



TVILUM ESG 2020

ENVIRONMENTAL SOCIAL GOVERNANCE

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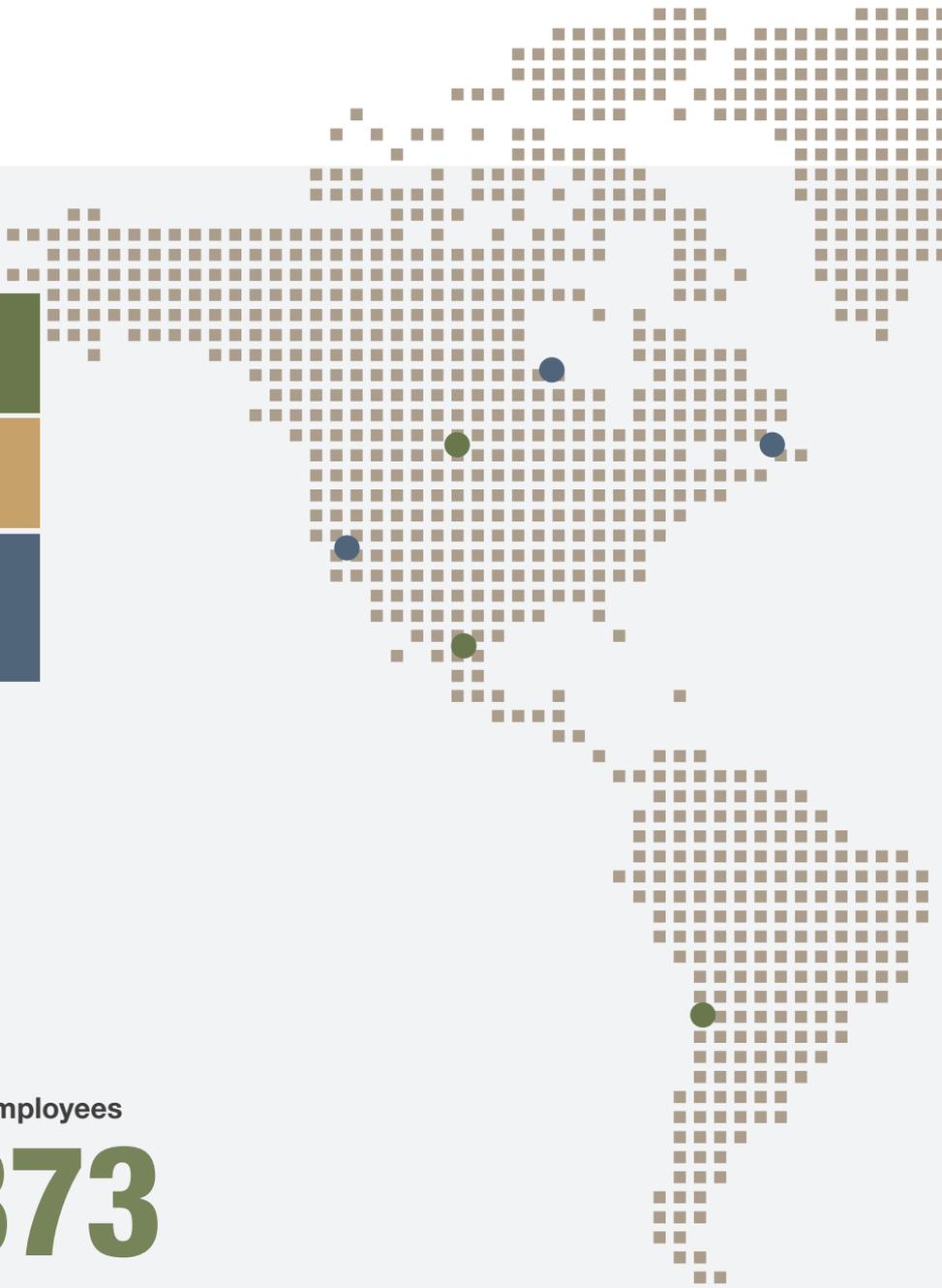
WELCOME TO THE TVILUM GROUP ESG REPORT 2020

With respect for people and planet, Tvilum offers affordable, functional and sustainable furniture for homes around the world. In Tvilum we are strongly committed to integrating sustainable development into our entire business model. We consider sustainability our most exciting growth opportunity, and this approach guides our activities now and in the future.

This is the first ever Tvilum ESG report. Our ESG report highlights our approach towards building a sustainable future through focusing our attention on what we as a company can do in terms of improving our footprint in Environmental, Social and Governance issues.

Our ESG strategy highlights our general approach as well as specific actions we as a company are taking to contribute to tackling some of the challenges our world faces today in areas such as climate change, sustainable use of resources and equal opportunity.

We all have a responsibility of taking care of our planet. Tvilum is contributing to this ambitious goal by bringing affordable, functional and sustainable furniture to those who needs it, regardless of their socioeconomic status or position in society. By doing this, we are creating opportunities for the majority of the world's population. We do this because we believe it is the right thing to do. Welcome to the 2020 Tvilum Group ESG Report.



Our sales offices
Denmark, Norway, Finland, UK, France, Germany, Italy, Spain, Japan, China, US, Chile and Mexico

Our production facilities
Faarvang (Denmark), Kjellerup (Denmark), and Szczecinek (Poland)

Our distribution centers
Faarvang (Denmark), Szczecinek (Poland), South Boston (US), Los Angeles (US), and Toronto (Canada)

FACTS



Employees

873

	2018	2019	2020
Number of employees	643	727	873

No. of packages produced annually

6 million boxes of furniture




FINANCIAL

mDKK	2018	2019	2020
Net Revenue	757	1074	1309
EBITDA	-13	58	117
Tax	18	15	20
Net result after tax	59	50	71
Equity	69	119	188
Total assets	363	460	501



MESSAGE FROM OUR CEO



2020 was a challenging year for the entire world and we saw how the COVID-19 pandemic changed consumer spending habits across the world almost overnight. Suddenly, people found themselves trapped in their homes without any clear indication of when or if the world would ever return back to normal. This gave way for a significant increase in redecorating as people realized their homes were not fit to adapt to this new reality. A reality where the line between family, home, work and play is blurred and where the situation calls for functional solutions that can combine the above to allow for a new, hybrid way of life.

All of this has resulted in a significant increase in demand for our products. A demand that we are honored to fill by bringing affordable, functional and sustainable furniture to the world.

This ESG report is not the end-result of our efforts - it is only the beginning. From now on, issues and actions highlighted in this report will be followed up on regularly and the results and progress will be reported in future ESG reports.

I personally believe we are at the start of a great journey. A journey which our future generations are dependent on. A journey, the results of which, will echo into the world for centuries to come.

A handwritten signature in black ink, appearing to read 'Torben Porsholdt'.

Torben Porsholdt
CEO, Tvilum Group



Egon Kristiansens Allé

ABOUT TVILUM

Ready to assemble furniture at a fair price

Tvilum is one of the world's leading manufacturing companies of Ready-To-Assemble furniture. We design and produce affordable and functional furniture for homes worldwide.

We produce 6 mio. boxes of furniture annually which are sold to leading retailers and e-tailers globally. We employ over 800 employees across the world, and we practice safety first for our employees.

At Tvilum, we create value through economies of scale and we move the global furniture business forward. We want to be reliable in all areas of our business, we comply with international standards and ensure product safety and quality. We keep our promises to earn the trust of our customers. This is the backbone of our business.

Social responsibility

Our social impact can be measured in the context of the wellbeing of our over 800 employees employed across the entire world. The safety of our employees is the number one priority for us. A priority that can and will not be neglected. We strive towards being the employer of choice in the furniture industry for all professionals regardless of their trade, level of education or experience.

Minimizing our environmental footprint

At Tvilum, we are committed to creating a sustainable future. We use recycled materials and wood from FSC® certified forests and other controlled sources in our products. We reduce CO₂ emission levels and manage our company based on high ethics. We demand the same from our entire supply chain and together, we promote sustainable consumption. We have joined the United Nations Global Compact initiative that has been brought to life with the aim of supporting the implementation of sustainability principles and UN goals.

Our heritage

We are a Danish mass producer of Ready-To-Assemble furniture embracing the beauty of Nordic design, and we are proud of our heritage. We are equally proud of the fact that you can find a piece of furniture in almost every home in Denmark. We are also proud of the fact that over the years we have succeeded in extending our footprint to become a truly global company – today selling to over 50 countries worldwide. But we will never forget our heritage.

Sustainable development

To stay competitive, a company must embrace progress and constant development. At Tvilum this is reflected in both the products we produce as well as the services we offer. Therefore, at any point in time, multiple development projects are being planned and implemented across the entire organization and value chain. All of these projects have one common goal – to develop products that match our customers expectations. And achieve this while putting sustainability on the forefront throughout the supply chain.

History in brief

Tvilum is one of the world's largest manufacturers of Ready-To-Assemble furniture with its headquarters and two factories in Denmark and a factory in Poland. Since its founding in 1965, the company has undergone a number of mergers and changes of ownership, which have given it the leading international position which the company maintains.

Since 2018, Tvilum has been owned and run by a Danish investor group experienced in the furniture industry also at its helm today.

