market, we use a water repellent technology that is based on fat modified compounds. This finish has proven effective and is a sustainable alternative to the critical perfluorinated compounds (PFC's) also known as fluorocarbons.

Even though many fluorocarbon-based chemicals are legally allowed, we want to take a responsible and proactive approach. Through research and development, we have now found a sustainable water repellent solution.

## 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 Felt 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. 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.

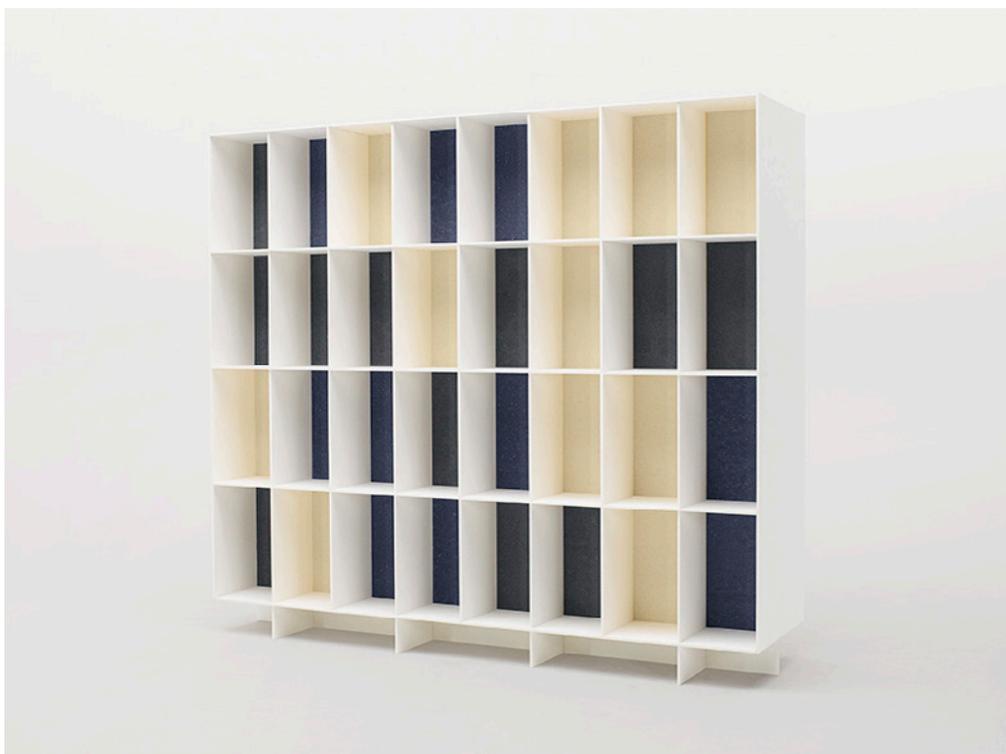
**Acoustic Textile Felt:** The felt absorbs sound well, with a Noise Reduction Coefficient (NRC) of 0.45, which compared to PET felt, commonly used for acoustic solutions, is around 50% better.

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 of natural fibres – in this case end-of-life textile – and

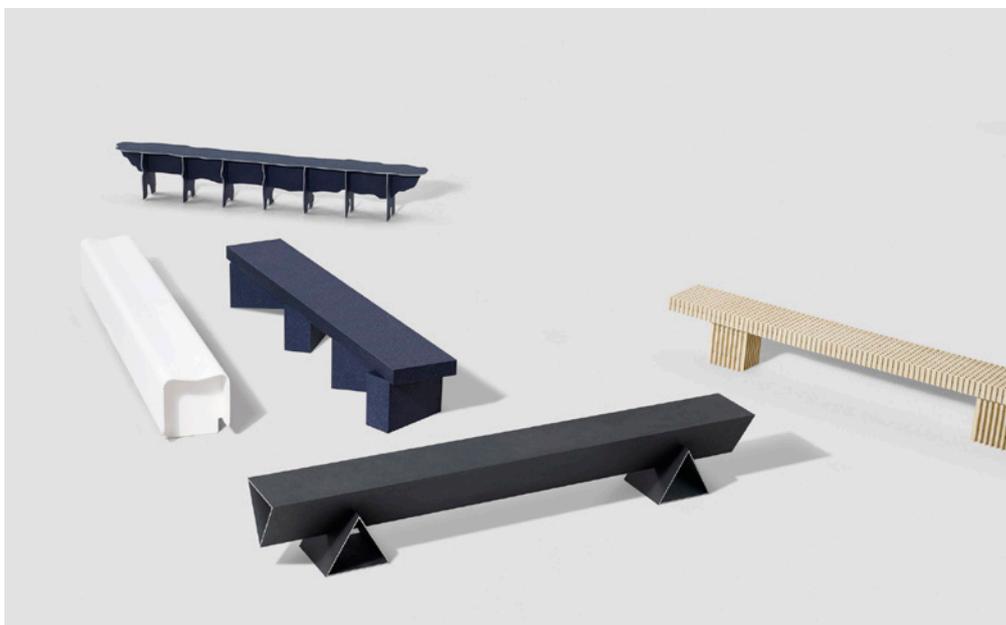
redefining its use, transforming it into a new raw material and inviting designers to turn it into something interesting.

