

Kvadrat Group

Business Partner Code of Conduct

Version 2.0 – October 2019

The Kvadrat Group is deeply rooted in design, and we are uncompromisingly focused on quality and the responsibility for our surroundings. Since our foundation in 1968 we have focused on delivering the best quality combining extraordinary design and the finest materials. For us, quality and design go hand in hand with sustainability, as we want to ensure products for many generations ahead. Since our foundation, environmental and social considerations have been integrated in our business strategy and processes.

At Kvadrat we continuously seek to push the aesthetic, artistic and technological boundaries of textile design. We create high quality products that help architects to shape architectural spaces, designers and furniture manufacturers to produce and craft furniture, and consumers to bring tactility and colour into their private homes. This is our way of contributing to the creation

of beautiful interiors that increase the quality of people's life.

This Code of Conduct describes the responsible behaviour we wish to promote throughout the supply chain of all the companies within the Kvadrat Group, as a joint responsibility to design and produce our products in the most sustainable way, to protect our surroundings for many generations ahead.

This Code of Conduct is directed to all business partners of the Kvadrat Group who manufactures and/or delivers products and services to us, including their subsidiaries, affiliated companies and sub-suppliers.

In 2013 Kvadrat became a member of the UN Global Compact, which is a voluntary initiative based on company commitments to implement universal sustainability principles and to undertake partnerships in support of the UN Sustainability Development Goals.

Our commitment includes a commitment to exercise due diligence and having in place processes for preventing and addressing potential and actual adverse impacts on human and labour rights, the environment and anti-corruption and to develop ethical and sustainable business practices in support of the 10 principles. We use this Code of Conduct to support us in selecting and retaining business partners who share our commitment to sustainability and responsible business conduct as defined by internationally agreed standards, principles, and guidelines.

We ask our business partners to commit to implementing the requirements of this Code in their own operations and to work with their suppliers and business partners to also implement the requirements of this Code, so we can generate shared value, take joint responsibility and thereby create a strong partnership.

On behalf of the Kvadrat Group

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line and a small flourish.

Anders Byriel
CEO, Kvadrat A/S

A handwritten signature in black ink, written in a cursive style that reads 'Mette Bendix'.

Mette Bendix
Product Director, Kvadrat A/S

I. Purpose and deployment

The purpose of this Code of Conduct is to ensure that our business partners demonstrate responsible business conduct. The Code of Conduct asks our business partners to manage adverse impacts on:

human rights, including labour rights,
the environment
anti-corruption, and
animal welfare

The standards of the Code of Conduct are based on internationally agreed conventions, including but not limited to: the international Bill of Human Rights, the International Labour Organisation's (ILO) Declaration of the Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Convention against Corruption, the RIO Declaration on the Environment and Development, the 10 principles of the UN Global Compact.

We expect the business partner to adhere to this Code of Conduct, and furthermore comply with all national laws and regulations as well as other applicable standards. If there are differences between the provisions of this Code of Conduct and national laws or other applicable standards, the business partner shall adhere to the higher or more stringent requirements. Conflicts between the provisions of this Code of Conduct and national laws or other applicable standards shall be evaluated by Kvadrat in cooperation with the business partner and relevant stakeholders, in order to establish the most appropriate course of action that will help to foster respect for fundamental human rights, labour standards, the environment, anti-corruption and animal welfare. If any conflicts are detected, please inform Kvadrat hereof by sending an email to: compliance@kvadrat.org

The Code of Conduct constitutes a critical component in our due diligence processes as it formulates our standards on responsible business conduct and conveys these standards to our business partners. We expect the business partners to also establish processes for exercising due diligence by setting up their own internal policies and develop, implement, maintain, and monitor appropriate management systems, to ensure that they are continuously improving and working in compliance with this Code of Conduct in their own operations as well as the operations of their suppliers.

We will continuously follow up on the business partner's ability and willingness to demonstrate continuous improvements in meeting the requirements of this Code of Conduct.

For a full list of all conventions and recommendations covered by this Code of Conduct, please send an email to: compliance@kvadrat.org

II. Requirements

Human- and Labour Rights Principles

1.0. Forced Labour and Freedom of Movement

We have a strict prohibition on forced labour, and employment must always be freely chosen. Business partners must not participate in, or benefit from, any form of forced labour, including bonded labour, forced prison labour, slavery, servitude, or human trafficking. Employees must not be required to leave any form of deposit, or identity papers/passport with their employer, and may terminate a working contract after legal notice. Employees must have the freedom of movement during the course of their employment. A signed working contract must be available for all employees, which is provided by the supplier in a language that is understandable to the employee.