Sales organization

Our market leading position is also reflected in our truly international sales organization. Tvilum currently has local sales teams in place in Denmark, Norway, Finland, UK, France, Germany, Italy, Spain, China, Japan, US, Chile and Mexico.

VALUES

Our values are what we want our company to stand for and what reflects our company. This means that we have clear expectations to each other to create and continually develop a good workplace for all employees.

In Tvilum, we live our values every day in the entire organization.



Trustworthy

To be truly trustworthy, you have to show it. At Tvilum, we show our trustworthiness by acting sincerely and decently. That entails doing what we say and keeping our promises. This way, we earn the trust and respect of retailers, end-consumers, suppliers, local communities and employees.



Innovative

Innovation is key. At Tvilum, we understand the importance of innovation. Therefore, our minds are set on improving every day and on developing our business and each other. Our product portfolio is continuously developed to meet market trends and to inspire retailers and end-consumers. This is how we match future market requirements and drive change and progress.



Result-oriented

Great results do not occur without hard work. At Tvilum, we seek out possibilities and take on responsibility to drive both our own and our partners' businesses forward. We consider human commitment and potential our most important resource. By constantly analyzing our activities, we gain new insights that we use to become even better. We are consistent in our efforts, and that is how we achieve results.



Caring

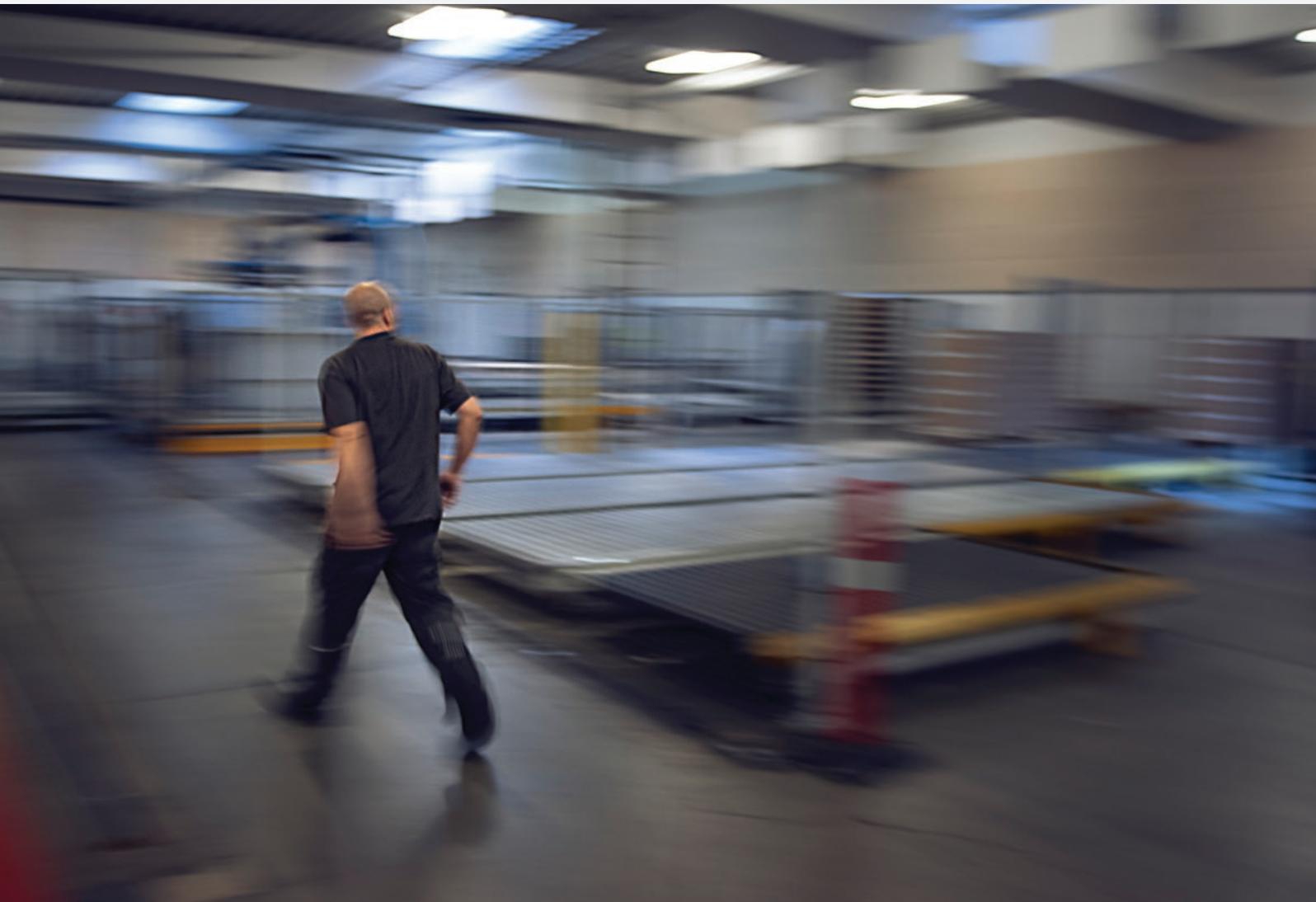
Respect for people and planet is essential to us. At Tvilum, we put safety first, we work as a team and we are good colleagues. We care about the environment.





ESG STRATEGY

Tvilum manufactures furniture that inevitably has an impact on the climate, nature as well as our local environment. Being responsible citizens of the communities we operate in, we strive towards minimizing any negative effects that arise from our own or our value chain's actions. We also strive towards finding the balance between our mission of bringing affordable, functional and sustainable furniture to the world and the impact of our actions.





THE SUSTAINABLE DEVELOPMENT GOALS

The world faces a number of serious challenges that all need urgent reaction. To set the path towards a sustainable future, the United Nations (UN) has pointed towards a number of areas for improvement. These are compiled into 17 goals: The sustainable development goals. These provide a comprehensive approach to support governments, companies, organizations and individuals around the world in solving these issues.

After reviewing the 17 goals and assessing our possibilities in aiding their successful fulfillment, we have selected three goals where we put our main focus.



10 REDUCED INEQUALITIES



Reduced inequality

When we say affordable, functional and sustainable furniture to the world our intention is to make safe furniture of responsible materials available at a price level that leaves no room for poorer alternatives in the market. This way we hope the healthy choice will be an option for everyone disregarding income level in the future.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Responsible consumption and production

We produce furniture, and thus inevitably affect the climate, environment and the surrounding communities. In all our actions, we are constantly striving towards becoming more sustainable. We strive to use as much certified, and to some extent recycled, raw materials, optimize of waste streams from production and phase out as many unsustainable materials as possible. And we expect the same from our suppliers.

We encourage consumers to buy sustainable products like our furniture, and to use it in a sustainable manner so that it lasts longer and can be recycled post-use.

13 CLIMATE ACTION



Climate

We aim to reduce energy consumption in our production and we pack our products in flat and compact boxes, which allows us to optimize transportation. In the coming years, we will compile all the necessary data to be able to improve even more on our climate impact.

CLIMATE



	Units	2019	2020
Climate			
kWh under ISO 50001 certification	%	72.9%	73.4%
Power usage (Electricity, DK+PL)	kWh	18,717,685	19,808,791
Power intensity (DK+PL)	kWh per colli	3.4 kWh/colli	3.0 kWh/colli
Scope 1 CO ₂ emission excl. transport between sites (DK)	Tons CO ₂ e	1235 tons CO ₂ e	1184 tons CO ₂ e
Scope 2 CO ₂ emission (DK+PL) (accounting principles IEA)	Tons CO ₂ e	4955 tons CO ₂ e	4799 tons CO ₂ e
CO ₂ emission from transport between Tvilum sites DK+PL <i>(not incl. in scope 1)</i>	Tons CO ₂ e	102 tons CO ₂ e	94 tons CO ₂ e

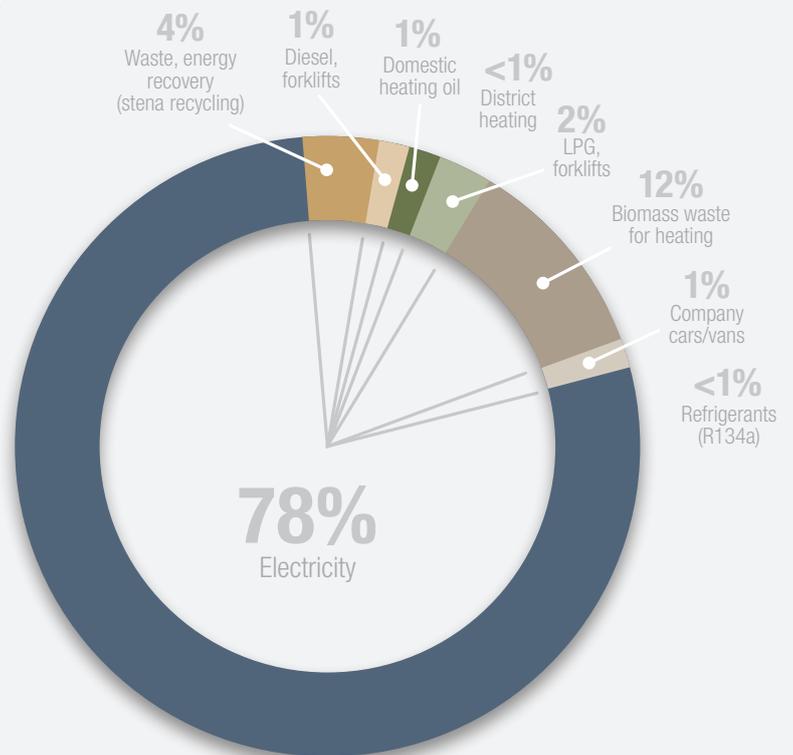
Climate footprint

It is inevitable that the production of furniture as any other large-scale production has an impact on the climate. We at Tvilum aim to minimize that impact in any way we can using the tools and practices at our disposal.

