

Kvadrat Sustainability Report 2021

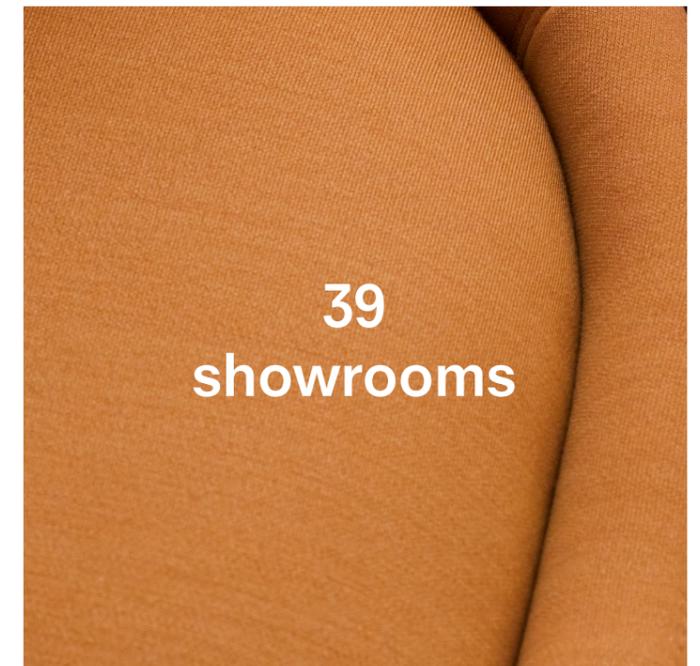
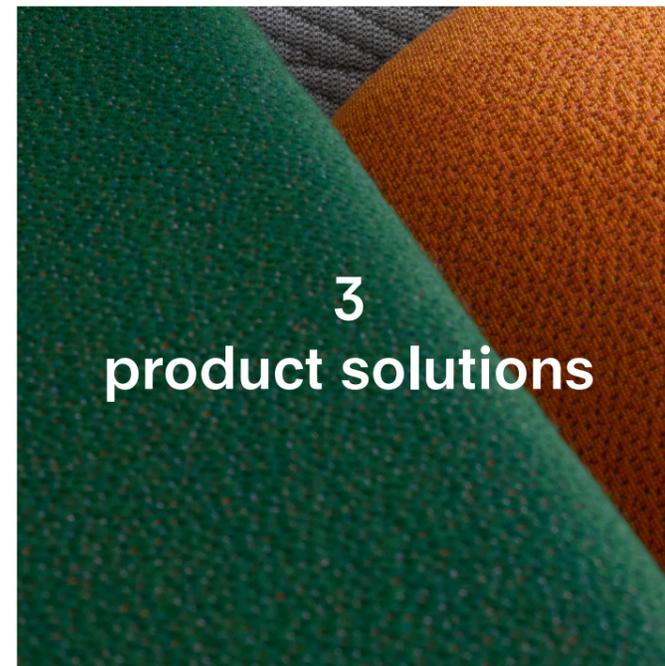
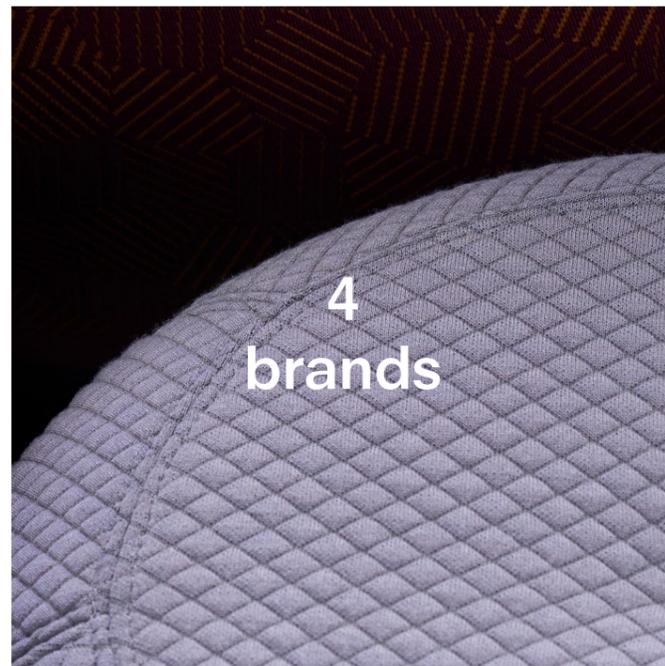
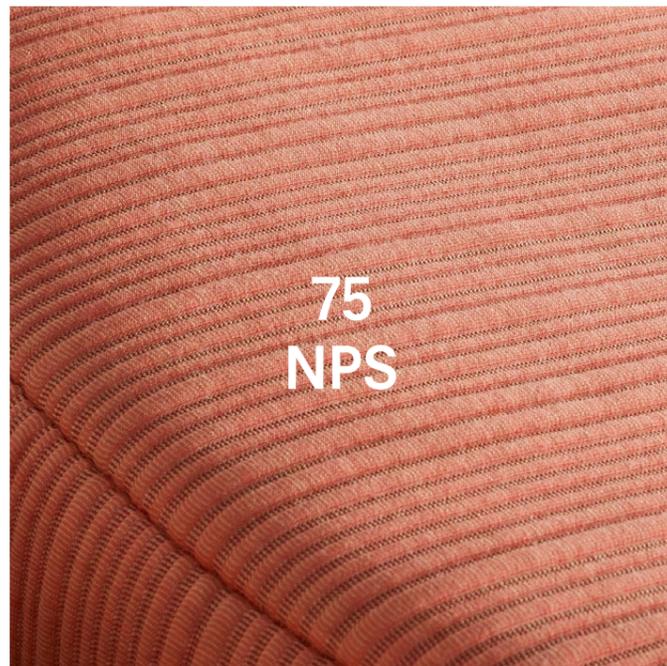
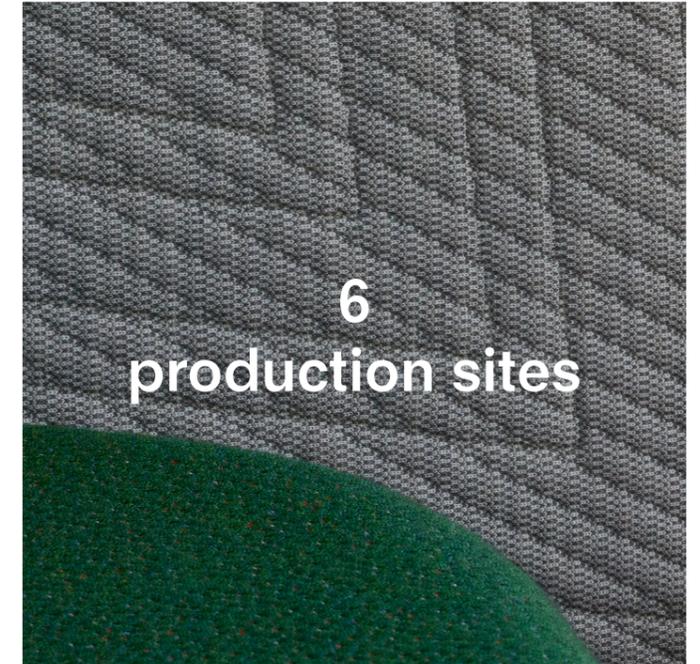
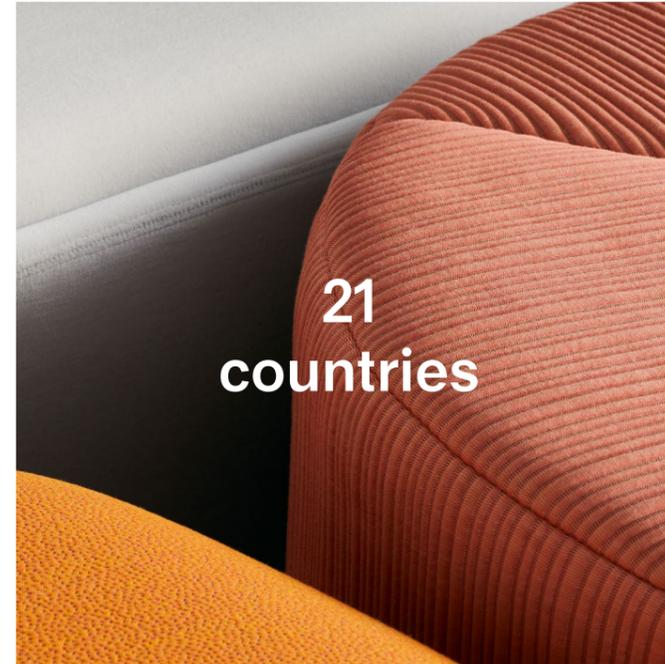
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State of the nation 2021



A letter from our CEO: Next level sustainability

The ecological crisis continues to keep our world on the alert in 2021. Achieving an inclusive transformation and adaptation to increasingly severe disruptions is in the interests of all of us. It needs to be prioritised, starting with organisations like ours and those of our global partners. It is from this platform that Kvadrat's new sustainability strategy, "Regenerate Together through Transparency" sets out.

The scale and interconnectedness of our global challenges have been a wake-up call to the world, revealing this moment in history as a time of fundamental transformation. Of course, it requires a paradigm shift going beyond the operations of individual nations and businesses. But it also raises questions about how we can relate our values to future generations and our environment.

Our ability to rethink and unlearn will, to a large extent, determine our global success in achieving the Sustainable Development Goals and the climate targets set out by the Paris Agreement to keep global warming to 1.5 degrees Celsius. Also, from our company perspective, we don't underestimate the cultural transformation that this implies, the need for new skills and an openness to learn and adapt while working towards our sustainability commitments.

2021 has been a key year for Kvadrat in determining our future sustainability direction and with it, our transition into a sustainability leader for textiles by 2030. In an intensive six-month research project – with involvement from our clients, leadership and production facilities – we have assessed our position in this world, our impact, and our opportunities for positive change across our value chain.

We have translated the insights we gathered into our new sustainability strategy, ***"Regenerate Together through Transparency". For Kvadrat this means that we want to Regenerate what we use, change the system by working Together, and inspire others through openness, Transparency and trust.***

We have broken down our strategic vision into concrete short- and long-term sustainability targets. The chief ones are: reducing 25% of our production waste and water consumption by 2025; becoming 40% circular driven by 2035 and net zero by 2040; and ensuring complete value chain transparency and equal opportunities for our people.

Beyond launching our sustainability strategy, we want to highlight the continuous progress made by our circular brand Really. In 2021, Really concluded ten Customer Own Materials projects, meaning textile waste from ten clients was given a new life by being upcycled into textile felts or acoustic boards.

At our production partner Wooltex, we were able to recycle 19 tonnes of woollen textile waste. Through the sales of Re-wool in 2021 and with the launch of Sabi, our new recycled woollen product, we are pushing waste reduction even further.

In 2022, we will submit our carbon reduction target to the Science Based Target initiative and identify potential circular business opportunities for more Kvadrat product solutions. We consider circularity to be a key enabler for our carbon targets and many of our other sustainability commitments. We also want to highlight the importance of adaptation and learning for successful transformation. As part of that strategy, we have launched the Kvadrat Change Maker Networks concept, where colleagues across our brands, our global sales teams and various Kvadrat back offices are selected for training every month in different sustainability topics.

The impact of the networks we have developed is impressive and far-reaching. We are not only establishing a growing knowledge base within our company borders, but also transmitting key insights externally to our clients, customers, and partners. The plan for 2022 is to install a fourth network across our key production partners to accelerate our actions for large scale decarbonisation, and water and waste reduction.

It is with urgency, but also optimism and passion that we are looking ahead.

We welcome this transformation as a great opportunity to build upon our continued commitment to push the boundaries of sustainability through quality, design and innovation. And, in doing so, evolve as a business, employer, and global citizen.

With this report, we express our continued support for the UN Global Compact and intend to communicate our progress on The 10 principles covering human and labour rights, the environment and anti-corruption. We view the 17 UN Sustainable Development Goals as an essential tool to reach common targets. In this report, we identify the goals to which we intend to contribute through our activities. We will continue to enhance our capability within product development, circularity and resource efficiency to reduce environmental impacts; to build valuable partnerships; to provide great working environments; and finally, to foster close collaboration with our manufacturing facilities and suppliers on environmental and social issues.



A handwritten signature in black ink, appearing to be 'A. Byriel'.

Anders Byriel,
CEO, Kvadrat A/S

About Kvadrat

Since our foundation in 1968, we have pushed the boundaries of high-quality design textiles. We have pursued this role with passion, empathy and creativity for over 50 years. Our home in Ebeltoft has been 100% renewable for over ten years. We joined the UN Global Compact in 2013 and have always ensured our textiles were made according to leading quality, environmental and health impact standards.

From the beginning, respect for the environment has been a defining pillar at Kvadrat. We face global challenges, which require us to evolve constantly so we can embrace the future with hope and positivity.

Regenerate Together through Transparency is our commitment to accelerating positive change and responsible business conduct, while continuing to innovate high-quality textiles.

Our path forward is to regenerate what we use, change the system by working Together, and inspire others through openness, transparency and trust. Quality, environmental, and social considerations are intrinsic parts of our business strategy. We consider sustainable solutions at every stage of our operations; from the point of design and the sourcing of raw materials through to processing and production, and then on to their eventual use and after-life repurpose. We are committed to setting new standards, creating new value and exploring regenerative business models - and to using our creativity and innovation to become a market leader in sustainability.



kvadrat

kvadrat shade

kvadrat acoustics

kvadrat febrik

SAHCO

KVADRAT/RAF SIMONS

MAGNIBERG

Really.

Our business model

We design and sell high-quality textiles and textile-related products for architects and large end-users, industry clients and private consumers to elevate the experience of public spaces, offices, hotels, cars, private homes indoors or out. We work with some of the world's finest designers and architects who, together with our production partners, enable us to infuse our product portfolio with distinctive creativity and achieve a state of permanent renewal.