Really has been presented at several fairs and used in showrooms for interior purposes. One of the design projects presented in 2018 was *Bibliothèque*, a furniture piece developed by the Swedish architecture and design studio Claesson Koivisto Rune, which won 'Design of the Year' at Bo Bedre Design Awards.

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.



*Bibliothèque*



*Solid Textile Board Benches*

## **MUDP project**

Together with other stakeholders, Kvadrat joined the Environmental Technology Development Programme (MUDP programme) for development of sustainable hemp textiles in 2017. The program is initiated by the Danish Ministry of Environment and Food – The Environmental Protection Agency (EPA). The MUDP programme 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. At Kvadrat, we are interested in creating innovative production methods as well as looking into alternative environmentally friendly materials and resources. That is why we engage 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 organically in many different climates with a great yield potential – and you can use the entire plant for both food and textile fibres. 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 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.

## **Think global, act local**

In 2018, Kvadrat joined the local Syddjurs Circular Innovation Network, gathering companies, organisations and initiatives from the municipality of Syddjurs, where Kvadrat's headquarters is placed. We hope to be able to inspire small and medium sized companies to perceive waste as a resource. By joining the network, we strengthen the ties to the local community and share great inputs among the participants. With the mindset of 'think global, act local', this network bring local community engagement and initiatives to a bigger scale.

## **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 organisations 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 each year we strive 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 Customer Engagement & New Business Models for a Circular Society.

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, Region Skåne, Nike, Ebay, Sympatex, Walmart, VF, Waste Management, Natures Path and Cisco.

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.



## **2.6 Quality – built to last**

At Kvadrat, we seek the latest technologies to reduce the environmental impact of our products, whilst enhancing their aesthetic quality, functional performance and longevity. In doing so, we place a strong emphasis on minimising the use of energy in production and waste of raw materials. In addition, we consistently seek to optimise 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. Kvadrat upholstery and curtain textiles comes with quality guarantee up to 10 years.<sup>7</sup>



### **2.6.1 EU Ecolabel**

We seek to document our focus on quality, and environmental concerns, by getting our textiles certified or labelled. The EU Ecolabel helps customers to identify products and services that have a reduced environmental impact. It evaluate everything from the extraction of raw material through to production, use and disposal. We have chosen to apply for EU Ecolabel certification for a number of our woollen textiles and in 2017, 17 of our 42 woollen Kvadrat textiles were certified. This number has increased in 2018 so 28 out of 53 woollen textiles (52,8%) now are EU Ecolabel certified.

52,8 % of our woollen textiles are now EU Ecolabel certified – a 12,3% increase compared to 2017.

78,6% of the metres sold of our Kvadrat upholstery in Europe in 2018 were EU Ecolabel certified.

Our main reason for choosing to reach the strict requirements of EU Ecolabel is that our values correspond with the demands of the EU Ecolabel as it evaluates the product from 'cradle to grave' and focus on the environmental impact in all production stages, chemical content, quality and long lifespan. 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.



### **2.6.2 GREENGUARD®**

GREENGUARD® certification verifies that chemical and particle emissions emitted by building products and materials fall within the acceptable indoor air-quality pollutant thresholds. Maximum allowed 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 programme for electronic equipment, and LEED for New Construction and LEED for Commercial Interiors.

A large number of our textiles carry the GREENGUARD® certification. 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.

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

## **2.7 Circular economy**

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. Therefore, we are looking into different options for our textile waste and used products.

One way we recycle is by supplying or donating 'seconds' (textiles that are no longer in our standard collection) to charitable institutions or creative projects. Or selling at a low price through Queen of Raw, a platform facilitating re-use of fine quality textiles.

In 2017, we launched the company Really which upcycles wool and cotton into Acoustic Textile Felt and Solid Textile Board used in the design, furniture and building industry. During the coming years, we will improve the supply of waste input material to Really and thereby help suppliers, other companies and institutions to upcycle their textile waste.