To be able to make informed and justified decisions, we must rely on valid data. Over the coming years we will ramp up the collection of various climate-related data. This work is already ongoing – we have already mapped out the vast majority of our Scope 1 and Scope 2 CO₂ emissions and the process has begun with mapping and analyzing our Scope 3 CO₂ emission.

Scope 1 and 2, which includes all emissions related to our own operations and assets, is under our own direct control. Scope 3 requires us to work with our suppliers, customers and surroundings, which means that this part of the process is far more demanding. We are looking into options to reduce our Scope 2 emissions, where our purchased electricity plays by far the largest role. We use the widely recognized GHG protocol when we map and calculate our emissions, to ensure the quality of our data.

CO₂e EMISSION 2020 (SCOPE 1 AND 2)



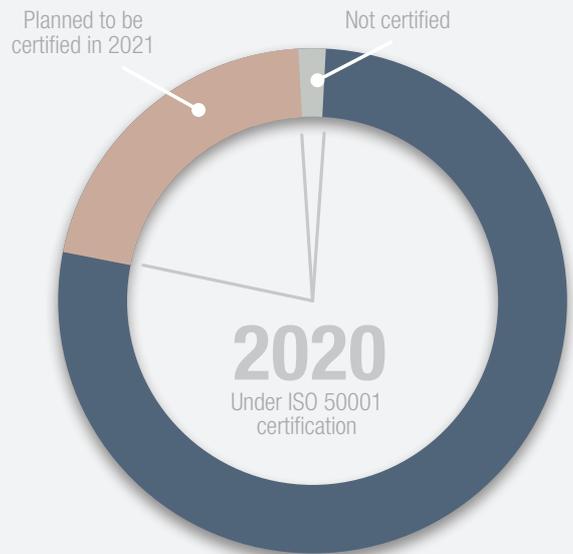
The figures cover all Tvilum production sites, excluding distribution centers and sales offices. Emission from electricity is calculated based on IEA reporting



Energy

The primary energy sources we use in our daily operations are electricity from the grid and biomass we burn for heating our facilities. We are constantly working towards optimizing our production, our facilities and machinery to minimize consumption of electricity and heat. Our production sites in Denmark are ISO 50001 certified. In 2021 the production site in Poland will be certified as well. The numbers are covering all Tvilum production sites and distribution centers, excluding sales offices.

While electricity consumption has been slightly increasing, increased efficiency in production has allowed us to offset this increase, leading to a 11.7% reduction in electricity consumption per SKU/colli.

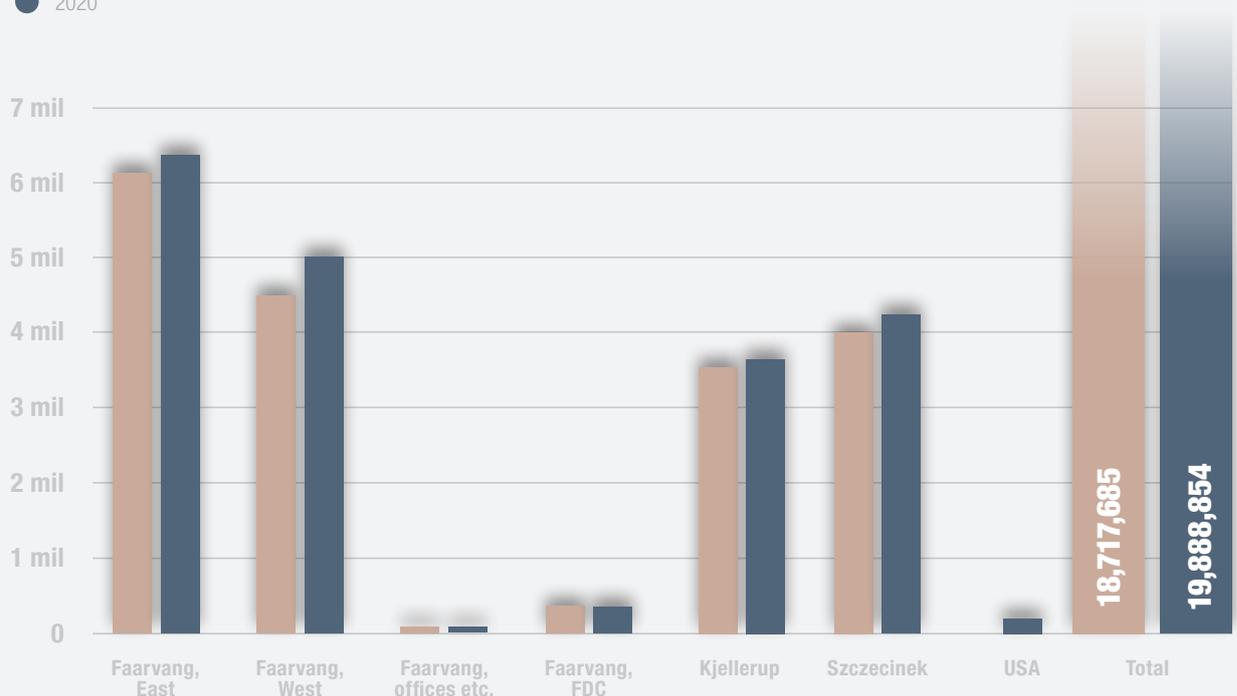


The numbers are covering all Tvilum production sites and distribution centers, excluding sales offices.

ELECTRICITY CONSUMPTION

(kWh)

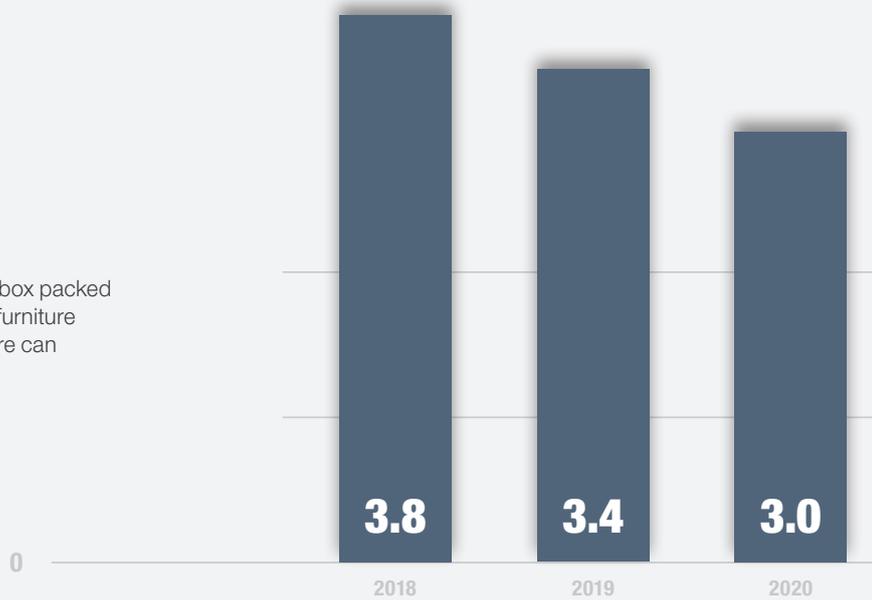
- 2019
- 2020





DEVELOPMENT kWh/COLLI PACKED

KWh consumption per box packed
(box = one package of furniture
parts, a piece of furniture can
consist of more boxes).





**SCOPE 3, CATEGORY 4
UPSTREAM TRANSPORT**

- 2nd largest contribution
- Mapping has been initiated
- Majority of transporting in Europe, minor part from China



INTERNAL TRANSPORT

- Smallest contribution
- Consumption included in Scope 1 and 2 mapping



**SCOPE 3, CATEGORY 9
DOWNSTREAM TRANSPORT**

- Largest contribution
- Mapping has been initiated
- Transporting to Europe, US, South America, South East Asia
- Increasing

We procure the majority of our raw materials from European suppliers, including our largest supplier located less than 60 km from the factories in Denmark. This has allowed us to minimize the need for long-distance transport in this part of the value chain. The majority of raw materials are delivered to our production sites by truck.

Our internal transport needs are mainly fulfilled by forklifts and we are currently in the process of phasing out fossil fuels (diesel and LPG gas) in this part of the value chain.

We have made progress in this by switching a number of our forklifts from LPG to electricity and this is clearly reflected in our consumption of LPG gas.

Our finished products are exported all over the world and this inevitably has a negative impact on climate change, as the main means of transport include trucks, trains and ship. We will be addressing this issue in the future.