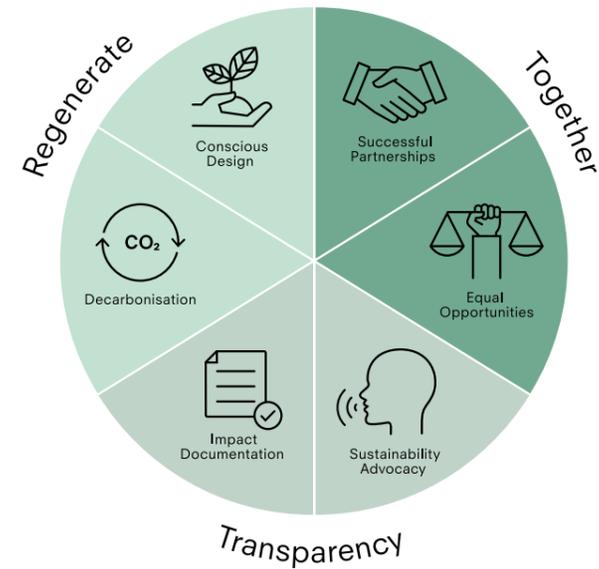
We strive to work in close collaboration with our production partners and external suppliers to ensure the best possible quality, and thereby product longevity, which for us is the foundation of sustainability. In doing so, we work with production partners who honour the craftsmanship of textiles. We have partial or full ownership of six production entities in Europe and collaborate with other acknowledged global suppliers. Kvadrat is our main brand offering for upholstery, curtains, shades, acoustic panels and rugs. Beyond this, the four brands SAHCO, Kvadrat/ Raf Simons, Magniberg and Really enrich our assortment with residential curtains, upholstery, home accessories, bed linen and upcycled textile felts and boards.

Our headquarters are located in Ebeltoft, Denmark with a global reach through 39 sales offices and showrooms around the world.

Our 2021 actions and commitments

Sustainability Strategy launch

In 2021, we launched our sustainability strategy, "Regenerate Together through Transparency", committing to sustainability leadership by 2030. This means becoming 40% circular driven by 2035, net zero by 2040, reducing 25% of waste and water by 2025, and creating complete value chain transparency and equal opportunities for our people.



Kvadrat A/S board now 40% women represented

We are pleased to announce that our Kvadrat A/S board has appointed one more woman, making the current board 40% women led. This is an important step forward on our journey towards gender equality.



*Calculated weight of recycled waste fibres : total kg of Re-wool warp yarn sold minus kg of nylon Re-wool yarn sold



Kvadrat concludes carbon emission screening

We have concluded our carbon emission screening project on a group level across scope 1, 2 and 3. We are now ready to commit to the Science Based Target initiative (SBTi) and set out our carbon reduction targets in 2022.



Research into electrification of machinery

We always seek opportunities to reduce our carbon footprint. In 2021, we invested in a research project to test the electrification of our stenter machines. Successful electrification could save up to 190,000 CO2-eq every year.

Re-wool saved waste
During 2021, the sales of Re-wool meant 19 tonnes* of woollen waste fibres from our production process were recycled and given a second life. Later the same year, we launched Sabi, which contains 23% recycled woollen fibres and thereby contributes even more to our ongoing drive to reduce waste.



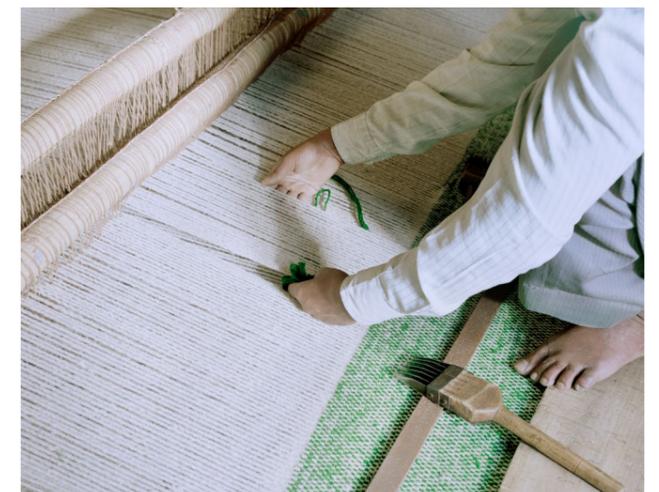
Creation of human rights due diligence guideline

In 2021, Kvadrat joined a working group in the creation of Getting it Right, a guide for the textile industry to performing human rights due diligence. The project is initiated by the Danish Institute for Human Rights and supported by the Federation of Danish Fashion and Textile.



EU Ecolabel expansion

Two of our key partners, Gaudium and Febrik, have initiated the process for EU Ecolabel certification together with their suppliers. This is an important step for us towards extending the EU Ecolabel across all our textile products.



Our Indian rugs suppliers achieved SA 8000 certification

Close collaboration with our suppliers is crucial, and social certification standards support our work towards ensuring fair and safe working conditions with our partners. Having achieved full SA 8000 certification coverage of our rug partners in India, we have taken an essential step forward in this area.

Our 2021 products and brand's actions

Really gives new life to client textile waste

In 2021, Really has performed 10 Customer Own Material (COM) projects, where material waste from our clients is upcycled into new products. Really performed a thorough life-cycle assessment of all its products and will publish its first EPD in 2022. Already during 2021, Really achieved the recycled content standard (RCS) and Greenguard certification for all its products.



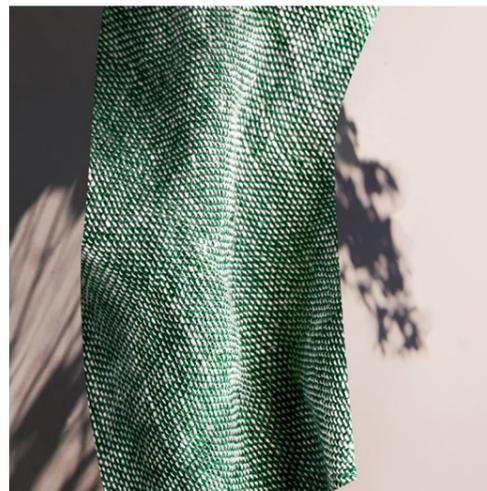
Roller blinds with minimal embodied carbon

In 2021, Kvadrat Shade launched its minimal bracket hardware system, which pushes the boundaries of low-embodied carbon and is designed to minimise material use. In 2022, Kvadrat Shade will launch its digital Carbon Neutrality Tool, which will calculate when the embodied carbon footprint of a roller-blind solution is offset by using it to reduce building emissions. All Kvadrat Shade solutions minimise operational emissions from buildings by reducing the need for heating and cooling.



Kvadrat Acoustics increased its recycled content

We increased the recycled mineral wool content of the Broadline Acoustic felt in Soft Cells panels to 64% while guaranteeing our product is free of formaldehydes. A major part of the aluminium we use for production is produced via a renewable power process in Norway, reducing the overall CO2 footprint of the product.



Kvadrat curtains embrace monomaterials

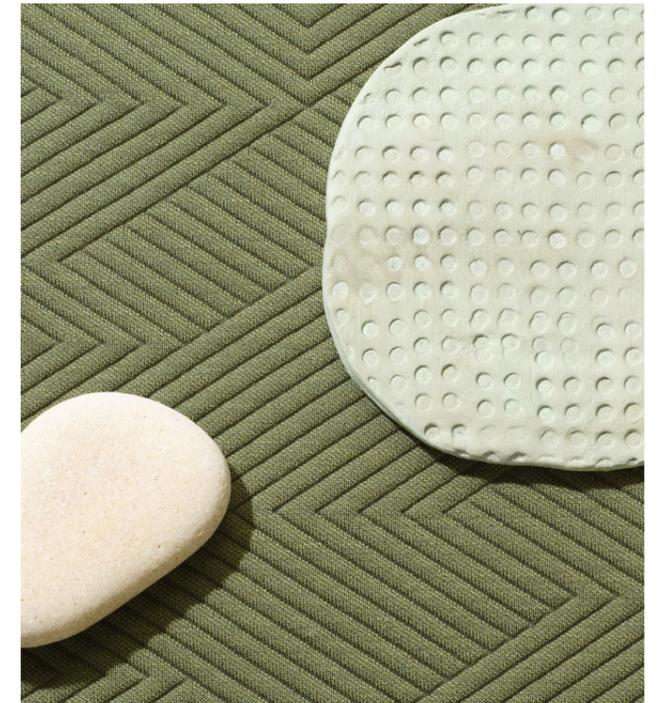
In keeping with our belief in simplicity for recyclability, 2021 was a year of reaffirming our continuous focus on monomaterials for our domestic curtains, leading to 70% of our curtain collection (153 items) being monomaterial-based. We are eager to continue in this direction in the years to come.

SAHCO launches recycled upholsteries
We are fostering dialogues with our suppliers to define shared sustainability targets and explore new fibres for our collections. In 2022, our recycled upholsteries Nympha (75% recycled cotton) and Clifford (22% recycled polyester) are to be launched, charting our sustainability journey.



Supplier engagement across the supply chain

In 2021, we further strengthened the dialogues with our Kvadrat Raf Simons accessories suppliers to discuss water, energy and chemical risks, encouraging them to initiate many production-related improvements. For example, our finisher in Italy has invested in better water and air filtering systems.



Mizmaze by Febrik reduces water impact

With Mizmaze we succeeded in significantly reducing water in the production process. By substituting the conventional washing with a soaking-only process, the water usage is reduced by 80 to 95%. We seek to build upon this success and scale this solution across more products.



Expanding responsible production and traceability

We have achieved complete supply-chain traceability for our bedlinen brand Magniberg and we constantly pursue the implementation of more responsible production. Our major manufacturing site in Portugal is already sourcing energy from onsite solar panels.

Responsible production partnerships

Wooltex, UK (46% Kvadrat owned)

Our production partner of woollen textiles has insourced a major part of the production process and upgraded its machinery. The new heat exchanger allows for the recycling of 85% of water in the dyeing process. Furthermore, in 2021, 19 tonnes of yarn waste was reused in production.



Convert, DK (66,67% Kvadrat owned)

Acquiring the majority share in Convert during 2021 further strengthened the collaboration between our companies. Convert produces our Really acoustic felts and solid boards from textile waste. The production process uses no water, no dyes and no harmful chemicals – ensuring full recyclability at the end of product life.



Gaudium, NL (99.9% Kvadrat owned)

Gaudium is our Dutch production entity located in Winterswijk. Gaudium manufactures high-quality Trevira CS curtains and upholstery textiles made from polyester and recycled polyester materials.



Warehouse, DK (100% Kvadrat owned)

Our 7500 m²-warehouse in Ebeltoft is our most important transaction point, sending and receiving large volumes of our textiles every day. In 2021, 3.25 million metres of textiles were dispatched from our warehouse.



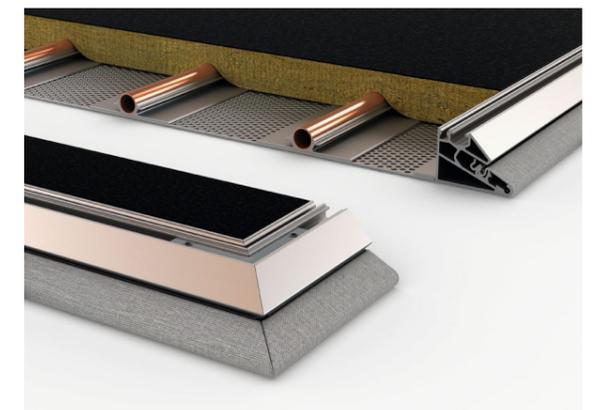
Innvik, NO (30% Kvadrat owned)

Innvik produces our Raf Simons upholsteries and woollen Kvadrat textiles. Innvik has the ambition to be 100% covered by renewable energy by 2022. In 2020, Innvik invested 5 mEUR in a new dyeing machine to reduce water consumption by expected 20%. The new dyehouse will be powered by a local bioenergy plant.



Kvadrat Acoustics, PL (100% Kvadrat owned)

Kvadrat Acoustics creates high-performance acoustic panels using on average 44% recycled aluminium and an acoustic absorbent containing 64% recycled mineral wool. Our acoustic panels are designed for disassembling, so clients can reuse and repair parts and recycle the product at the end of its life.



Verosol, NL (100% Kvadrat owned)

Verosol creates high-performance metalised roller blinds for Kvadrat Shade. Since 2021, Verosol has been building towards a largescale solar energy project, generating 0,8 M KWh per year. This is equivalent to 73% of Verosol's annual electricity use. The ambition is to extend the solar panels to 100% coverage.



Our commitment to sustainability reporting

This report outlines activities, data and objectives for Kvadrat A/S and addresses the requirements outlined by the Danish Financial Statements Act § 99a & 99b on the reporting of corporate social responsibility (CSR) and covers §99d (Data Ethics) from this year onwards. Kvadrat is a member of the UN Global Compact and this report represents our communication on progress (COP), detailing information about our activities and developments according to the Ten Principles of the UN Global Compact. We broadly follow the Global Reporting Initiative (GRI) standards and support the 17 UN Sustainable Development Goals (SDGs) as well as the general UN goals and principles.

Our Code of Conduct defines the principles and standards that we support, which incorporate the Ten Principles set out by the UN Global Compact. We expect our business partners to adhere to this Code of Conduct and to comply with all national laws and regulations as well as other applicable standards. To demonstrate our support for the UN Global Compact, we aim to move forward the agenda concerning our performance as it relates to human rights, labour rights, the environment and anti-corruption. We will continue our work in these areas and report on our progress annually.

We have published a Sustainability Report every year since 2013. This latest report covers the 2021 financial year from 1 January 2021 to 31 December 2021 and is published in April 2022. You can find more information about our sustainability agenda [on our website](#).

Our annual financial report published at cvr.dk offers more insights about our financial results of 2021



Our commitment to the Sustainable Development Goals

Our contribution to the UN 17 SDGs is key in helping us to measure success. The SDGs have been set out to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The achievement of these interlinked ambitions depends on collective action. We therefore consider the SDGs as a crucial tool for businesses and nations to work together and align on key issues.