We are also working with recycled content in our textiles, such as *Revive* and *Ace*, which are both made of 100% post-consumer plastic bottles and thereby contribute to the reduction of plastic waste. *Re-wool*, on the other hand, contains recycled woollen waste fibres from post-production processes and reducing the environmental footprint by integrating recycled content as a raw material resource input.

Furthermore, we are working closely with suppliers and other stakeholders to find responsible solutions in all stages from sourcing, production processes and end-of-life scenarios to contribute to a circular business and respecting the value of resources.

## **2.8 LCA (Life-Cycle Assessment)**

LCA highlights the environmental impact throughout the lifetime of a product. Working with LCA means that all the environmental impacts from the different manufacturing phases have been evaluated. This evaluation is generally 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. From the same system, we can also provide an EPD (Environmental Product Declaration), which is often requested in projects related to green building standards, where this kind of declaration can support the client in receiving credits.

LCA helps to ensure that we do not optimise 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 and EPD follows the

principles of the ISO 14040 standards for life cycle assessment. Data are from internationally recognised LCA databases, combined with literature sources and knowledge from Kvadrat and our suppliers. The model is based on the standard EN15804 and is structured according to EU's model for product environmental footprint (PEF).

## **2.9 Suppliers**

With the acquisition of the German brand Sahco, famous within the residential segment, as well as our majority share in Dutch knitted-textile company Febrik and in a Dutch weaving mill – our current supplier of polyester textiles – we work on strengthening our portfolio to support clients in all segments with the best quality, aesthetic design and colours combined with the latest developments. Through close collaboration, we use the know-how and experience from all companies to improve our portfolio to meet stakeholders' expectations.

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 comply with legislation and international conventions and last but not least, meet our requirements for product quality.

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

To ensure we all work towards 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. We make visits to their production sites, as well as to some of their essential sub-suppliers, so we are 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 located in Europe.

Before we enter into a partnership with new suppliers, they must sign a document where they commit to effectuate our Code of Conduct, which contains the elements set out in the ILO convention, the ten principles of the UN Global Compact, as well as essential international guidelines and law. These include: no forced labour, legal compliance, no child labour, non-discrimination, freedom of association, workplace health and safety, conditions of employment and work, anti-corruption and a responsible environmental approach. Once we have entered into a collaboration, we expect our suppliers 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.

### **Innovative machinery**

Our partner supplier, Wooltex, has insourced all the production processes and upgraded the machinery. The new machines use much less energy within warping, weaving and finishing, and water. The new dyeing machines use only a few litres of water per kilogram of wool in comparison to 20 litres previously. The closed system of machines reduces energy and heat loss in the production process and recycles the chemicals.

During the winding process, new robot technology enables loose yarn ends to be connected to one long thread of yarn. This optimises the use of yarn in the production process and reduces the amount of broken yarn that ends as waste. Last year, this technology ensured reuse of 31 tons of yarns – this reduced waste and, at the same time, optimised production.

Once woven, textiles need to be cleaned and destressed to ensure continuity in the quality and the way the textiles respond when handled around furniture designs. This is traditionally done in wet processes, but new technology has allowed certain qualities to be run through a dry process, thereby saving staggering 6,385,646 litres of water in 2018.

Dyeing processes have been optimised by recycling water to save water resources. All waste water is cleaned and 50% of the water is actually recycled and used in the dyeing process once again.



### 2.9.1 Requirements for substances

Our Kvadrat suppliers<sup>9</sup> have all confirmed that they fulfil their obligations according to REACH, as well as all other required standards. They also confirm 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 legislation, which is also one of the requirements according to REACH.

Suppliers must comply with ECHA requirements and take into account the list of substances of very high concern (SVHC), that can be critical to health or environment. The ECHA candidate list is updated continuously.

We only use dyes that comply with EU Ecolabel requirements, including AZO and heavy metal dye restrictions.

In general, we do not use halogen-based flame retardants (incl. brominated and chlorinated).

We do not use chemicals that require chlorine for production.

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

In general, we do not use PFC's (perfluorinated compounds).

Woollen products are not be moth proofed.

Generally<sup>10</sup>, we do not apply halogen-based flame retardant treatments or PFC stain and water-repellent coatings. These substances do not support our sustainable policy and are often applied unnecessarily. If the natural properties of the textile's raw material meet the requirements and expectations for the intended purpose, we do not recommend further treatments.

Always following the latest research, we are looking into environmentally friendly finishes for blackout curtains and other textiles with special properties in order to find alternatives for the traditional treatments containing perfluorinated carbons including (C8) and (C6).