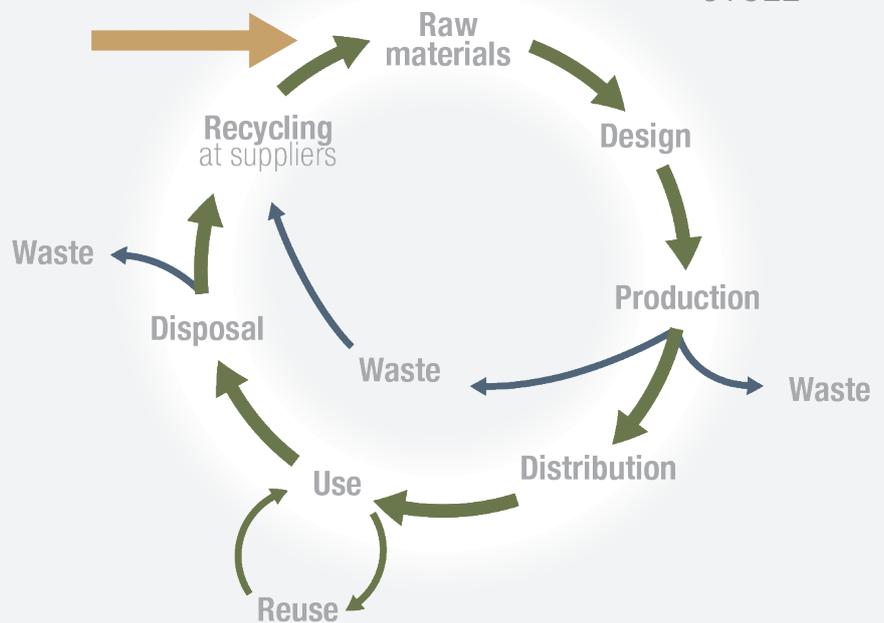


MATERIALS

We procure raw materials with a high proportion of recycled materials where and when it makes sense, for example packaging and some wood-based materials. At the same time, we strive to minimize the content of harmful substances in the raw materials, both for the sake of our end-users, but also to increase the recyclability of the materials when the furniture is disposed of after use.

Producing furniture from particleboard means there is an opportunity for a closed-loop material cycle. Whether the opportunity can be taken advantage of depends on local waste handling infrastructure and local particleboard producers sourcing strategies. We are increasingly putting focus on this part of the life cycle of our furniture and we are trying to ensure the best and most climate friendly disposal or recycling practices by working on disassembly solutions and raw material selection.

TVILUM MATERIAL CYCLE



			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Climate footprint							
Climate	Climate	Climate reporting			Scope 1 and 2 mapped	Initial baseline screening	Screen for CO ₂ e sources in full value chain (scope 1+2+3) Decide on base year Find industry standards
Climate	Climate	Scope 1				Baseline developed	Measure baseline scope 1
Climate	Climate	Scope 2				Baseline developed	Measure baseline scope 2
Climate	Climate	Scope 3				Baseline estimated	Estimate baseline scope 3
Energy							
Climate	Climate	ISO 50001 certification			73.4% kWh under ISO 50001 certification	95% kWh under ISO 50001 certification	Improve energy area Audits (internal and external) (Re)certification
Climate	Climate	Power usage, electricity			19,809 MWh power usage electricity DK + PL		Improve power usage
Climate	Climate	Power intensity reduction			3.0 kWh power usage per colli	2.9 kWh power usage per colli	Improve power intensity
Transport							
Climate	Climate	Internal transportation				Baseline developed	Measure baseline
Climate	Climate	External transportation				Baseline estimated	Measure baseline
Materials							
Climate	Climate	Raw materials				Baseline estimated	Mapping of materials Identification of relevant calculation methods
Climate Circular economy & waste management	Climate	Disposal of products after use				Baseline estimated	Identification of relevant calculation methods



RESOURCES

	Units	2019	2020
Resources			
Wood purchased as FSC certified	% of spend	88.0%	87.8%
Packaging purchased as FSC	% of spend	13%	19%

Product design

When it comes to sustainability, the way a product is designed is of very high importance.

All our products are packed in flat boxes that make transportation easier and more efficient, as the use of space in the truck loads and containers is optimized, enabling higher capacity per load. This allows for higher utilization of the fleet and thereby reduces the climate impact.

We focus on offering furniture that is multifunctional, while at the same time reusing design modules that enable us to optimize both our production and the end-use of our products. This gives the products a longer overall service life.

Once our furniture has reached the end of its lifecycle, it is important to us that the materials can be reutilized in the most valuable way. Therefore, in the near future we will focus on how an assembled piece of furniture can easily be disassembled and recycled in the best possible way.

We are focusing on reducing the number of transport damages on finished goods. We are doing this by identifying products with high claim rates and constantly improving their packaging based on analysis and tests.

Recycling and waste

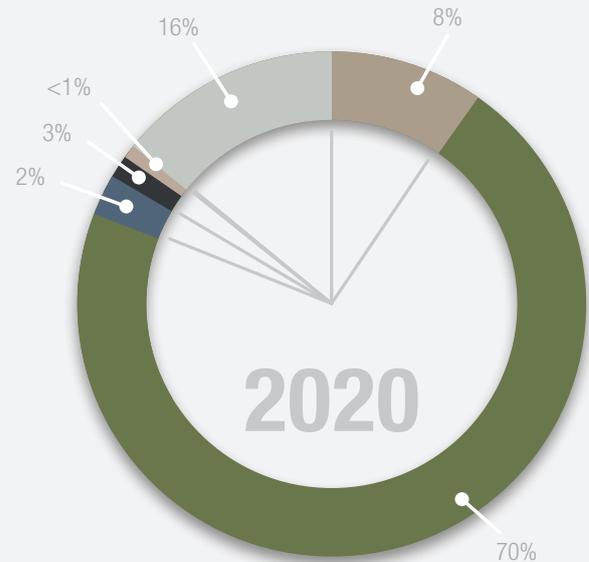
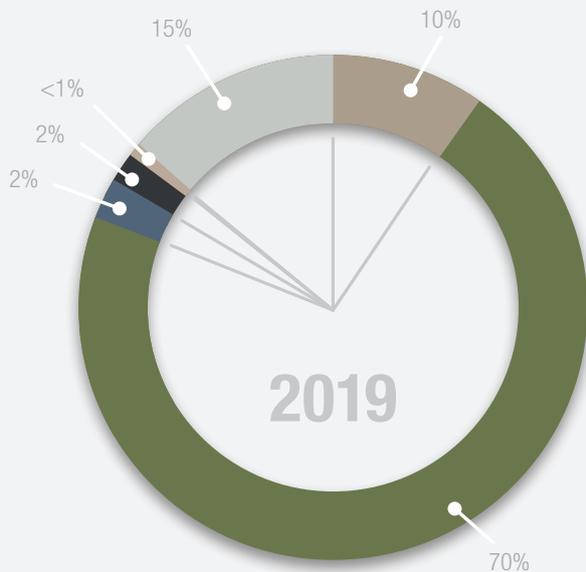
Our purchasing process and product design are optimized to minimize waste from production. We make sure to sort by-products as much as possible in order for those to be reused or recycled.

The majority of by-products deriving from our production consist of cut-offs and saw dust from particle board and MDF. A considerable part of the particle board waste is reused by our board suppliers for new board. Despite our increasing production volume we have been successful in reducing our overall waste percentage over the past few years. We are constantly looking for alternative uses for this waste, the remainder of which, in slightly increased volumes, is incinerated.

Other waste fractions in Denmark are fairly stable, while there is an increase at the Polish site. This is assumed to be related to increased activity. We are working on a more thorough characterization of the waste from production in Poland to identify further optimization opportunities. The same process is carried out in Denmark, especially focusing on the fractions that currently end up at the landfill.

The waste fractions that we cannot recycle ourselves are collected by external partners. Here, we continuously keep an eye on optimizing the value of the waste fractions.

In 2021 we will continue to put focus on reducing waste throughout our whole supply chain including our external partners.



WASTE DISTRIBUTION

Sustainable raw materials

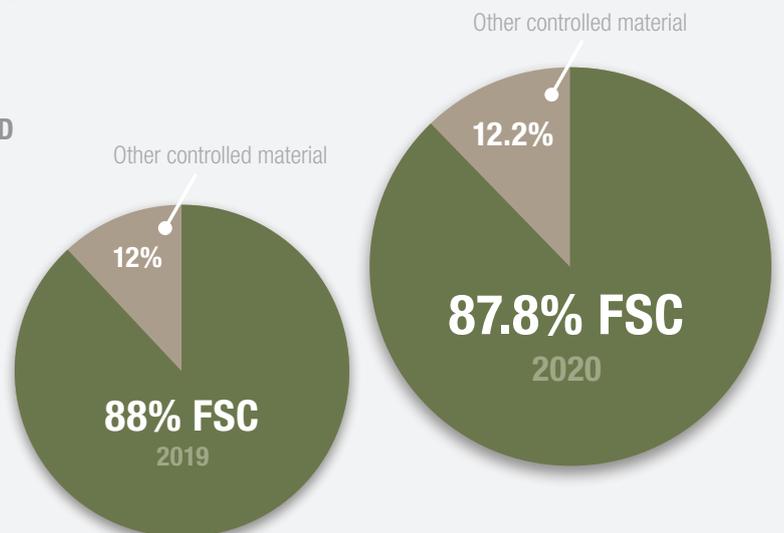
We believe the most effective way that a manufacturing company can contribute to making the world more sustainable is by using sustainable raw materials.