Ensuring our support to the global agenda, we have identified three SDGs, where we see the greatest potential for us to create a positive impact. These are; no. 13 Climate Action, no. 12 Responsible Production and Consumption, and no. 10 Reduced Inequalities. Our strategic sustainability commitments have been formulated in alignment with these SDGs. Beyond these three, there are additional SDGs, which relate to our activities and constitute important levers to our overall SDG commitments.

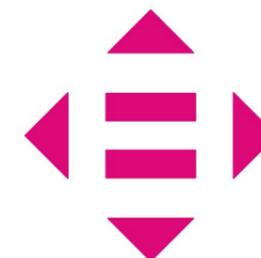
13 CLIMATE ACTION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

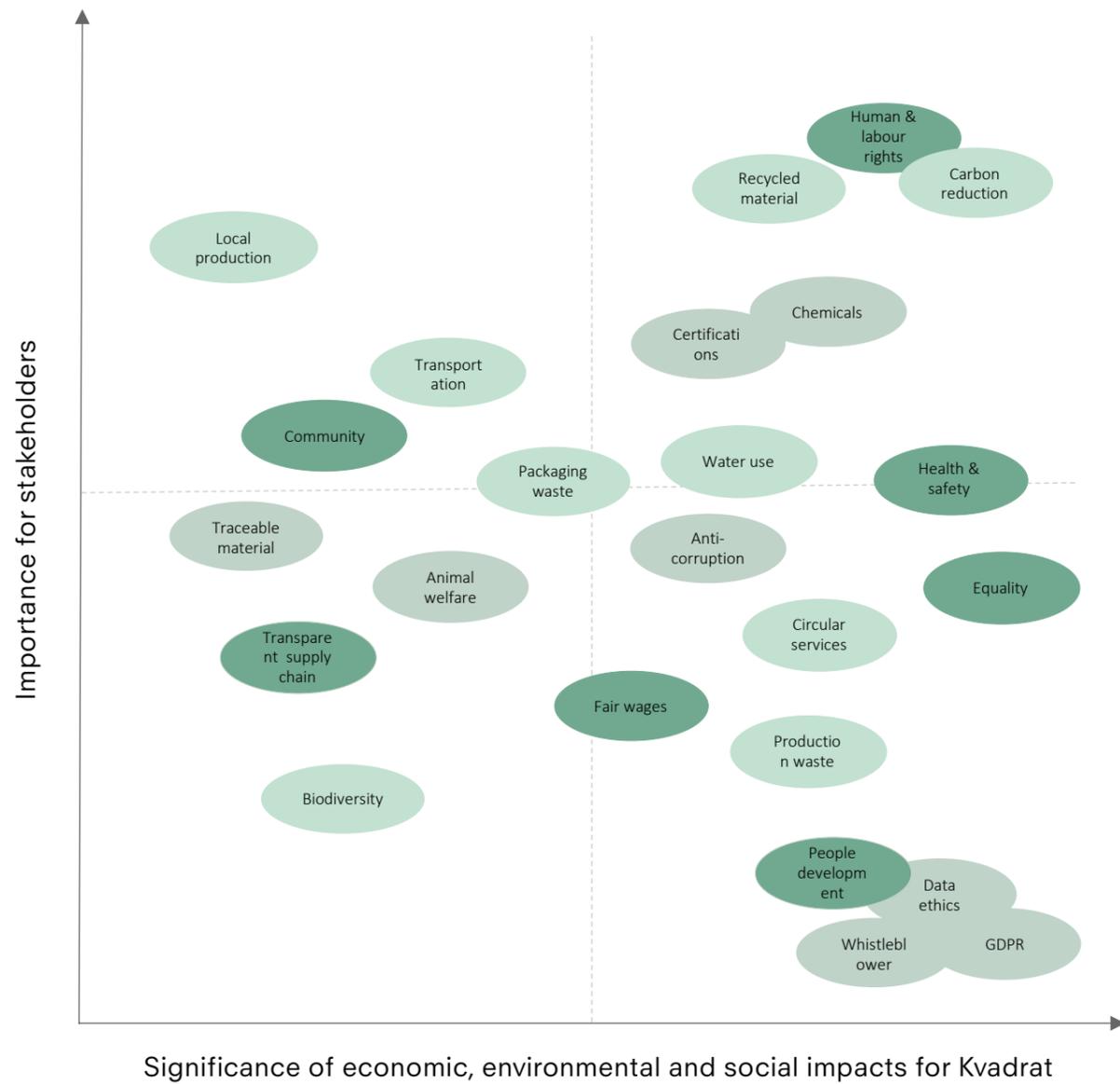


10 REDUCED INEQUALITIES

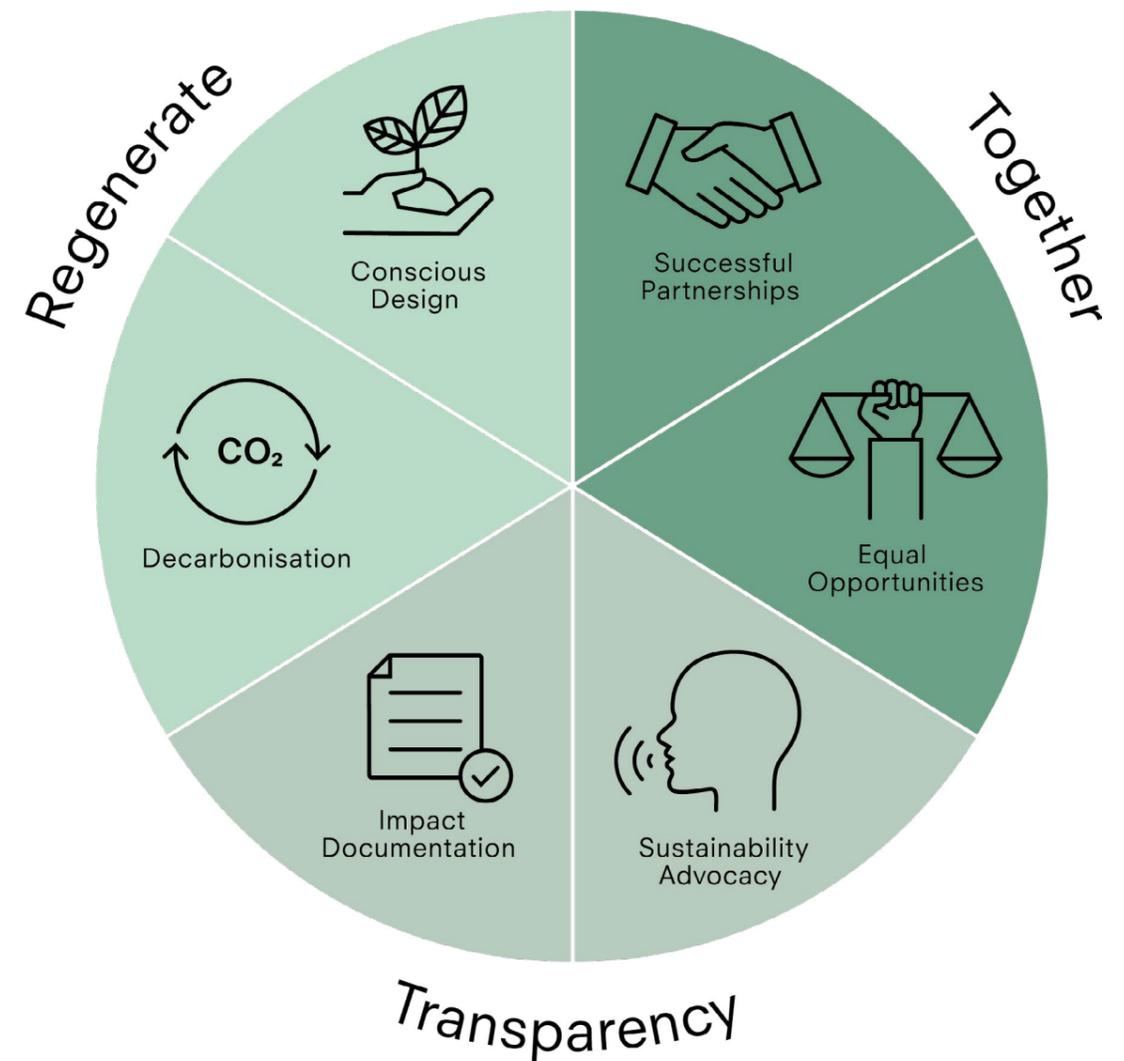


A materiality assessment determined six focus areas for our Regenerate Together through Transparency strategy

Materiality assessment based on 24 client interviews



Our sustainability strategy includes six focus areas



Our sustainability strategy; key policies, risks and actions

Regenerate

Focus Areas: Decarbonisation & Conscious Design

Vision

Our Conscious Design Principles focus on product innovation and take-back systems for us to reduce carbon emissions and become a circular business

Targets for Decarbonisation

- Achieve 50% carbon reduction in scope 1-2 by 2025, reaching 100% by 2030 to become net zero in scope 1-3 by 2040 (baseline 2019)
- Offer circular services by 2025 which will generate 40% of our revenue by 2035

Targets for Conscious Design

- Offer 85 recycled textile products which will generate 30% of our revenue by 2025
- Reduce 25% production waste and water use by 2025
- Achieve zero virgin plastic and cardboard packaging by 2025

Risks

1) Environmental impacts tend to increase with company growth and therefore must be decoupled, for example via circular business models. 2) Impact appears to be strongest upstream, including the choice of our raw materials – to develop proactive management practices.

Due Diligence

Besides being ISO 14001 and ISO 9001 certified, all Kvadrat sites must report at least annually on their environmental impact including energy and water use, waste generation and carbon emissions. This is done to evaluate risk-related topics and ensure compliance with the standards set out in our Business Partner Code of Conduct; and to guarantee progress and continuous improvement. In 2022, we will become a verified member of the Science Based Target initiative, ensuring third-party verification of our journey towards net zero emissions by 2040.

Results and objectives Page 12–20

Together

Focus Areas: Successful Partnerships & Equal Opportunities

Vision

Our close collaboration with stakeholders and partners will be the driver for inclusive system change and foster a culture of diversity and equality

Targets for Successful Partnerships

- Complete value chain transparency by 2025
- Screen tier one suppliers to safeguard fair wages and responsible production by 2025

Targets for Equal Opportunities

- 50% women led by 2025
- Minimum 8 weeks paid parental leave for all by 2024

Risks

1) As a growing company facing challenging labour markets, we risk not being able to attract sufficient and diverse talent. We believe that only an organisation that fosters diversity across various dimensions can be competitive in the future. 2) Simultaneously, our supply chains are growing more complex. Where there are higher risks of labour and human rights abuse, especially in South Asia, we need to be especially vigilant.

Due diligence

'Let's grow and simplify' is our 2021–23 corporate strategy. It is designed to safeguard Kvadrat's continuous work towards more consolidated operations, resulting in less resource-intensive operations and greater transparency. More specifically, one of our four strategic focus areas for 2022 is to become a sustainability market leader within the textile industry. On this journey it is imperative that we build upon strong supplier relationships; and our suppliers must commit to – and sign – our Business Partner Code of Conduct. To follow up on performance, we will visit our suppliers, conduct interviews and define shared development plans to ensure responsible production and consistently high quality. Along with our performance and learning conversations, Kvadrat assesses employee satisfaction annually and provides training and development opportunities. By tracking absence rates due to illness and work-related injuries we support our objective to secure a safe and healthy work environment.

Results and objectives Page 21-26

Transparency

Focus Areas: Impact documentation & Sustainability Advocacy

Vision

Our ambition to leverage quality data will enable us to meet the highest international standards and actively share knowledge within our networks to foster trust and impact

Targets for Impact Documentation

- Increase the EU Ecolabel certification across our textile categories by 2025.
- Implement new chemical treatment policy by 2023

Targets for Sustainability Advocacy

- Empower four global Change Maker Networks to actively promote sustainability within Kvadrat and beyond by 2022

Risks

1) Obtaining certifications requires the engagement of the entire supply chain. Often small suppliers face various challenges to live up to standard requirements. 2) Data quality must be ensured for informed decision making 3) More data also bears the risk of data misuse and cyberattacks.

Due Diligence

This is how we empower our organisation and strengthen ownership across the sustainability agenda. We have established Kvadrat Change Maker Networks, through which we continuously train our people on salient topics that foster sustainability awareness and capabilities. Externally, Kvadrat trains its suppliers and partners on chemical compliance and supply chain due diligence. Certifications ensure continuous quality and safety standards, and frequent chemical tests are performed for high-risk product categories. We will advance its governance system by embedding sustainability KPIs into our business performance scorecards.

Results and objectives Page 27-34

Regenerate; focus on product innovation and circularity

Our Conscious Design Principles focus on product innovation and take-back systems for us to reduce carbon emissions and become a circular business.

Our focus areas within Regenerate are Decarbonisation and Conscious Design.

Decarbonisation

Our long-term goal is to reach net zero by 2040. To achieve our target, we will work towards eliminating carbon emissions from all our own operations and across our value chain, including purchased goods and services, upstream and downstream transportation, waste reduction and business travel. We will support this with a move towards circular systems that offer take-back and product lifetime extending services on many of our ranges.

Targets:

- We will achieve 50% carbon reduction in scope 1-2 by 2025, reaching 100% by 2030 to become net zero in scope 1-3 by 2040 (baseline 2019)
- We will offer circular services by 2025 which will generate 40% of our revenue by 2035

Conscious Design

A product's circular potential is determined at the design stage. Building on our continued commitment to the longevity of our products, Kvadrat's Conscious Design Principles will guide the design direction for our brands and our production partners, while reducing our dependence on virgin materials and resources.