<sup>9</sup> We will seek to implement Kvadrat's requirements for substances in those collaborations and subsidiaries where it is relevant and creates value to our stakeholders. As we keep growing and developing new products, this will be a continuous integration and improvement.

<sup>10</sup> Only if the client specifically requires a flame retardant finish or stain repellent treatment on the textile can we arrange this to be applied. We always advice that treatments should not be used if unnecessary and that treatments can be harmful to the environment and health.

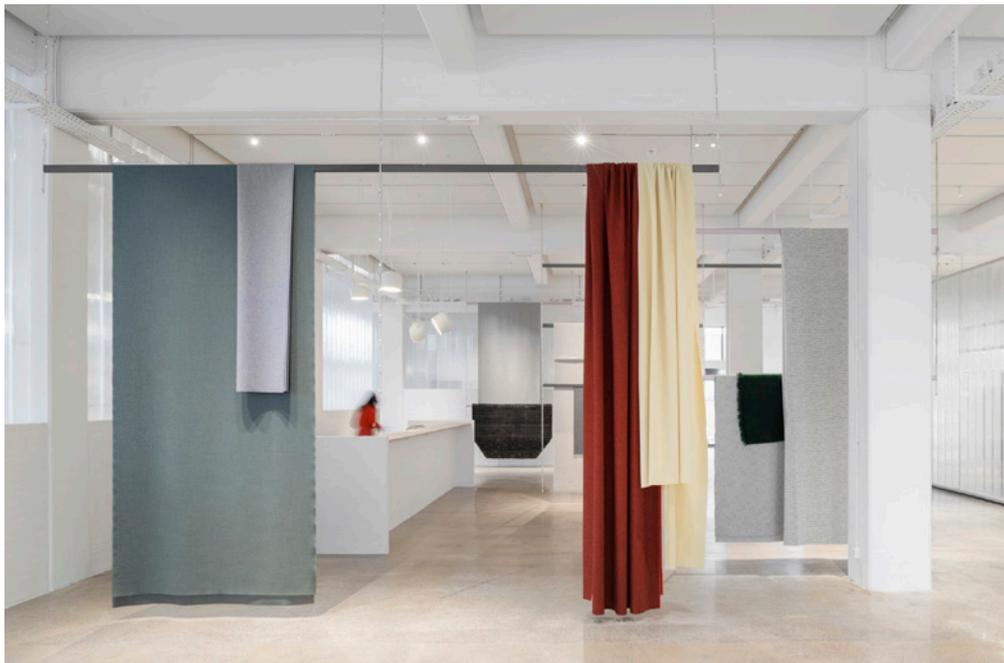
## 2.10 Progress and objectives

SDG	UNGC Principle	Year	Activity	Objective
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	8-9	2018 –	Increase number of woollen textiles certified with EU Ecolabel. Our vision is that 90% of woollen products are EU Ecolabel certified.	Five woollen products received the EU Ecolabel in 2017. This number has been increased with impressive 11 textiles receiving the label in 2018. Now 52,8% of our woollen textiles are EU Ecolabel certified, a 12,4% increase compared to last year.
		2019	Receive EU Ecolabel for polyester textiles.	
<b>17</b> PARTNERSHIPS FOR THE GOALS 	7-9	2018	To support and contribute to the 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.	Participated in LAUNCH Circular conference in USA, hosted by Walmart in 2018. Kvadrat hosted this event in 2017.
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION  <b>3</b> GOOD HEALTH AND WELL-BEING 	9	2018	Remove or substitute chemical substances that we find critical in relation to health and environment. Keep having a proactive approach to substances used.	Completed supplier requirements procedure for substances. Intensified our requirements of PFC and FR treatments, so that no PFC is allowed in our textiles, not even C6 structures in the future. For flame retardant treatment, we have banned the entire chemical group of halogen-based flame retardants, including brominated and chlorinated treatments in our standard collection of upholstery textiles.
<b>17</b> PARTNERSHIPS FOR THE GOALS 	7-8	2018/19	Set and achieve common goals for top ten suppliers.	Overview of current status and sustainable activities and opportunities through assessment, visits and interviews of suppliers to ensure a sustainable focus in the supply chain.
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	8-9	2019	Look into opportunities of circular processes, which can support the brand in terms of material flow and product development.	Full production of Really upcycled textile products.