All wood-based materials used in our production are from FSC certified forests or other controlled sources. All products produced since the beginning of 2019 are FSC Mix certified. Products produced prior to this were PEFC certified.

- Wood dust for heating of facilities - DK
- Wood dust/cut offs used for new particleboard - DK + PL
- Different materials collected by 3rd parties - Material reuse - DK
- Different materials collected by 3rd parties - Incineration - DK
- Different materials collected by 3rd parties - Landfill - DK
- Different materials collected by 3rd parties - PL

% OF EXPENDITURE ON WOOD AND WOOD BASED MATERIALS FOR FURNITURE PRODUCTION THAT IS FSC CERTIFIED

Categories defined as FSC purchases are FSC 100%, FSC Mix credit and FSC Mix 70%.



We are in the process of minimizing our use of EPS, also known as expanded polystyrene. This material is typically produced from oil and the possibilities for recycling it are poor. Also, this material does not easily degrade in nature. Therefore, we believe that the most responsible thing to do is to use paper-based alternatives.

The same applies to our other use of plastic in packaging, which turns into waste as soon as the end-user has assembled the furniture. Here, we are in the process of finding the best solutions, so we make sure that our future plastic consumption is optimized in relation to the entire material life cycle.



			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Product design							
Pollution	Environment	Packaging durability/performance				Baseline estimated	Define claim types that relates to packaging performance
Biodiversity							Identify products with high claim rates
Circular economy & waste management							Improve packaging durability through analysis and testing
Forest stewardship							Minimize damaged goods
Sustainable packaging							
Recycling and waste							
Circular economy & waste management	Environment	Minimize waste from Tvilum				Baseline estimated	Decrease waste (e.g., by optimizing production and utilization, less materials in packaging)
Circular economy & waste management	Environment	Recycle waste from Tvilum				Baseline estimated	Increase recycling (e.g., by optimizing production and utilization, purchasing recyclable materials)
Sustainable packaging							



Risks	Policies	Projects	2020			2021	
			Objectives	Actions	Results	Objectives	Planned Actions
Sustainable raw materials							
Biodiversity Forest stewardship	Environment	Biodiversity			87.8% of wood purchased as FSC certified of total purchase of wood in kg 19% of packaging purchased as FSC of total packaging in kg	90% of wood purchased as FSC certified of total purchase of wood in kg 100% of designs (SKUs) available for sales as FSC of all SKUs 50% of packaging purchased as FSC of total packaging in kg	Screen current relevant raw materials Replace with FSC certified input wood/paper FSC certify own products and packaging Develop information package for customers to show EUTR and Lacey Act compliance
Biodiversity Forest stewardship Circular economy & waste management	Environment	Recycled input				Develop baseline	Screen all raw materials Replace virgin materials with recycled materials (e.g., metal, wood, paper, glass, paint)
Pollution Circular economy & waste management Climate Sustainable packaging	Environment	EPS				Develop baseline	Exchange EPS with honeycomb card board (Re)design packaging to avoid EPS
Pollution Circular economy & waste management Climate Sustainable packaging	Environment	Plastic				Develop baseline	Define plastic strategy Redesign products and packaging to avoid plastic or change for bio-plastic





AFFORDABLE, FUNCTIONAL AND SUSTAINABLE FURNITURE FOR THE WORLD

Market access

We want to provide functional and sustainable furniture to as many consumers as possible, and we want to make sure that our furniture can be purchased in as many places as possible. You can already buy Tvilum furniture in large parts of the world, but we are not done yet. That is why we are continuously expanding our sales network both locally, regionally, and internationally. We are also focusing our efforts on expanding online sales through e-commerce channels, which allows us to reach even more consumers.

Pricing

Buying sustainable products should not be a luxury that only a selected few can afford.

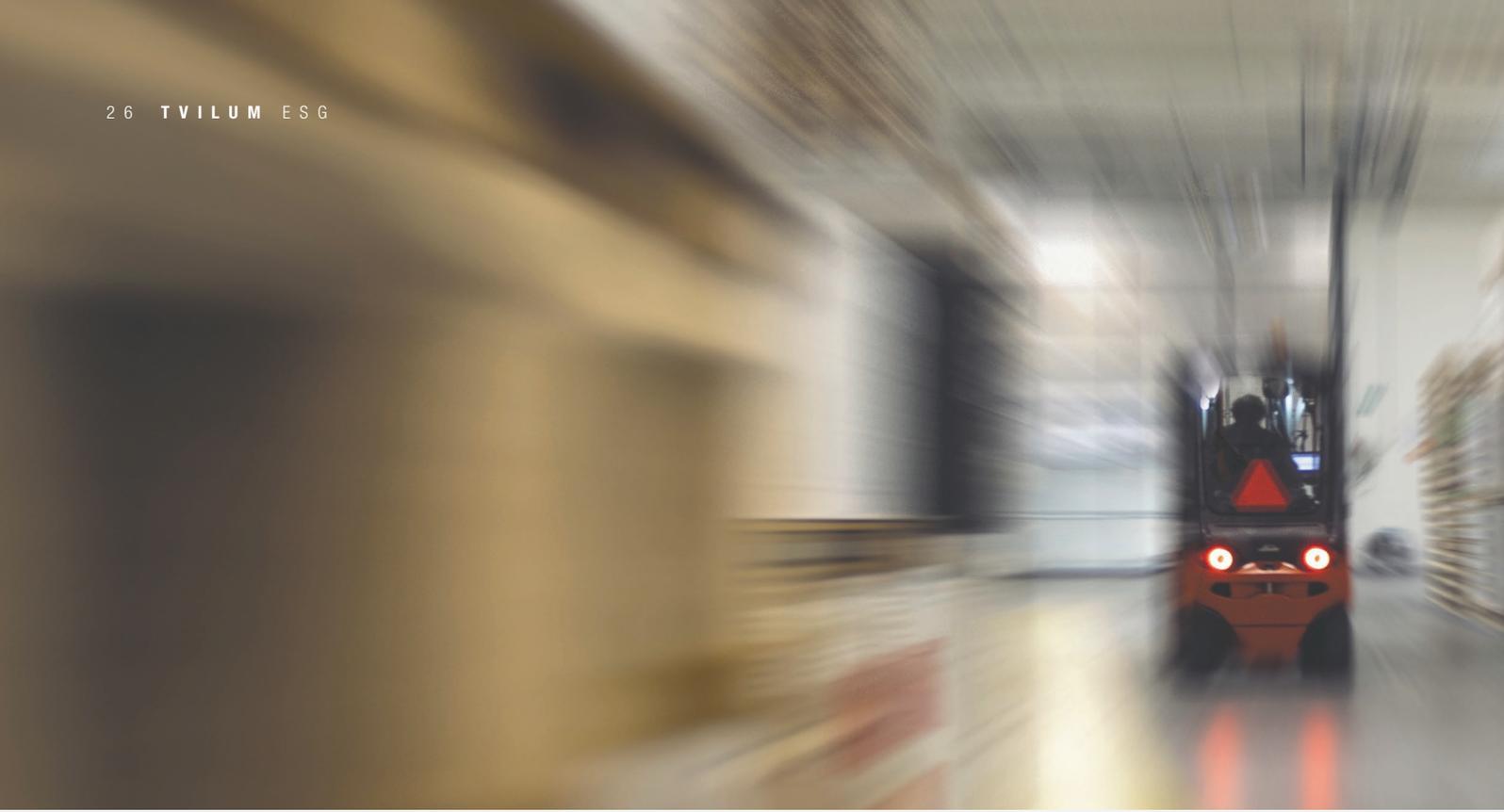
Making sustainable choices should be the privilege of the majority. So, we work every day to make our furniture affordable for as many people as possible. This applies not only to the well-off industrialized countries, but also to the developing world.

Awareness on sustainability

The more you know, the better choices you can make. Therefore, we want to use our products, and the platform we have created to communicate and to increase the awareness amongst the users of our products on the topic of sustainability.

We are constantly expanding our outreach globally to demonstrate what each of us can do in order to live a more sustainable life.

In 2021, we will define new KPIs for creating awareness on sustainability amongst our consumers and the world.



Product safety

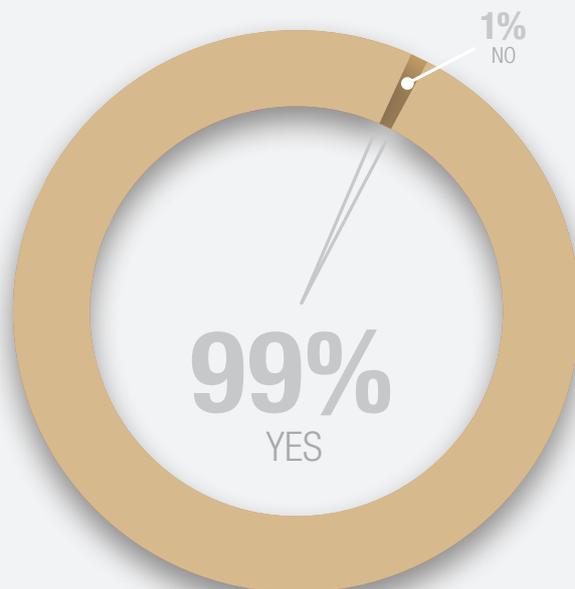
The safety of our consumers is on the top of our priority list.