Targets:

- We will offer 85 recycled textile products which will generate 30% of our revenue by 2025
- We will reduce production waste and water use by 25% by 2025 (baseline 2021)
- We will ensure that by 2025 none of our packaging contains virgin plastic or cardboard



Decarbonisation - carbon reduction

Target: We will achieve 50% carbon reduction in scope 1-2 by 2025, reaching 100% by 2030 to become net zero in scope 1-3 by 2040 (baseline 2019)

Sustainability performance data for carbon emissions, scope 1-3

Indicator	Primary source of emissions	Unit	Target	2021	2020	Change	2019 (baseline)
Total carbon emissions, scope 1-2		t CO2e	50% down by 2025 ¹	2751	2669	3%	2419
Electricity		t CO2e		796	830	-4%	1008
District heating		t CO2e		135	112	20%	56
Gas		t CO2e		1235	1168	6%	852
Company cars		t CO2e		584	558	5%	504
Renewable energy used in scope 1-2		%		57	58	-2%	53
Carbon emissions, scope 3		t CO2e	30% down by 2030 ¹	N/A	N/A	N/A	108.426
Purchased goods and services	fibres and textiles produced	t CO2e		N/A	N/A	N/A	102.175
Upstream distribution		t CO2e		N/A	N/A	N/A	4.012
Business travel	business class flights	t CO2e		N/A	N/A	N/A	2.239

¹based on 2019 baseline emissions

Progress and key activities in 2021

The warming of oceans, the melting of glaciers and the increase in extreme weather conditions are all effects of global warming caused by humans. The IPCC stresses the importance of reaching global net zero emissions in the short term to stabilise the climate and avoid catastrophic interrelated implications. We are committed to working towards the goals set out by the Paris Agreement; and within it the aspiration to limit the global temperature rise to 1.5 degrees Celsius.

In 2021, we finalised the assessment of our baseline emissions (year 2019) for scope 1, 2 and 3. Our scope 1 and 2 baseline emissions equal 2.419 tCO₂-eq and are attributed to company cars, energy consumption at majority-owned Kvadrat sites and the associated emissions from the generation of this energy. Scope 3 emissions (108.426 tCO₂-eq) are with 92,74% attributed to our product and material footprint.

Understanding our actual impact in the light of rising global temperatures is a key motivator for us to achieve net zero emissions by 2040. We are committed to decarbonising our controlled operations and our value chain by reducing our emissions to zero rather than resorting to offsetting for carbon compensation. In accordance with the Science Based Target initiative's (SBTi) net zero standard, we will maximal remove a 10% emission residual with certified carbon offsetting options. Short term, we aim to reduce scope 1 and 2 emissions by 50% until 2025, in line with 2019 baseline emissions. This equals a reduction of 1209,5 tCO₂-eq.

Overall, we have seen an emission increase in Scope 1 and 2 of 13% between 2019-2021 mainly attributed to the majority acquisition of Convert and thereby higher emission from gas consumption. Total emissions from electricity consumptions have been decreasing as the share of our renewables is increasing. We now source 57% renewable energy at our controlled Kvadrat sites.



In 2022, we will commit to the Science Based Target Initiative and submit our carbon reduction target to become an accredited member of the coalition by late 2022. Meanwhile, we will complete the more granulated data collection for Scope 3 emissions for the years 2020 and 2021 and identify the highest impact opportunities across our value chain for carbon reduction activities.

Accounting Policy

Our decarbonisation strategy follows the Greenhouse Gas Protocol's emission accounting standards and the Science Based Targets initiative (SBTi) target-setting system. These methods describe emissions in terms of 'Scopes' to define what aspect of company activity produces them. Scope 1 emissions come directly from the company (e.g. onsite energy consumption and company vehicles); Scope 2 emissions are those produced on the company's behalf, such as from electricity generation for own use; Scope 3 emissions are those for which the company is indirectly responsible up and down the value chain, e.g. production of purchased materials.

Scope 1-2 includes all entities where Kvadrat has operational control, which is defined as companies where Kvadrat has financial majority (> 50%). Our target within Scope 1-2 covers 99.9% of the emissions generated therein.

Scope 3 emissions are associated with Kvadrat's value chain and include various entities where Kvadrat is a minority shareholder (50% or less) or has no ownership. For effective action, we will prioritise our carbon reduction engagement with specific stakeholders based on a stakeholder's individual emission contribution to our overall operations. Furthermore, we also have prioritised key activities in our carbon reduction plan, based on the impact of those activities and our ability to influence change. This means we have committed to reducing emissions from products and materials we purchase including the production of our textiles, our upstream transportation and the business travel of our employees. Overall, our target within Scope 3 covers 93% of our total Scope 3 emissions.

Decarbonisation - circular business

Target: We will offer circular services by 2025 which will generate 40% of our revenue by 2035

Progress and key activities in 2021

Kvadrat's commitment to longevity is fundamental and shapes our approach to design and quality. We aim to create products that age with grace because they are timeless in design and robust in performance. This ambition has not changed over the years and has increased in importance.

Without realising it, we actually put a prerequisites for a circular business model in place many years ago. Building on these foundations, we can now turn towards key product solutions and identify the right services that will lead us to 40% circular business by 2035 and allow us to meet our reduction targets for carbon, waste and water.

On this path, we will balance each business opportunity with its environmental benefits. A guiding principle is the circular economy hierarchy, which suggests rethinking of processes and thereby encourages avoidance, reduction and reuse of resources over recycling and other waste recovering methods. The ultimate aim is to keep products in circulation for as long as possible before giving the material a second life through recycling solutions; thereby closing the loop of the material journey.

Already today, Kvadrat offers a number of circular services for all its products across Europe. For our rugs, we offer a washing and recolouring service. For our Kvadrat Shade roller blinds, we currently perform repair services either onsite with clients or at our Dutch production facility. We offer textile replacements on Kvadrat Acoustics panels. These services have been introduced in response to an increasing call for office refurbishment combined with a growing demand for more sustainable change. Really is the first of our brands to offer a closed-loop solution. At the end of life of a Really product, it can be returned to us and the client is reimbursed for the returned material per kg. The Really team will ensure that the old product is shredded and repurposed into a new product for the client.

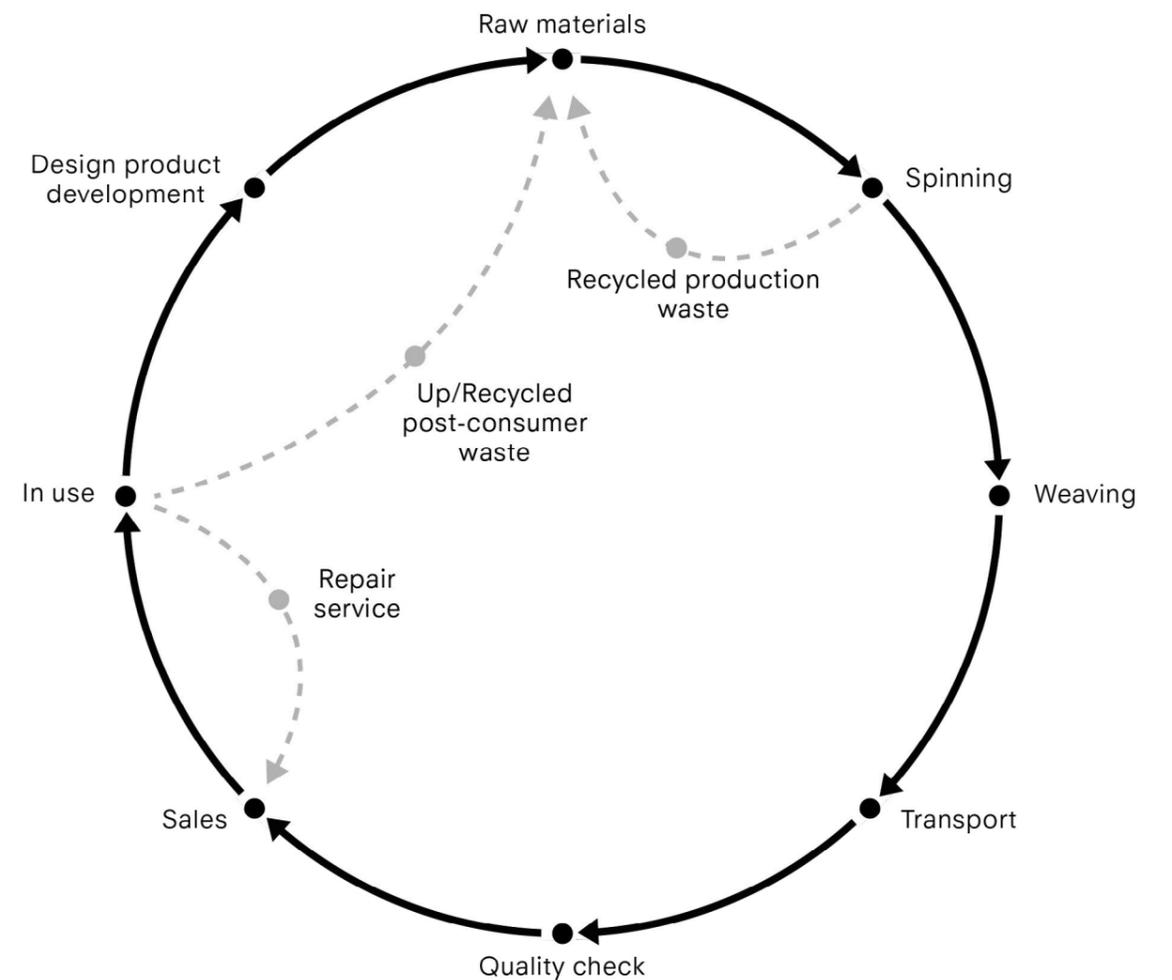
In 2022, we aim to set up an accounting system for our existing and forthcoming service models in order to measure the contribution of services to our total revenue. This addition to our accounting system will be essential to tracking performance towards our target.



Furthermore, we will screen all product solutions to identify the best circular service fit for each one. This will include an environmental impact assessment and business case development for each identified opportunity across Europe, and result in a prioritised list of 2023 pilot projects.

Kvadrat's business model

- Kvadrat production process
- Circular approach for selected products



Accounting Policy

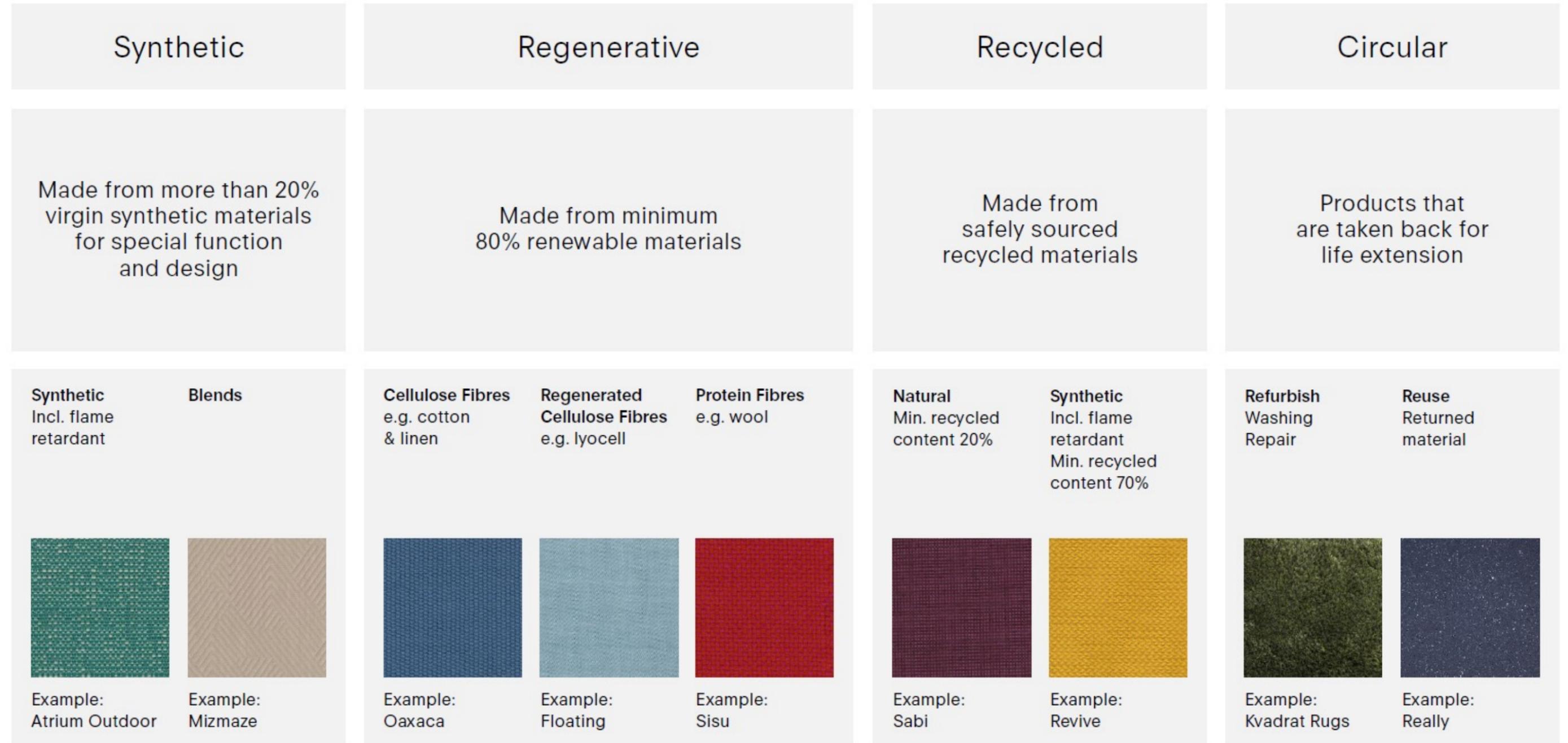
A circular service in Kvadrat is defined as an activity where the product is taken back for life extension. The circular route for a product can be (1) Refurbishment, which can include services such as repair, washing, recolouring or component replacement; (2) Reuse, which includes relocation of the product (for example to a new office site), reselling and leasing of products, and recycling /upcycling of Kvadrat materials.