The business partner is expected to exercise appropriate due diligence in their supply chain to ensure that they are not involved in forced labour.

2.0 Prevention of Child Labour and protection of Young Workers

The business partner shall not engage in, or benefit from, the use of child labour. The minimum age for employment shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years (or 14 years where established by national laws in accordance with the ILO developing-country exception). If the law states a higher age, the law must be followed.

If child labour is detected at the facility, the business partner is responsible for developing, participating in, and contributing to policies and programmes that provide for transitional arrangements to enable the child to remain in quality education until no longer a child.

The business partner is expected to exercise appropriate due diligence in their supply chain to ensure that they are not involved in child labour.

2.1. Light work and Apprenticeship Programmes

All legal limitations regarding young workers between the age of 15 and 18 must be followed and young workers are only permitted to carry out light work at reduced hours and which do not interfere with their education. It means that they must be protected from any hazardous work, night shifts, and any kind of work that might hamper their physical and psychological development or impose any harm. If children between the age of 13-15 are employed, the work must be simple tasks of a limited nature and not interfere with the children's educational responsibilities.

Apprenticeship programmes must be remunerated and clearly aimed at training.

3.0. Non-discrimination in Employment-related Decisions

The business partner shall not engage in or support discrimination on the basis of race, colour, sex, language, religion, political or other opinion, caste, national or social origin, property, birth, union affiliation, sexual orientation, health status, family responsibilities, age, and disability or other distinguishing characteristics.

Hiring, remuneration, benefits, training, advancement, discipline, termination, retirement, or any other employment related decisions shall be based on relevant and objective criteria only.

4.0 Workplace Violence, Harassment and Threats

All workers must be treated with respect and dignity. The business partner shall protect workers from acts of physical, verbal, sexual, or psychological harassment, abuse, or threats in the workplace, whether committed by managers or fellow workers, including when determining and implementing disciplinary measures.

Special measures must be put in place to protect female workers against gender-based violence and harassment in the workplace.

5.0. The Right to Freedom of Association and Collective Bargaining

The business partner must respect the rights of workers to join and organise associations of their own choosing and to bargain collectively with no interference or sanctions from employers. Business partner must not discourage membership of unions, and employees shall not face prejudice due to union membership or active participation in employees' committees. The Employees representatives shall not be subject to discrimination and must have access to carry out their function in the workplace. The business partner must recognise elected employees' representatives and bargain in good faith with them regarding all important workplace concerns.

Where freedom of association and the right to collective bargaining is restricted or prohibited under law, the employer shall facilitate alternative forms of independent and free worker representation and negotiation, in accordance with international labour standards.

6.0. Health and Safety Standards

The business partner shall ensure that its employees are offered a safe and healthy working environment. To prevent accidents and injuries and promote a healthy and safe working environment, the business partner must establish and operate a health and safety management system, which includes management representation on health and safety; regular risk assessments of all areas of the workplace; and appropriate incident and risk management procedures proportionate to the type and size of business. Health and safety procedures must cover all relevant areas, including but not limited to areas such as; protection from fire, accidents and toxic substances. Where relevant, special measures must be put in place to ensure a gender-sensitive approach.

6.1. Training and Protective Gear

The business partner shall provide its employees with the protective equipment and training necessary to perform their tasks safely. Sufficient and well-maintained protective equipment shall be provided free of charge, and all material used in the production, which is estimated to cause a risk to health and safety shall be clearly marked with a sign. Emergency exits and first aid equipment must also be clearly marked and accessible. All fire safety precautions must be taken, including adequate warning systems, escape routes, and training of employees in fire response. There must be a written and communicated emergency response procedure. All safety precautions in regard to the use, storage and handling of chemicals must be taken, and employees must be sufficiently trained in handling chemicals.

6.2. Sanitary Infrastructure

The business partner must provide a suitable, clean and sanitary infrastructure, including access to toilets and potable water, which conforms to the needs of its employees and is adequate to its numbers.

Accommodation, if provided by the business partner, shall conform to the same requirements, including the general provisions on health and safety listed above.

6.3. Safe and healthy buildings

All relevant permits and certifications regarding buildings must be obtained and kept for review. All electric installations must be installed and maintained by competent personnel.