We are constantly following the updates on the requirements and test methods that are relevant to our products and all products that we release to the market undergo a rigorous process of assessing its compatibility with the minimum requirements through calculations, simulations and testing.

Any special requirements arising from the local legislation of the target markets are considered as mandatory.

At Tvilum, we have our own test center for carrying out mechanical tests during product development. We are able to test according to the most common test methods applicable to our product assortment. To have official test reports, we collaborate with accredited test laboratories globally.

Designs (SKU)
INDOOR CLIMATE LABEL CERTIFIED



Trading goods like textile boxes, mattresses etc. are not necessarily indoor climate certified. These are estimated to account for 1% of designs (SKU)

			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Awareness on sustainability							
Responsible marketing	-	Own end-consumers				Communication on sustainability initiated	Define KPI Implement communication
Responsible marketing	-	The World				Communication on sustainability initiated	Define KPI Implement communication
Product safety							
Product quality and safety	Good governance	Mechanical product safety compliance		Upgrade in-house test facilities Confirm compliance of assortment	New in-house test facility opened	Own products tested, improved and certified	Test own products Improve products Certify own products
Product quality and safety	Good governance	Chemical product safety compliance			99% of designs (SKU) Indoor Climate Label certified	99% of designs (SKU) Indoor Climate Label certified	Define KPIs Define Tvilum chemical and emission standard Test own products Improve products Certify own products



GREAT EMPLOYER

	Units	2019	2020
Social data			
Workforce FTE	#	727	873
Employee turnover ratio (global)	%	14.4%	10.3%
Sickness absence (only DK)	%	3.98%	3.39%
Work related accidents (with lost time) global	#	12	27
Days off due to work related accidents (DK + PL)	#	133	232
Near misses reported (DK)	#	103	249
Observations reported (only DK)	#	218	713
Gender Diversity, Senior management	Senior management	2/7	2/7

Employee health and safety

The safety and health of our employees is of utmost importance for us. The importance is further enhanced by the fact that our production process incorporates the use of large machinery and manual processes.

We have developed a comprehensive organization of work environment groups across all departments, and these groups have held an important and proactive role in mitigating possible risks and suggesting improvements based on new processes and new technologies.

Besides physical safety, we also put a lot of focus on mental health, stress and advocating a positive working culture.

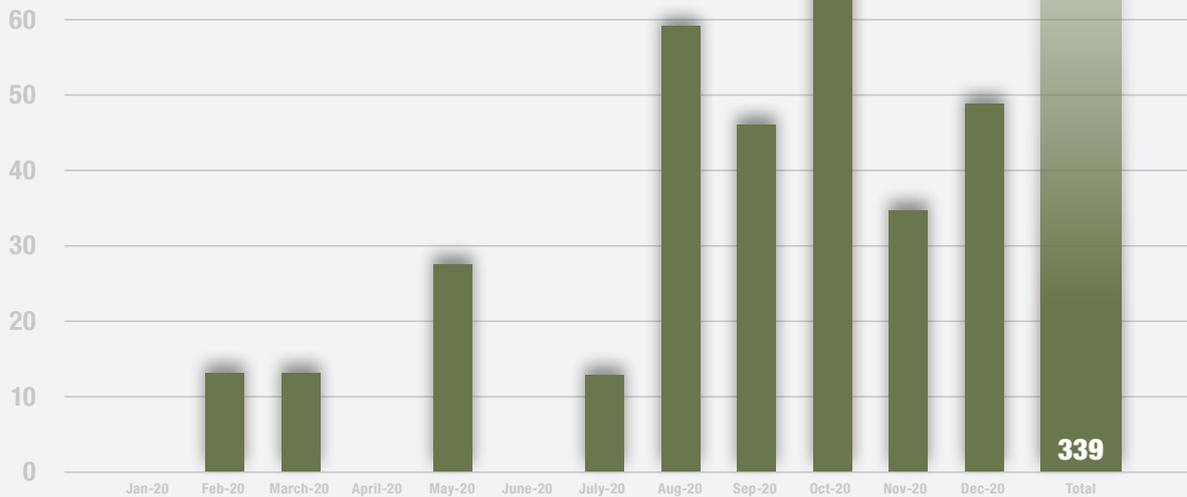
In 2020, we focused on developing safety walks, management reporting, developing the health and safety organization, employee development groups, and training employees on safety procedures.

The effort to register all incidents i.e. near misses and accidents has been intensified throughout 2020 which has significantly affected the number of near misses and to an extent also the accidents registered.

In 2021, we will continue our work in these areas as well as develop a new health and safety committee, screening all health-related initiatives and issues in all branches and implementing health improvements.

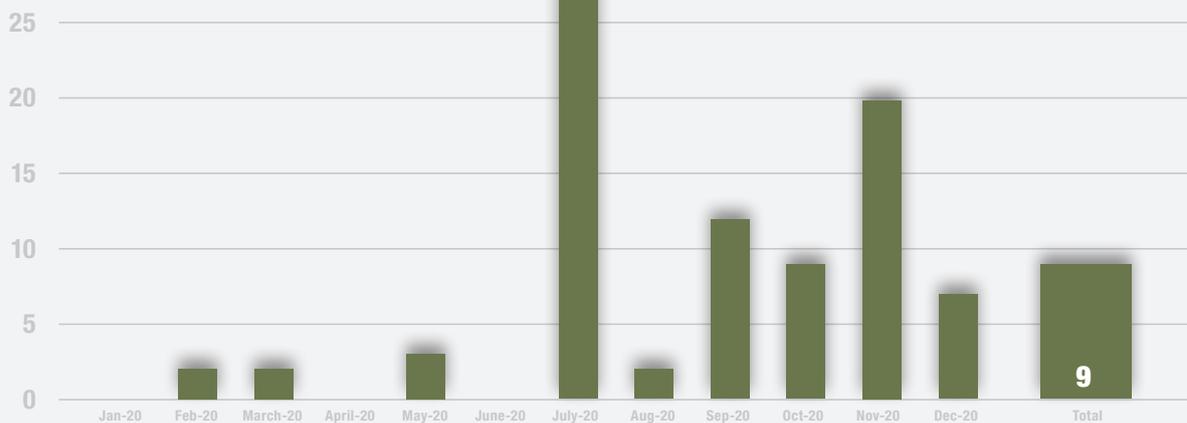
WORK RELATED ACCIDENTS

with lost time per 10,000 FTE - Global



DAYS OFF

per accident with lost time (DK and PL)



Development of employees

Although we have significantly increased our level of automation in our production processes, there are still a considerable amount of people employed in our factories and distribution centers. When we focus on competence development of our employees, we focus first and foremost on their safety. For this reason we carry out a lot of peer training exercises of our employees each year, so that

everyone is trained to operate the machines they work with. In addition, this results in a higher product quality and lower volume of reworks.

Moreover, we have programs for competence building of talents and management in the company.



GLOBAL STAFF TURNOVER

WC & BC – Last 12 months

% OF EMPLOYEES



Note: White collars with temporary employment agreement are not included in the statistics.

During 2021, we will further enhance our effort in competence development by the deployment of our skills matrix, performance and talent management planning and execution, and our one2one communication. In the area of employee satisfaction, we will mitigate turn-over and seek to improve satisfaction in general by harnessing all available tools at our disposal. Finally, we will screen our practices for compliance in labor conditions, including contracts, wage, fringe benefits, freedom, unions, and improve compliance where needed.

Diversity and inclusion

With more than 800 employees globally, we are very aware that diversity strengthens our organization and brings upon innovation.

The board, which is elected at the general meeting, consists of 5 persons - namely the owners and 2 elected professionals. In 2020 no elections were held. It is still the intention to have 20% mixed gender representation on the board by 2025. In the group's senior management team, 2 of the 7 managers are women, corresponding to approx. 29%. It is company policy that both genders must be represented in the company management. All management positions are filled on the basis of the group's general principle of employing the best-qualified person for the position, irrespective of other factors. We seek to ensure that both genders are represented in the last round of the recruitment process, where this is possible given the field of applicants. The group generally stresses the importance of equal opportunities for all, regardless of gender, ethnicity, religion or disability.