SDG	UNGC Principle	Year	Activity	Objective
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	8	2018/2019	Investigate, plan and test at least two scenarios that meet our ambition of increased circularity in our value chain.	<p>Focus on textile waste streams and find solutions together with suppliers and subsidiaries for recycling or upcycling of textile waste.</p> <p>Two projects in collaboration with the Technical University of Denmark have supported our goals for researching in circular business cases.</p>
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	8-9	2018/2019	Introduce at least two new products or projects that support Kvadrat's sustainable profile.	<p>Develop innovative products with a sustainable profile.</p> <p>The development of <i>Re-wool</i> and <i>Patio</i> proves this goal has been met.</p>
<b>13</b> CLIMATE ACTION 	7-8	2018	Headquarters get ISO 9001 and 14001 certified according to the newest standard update.	<p>Ensure resource efficiency at HQ in terms of electricity, heat and water consumption as well as sorting, recycling and reducing waste.</p> <p>The ISO audit in Spring 2018 was passed with great results.</p>
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	8-9	2020	Increase amount of recycled material or alternative environmentally friendly raw materials in our textiles production.	<p>Reduce our environmental impact in terms of the materials used in our textiles. Develop more sustainable solutions without compromising the quality of our products.</p> <p>The development of <i>Re-wool</i> and <i>Patio</i> show how recycling of waste fibres or avoidance of certain substances can be beautifully integrated in our portfolio.</p>

## Employees

### 3.0 Employee policy



Our employees are our key resource and carries out an important role in our journey to success. We need to work proactively to take the best care of our workforce 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 create motivation, happiness and creativity.

At Kvadrat, we believe that growth and development depend 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 professional and personal development, so all employees are equipped to deal with future demands and tasks. Therefore, performance and learning conversation (PLC) 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.

#### 3.0.1 Employee satisfaction worldwide

Once a year, we carry out a global employee satisfaction survey. The results of these surveys are very positive, showing that our employees are very satisfied. Our objective is a total score of 79 points (on a scale from 1-100), which matches the actual result for the 2018 survey. It is a small drop from 81 points the previous year, but taking the growing number of employees from the acquisitions into account, a small decrease was expected. 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, the customer experience and contribute to a sustainable business.

### **3.0.2 Education and development**

Education, learning and development are some of our most essential management values. We put a lot of effort in executing this in order to meet our common goals to release the full potentials in our teams. This is why the themes learning and education are incorporated and plays an important part of our performance and learning conversation (PLC), which takes place twice a year for all employees. The PLC is a dialogue between each employee and their manager. Together, they identify competencies and potential for further development. The content of the conversations and the plan for further development are described in the employee's development plan, which is a part of the PLC programme. 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 customised to meet the needs of the many different fields of specialty within Kvadrat.

To create synergies through collaborations across departments and create understanding of the different activities and initiatives performed each day, all employees at the headquarters join a course called Learning2Go. Learning2Go was initiated in 2016 and introduces minimum six different topics or departments 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 and contributed to questions, learnings, dialogue, exiting workshops, new ideas and inputs and an increased encouragement for collaboration and understanding of each other's work.

In 2019 Learning2Go will change format and go digital in a new internal platform called LEARN, making introduction to products, strategies and company stories easy accessible to all.

### 3.1 Health

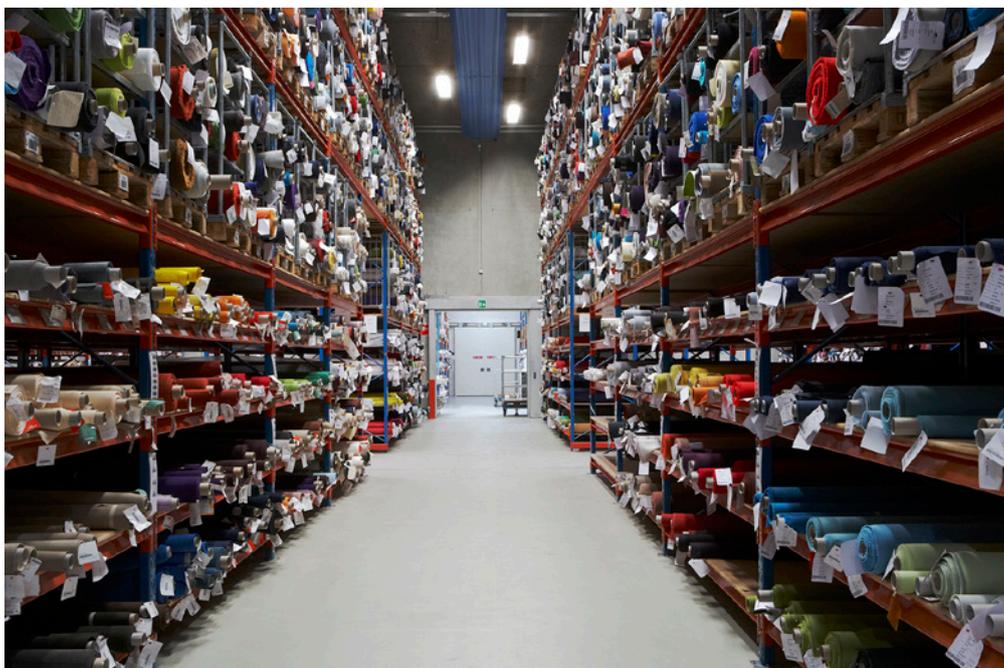
As our employees are the key resource to our success, we want to support wellbeing by offering several activities which contributes to a good health. The different activities can inspire and motivate our employees to adopt a healthy lifestyle through information, motivation and concrete actions. For 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. 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.