7.0. Adequate Remuneration

The business partner shall always comply with legal minimum standards or industry benchmark standards concerning wages and benefits, whichever is higher. In any event, the business partner shall strive to provide a 'living wage', which enables employees to meet the basic needs of themselves and their dependents and to provide some discretionary income. Wages shall be paid in legal tender and on a regular basis and must not be withheld for any reason. Deductions shall be transparent and deductions from wages as a disciplinary measure, or any other deduction not required by law, must not occur.

8.0. Established Working Relationship

The business partner shall not rely on part-time, short-term workers, trainees, or false apprenticeships to pay lower wages and fewer benefits. Provisions for non-permanent and seasonal workers should be no less favourable than for permanent workers.

9.0. Leave

The business partner shall grant employees 3 weeks of paid holiday each year and sick leave as relevant as well as parental leave to employees who must care for a newborn or newly adopted child. Parents who take parental leave will not face dismissal or threat of dismissal and shall be able to return to their former employment at the same rate and benefits.

10.0. Hours of Work, Rest Periods and Breaks

The business partner shall ensure that a standard working week follow local regulations, collective bargaining agreements and industry standards, but must not exceed 48 hours per week, excluding overtime.

All overtime must always be consensual and not requested on a regular basis. Weekly overtime must not exceed 12 hours and must be remunerated at a premium rate, at a minimum 125% of the normal wage. The business partner must provide sufficient rest days to employees, classified as at least 1 day off in a 7-day period, and shall be given reasonable breaks while working and sufficient rest periods between shifts.

11.0. Employee Privacy

The business partner shall respect the privacy rights of its employees whenever it gathers or keeps private information or implements employee-monitoring practices.

Environmental Principles

12.0. Environmental Responsibility

The business partner must conduct all operations in full compliance with all applicable environmental laws and regulations. This includes obtaining and maintaining all necessary registrations, permits, and licences, including, but not limited to, below listed requirements (from section 13 and onwards).

Moreover, the business partner must have procedures and capabilities in place to ensure that they prevent and mitigate negative environmental impacts from their activities, or associated activities. At a minimum, procedures and capabilities must be in place for below listed requirements. Finally, for select issues we will increasingly be asking for specific environmental data from our business partners as this is required in order to drive impactful changes in line with our sustainability strategy.

13.0. Requirements – Restricted Chemicals and Substances for Manufacturers

The business partner who produce or deliver textiles, rugs or other products or components to the Kvadrat Group must follow and comply with our chemical and substance requirements in force at any time.

These requirements and future upgrades hereto will be delivered separately to the business partner and must be signed by the business partner. It is expected that the business partner develops the required risk assessment processes and testing programmes to ensure compliance with the requirements.

Local laws must be followed in the storage, handling, use and disposal of all chemicals and must comply with the Material Safety Data Sheet (MSDS) for each chemical product.

14.0. Water and waste water management

The business partner who produce textiles, rugs or other products or components for companies within the Kvadrat Group carry out all operations in full compliance with all applicable laws, regulations and industry guidelines on water conservation, water quality, and waste water. Suppliers should work towards minimising the use of water during production processes, including introducing water saving techniques and waste-water recycling. This is particularly pertinent for suppliers with wet processing. Suppliers without wet processes are also expected to manage and measure water consumption.

Suppliers should measure the impact of their operations on the local/regional water supply to avoid negatively contributing to water stress.

15.0. Energy Efficiency and GHG Emissions

The business partner must reduce and control emissions to air according to applicable regulations. This includes noise, odour, and dust emissions.

The Kvadrat Group is a member of the Science-Based Targets initiative (SBTi) and have committed to become net-zero by 2040. This means that reducing CO₂e emissions in our scope three is a high priority, and the business partner is expected to proactively contribute to this commitment by carrying out the following measures:

1) calculating emissions and setting targets to reduce emissions using recognized standard-setting tools, such as the GHG Protocol and 2) reducing emissions by implementing energy efficiency measures in the value chain, starting with high-impact processes, and using renewable energy sources if available.

16.0. Waste Management

All waste must be managed responsibly and as a minimum according to applicable regulation. Hazardous waste must be handled by an authorized organisation. The business partner shall minimize waste during production processes going to landfill, facilitate collection of waste to be re-used recycled and optimize use of recycled materials. The goal should be no waste to landfill. The business partner should keep records of resource consumption as well as waste production and emissions, to ensure effective monitoring.

17.0 Sourcing, suppliers, and subcontractors

Traceability: The business partner should be aware of the origin of the raw material and components used. The business partner should be ready to document the origin of material through a validated chain of custody.