In 2022, we will focus on setting up a suitable accounting structure for circular services in alignment with those services identified to be most suitable for our products.

Conscious design – our design principles

Target: We will offer 85 recycled textile products which will generate 30% of our revenue by 2025

From the outset, we have been devoted to the power of design, which is estimated to define over 80% of all environmental impacts of a product¹. This early development phase is therefore a key leverage point for us. Building on our continued commitment to the longevity of our products, Kvadrat's shift to Conscious Design Principles will guide Kvadrat's design direction and foster a deeper understanding of the impact and distinguishing characteristics of the materials we use and the design choices we make.



Our existing and new products are divided into four categories illustrated in the diagram above. 'Synthetic' is the class of products made of more than 20% virgin synthetic materials, which are characterised by their functional and design potential. The 'Regenerative' class defines products made from a minimum of 80% renewable materials, which are either grown naturally or safely man-made. 'Recycled' classifies products made from safely recycled material sourced from both post-industrial and post-consumer waste. 'Circular' denotes products that are looped back for product life extension. We will continue to build upon our Conscious Design Principles and substantiate these with more guidance on responsible sourcing, material choices and processing for each of the four categories.

Conscious design – recycled textiles

Target: We will offer 85 recycled textile products which will generate 30% of our revenue by 2025

Sustainability performance data for recycled textiles

Indicator	Unit	Target	2021
Total recycled textile products	no. products	85 products by 2025¹	16
% of revenue from recycled textile products	%	30% of revenue by 2025	2
% of total number of recycled textile products	%		2
Kvadrat upholstery / curtains			4
Kvadrat residential curtains			9
Kvadrat rugs			1
Kvadrat Shade (fabrics)			0
Kvadrat Febrik			0
Kvadrat Raf Simons (upholstery)			0
SAHCO			2
Magniberg			0

¹A recycled product is defined as either containing minimum 20% recycled natural fibres or minimum 70% recycled synthetic fibres

Progress and key activities in 2021

At the end of 2021, Kvadrat offered 16 recycled products across its textile ranges including textiles made from synthetic and natural recycled fibres. From a design perspective, our target of 85 recycled products, generating 30% of our revenue by 2025, is highly ambitious. A part of this work includes the re-engineering of some of our key products and replacing virgin material with recycled alternatives. Introducing recycled content or increasing the share of recycled content in a product comes with several challenges as well as great opportunities from an environmental perspective, such as reducing our dependency on virgin materials.

One challenge when working with recycled textiles is the shortened fibre length after the mechanical recycling process. This can have several implications for the strength and durability of the fibre and the later spun yarn. In 2021, we conducted several trials with our key partners to assess opportunities for introducing more recycled content. Those trials have provided valuable insights, which we can use to support our brands and designers in making better choices.

A second major risk that comes with recycled content is that of chemical contamination. This risk is mainly associated with post-consumer recycled fibres that are mechanically recycled. The majority of recycled natural fibres face this risk. For our recycled woollen products Sabi and Re-Wool, we have chosen to source waste from our own production sites to help create these products until safe post-consumer sources can be verified in the industry.

In 2022, we will continue seeking safe recycled fibre streams and reinforce our choice of new recycling technologies and industry partnerships. Meanwhile, we will continue expanding our mono collections and our research within recyclability to ensure that our future textiles are also made to be recycled.

Accounting Policy

We have set strict minimum requirements with regard to recycled content. In alignment with our Conscious Design Principles, a product is accounted as a recycled synthetic product when it contains at least 70% recycled content (for natural recycled content, the minimum requirement is 20%). While setting these ambitious prerequisites we push our own limits and define a new standard in the market.

In order to be counted as a recycled textile product under our recycled product target, a product must meet the following conditions. (1) The product must be a woven or knitted textile; (2) revenue must be earned from the textile itself (not the finished product).

Based on the above rules, the following product categories are excluded from the target: Really, Custom Made Products, Kvadrat Acoustics acoustic panels, Kvadrat Shade roller blinds (except for Shade's individual fabrics) and all accessories except for our Magniberg bed linen.

While mapping historical data via our data system, we also follow up every quarter with our textile designers to pursue our future pipeline, discuss potential challenges and exchange best practices. This helps us to make continuous progress towards our target.

Sustainability performance data for Conscious Design Principles

Indicator	no. products	% of products	% of revenue
Total textile products 2021	618	100%	100%
Synthetic	271	44%	28%
Regenerative	331	54%	70%
Recycled	16	3%	2%
Circular	0	0%	0%

¹ Overview does only include textile products and not finished products such as those from Really, Kvadrat Acoustics or Kvadrat Shade



Conscious design – waste reduction

Target: We will reduce production waste by 25% by 2025 (baseline 2021)

Sustainable performance data for fibre waste process¹(2021)

Indicator	Unit	Target	2021 (baseline)
Total fibre raw material purchased	tonnes		2364
Total textiles produced	tonnes		2132
Textile waste intensity pr. produced product	t. waste / t. produced²	reduce 25% by 2025	0,09
Total fibre waste	tonnes		186
1. Raw material waste: warping / shredding etc.	tonnes		22
2. Mid-process waste; in weaving / product construction	tonnes		53
3. Late-process waste; from grey inspection to final /cutting	tonnes		71
4. Stock waste ⁴	tonnes		41
Total fibre waste management	tonnes		186
Fibre waste landfilled (sold to third party)	tonnes		48
Fibre waste incinerated (sold to third party)	tonnes		14
Fibre waste reused / recycled (sold /donated to third party)	tonnes		119
Fibre waste re-used /sold for internal use (Kvadrat)	tonnes		0
Fibre waste recycled for internal use (Kvadrat)	tonnes		5
Waste reuse, recycled and remanufactured in closed loop	%		3

¹entities covered are five production sites incl. Wooltex, Innvik, Gaudium, Verosol, Acoustics (PL). Convert A/S, ASA B.V. and Kvadrat warehouses have not been included in the reporting period 2021 and will be included from 2022 onwards ² fibre waste intensity per produced product = total fibre waste per tonne textile produced, ³ fibre waste intensity per raw material purchased = total fibre waste per tonne raw material purchased, ⁴ stock that has been sent to waste management during an reporting

Progress and key activities in 2021

The accumulation of waste from the textile industry has a significant impact on the environment and human health when not managed responsibly. The resources and materials that are incinerated or landfilled are lost to future use, which accelerates the depletion of global resources. The United Nations have acknowledged the importance of waste reduction and called for action with the targets under SDG goal 12. For Kvadrat waste reduction is of paramount importance both environmentally and in economic terms.

Our devotion to quality and durable design has always ensured that our products last and are cared for, which contributes to slowing rates of resource extraction, use and waste creation. Our commitment to reducing production waste is our next focus area on our agenda. With the launch of our product Re-wool in 2019 (containing 45% recycled wool), we have demonstrated creativity in working with waste streams from our production. In 2021, we recycled 19 tonnes of woollen waste through the sales of Re-wool; and later that year we launched Sabi (23% recycled wool), expanding our potential for waste reduction. Where possible we take the rest fibres from small cones after warping and splice them together to make bigger cones which can be reused instead of sending them to recycling

Our overall target is to reduce 25% of our production waste per tonne products produced. Together with our production partners, we mapped our textile waste across all production steps including (1) raw material, (2) weaving, (3) finishing / cutting and (4) finished textile including stock waste at partner sites. Classifying textile waste into these four production process steps helps us to prioritise major waste driving processes. In 2021, our textile waste intensity per tonne produced products was 90kg. Important is that our 25% waste reduction target will be based on total production waste, not only textile waste.

In 2022, we will go beyond textile waste to also include production waste such as metal, mineral wool, hazardous waste and other waste. We will identify potential areas for waste reduction through an optimised planning process to avoid raw material waste and seek closed



loop recycling opportunities. Going beyond our production units, we will in 2022 expand our waste assessment to our assembly sites and warehouses.

Accounting Policy

We account for our production waste across all our partner sites, including those where we have minority ownership. For all sites where Kvadrat has majority ownership we account for full waste generation, whereas for those where we have minority ownership we only account for waste associated with our products. Currently, data from five sites are collected: Wooltex (46%), Innvik (30%), Gaudium (99.9%), Verosol (100%), Kvadrat Acoustics, PL (100%). Excluded from our 2021 reporting period is our production partner Convert A/S (66,66%), whose integration into Kvadrat has been too recent to provide data. Future accounting will also include Convert A/S , ASA B.V., our roller-blind assembly sites in the Netherlands, Australia and Spain, and our Kvadrat warehouses.

Total waste generated during a reporting period is defined as the sum of the amounts of all mineral, non-mineral and/or hazardous waste treated by any waste technology. This excludes the amount that is treated either on- or off-site through closed-loop recycling, re-use or remanufacturing processes, i.e. “waste materials returned to the processes of the reporting entity.”(ISRA, B.2.1.). With the adoption of the ISRA accounting policy, Kvadrat can achieve waste reduction through prevention of waste, or through closed-loop recycling and reuse of waste for our own operations. In keeping with the principles of the circular economy, we strongly advocate for waste prevention over closed-loop reuse and recycling. This prioritisation is necessary to ensure we maximise our positive environmental and economic impact and align our ambitions with the SGD target 12.5, which aims for substantial waste reduction by 2030.

Conscious design – water reduction

Target: We will reduce water use by 25% by 2025 (baseline 2021)

Sustainable performance data for water reduction¹

Indicator	Unit	Target	2021 (baseline)
Total water withdrawal	m³		89.314
Groundwater	m ³		76.583
Surface water; rivers, lakes etc.	m ³		10.428
Rainwater	m ³		-
Third Party sourced (waste water from other org., municipality etc.)	m ³		2.303
Total products produced	tonnes		2.784
Water intensity per product produced	m³ / t.prod.²		32
Total products wet processed	tonnes		3.782
Water intensity per product wet processed	m³ / t.wet proc.³	25% reduction by 2025	45
Approx. water reused / recycled	%		-
Water consumed in regions with high water stress ⁴	%		-
Water discharge	m ³		65.938
Water consumption (total withdrawal minus total discharge)	m³		23.376

¹entities covered are five production sites incl. Wooltex, Innvik, Gaudium, Verosol Fabrics, Acoustics (PL). Convert A/S, ASA B.V., and Verosol

Netherlands, Iberia and Australia have not been included in the reporting period 2021 and will be included from 2022 onwards

² Cubic metres of water used per unit of textile produced (in tonnes) = Total m³ water withdrawn / Total tonnes textiles produced

³ Cubic metres of water used per unit of textile processed (in tonnes) = Total m³ water withdrawn / Total Tonnes textiles processed

Progress and key activities in 2021

Water is essential to the progress of human societies and is recognised by the United Nations as a human right. It is required for a healthy environment and a thriving economy and has always driven essential processes of the textile industry. We strive to preserve this key resource and have for some time implemented measures to reduce our impact.

Machinery and process innovation as well as design adjustments are key in reducing our water impact. Through the new heat exchanger at our production partner Wooltex, we are able to reduce ca. 85% of water in the dyeing process. A selection of our products is already dry-processed, avoiding the application of water at that stage. Another example of a water-saving finishing innovation is our product Mizmaze, which we launched in 2021. By applying a soaking only finish instead of washing, we reduce 80-95% of water consumption in the process.

During 2021, we first time introduced a group wide water accounting system and assessed our baseline in water consumption and water intensity. Our total water withdrawal was 89.314 m³. From that 23.376 m³ water is consumed (not returned to water bodies) and our water intensity ratio was 45 m³ water per tonne of material processed. Our target is to reduce 25% of our water usage pr. tonne material wet processed by 2025 based on our 2021 baseline. This means our goal is to reduce our water usage to 34 m³ water pr. tonne material processed. Further reduction will require more efficient usage as we rethink our processes and designs.

² World Resource Institute. (2021). Aqueduct water risk framework. Retrieved from: [World Resource Institute website](https://www.wri.org/aqueduct)



In 2022, we will follow up on our water reduction target, identify opportunities to reduce water intensity even further and seek opportunities to recycle higher water volumes. Our production partner Innvik (NO) is currently constructing a new dye house, which is expected to reduce water consumption by 20% through recycling water in the dyeing process.

Accounting Policy

We account for our water consumption across all partner sites, including partners where we have minority ownership. For all sites where Kvadrat has majority ownership we account for full water consumption, whereas for those sites where we have minority ownership we only account for the water consumption associated with our products. Currently, data from five sites is collected; Wooltex (46%), Innvik (30%), Gaudium (99.9%), Verosol (100%), Kvadrat Acoustics, PL (100%). Excluded from our 2021 reporting period is our production partner Convert A/S (66,66%), whose integration into Kvadrat has been too recent to provide data. Future accounting will also include Convert A/S and ASA B.V and our roller-blind assembly sites in the Netherlands, Australia and Spain.

Total water withdrawal is calculated as the sum of all water withdrawals. For refined insight, we break down our water consumption by source (groundwater, surface, rainwater and third-party water supply such as municipality water). Total water consumption is the difference between our withdrawal and the water discharged /returned to water systems (GRI 303-3-b).

Water intensity provides us with a normalised measure of water use that can illustrate our efficiency of water use over time (CDP 1.3). It also acts as a point of reference for our water reduction target. Our intensity is reported as a ratio of water withdrawal divided by the tonnes of materials (mainly textiles) processed per year.

To address the global water risk, we report on water consumption in regions with high or extremely high water stress. As defined by the World Resources Institute's 'Aqueduct Water Risk Atlas', water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. The ratio of total annual water withdrawal to total available annual renewable water supply is high at 40-80% or extremely high at >80%². Kvadrat currently withdraws no water from stressed areas.