<b>Sick rates</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Days of sickness absence in percent <sup>11</sup>	1.06%	1.35%	1.68%
Comments	Within the limits of the objective.	The HR department will evaluate the results and engage managers.	Managers are engaged to support wellbeing and health among employees through dialogue meetings and different educational or active offers to employees.

Kvadrat A/S has a relatively low sick rate, but as we are experiencing an increasing number of new Kvadrat colleagues due to both growth and acquisitions, we have re-evaluated our goal and adjusted it to be 3.00% days of absence due to sickness. Kvadrat is continuously striving to reduce the sick rate and have initiated different initiatives; such as developing a process to review stress and ensure the best access to mentors. We have also invited all managers for a seminar concerning welfare and establishing a plan and process to handle issues like stress in the most appropriate way to ensure the wellbeing of the employees.

<sup>11</sup> The number is exclusively 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 2.31% in 2017.

### 3.2 Safety



At Kvadrat we have a health and safety committee consisting of representatives from different departments 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 2017 five work-related injury were reported, while three work-related injuries were reported in 2018. Even though the number of injuries is low and we experienced a decrease this year, we have an overall objective of zero injuries. The risk of injuries has been evaluated by the committee and improvements have been communicated to relevant staff. Furthermore, in 2018 we offered a free two-day course in first-aid to keep employees up to date when it comes to first aid and life-saving techniques.

To increase safety in the warehouse we have installed Blue Spot devices on all new forklifts, 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 forklifts for other forklift drivers and pedestrians working in the busy warehouse environment. The blue spot projects a bright blue beam 10 metres ahead to alert other employees that a forklift truck is approaching so collisions and injuries can be avoided.

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 will be finished in the beginning of 2019.

### 3.3 Diversity<sup>12</sup>



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's 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. For several years, we have been focusing on increasing the number of women in the board. The goal was to have at least 15% women in the board. In the board of Kvadrat A/S, 1 out of 6 is a woman in 2018 (16,6%), whereas Kvadrat Holding the number of women is 1 out of 10 (10%)<sup>13</sup>. Hence, the goal has only been reached in the board of Kvadrat A/S. Nevertheless, the executive management of directors in Kvadrat A/S has increased the number of female executives from 1 to 3, which means that 37,5% of the executive management of directors today are women.

#### **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 and women, while a plus/minus margin of 10% is considered acceptable.<sup>14</sup> The growth in the representation of women in management in 2018 means that we are close to reach our goal and it lies within our acceptable margin.

<sup>12</sup> Related to the requirements set out in "The Danish Financial Statements Act § 99b" about reporting equality and the underrepresented gender.

<sup>13</sup> Kvadrat Holding have not reached a more even gender distribution as there has not been a change in board members in this financial year.

<sup>14</sup> The Danish Business Authority estimate an acceptable equal distribution is 60/40, either 40% women or 40% men in managing positions.

<b>Total number employees 2018</b>	<b>Men</b>	<b>Women</b>
717	308	409

<b>Diversity managers</b>	<b>Men</b>	<b>Women</b>
<b>2016</b>	63,5 %	36,5 %
<b>2017</b>	56,7 %	43,3 %
<b>2018</b>	56,3 %	43,7 %

Kvadrat is an international company and we want our management to reflect the world we operate in. We want a broad range of employees based on experience and competences. We achieve this by having employees of different ages and with different seniority.

<b>Diversity age distribution goals</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>&lt; 35 years (20%)</b>	39%	40%	38%
<b>36-50 years (40%)</b>	40%	42%	41%
<b>&gt; 50 years (40%)</b>	21%	18%	21%

<b>Diversity seniority goals</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>&lt; 5 years (20%)</b>	55%	61%	54%
<b>6-15 years (40%)</b>	28%	24%	28%
<b>&gt; 15 years (40%)</b>	17%	15%	18%

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 organisation we need greater diversity and strive to act accordingly. We do so via e.g. Kvadrat Academy where we offer learning and development to 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.