Business partners are expected to exercise appropriate due diligence in their supply chain and work with their suppliers and sub-contractors to ensure that they also conduct their operations in line with the principles of this Code of Conduct. Raw material, substances or components must be sourced from manufacturers who support practices that ensure compliance with the principles mentioned in this Code of Conduct.

Anti-corruption Principles

18.0. Anti-corruption policies

The highest standards of integrity are expected in all business interactions and the business partner must comply with applicable laws and regulations on bribery and corruption. Businesses must therefore, work against corruption in all its forms.

The business partner and its sub-suppliers must strive towards a business where corruption is eliminated – hence no bribery, improper gifts can be offered nor accepted. The business partner must never, directly or through intermediaries, accept or offer bribes. A bribe is a payment of anything of value – money, products, services, extravagant gifts or entertainment– made to a public official or an employee of a commercial partner in order to secretly influence his/hers behaviour and thereby improperly obtain or secure business.

The business partner shall also refrain from offering expensive gifts and extravagant entertainment to employees within the Kvadrat Group in an attempt to influence business decisions.

The business partner must in writing inform Kvadrat of any corruption and bribery activities that they are involved in, or becomes aware of regarding any of their sub-suppliers or subcontractors, by feeling pressured and/or in order to handle the orders to Kvadrat by sending an email to compliance@kvadrat.org. Such information must if practical possible be submitted prior to accepting the behaviour or demand.

The highest standards of integrity are to be expected in all business interactions. In general, any and all forms of corruption, extortion and embezzlement are strictly prohibited and business partners must understand that such activities may result in immediate termination of the business relationship, communication to relevant authorities and organisations as well as legal actions.

Animal Welfare

19.0. Animal Welfare

The business partner who produce or deliver textiles, rugs or other products to the Kvadrat Group must manage all significant potential and actual adverse impacts on animal welfare. Materials derived from animals used in products delivered to the Kvadrat Group e.g., 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.

All employees at the farm connected to husbandry and the shearing procedures of the animals must undergo training within responsible handling of animals and shearing procedures. Farmers and their staff must comply with national law concerning animal welfare included but not limited to husbandry regulations, shearing practices, handling of livestock, nutrient management, and transportation. Taking the lives of animals must always be conducted using the quickest and least painful and non-traumatic method available and approved by national and acknowledged veterinarians, and only conducted by trained personnel.

Mulesing: The business partner must not use wool from sheep that has been subject to mulesing.

When using materials that derive from animals, the business partner should be ready to document the chain of custody of the product, e.g., via existing credible third-party certifications schemes such as the Responsible Down Standard (RDS) and the Responsible Wool Standard (RWS).

20.0 Grievances:

Business partners must have a grievance mechanism in place allowing stakeholders to voice their concern if they find that operations of the business partners are adversely affecting human and labour rights, environment, including climate, anti-corruption, and animal welfare. The grievance mechanism should be appropriate to the size of the company and can take the form of a whistle-blower function, worker representation committee, etc. The grievance mechanism should be widely communicated, and accessible to all workers (including temporary workers), and managed in a confidential, unbiased, timely, and transparent manner.

Supplier Commitment and signature

The aim of this Code of Conduct is to form the basis for collaboration between all companies within the Kvadrat Group and its business partners for continuous improvements in managing adverse impacts on human and labour rights, the environment, and communities. Open and transparent dialogue on the standards of this Code of Conduct is essential for our relationship and as part of this, business partners are expected to inform about all sub-contractors as requested. Hidden factories are not accepted.

All business partners are evaluated against the standard of the Code, and we prioritise those business partners who are committed to demonstrating compliance and continued improvements. Business partners are evaluated through different types of assessments, including self-assessments, internal assessments, and third-party assessments (announced and unannounced). We and appointed third-party auditors must be granted access to all facilities, including sub-contractors, as well as relevant documents and employees as requested.

In those instances where a business partner needs to improve certain procedures and practices, the business partner must be committed to do so within a specific timeframe. Kvadrat will, when informed, offer support through dialogue or counselling on potential development plans. If the business partner fail to self-correct or fail to demonstrate willingness to improve systems or address identified adverse impacts, Kvadrat reserves the right to end the business relationship immediately.

The business partner hereby confirms to have received, read and understood this Kvadrat Group Code of Conduct. The business partner agrees to comply with the requirements set out herein and understand the importance, that they observe the Code of Conduct. The business partner further agrees only to engage suppliers and subcontractors in the production of products to Kvadrat to the extent that such suppliers and sub-contractors also comply with the principles set out herein and potentially have been approved by the Kvadrat Group.

Place and date: _____

Company Name

Name and Title of signatory

Signature