Conscious design – packaging material used

Target: We will ensure that by 2025 none of our packaging contains virgin plastic or cardboard

Sustainable performance data for packaging material purchased ¹ (2021)

Indicator	Unit	Target	Group 2021
Total packaging material purchased	tonnes	zero virgin packaging material by 2025	427
Packaging from recycled or alternative materials	%	100	68
Packaging efficiency	t. packaging / t. products shipped		11
Cardboard (tubes) purchased	tonnes		350
Virgin cardboard purchased	tonnes		66
Recycled cardboard purchased	tonnes		276
Plastic packaging purchased	tonnes		60
Virgin plastic purchased	tonnes		57
Recycled plastic purchased	tonnes		2
Alternative /Bio-plastic purchased	tonnes		0
Other packaging material purchased	tonnes		17
Virgin other packaging purchased	tonnes		3
Recycled other packaging purchased	tonnes		14

¹entities covered are five production sites incl. Wooltex, Innvik, Gaudium, Verosol Fabrics, Acoustics (PL) and Kvadrat warehouses; Ebeltoft (DK), Westerstede (GE), Nürnberg (GE). Convert A/S and ASA B.V., Verosol Netherlands, Iberia and Australia have not been included in the reporting period 2021 and will be included from 2022 onwards

Progress and key activities in 2021

For us, exteriors count too. Packaging material not only protects our products during transportation to suppliers and clients; it also communicates our values and aspirations. Acknowledging the impact that a century-long plastic culture has caused for our oceans, soils and ecosystems, it is urgent to act now and close the loop of plastic circulation. We have therefore set the target in 2021 to align our packaging material across the Kvadrat group and phase out all virgin packaging material by 2025, encouraging more recycled – but also alternative – packaging options.

Based on the 2021 group assessment, Kvadrat uses 68% recycled packaging material. Already today the majority of our cardboard boxes and tubes comes from recycled material (79%). In order to monitor how efficiently we use packaging, we assess how much packaging we have been using on average per shipped tonne products. In 2021, we purchased 11 tonnes packaging per tonne products shipped. We aim to further reduce this ratio through reduced packaging per product and increased reuse of packaging materials.

In 2022, we will follow up on our target and assess alternative packaging materials to replace our virgin plastic foil. In this assessment, we must balance our environmental ambitions with potential chemical risks (from non-traceable recycling streams), with price and packaging efficiency criteria. Our warehouse teams are already researching options and we are optimistic that the market is evolving and that new safe alternatives are emerging for scalable application.



We define packaging material more broadly and therefore also include under our zero virgin packaging target the sample textile hangers used in our daily customer interaction. In 2022, we will continue our research to identify a more sustainable sample textile hanger material that can both fulfil our performance requirements and achieve our sustainability ambitions.

Accounting Policy

We account for our packaging material purchase across all partner sites including those where we have minority ownership. For all sites where Kvadrat has majority ownership we account for full packaging material purchased; whereas for those where we have minority ownership, we only account for packaging associated with the shipping of our products.

Currently, data from three warehouses (Kvadrat HQ Ebeltoft, Westerstede and Nürnberg) and five production sites is collected: (Wooltex (46%), Innvik (30%), Gaudium (99.9%), Verosol (100%), Kvadrat Acoustics, PL (100%). Excluded from our 2021 reporting period is our production partner Convert A/S (66,66%), whose integration into Kvadrat has been too recent to provide data. Future accounting will also include Convert A/S, ASA B.V and our roller-blind assembly sites in the Netherlands, Australia and Spain.

Conscious design – packaging material waste

Sustainable performance data for packaging waste management¹ (2021)

Indicator	Unit	2021
Total packaging material discarded (tonnes)	tonnes	302
Packaging being recycled	%	79
Cardboard (tubes) waste	tonnes	162
Cardboard waste recycling (third party)	tonnes	162
Cardboard waste incineration (third party)	tonnes	0
Plastic waste	tonnes	29
Plastic waste recycling (third party)	tonnes	21
Plastic waste incineration (third party)	tonnes	8
Wood waste	tonnes	72
Wood waste recycling (third party)	tonnes	58
Wood waste incineration (third party)	tonnes	15
Other packaging material waste discarded	tonnes	40
Other waste recycling (third party)	tonnes	0
Other waste incineration (third party)	tonnes	40

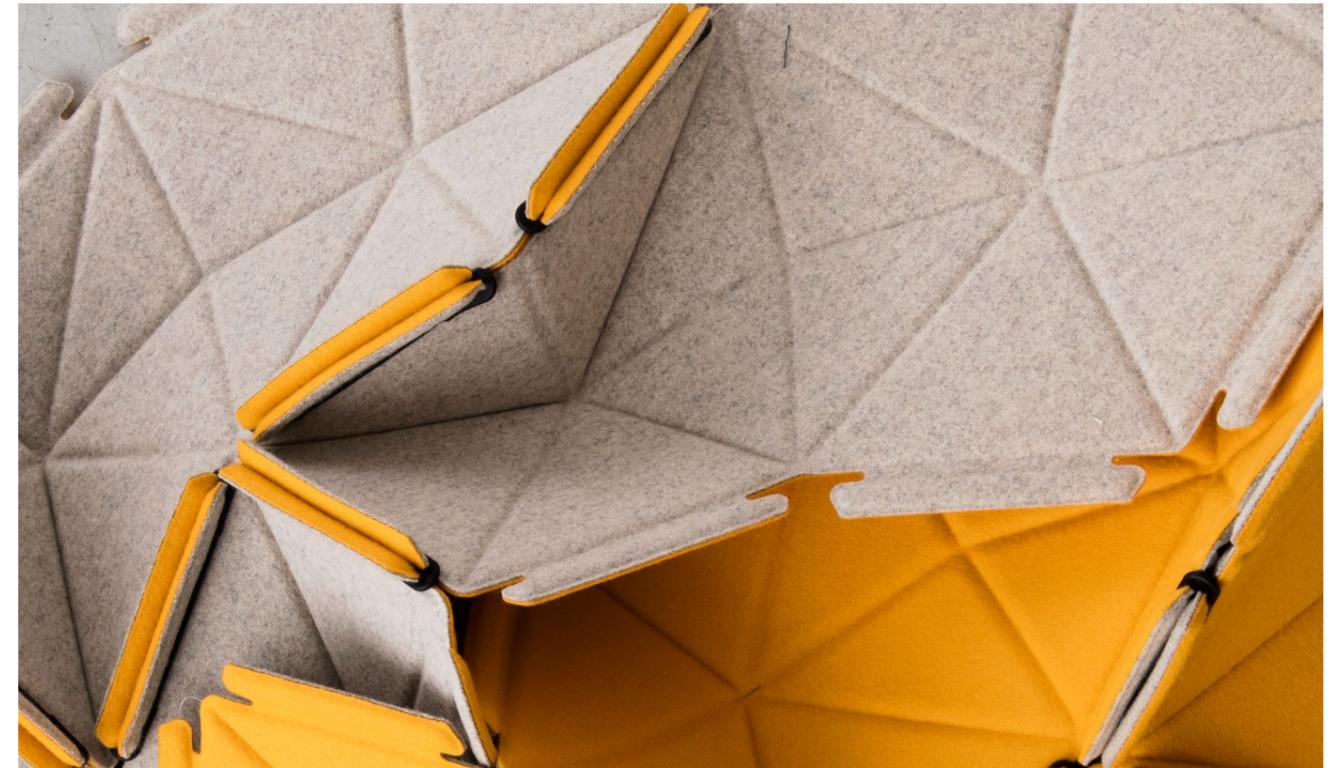
¹entities covered are five production sites incl. Wooltex, Innvik, Gaudium, Verosol Fabrics, Acoustics (PL) and Kvadrat warehouses; Ebeltoft (DK), Westerstede (GE), Nürnberg (GE). Convert A/S and ASA B.V., Verosol Netherlands, Iberia and Australia have not been included in the reporting period 2021 and will be included from 2022 onwards

Progress and key activities in FY2021

We not only care about what our packaging material is made of, but also where it goes after being used. We encourage all our sites to reuse as much as possible to reduce our overall packaging consumption and waste.

In 2021, we consolidated for the first time our packaging waste management data for the entire Kvadrat Group to understand how much material is discarded in total and how much of this we recycle. Based on this initial assessment we can see that 79% of our packaging waste was recycled in 2021. We aim to increase this over the years to 100% and simultaneously reduce the overall amount of packaging waste, through improving efficiency per product shipped and increasing reuse of packaging materials.

In 2022, opportunities to increase the reuse of packaging materials will be assessed (for example, by the application of “reuse” stickers on cardboard) and the consolidation of packaging purchase on a group level will be evaluated.



Accounting Policy

We account for our packaging waste management across all partner sites, including partner sites where we have minority ownership. At all sites where Kvadrat has majority we account for full packaging waste, whereas at those sites where we have minority ownership, we only account for the packaging material usage associated with the shipping of our products.

Currently, data from three warehouses (Kvadrat HQ Ebeltoft, Westerstede and Nürnberg) and five production sites (Wooltex (46%), Innvik (30%), Gaudium (99.9%), Verosol (100%), Kvadrat Acoustics, PL (100%) is collected. Excluded from our 2021 reporting period is our production partner Convert A/S (66,66%) because the recent integration of the site under Kvadrat has meant lack of data availability. Future accounting will also include Convert A/S and ASA B.V, and our roller-blind assembly sites in the Netherlands, Australia and Spain.

Together; focus on successful partnership and equal opportunities

Our close collaboration with stakeholders and partners will be the driver for inclusive system change and foster a culture of diversity and equality

Our focus areas within Together are Successful Partnerships and Equal Opportunities.

Successful Partnerships

We will continue to work with partners who are striving for inclusive change. Kvadrat is committed to ensuring all our collaborators are aligned with our commitments, such as the UN Global Compact's Ten Principles on human and labour rights, environment and anti-corruption. Transparency around labour practices and the provenance of our raw materials will support the development of circular systems.

Targets

- We will work towards complete value chain transparency by 2025
- We will screen tier one suppliers to safeguard fair wages and responsible production by 2025

Equal Opportunities

Our success relies on the unique strengths, experiences and interests of our team and we want to ensure that we create an environment where diversity is cherished and can flourish. Our diversity quotas and the elimination of structural biases will promote long-term cultural change and ensure we don't take diversity and equality for granted.

Targets

- We will be 50% women led by 2025
- We will offer a minimum of eight weeks paid parental leave for all parents by 2024



Successful partnerships – value chain transparency

Target: We will work towards complete value chain transparency by 2025

Progress and key activities in 2021

Value chain transparency is not only a key prerequisite for managing ethical and environmental risks; it is also an enabler for a circular future of our products. We aim to follow these at each step, up and down the value chain. We see four opportunities coming from transparency and traceability: (1) digital product identities; (2) material authentication; (3) supplier risk management; and (4) customer communication.

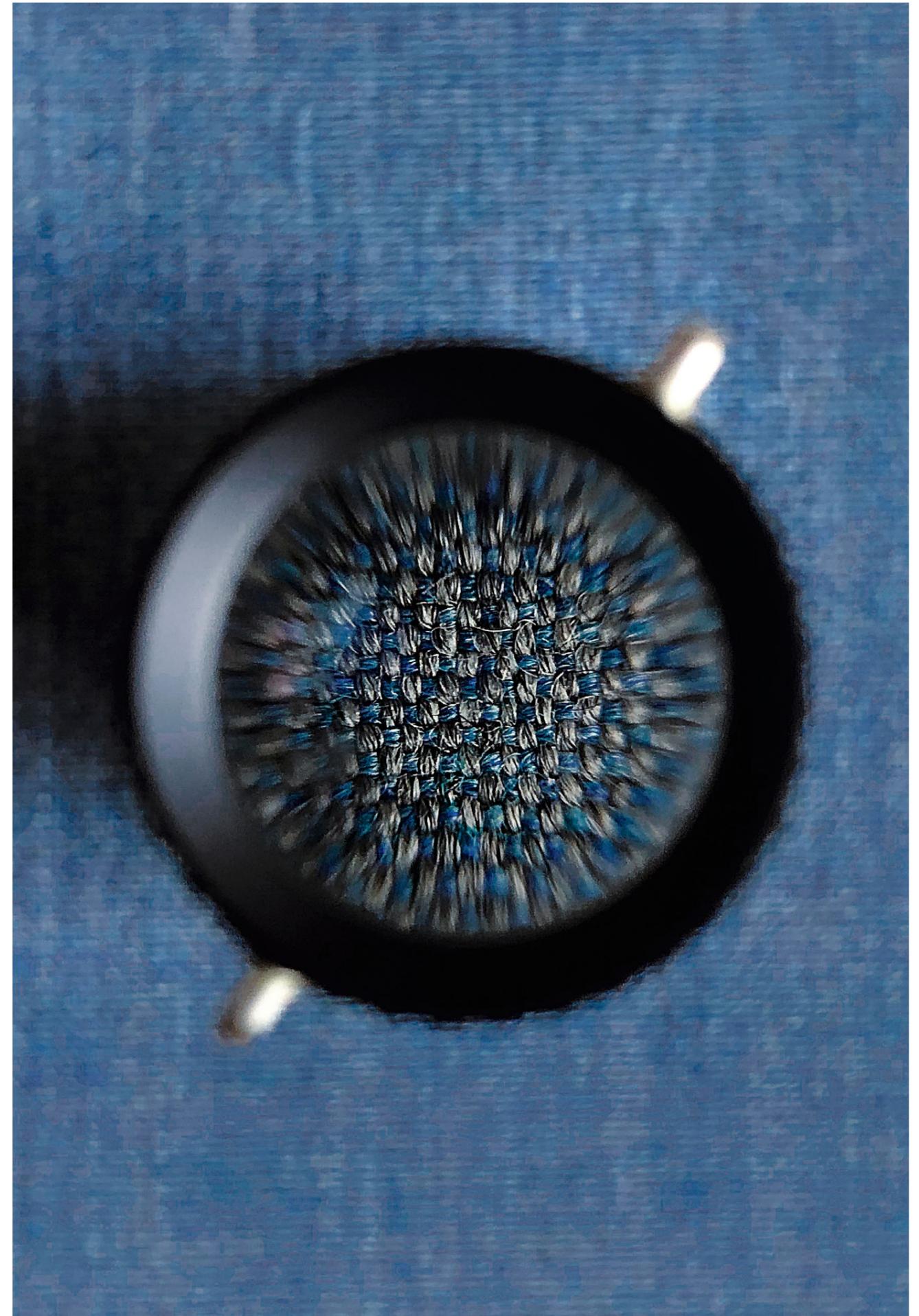
1. A digital product identity or product passport stores detailed information about a product's contents while recording who has bought it. It is an essential prerequisite for the take-back of a product for reuse or recycling. Clearly, a take-back programme comes with many logistical and environmental challenges, and we want to be prepared for this important opportunity.
2. With the increasing demand for more sustainable fibres such as recycled or organic materials, the need for authentication increases. It is in our interests to verify the sustainable choices we make.
3. Mapping our supply chain means knowing our suppliers and sub-suppliers. Over time this will allow us to go beyond tier 1 and work closer together to secure fair and safe working conditions for all.
4. Last but not least, traceability of our materials and the collection of digital product information can also open opportunities for new forms of client interaction and communication. It will enable us to communicate the impact of our products more broadly and inform customers about potential maintenance or circular services that will prolong the life of our products.