### 3.4 Progress and objectives

SDG	UNGC Principle	Year	Objective	Activity
<b>3</b> GOOD HEALTH AND WELL-BEING 	1	2018	At least two different work-out programs will be offered as well as continuous development of training facilities and activities.	<p>Kvadrat will continue to offer different activities that support the health and wellbeing of the staff.</p> <p>Outdoor fitness and yoga have been offered together with bicycling and running events.</p>
<b>3</b> GOOD HEALTH AND WELL-BEING 	1	2018	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.	Focus on healthy and organic food.
<b>3</b> GOOD HEALTH AND WELL-BEING 	1-2	2018	Maintain or improve previous years' ratings on employee satisfaction above a 79 score. The frequency of PLC shall be executed twice a year as well as the new digital learning & competency platform LEARN will be introduced in May 2019, making learning and company related information easy accessible to all employees.	<p>Continuous focus on employee wellbeing and development through annual questionnaire, Performance &amp; Learning Conversation, Kvadrat Academy.</p> <p>The score was 79.</p>
<b>3</b> GOOD HEALTH AND WELL-BEING 	1-2	2018	Work-related injuries shall be less than the previous year, with an overall goal of zero injuries.	<p>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.</p> <p>Reduction in work-related injuries from five in 2017 to three in 2018.</p>
<b>5</b> GENDER EQUALITY 	6	2018	To maintain at least 15% representation of women in the board of directors. 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.	<p>As a result of our growth we are continuously increasing our workforce. We will keep focusing on diversity and elimination of discrimination.</p> <p>37,5% women in the board of directors. Diversity management: men 56,3% and women 43,7%, increase since last year in female managers.</p>

## **Compliance**

### **4.0 Compliance and risk assessment**

As a company working on a global scale, we have to integrate our values and sustainable focus in all the markets we operate in. 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 contracts with our requirements and Business Partner 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.

#### **4.1 Human and labour rights**

It is essential for our business that we and 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 with our Business Partner Code of Conduct where these topics also are addressed. We continuously visit suppliers' sites and through close dialogue with our suppliers, we address potential risks and activate plans for improvements.

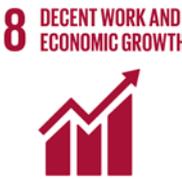
#### **4.2 Anti-corruption**

Working against corruption is integrated in our CSR policy as well as our Business Partner Code of Conduct. In 2018, we revised our Code of Conduct to integrate essential points from the UK Bribery Act and Danish law against corruption, along with human and labour rights principles, and environmental and animal welfare requirements. We also formulated a new internal anti-corruption policy, which will be presented to employees in 2019. 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.

### 4.3 General Data Protection Regulation (GDPR)

On 25 May 2018, the GDPR regulation was enforced and all organisations and companies need to ensure data protection by having procedures in place to secure personal data. Kvadrat has prepared for this enforcement and besides informing employees in how to distinguish and estimate what sensitive personal data, there has also been initiated a process to screen potential risk areas. To ensure the procedure is followed and to create awareness in the company, two Data Protection Officers (DPO's) have been assigned with this responsibility. This do not only ensure that we continuously ensure the right handling of data, but it also give employees an opportunity to seek advice from these two DPOs in order to ensure compliance and responsible business behaviour.

### 4.4 Progress and objectives

SDG	UNGC Principle	Year	Objective	Activity
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	1-10	2018	Update Code of Conduct and send to all current suppliers to be signed. Present all details to ensure common understanding of the content.	Code of Conduct has been updated.
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	10	2018/2019	Implement an anti-corruption policy applicable for Kvadrat A/S	Policy against corruption and implementation will follow in 2019.
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	10	2019/2020	Educate all relevant employees and managers who have contact with suppliers.	Courses in anti-corruption and compliance.
 <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>	1-10	2018/2019	Meetings and action plans for Kvadrat's top ten suppliers in order to ensure compliance and create shared value.	Dialogue and action plans with suppliers in order to comply with UN Global Compacts 10 principles

## Culture

### 5.0 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 spaces and domestic homes. We consider ourselves 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 organisations 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.