			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Employee health & safety							
Employee health & safety	Employee health & safety	Safety		Developed safety walks and management reporting Developed OHS organization and FOKUS groups Trained employees on safety procedures	339 work related accidents per 10,000 FTE (DK+PL) 232 days off due to work-related accidents (DK+PL) 249 near-misses reported (DK) 713 observations reported (DK)	<256 work related accidents per 10,000 FTE (DK+PL) <120 days off due to work-related accidents (DK+PL) <150 near-misses reported (DK) >850 observations reported (DK)	Develop safety walks and management reporting Continuous improvements by FOKUS groups Train employees on safety procedures
Employee health & safety	Employee health & safety	Health				4.8% sick days	Screen all health-related initiatives and issues in all branches Implement health improvements
Employee development							
Employee health & safety	Employee health & safety	Competence development				86% of employees being performance assessed	Skills matrix deployment Performance and Talent management planning and execution One2one compliance
Employee health & safety	Employee health & safety	Employee satisfaction			10.3% annual staff turnover	14% annual staff turnover	Mitigate turn-over Improve satisfaction
Labour rights incl. child labor and forced labor	Labour rights	Labour conditions				Compliance screened and improved	Screen for compliance within e.g., contracts, wage, fringe benefits, freedom, unions etc. Improve compliance
Diversity and inclusion							
Diversity, discrimination & inclusion	Diversity, discrimination & inclusion	Diversity	20% (1 in 5) of women in non-executive board of Tvilum A/S (by 2025)		0% (0 in 5) of women in non-executive board of Tvilum A/S	20% (1 in 5) of women in non-executive board of Tvilum A/S (by 2025)	Implement initiatives to attract women to board Implement initiatives to attract women to management (e.g., fast track programs for women, gender-neutral job ads) Decide how to work with other types of diversity (e.g. race, age, social background, sexual interest) Implement initiatives
Diversity, discrimination & inclusion	Diversity, discrimination & inclusion	Inclusion		Focus on anti-discrimination and inclusion	Anti-discrimination and inclusion included in recruiting and daily management	Policies for diversity, anti-discrimination and inclusion updated	Internal discussions and update policies

GOOD GOVERNANCE



	Units	2019	2020
Gender Diversity, Board	#	0 (0 of 5)	0 (0 of 5)
Board Meeting Attendance Rate	%	100%	100%
Fees	#	0	0
	DKK	0	0
Complaints received in all part of the Tvilum group regarding e.g., noise, smoke, light, traffic.	#	0	0
Official recognized breaches of environmental legislation by Tvilum or due to Tvilum actions	#	1	1

COMPLIANCE

Fees and fines

As a partially owner-managed company, Tvilum is built on a strong foundation of decency and respect for the rule of law. This shines through in all our actions.

We always want to follow all legal requirements and regulations. In the past year, we have kept our constant focus on minimizing the risk of unlawful behavior.

Whistleblower

To ensure ethically correct behavior in our organization, we introduce an updated whistleblower scheme to make sure any employee has the opportunity to report illegal or unwanted activities or behavior anonymously.

In the coming year, we will update our whistleblower scheme, and ensure that the same version is rolled out at all sites at Tvilum. Additionally, we will implement an internal training program for the employees.

Policies

To ensure that we live up to the demands and expectations of society, we are developing a range of policies that will guide us in our strategy and actions.

In 2021, we will screen all current policies in the group and, on the basis of this analysis, develop new ones.

We will also develop and deploy an internal code of conduct for all employees in the group. This will ensure that our values and ethical attitudes are adopted by all employees.



LOCAL COMMUNITIES

We run a production process that affects our immediate surroundings.

On one hand, this enables us to create jobs, and we are proud that we can attract talents from our local communities. We also enter into various forms of partnerships and sponsorship agreements wherever we operate.

On the other hand, our activities also have an impact on our immediate surroundings. We have a strong focus on minimizing our pollution, in terms of noise, smoke, dust and wastewater, to name a few.

In the coming year we will update our procedures for handling complaints from local communities surrounding our sites globally.

Supplier management

A large part of the risk that our activities could harm society comes from the entire supply chain and thus also from our suppliers. Therefore, we focus on continuously becoming better at controlling our purchases as well as the actions of our suppliers.

In the coming year we will update our supplier risk assessment and implement it globally. In addition to this, we will update our supplier code of conduct and implement it globally. The main focus will, in the first phase, be on our core BOM suppliers.

WE SUPPORT



Transparency

This is our first structured annual report on ESG (Environmental, Social and Governance) issues. In the future we will publish a report annually, so that it will be possible for both our internal and external stakeholders to follow our goals, actions and results within sustainability. We strive to develop a set of relevant KPIs, so that our descriptions are backed up by measurements and numbers.

We are a signatory of the UN Global Compact, and every year we renew our commitment to live up to the ten principles of respect for human rights, labor rights, the environment and climate, and anticorruption. See more on our actions related to UN Global Compact on page 44.



			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Compliance							
Good governance Fair competition Bribery and corruption	Good governance	Fees and fines	0 fees	Risk mitigation	0 fees	0 fees	Risk mitigation
Good Governance All risks	Good governance	Whistleblower				100% of employees are aware of and know how to use Tvilum whistleblower system	Screen for whistleblower systems in all branches Develop/buy new or update current whistleblower system for all branches Develop whistleblower training Develop processes for implementation Launch and train employees
Good governance All risks	Good governance All policies	Policies				Full package of ESG policies developed	Review of all policies and if needed update Develop ESG policies Deploy Business Code of Conduct Reduce deviations through awareness
Good governance Responsible marketing	Good governance	Transparency	Develop new ESG KPIs	Updated all KPI objectives	Updated KPI plan	ESG report 2020 published	Publish annual ESG reporting Update all KPI objectives

			2020			2021	
Risks	Policies	Projects	Objectives	Actions	Results	Objectives	Planned Actions
Local communities							
Good governance Pollution in local communities	Good governance Environment	Pollution and traffic	0 written complaints received in all part of the Tvilum group regarding e.g., noise, smoke, light, traffic. 0 official recognized breaches of environmental legislation by Tvilum or due to Tvilum actions	Risk mitigation	0 written complaints received in all part of the Tvilum group regarding e.g., noise, smoke, light, traffic. 1 official recognized breach of environmental legislation by Tvilum or due to Tvilum actions	0 written complaints received in all part of the Tvilum group regarding e.g., noise, smoke, light, traffic. 0 official recognized breaches of environmental legislation by Tvilum or due to Tvilum actions	Update procedures for handling of complaints Risk mitigation (e.g., reduce noise, smoke, light and traffic issues) Risk mitigation
Local communities	Good governance	Partnerships and donations				Local donation partners selected	Screen all donations and partnership in all branches Select local donation partners Develop policy Develop Partnerships Communicate
Supplier management							
Responsible procurement All risks	All policies	Risk assessment				Risk assessment	Screen current systems Develop risk assessment system Rate first suppliers
Responsible procurement All risks	All policies	Supplier Code of Conduct (SCoC)				Supplier Code of Conduct updated Signatures confirmed from 100% of BOM suppliers	Screen current systems Review Supplier Code of Conduct Review and update policy and process Confirm signatures from BOM suppliers

GOVERNING ESG

ESG ORGANIZATION

Our ESG efforts are signed off and approved by the Tvilum Supervisory Board.

The strategic prioritization, ESG policies, investments, resource allocation and the KPI follow-up are coordinated by our ESG Board. In cases of cross-functional decisions or strategic areas the coordination is passed on to our Executive Leadership Team (ELG).

The ESG Sponsor, who is member of the ELG is coordinating the development and implementation of the ESG program plan. The sponsor is supported by a ESG team, which comprised both internal and external ESG specialists.

The ESG program plan is divided into a long series of ESG projects, which all have an ESG project owner who is member of the ELG.

We plan to implement the ESG organization further down our organization and on to all sites.



ESG PROCESSES

Progress in the ESG program is reported and discussed on both ESG Board and ELG meetings at least quarterly. This will typically lead to minor or major changes in the program structure, resource allocation, KPI structure etc.

At least once a year the Supervisory Board is updated on the ESG progress and discuss, adjust or approve the current ESG policies.

The ESG sponsor drives the annual process of updating the ESG strategy, updating the knowledge base from analyzes etc. Additionally, the sponsor coordinates all ESG projects throughout the year, and is responsible for escalating potential issues and new possibilities to the ELG.

We seek to integrate ESG in our daily operations and will focus more on involving our employees in ESG projects. All new hires are informed about our ESG approach, and we use it actively in recruiting and retaining our talents.





ENGAGING WITH STAKEHOLDERS

Our stakeholders	Our engagement	Their interests	How we take responsibility
End-consumers	Partner talks POS material Websites Social media	High perceived quality Safety Fair price Brand value Sustainability	We focus on improving the quality and safety of all our products through product development, testing and certifications. We focus on improving the sustainability footprint of both our company and products in all relevant areas like climate, environment, working conditions and good governance. All initiatives are communicated to our end users.
Customers	Sales channels Marketing channels Audits and customer requirements Interviews and surveys	Brand value Quality Low prices Delivery on time Production capacity and competencies (OEM) Low risk Sustainability (e.g., climate, FSC wood and paper, and good governance)	As above. In addition, we provide all relevant information for our customers related to audit visits, Supplier Codes of Conducts, interviews and surveys.
Local communities	Sponsorships and partnerships Job creation	Job creation Support Local pride No smell, noise or Pollution No traffic jams	We look for new hires locally in our communities. We hand out donations and establish partnerships with local clubs and associations. And we always focus on minimizing the negative impact we have on our local communities through smell, noise, pollution or traffic jams.
Employees	Daily work Annual employee development talks Performance reviews Formal contacts with employee representatives	High pay Career and challenges Security in employment Work environment Pride	We create a safe, challenging and healthy working environment, in which our employees can thrive and develop. Our focus on sustainability will probably increase the feeling of pride among the employees.
Suppliers	Procurement and purchasing Supplier Code of Conducts Partnership in product development	High price Long term contracts Support for development Not too strict requirements	We base our cooperation on our contracts and Supplier Code of Conduct. Our philosophy is to create and maintain long-term relationships with all suppliers that demonstrate the will to continuously develop and improve their sustainability footprint.
Regulators	Compliance with regulations in all parts of our operations	Compliance Development	We always seek full compliance with all legislation in every area of our operations.
Shareholders	Board meetings General Assemblies Annual reports Individual meetings	High long-term growth High return on investment Properness and corporate social responsibility Low risk	We align our strategy along the directions from our shareholders, and within this framework we develop our focus on sustainability in balance with investments and financial ROI.