In 2022, we will continue the internal dialogue between our procurement, legal and quality departments to determine a suitable supplier traceability setup, which is compatible with existing structures and has the potential to develop into a streamlined mapping of our tier 1-4 suppliers over the years. A company-wide system will require continuous mapping and follow-up with suppliers to ensure long-lasting impact.

In 2021, reducing complexity has been a strong focus within our sourcing and development teams. Reducing the number of our suppliers and updating supplier sourcing and compliance documentation have been two activities. Both these initiatives are crucial and will support and inform a new system going forward

Accounting Policy

Kvadrat's tier 1 suppliers are defined as all suppliers that perform direct financial trade with Kvadrat Group. In 2021, Kvadrat had 96 tier 1 suppliers (tier 1 suppliers to Kvadrat production sites have been excluded from the reporting period 2021, but will be included from 2022 onwards). Currently, 12 of our total tier 1 suppliers are shared suppliers between several of our brands.



Successful partnerships – fair wages and responsible production

Target: We will screen tier one suppliers to safeguard fair wages and responsible production by 2025

Progress and key activities in 2021

Since a sustainable and ethical approach to manufacturing is very important to us and our stakeholders, we seek close collaboration with our partners to ensure we can work collectively on safeguarding environmentally responsible production and safe and fair working conditions across our supply chain. Besides supporting established international social certification standards, we aim for a transparent dialogue to help understand challenges and to provide the best support along the way.

Before we enter a partnership with new suppliers, they must sign our Code of Conduct, which contains the elements set out in the ILO convention, the ten principles of the UN Global Compact, the UK Modern Slavery Act, 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, animal welfare and a responsible environmental approach. Once we have entered into a collaboration with a supplier we expect them to meet the concrete demands we put forward in our Code of Conduct. Where a supplier's activities deviate from those standards we need to define together corrective measures and progressive targets.

To ensure we work unceasingly towards common goals, we need to follow the performance of our suppliers and production entities very closely. We require our suppliers to regularly document their performance via questionnaires, which we track through shared target-setting and action plans for the coming year. Visits at production sites are crucial to strengthen our relationships, but also to ensure we understand local complexities and their related challenges. Furthermore, we invite suppliers to participate in workshops to discuss and explore opportunities to reduce our environmental impact and enhance sustainability and quality.

The majority of our suppliers (73%) are located within the European Union. For our hand-woven and hand-knotted rugs we work with seven key suppliers in India, which are all SA 8000 certified. This audit scheme is an important tool in working towards higher social accountability. SA800 addresses among other things compensation, occupational health and safety, and freedom of association at our supplier sites.

Beyond our groundwork with partners, we also pursue industry collaborations for knowledge exchange and network creation. In 2021, Kvadrat joined a task force to support the development of a human rights due diligence guide for the Danish fashion and textile sector. The project was initiated by the Danish Institute for Human Rights and supported by the Federation of Danish Fashion and Textile.

In 2022, we will establish a more detailed supply chain due diligence policy and action plan. All brands must be onboarded to Kvadrat's Code of Conduct, a supplier screening tool and risk rating system. Kvadrat must ensure processes are developed and implemented for supplier target-setting, follow-up and corrective action planning.



Accounting Policy

Kvadrat's tier 1 suppliers are defined as all suppliers that perform direct financial trade with Kvadrat Group. In 2021, Kvadrat had 96 tier 1 suppliers (tier 1 suppliers to Kvadrat production sites have been excluded from the reporting period 2021, but will be included from 2022 onwards). Currently, 12 of our tier 1 suppliers are shared suppliers between several of our brands fostering trust and mutual understanding.

Equal opportunities – gender

Target: We will be 50% women led by 2025

Sustainability performance data for gender equality ¹

Statement on the underrepresented gender in accordance with the section 99 b of the Danish Financial Statement Act (Årsregnskabsloven)

	Unit	Target	2021	2020	Change	2019
Gender Equality						
Total Headcount	number		1048	N/A	N/A	N/A
FTEs	number		988	982	1%	981
Women employees	%	maintain 40/60 women or men	59	59	1%	55
Women in high potential programme	%	50% by 2025	42	44	-6%	42
Women in management ²	%	50% by 2025	41	46	-10%	43
Women in senior management ³	%	50% by 2025	44	44	1%	38
Women in Kvadrat A/S board	%	40/60 women or men by 2023	40	20	100%	20
Women in Kvadrat Holding board	%	40/60 women or men by 2030	11	11	0%	11
Seniority & Age Diversity						
Seniority entire group	years		9	8	13%	8
Seniority managers ⁴	years		12	13	-4%	13
Employees under 30 years	%		16	N/A	N/A	N/A
Employees 30-50 years old	%		54	N/A	N/A	N/A
Employees over 50 years old	%		27	N/A	N/A	N/A

¹ data represents all entities with majority ownership incl. Kvadrat A/S (incl. HQ, Kvadrat rugs and residential curtains design teams) and warehouses, all showrooms, our controlled production sites Gaudium, Verosol (NL, AUS, SP), ASA (NL) Kvadrat Acoustics (PL), Convert and our brands incl. SAHCO, Raf Simons, Kvadrat Shade (DK), Kvadrat Acoustics (DK), Kvadrat Febrik, kvadrat Really, Magniberg, Wooltex and Innvik are owned 50% and therefore not included. ² incl. managers with leader role incl. country directors, VPs, managers, Head of, Partner directors. ³ Kvadrat's Executive Management of Directors. ⁴ incl. management and senior management

Progress and key activities in 2021

Maximising the engagement of talent unconditioned by gender, sexual orientation, ethnicity, age, religion or other characteristics is not only an ethical imperative but is critical for inclusive economic and societal development. Diversity has multiple dimensions and we will work towards addressing as many of these as possible while pursuing our goal for higher levels of inclusion and equality.

Given the universal relevance of gender discrimination, a focus on gender equity is an opportunity for us to target inequality across other marginalised groups. As part of our sustainability strategy, we have defined concrete gender targets. We want to ensure that by 2025 all management (including senior management) is equally represented by men and women. Within our two boards and our total number of employees, we follow the recommendations of the Danish Business Authority to pursue a 40/60% distribution of either men or women. This 10% allowance ensures higher levels of flexibility in response to the labour market.

Looking at our 2021 results we see an especially positive development within our Kvadrat A/S Board, which has welcomed one more woman and thereby increased its share from 20% (2020) to 40%, thereby meeting our target. The goal is to maintain this balance or to increase the share of women even further until 2023. We have formulated a more long-term target for our diversity goal in Kvadrat Holding A/S. We aim to reach a 40/60% gender distribution by 2030.

The holding board comprises the group of owners and will change in accordance with the gender of the next owner generation. Since no changes in the owner family have taken place,



the number of women on our Kvadrat A/S Holding board remained, with 11% unchanged during 2021.

Within our senior management team, the gender distribution remained unchanged in 2021 with a representation of 44% women. Our goal is to reach a 50/50 distribution by 2025. Within middle management, we see a decrease of 10% women leaders between 2020 to 2021, but given that we changed our accounting policies in 2021 to take in the entire Kvadrat Group, this is not surprising.

In 2022, the Equality & Diversity task force that was installed in 2020 will formulate Kvadrat's future diversity and inclusion strategy, define attainable targets and actions and continue engaging employees in an open dialogue.

Accounting Policy

Noticeable changes have been implemented in our accounting policy on diversity and inclusion. From 2021 onwards, diversity statistics are reported for the wider Kvadrat Group, including all entities where Kvadrat has more than 50% ownership. This change in our accounting policy does not impact diversity accounting within our boards of directors and senior management, but it does on all other organisational levels. Our statistics are based on total headcount (including part- and full-time employees).

Equal opportunities – parental leave

Target: We will offer a minimum of eight weeks paid parental leave for all parents by 2024

Sustainability performance data for equal parental leave¹

	Unit	Target	2021
Parental Leave			
Total number of parental leaves	number employees		36
Men taking paternity leave	%	50% by 2030	33

¹ data represents all entities with majority ownership incl. Kvadrat A/S (incl. HQ, Kvadrat rugs and residential curtains design teams) and warehouses, all showrooms, our controlled production sites Gaudium, ASA, Verosol (NL, AUS, SP), Kvadrat Acoustics (PL), Convert and our brands incl. SAHCO, Raf Simons, Kvadrat Shade (DK), Kvadrat Acoustics (DK), Kvadrat Febrik, Kvadrat Really. Magniberg, Wooltex and Innvik are owned 50% and therefore not included..

Progress and key activities in 2021

¹ Beyond defining gender distribution targets, we acknowledge the importance of structural and cultural biases in fostering a diverse and inclusive working environment. Revising gender numbers without understanding and monitoring underlying drivers of inequality has little potential to foster long-term inclusion and equality. A key driver for inequity at the workplace is the unbalanced distribution of parental leave time between men and women, causing on average reduced salary and pension levels for women.

Gender ideologies that support the equal division of work and family life between men and women, including the equal sharing of parental leave, are strongly embedded in the Nordic countries. However, this does not reflect the global reality. In 2021, we conducted a high-level assessment of national laws on parental leave and saw the need for a harmonised policy guaranteeing a minimum amount of paid parental leave time; and regulations that do not discriminate between women and men but incentivise both equally in taking leave time to spend with their newborn child.

During 2021, we - for the first time - assessed our parental leave cases on a group level. From a total of 36 parental leaves, only 33% were taken by men and mainly within the framework of local legal minimum leave provisions. This is an important indicator for us and confirms the potential that our new parental leave policy will have. Starting from this 2021 baseline, we hope to achieve a more balanced division of parental leaves between men and women.

In 2022, we will continue assessing various preconditions for rolling out a global minimum paid parental leave. This will include a legal and cost assessment and a draft rollout plan designed to meet our strategic target of offering a minimum of eight weeks' leave to all parents by 2024.



Accounting Policy

From 2021 onwards, diversity statistics are reported for the wider Kvadrat Group, including all entities where Kvadrat has more than 50% ownership. Our statistics are based on total employees (incl. part and full time employees). ASA (owned 100%) will be included in 2022. Our new parental leave policy is applicable to all birthing and non-birthing parents, supporting diverse family constellations.

Equal opportunities – safety & satisfaction

Sustainability performance data for health and safety¹

	Unit	Target	2021	2020	Change	2019
Health & Safety						
Total sickness absence	absence in work hours	max. 3%	2,4	2,6	-8%	2,54
Short-term sickness absence ²	absence in work hours	max. 3%	1,2	0,91	32%	1,55
Long-term sickness absence	absence in work hours	max. 3%	1,2	1,69	-29%	0,99
Total work related injuries	no. injuries	zero cases by 2025	13	1	1200%	2
Work injury cases with minor consequences /first aid at site	no. injuries	zero cases by 2025	9	N/A	N/A	N/A
Work injury cases with high consequences /doctor & hospital	no. injuries	zero cases by 2025	4	N/A	N/A	N/A
Lost time injury frequency rate (LTIFR) ³	injuries pr. 100 FTEs pr. year	(TBD)	1,3	N/A	N/A	N/A
Employee satisfaction⁴						
Employee satisfaction & motivation	index 0-100	min. 77 by 2022	74	76	-3%	77
Employee loyalty	index 0-100	min. 84 by 2022	82	84	-2%	84
Learning & development	index 0-100	min. 77 by 2022	76	75	1%	76
Diversity and inclusion perception	index 0-100	min. 77 by 2022	76	N/A	N/A	N/A
Substantiated whistle-blower cases	number cases	zero cases by 2025	0	N/A	N/A	N/A

¹ data represents all entities with majority ownership incl. Kvadrat A/S (incl. HQ, Kvadrat rugs and residential curtains design teams) and warehouses, all showrooms, our controlled production sites Gaudium (NL), ASA (NL), Verosol (NL, AUS, SP), Acoustics (PL), Convert (DK) and our brands incl. SAHCO, Raf Simons, Kvadrat Shade (DK), Kvadrat Acoustics (DK), Kvadrat Febrik, Kvadrat Really, Magniberg, Wooltex and Innvik are owned 50% and therefore not included. ² Short-term sickness leave is defined as a leave shorter than 30 days ³ results show number of injuries per 100 full-time workers over a one-year timeframe (GRI). ⁴ Employee satisfaction data reflects all entities owned more than 50%