As design culture is an important part of our DNA, we find it essential to keep inspiring our employees. Therefore, we invite them to cultural events minimum twice a year. In 2018, Kvadrat A/S invited the employees to different cultural and social events. Some has been excursions, taking a historic tour at Aarhus city center and Town Hall, a trip to Copenhagen, visiting the National Gallery of Denmark to see an exhibition by artist Danh Vo, as well as more active team-work related social events, creative courses and lectures.

## 5.1 Art projects and sponsoring

In Autumn 2018 ,we launched three new art collaborations: *Take My Breath Away* by the Vietnamese-born Danish contemporary artist Danh Vo at the National Gallery of Denmark, a special commission for the Kvadrat headquarters by Swedish artist Karl Holmqvist and *Sweet Feast* by Ulla von Brandenburg in London's Whitechapel Gallery.

Composed of more than 75 pieces of art, including several new works produced especially for the National Gallery of Denmark, *Take My Breath Away* is the most comprehensive overview of Danh Vo's artistic practice. A long-time admirer of Nanna Ditzel, Danh Vo has – in collaboration with Kvadrat – delved into the archives of the prominent designer. Together with Kvadrat's Design Director Stine Find Oster, he rediscovered *Mega*, which Kvadrat has produced especially for this exhibition. *Mega* is used for the Enzo Mari-inspired round daybeds and for the specially designed cushion sculpture decorating the museum's vast stage.

Kvadrat also presented the art installation *Untitled (WHAT? WHEN, WHY, WHO?)* by Swedish artist Karl Holmqvist, who was invited to engage with the world of textiles and the spaces of our Ebeltoft headquarters. As part of the commission, Karl Holmqvist designed the customized textile Verpan, featuring six variations of word-based patterns. These create a sculpture composed of twenty-seven cubes, which can be randomly placed creating varying combinations of words.

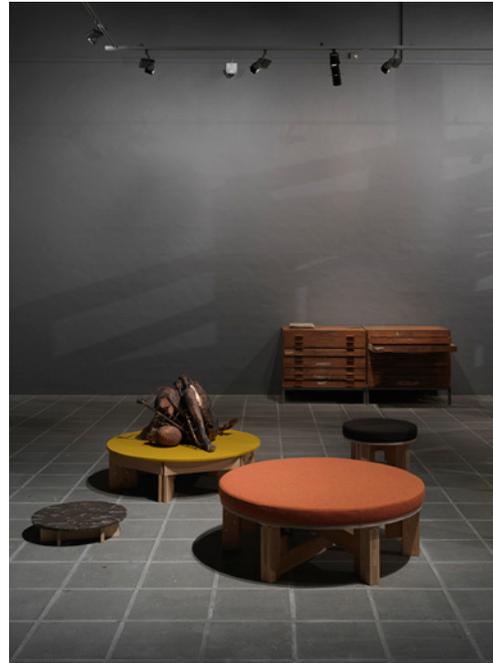
*Sweet Feast* is a new commission by artist Ulla von Brandenburg, in partnership with Le Prix Marcel Duchamp. *Sweet Feast* features a new film screened for six months in Whitechapel Gallery's ground floor gallery. Visitors of all ages are invited to take a seat and watch on a large, colourful structure designed by the artist upholstered in Kvadrat's *Divina*.

In 2018, we supported an exhibition at the Kunsthistorisches Museum Vienna with 500m of the textile *Divina*. American filmmaker Wes Anderson and writer and illustrator Juman Malouf were chosen to curate the exhibition. Titled *Spitzmaus Mummy in a Coffin and other Treasures*, this special exhibition includes over 400 objects drawn from all fourteen of the museum's historical collections. The 500m of Kvadrat textile upholster the walls in the different areas of the exhibition space.

Furthermore, we support art through sponsorships to Aros Art Museum in Aarhus, Skagen's art museum, Kulturhuset, Glasmuseet, and art projects as mentioned above.



*Spitzmaus Mummy in a Coffin and other Treasures*



*Take My Breath Away*



*Untitled (WHAT? WHEN, WHY, WHO?)*



*Sweet Feast*

## 5.2 Progress and objectives

SDG	Year	Objective	Activity
<b>17</b> PARTNERSHIPS FOR THE GOALS 	2018	Contribute to social responsibility and create value by donating or sponsoring textiles for charity.	Donating and sponsoring textiles and know-how.
<b>17</b> PARTNERSHIPS FOR THE GOALS 	2018	Continuous support of the local community in Ebeltøft and the municipalities around. Add value locally and expand art and the opportunity to experience art for a wider audience.	Financial partnerships and sponsorships.

## 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	10, 14, 45
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	10, 13, 40-43, 45
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	10, 12, 15-17, 23-37
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.	10, 14, 45



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.