VALUE CHAIN

Our operations have a significant impact throughout our value chain – from raw materials to disposal of the used furniture.

We have mapped out all the material risks in our value chain in order to be able to address these in our ESG strategy.



ESG area	Raw material extraction	Raw material production	Transport	Tvilum	Customers	Consumers
Environmental	Chemicals Water consumption Waste Biodiversity CO ₂	Chemicals Water consumption Waste CO ₂	CO ₂ Particle pollution	Waste Water consumption CO ₂	Waste CO ₂	Waste and recycling Hazardous waste
Social	Child labor Forced labor Indigenous people Remuneration Working conditions Employee health	Child labor Forced labor Indigenous people Remuneration Working conditions Employee health	Remuneration Working conditions Employee health	Working conditions Employee health Remuneration Smell Noise Marketing Data security	Working conditions Health Remuneration	
Governance	Correct tax payment Bribery Corruption	Correct tax payment Bribery Corruption	Correct tax payment Bribery Corruption	Bribery Corruption	Bribery Corruption	

MATERIALITY



Our ESG strategy is based on the materiality analysis which we conducted in 2020. Based on internal and external data we conducted a series of analyzes of stakeholders like customers, end-consumers, shareholders, local communities etc. In addition, we have analyzed our own operation, our value chain, risks and opportunities, competitors, and world-class companies.

The outcome of these analyses was the graphical overview of material ESG areas as seen below. Most of the areas are addressed in our current strategy and key performance indicators (KPIs). And the remaining part will be addressed at a later stage, as we have prioritized our ESG effort.

Environmental
Social
Governance







OUR CONTRIBUTION TO THE UN SUSTAINABILITY DEVELOPMENT GOALS (SDGS)

SDG	Actions	Our action areas	Page
#10 Reduced inequalities 	<p>When we say affordable, functional and sustainable furniture to the world our intention is to make safe furniture of responsible materials available at a price level that leaves no room for poorer alternatives in the market. This way we hope the healthy choice will be an option for everyone disregarding income level in the future.</p>	Market access Pricing Product safety Diversity and inclusion	25 25 26 30
#12 Responsible consumption and production 	<p>In all our actions, we are constantly trying to become more sustainable. This is reflected, for example, in a very high degree of use of certified, and to some extent recycled, raw materials, optimization of waste streams from production and phasing out of unsustainable materials. We also constantly try to influence our consumers to both buy sustainable products, like our furniture, and to use them in a sustainable manner so that they last longer and emphasize recycling post use.</p>	Materials Product design Recycling and waste Sustainable raw materials Supplier management Awareness on sustainability	18 20 20 21 33 25
#13 Climate 	<p>Our large production has a negative impact on the climate. That is why we are putting a lot of efforts into reducing our CO₂ impact. We reduce our energy consumption continuously in production and we pack all our products in flat and compact boxes, which allow us to optimize transportation. In the coming years, we plan to provide all the necessary data to be able to improve even more on our climate impact.</p>	Climate footprint Energy Transport Materials Product design Recycling and waste Sustainable raw materials Supplier management	14 15 17 18 20 20 21 33

We impact other SDGs and targets, but we have the strongest focus on the above three SDGs.



UN GLOBAL COMPACT INDEX

We are a signatory of the UN Global Compact and support all the ten principles. This report is our annual COP report (Communication on Progress) showing how we support the UN Global Compact principles.

Below you can find our approach to each principle.

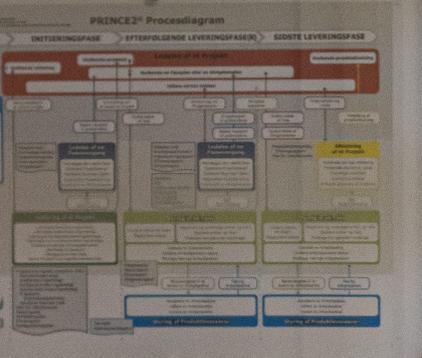
WE SUPPORT



Principle	Our action areas	Page
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Supplier management	33
	Policies	32
	Whistleblower	32
Principle 2: Businesses should make sure that they are not complicit in human rights abuses	Supplier management	33
	Policies	32
	Whistleblower	32
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Whistleblower	32
	Policies	32
	Supplier management	33
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor	Whistleblower	32
	Policies	32
	Supplier management	33
Principle 5: Businesses should uphold the effective abolition of child labor	Whistleblower	32
	Policies	32
	Supplier management	33
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	Whistleblower	32
	Policies	32
	Supplier management	33
	Diversity and inclusion	30
Principle 7: Businesses should support a precautionary approach to environmental challenges	Climate footprint	14
	Energy	15
	Transport	17
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Climate footprint	14
	Energy	15
	Transport	17
	Sustainable raw materials	21
	Product design	20
	Recycling and waste	20
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	Energy	15
	Transport	17
	Sustainable raw materials	21
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Whistleblower	32
	Transparency	33
	Supplier management	33

ESG KEY FIGURE OVERVIEW

	Units	2019	2020
Environmental data			
kWh under ISO 50001 certification	%	72.9	73.4
Power usage (Electricity DK+PL)	kWh	18,717,685	19,808,791
Power intensity (DK+PL)	kWh per colli	3.4	3.0
Scope 1 CO ₂ e emission excl. transport between sites (DK)	Tons CO ₂ e	1235 tons CO ₂ e	1184 tons CO ₂ e
Scope 2 CO ₂ e emission (DK+PL) (accounting principles IEA)	Tons CO ₂ e	4955 tons CO ₂ e	4799 tons CO ₂ e
CO ₂ e emission from transport between tvilum sites DK + PL (not incl in scope 1)	Tons CO ₂ e	102 tons CO ₂ e	94 tons CO ₂ e
Wood purchased as FSC certified	% of spend	88.0	87.8
Packaging purchased as FSC	% of spend	13%	19%
Social data			
Full-Time Workforce	FTE	727	873
Employee Turnover Ratio	%	14.4	10.3
Work related accidents	#	12	27
Days off due to work-related accidents	#	133	232
Near-misses reported	#	103	249
Observations reported	#	218	713
Sickness Absence (only DK)	%	3.98	3.39
Employee Turnover Ratio	%	14.4	10.3
Gender Diversity, Senior management	% (# of #)	29% 2 of 7	29% 2 of 7
Governance data			
Gender Diversity, Board	% (# of #)	0 (0 of 5)	0 (0 of 5)
Board Meeting Attendance Rate	%	100%	100%
Fees	# DKK	0 0	0 0
Complaints received in all part of the Tvilum group regarding e.g., noise, smoke, light, traffic.	#	0	0
Official recognized breaches of environmental legislation by Tvilum or due to Tvilum actions	#	1	1



Principper, tematiske processer, ledelsesprodukter og præstationsmål

EPMGroup

HANGRY
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tvilum

REPORTING PRINCIPLES

Scope

This report covers the reporting period of January 1st to December 31st 2020.

The focus in this report is the relevant ESG (Environmental, Social and Governance) areas for Tvilum A/S. It is a supplement to our Annual Report which for 2020 still is our official report for compliance with The Danish Financial Statements Act section 99a and b.

Boundaries

This report covers all majority owned subsidiaries, i.e., companies that Tvilum Group directly or indirectly owns and controls more than 50% of the voting rights or that it otherwise controls.

These companies are included DK, PL og US:

- Tvilum A/S
- Tvilum LLC Warehouse
- Tvilum Poland Sp. Z o.o.

Data quality

As defined by the Global Reporting Initiative (GRI) sustainability reporting has to be based upon Accuracy, Balance, Clarity, Comparability, Reliability, and Timeliness.

Accuracy

We report on the data we measure. We define and describe the methods and indicators we use. We focus on minimizing the margin of error on all our measurements. We seek to indicate where we have estimated data and which assumptions we have applied. And we try to use other data sources in order to have more evidence available.

Balance

We report on both positive and negative results. We give the reader the opportunity to see both positive and negative trends in the annual reporting. And we focus on each topic based on the relative materiality.

Clarity

We seek to give the relevant level of information and avoid overly detailed reporting. We try to present the data in an easy to access manner for all readers. We seek to avoid technical terms and where needed we define these. We try to make the information accessible for all stakeholders, including persons with particular accessibility needs (such as differing abilities, language, or technology).

Comparability

We present all information in order to make a year-on-year comparison possible. We tend to use widely used industry KPIs, making benchmarking across business possible. Variations in reporting periods are identified and explained where relevant.

Reliability

We report the scope and extent of all external assurance. We keep all original sources of information. We seek to support the quality of all data streams in our internal procedures and systems.

Timeliness

We release our annual reporting as soon as possible after the end of the reporting period. We align the collection of data for the ESG report with our annual reporting cycle. And we always indicate which time period the reporting relates to and when it has been updated.

tvilum

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