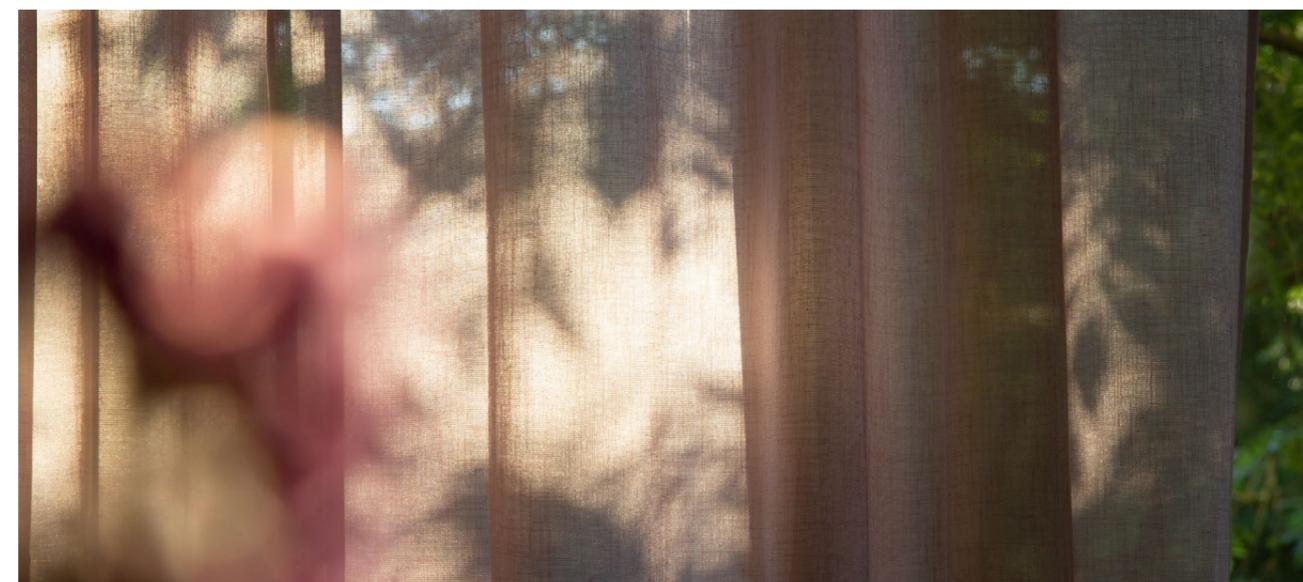
Progress and key activities in 2021

Ensuring a safe working environment where health and well-being of our people is safeguarded is a key performance measurement for us. Being a manufacturing company, physical safety must be safeguarded at all costs. Our health and safety committee oversees and monitors our performance, recommends improvements and ensures effective communication and implementation of safety procedures.

For 2021, reported injury cases increased to 13 cases in comparison to the previous year's cases (one). This increase is mainly explained by our expanded reporting scope in 2021, which now not only includes Kvadrat HQ, but the entire Kvadrat Group. We registered four high-consequence injuries. Each case is followed up on and prevention measures are implemented immediately. We have an overall objective of zero injuries. Starting in 2021, we are reporting our Injury cases as a frequency rate, to more accurately reflect changes in company size and the number of employees. For 2021 our lost-time injury frequency rate was 1.3 per 100 full-time workers over a one-year timeframe.

Mental health is a key focus area in Kvadrat and another important argument for the physical health of our people. We address stress through different means. Besides educating managers, we have established a team of 'no-stress ambassadors' to make it easier for colleagues to prevent stress or work with early-stage symptoms. We have integrated mobility and healthy food into our daily office culture to support a more balanced lifestyle. At Kvadrat HQ, we offer a free health check up every other year, access to outdoor exercise, yoga, massage treatments and free gym facilities. We serve our people mainly organic food.

Our overall sickness rate decreased slightly from 2020 (2.6) to 2021 (2.4). Contrary to 2020, we observed in 2021 an equal split between long and short-term sicknesses. We consider the decrease in long-term sicknesses in comparison with 2020 as a positive development. However, 2021 has evidently been in many ways a challenging year, requiring people to adapt to new lifestyles and working conditions. We are working continuously to support this transformation where we can. Equipping our employees with home office furniture is just one example.



We monitor the pulse of our employees through our annual employee satisfaction survey. Through this direct feedback from our employees on a wider group level, key issues are identified and guide further improvement. Over the last three years, we have experienced an overall decrease in employee satisfaction and motivation from 76 (2020) to 74 in (2021). One key driver for the decrease in performance must be explained by the expanded scope of the employee satisfaction survey, which now also includes Verosol and Gaudium. New business acquisitions over recent years have added complexity and are still in the process of being integrated into the Kvadrat culture. Another essential factor represents the introduction of our new data system and related challenges for wider Kvadrat operations.

Kvadrat's global expansion plans and the ambition to lead the sustainability agenda are key business success factors. However, we are aware of the additional challenges and changes these journeys impose on our employees and we support this transformation through development opportunities and individual training. Within the category Learning and Development, we even see an increase from 75 (2020) to 76 (2021), which can be partly explained with the broader rollout of our High Potential development programme. Loyalty from our employees has decreased slightly from 84 in 2020 to 82 in 2021. A new dimension we added in 2021 is our people's perceptions of Kvadrat's diversity and inclusion performance. This new insight will become a key driver in our Equal Opportunities target-setting and action plan.

In 2022, we will keep an even stronger focus on our safety data and seek further progress to support the wellbeing of our colleagues to prevent the increase of long-term sickness.

Accounting Policy

Starting from 2021, we account for health & safety performance across all sites where Kvadrat has a majority ownership. Our employee satisfaction data covers all sites where Kvadrat has majority ownership. Our statistics are based on total employees (incl. part and full time employees).

Transparency; work with stakeholders and partners to drive inclusive system change

Our ambition to leverage quality data will enable us to meet the highest international standards and actively share knowledge within our networks to foster trust and impact

Our focus areas within Transparency are Impact Documentation and Sustainability Advocacy

Impact Documentation

We will communicate our impact by publishing quality data. We will work proactively with regulations, aligning our products and practices with the highest international standards and certifications.

Targets

- We will increase the EU Ecolabel certification across our textile categories by 2025
- We will implement our new chemical treatment policy by 2023

Sustainability Advocacy

Sustainability must underpin everything we do. To enable this, we will establish knowledge sharing and governance structures that equip our employees, suppliers and customers with the understanding to contribute to the change.

Targets

- We will empower four global Kvadrat Change Maker Networks by 2023 to actively promote sustainability within and beyond Kvadrat

Impact documentation – product certification

We aim to demonstrate the environmental credentials of our products and operations through six major documentations¹



The **EU Ecolabel** is an independent ecolabel established by the European Commission that promotes environmental excellence. Through third-party verification, the label guarantees quality and ensures that the production process from fibre to final textile safeguards environmental standards. The EU Ecolabel makes it easy for procurers and consumers to make sustainable choices. It ensures (1) Limited use of substances harmful to health and environment, (2) reduction of water and air pollution, (3) colour resistance and light exposure to maintain long-lasting design

<https://www.ecolabel.dk/en>



The majority of harmful chemical exposures occur through the air we breathe in our homes, schools and offices. The **GREENGUARD®** certification ensures products do not exceed limits for dangerous substance emissions (VOCs) and thereby contribute to a healthier indoor climate. All certified products undergo a review of the manufacturing process and routine testing. The GREENGUARD® certification supports established green building rating systems, such as LEED, BREEAM and BIFA.

<https://www.ul.com/resources/ul-greenguard-certification-program>



Health Product Declarations (HPD) provide transparent disclosure of potentially hazardous substances in products. HPDs offer disclosure of potential chemicals of concern in a product by comparing its composition with those hazardous substances listed by GreenScreen for Safer Chemicals and with other lists of hazardous substances. HPDs can support programmes such as the International Living Future Institute, Cradle to Cradle Product Innovation Institute, Clean Production Action, BIFMA, LEED, WELL and many others.



Life cycle assessment (LCA) is the backbone of every EPD. Working with LCAs means that major environmental impacts from different product life stages have been assessed and disclosed. This means the impact of extraction of resources, the transport, processing and the release of emissions to air, water and soil are quantified and disclosed. This enables LCA users to arrive at a conclusion as to which life stage might have the greatest impact and where action should be prioritised.



Environmental Product Declarations (EPD) are key to driving more sustainable design. An EPD offers a simplified result overview from a more comprehensive Life Cycle Assessment. When creating an EPD for a product, very specific product rules (PCRs) must be followed. Those rules allow later for meaningful comparison between similar products.



In 1992, Kvadrat received the **ISO 9001** certificate for quality management. In 1997, the **ISO 14001** certificate was added, which focuses on the environmental management of all processes in our company. These ISO standards certify established quality and environmental management systems, ensuring that we meet customer requirements while continuously optimising our processes to their benefit within effective environmental management frameworks.

<https://www.iso.org/home.html>

With our six major documentations we support established green building rating systems



¹ Not all Kvadrat products are certified with the listed documentations. Refer to the next page for a statistical overview of our certified products

Impact documentation – product certification

Target: We will increase the EU Ecolabel certification across our textile categories by 2025

Sustainability performance data for certifications

Indicator	Unit	2021	2020	Change	2019
EU Ecolabel					
Total EU Ecolabelled textile products ¹	number of products	36	36	0	37
EU Ecolabelled textile products of total	%	5	N/A	N/A	N/A
EU Ecolabelled regenerative textile products	%	10	N/A	N/A	N/A
EU Ecolabelled synthetic textile products	%	2	N/A	N/A	N/A
EU Ecolabelled recycled textile products	%	6	N/A	N/A	N/A
Other Certifications					
LCA screening performed on products	number of products	219	136	38%	100
EPD third-party verified products ²	number of products	14	14	0	N/A
Greenguard Gold certified products	number of products	310	N/A	N/A	N/A
HPD on products	number of products	244	N/A	N/A	N/A

¹ excl. costum made products and special colors

² incl. 11 EPDs from kvadrat shade and 3 EPDs from kvadrat acoustic

Progress and key activities in 2021

In our pursuit of high levels of transparency, we consider certifications and labels as important enablers. The growing need for authentication and validation requires us to support this development in order to distinguish meaningful impact and thereby encourage faster sustainable change in the industry. We strongly support the EU Ecolabel as the official label of the EU Commission and, where needed, we complement this label with further documentations on social or health dimensions not covered by the EU Ecolabel.

We currently have 36 textile products that have been awarded the EU Ecolabel. In absolute terms we have not achieved an increase in EU Ecolabel certified textiles between 2020 and 2021 owing to a number of phased-out products with the EU Ecolabel. In 2021, five new textile products achieved the EU Ecolabel. For 2022, we plan to focus on our synthetic collection production partners to expand the EU Ecolabel within that category.

We have 310 products that are Greenguard Gold certified, which covers 100% of our products directed at the contract market. Additionally, we can provide a Health Product Declaration for 244 of those products.

Currently, 14 of our products have a third-party verified EPD. These EPDs cover our Kvadrat Shade and Kvadrat Acoustic collections. For our textiles we are performing life-cycle screening assessments following the principles of ISO 14040 standard series for LCA.



Accounting Policy

The total number of produced awarded with the EU Ecolabel is represented by all our certified products currently in the market, excluding custom made product and products with special colours. We apply this strict accounting methodology in order to avoid double counting of very similar products and thereby represent a more accurate picture of our actual certified portfolio. The definitions Synthetic, Regenerative and Recycled portfolio groups are covered in more depth on page 16 under our Conscious Design Principles.

Impact documentation – chemical policy

Target: We will implement our new chemical treatment policy by 2023

Progress and key activities in 2021

With new circular opportunities made available through different recycling technologies, chemical safety is more relevant than ever. We are working hard to be ahead of the game. As a minimum requirement our suppliers and productions partners have all confirmed that they meet our substance requirements below. They also confirm that they have made the necessary pre-registrations for chemicals that require registration outlined in the ECHA SCIP database. In addition, we impose strong standards on our suppliers, which in some areas go beyond existing legislation¹ :

- Comply with EU REACH regulations and the list of substances of very high concern (SVHC).
- All dyes live up to EU Ecolabel restrictions, including no use of the 28 restricted Azo-dyes and no use of carcinogenic dyes.
- Comply with California Proposition 65 List
- No use of halogen-based flame retardants (including brominated and chlorinated)
- No use of chlorine agents for bleaching of yarns, fabrics, knitted panels or end products with the exception of man-made cellulose fibres.
- No use of PVC (polyvinyl chloride) ²
- No use of PFAS (all perfluorinated compounds including PFOA and PFOS)
- No moth proofing (for woollen products)

The substances listed above do not support our sustainability agenda and are often applied unnecessarily. If the natural properties of a textile's raw material meet the requirements and expectations for the intended purpose, we do not recommend further treatments.³ All our polyester curtains and upholstery textiles are inherently flame-retardant (Trevira CS) and many of our woollen products live up to market performance standards due to the fibre properties of wool (e.g. natural flame-resistance). Making additional flame-retardant treatments obsolete means we can ensure there is no negative impact on indoor environments or health.

In 2022, we will launch the list "Kvadrat Group Requirements – Chemicals and Substances for Manufacturers". This is a combination of a Manufacturing Restricted Substance List (mRSL) and a Product Restricted Substance List (pRSL), which we have developed over the past months together with UL, a global leading testing and certification service provider.

The List encompasses substances that are restricted by legislation in our relevant markets and includes industry best practice and guidelines such as EU Ecolabel, Möbelfakta and Red List. Suppliers, brands and key departments will be onboarded via various online training sessions. The List will be updated annually and thus become a crucial tool in safeguarding future compliance and supporting our stakeholders in following our progressive standards for substance management. A complementary testing policy will be developed during 2022 to support active monitoring and implementation of our restricted substance list.



¹ We will seek to implement Kvadrat's requirements for substances in those collaborations and subsidiaries where it is relevant and where it creates value to our stakeholders. As we keep growing and developing new products, this will be a continuous process of integration and improvement.

² PVC is still present in a selection of roller blinds produced by Verosol, not sold under Kvadrat Shade. As Kvadrat Group, we are continuously seeking for better solutions and a 100% phasing out of PVC beyond the Kvadrat collection.

³ Only if a client specifically requires a halogen based flame-retardant finish or stain repellent treatment on the textile can we arrange for this to be applied. We always advise that treatments should not be used if they are not necessary and that treatments can be harmful to the environment and health. Currently, exceptions must be made to our blackout curtains, since a combination of both non-PFC and non-halogen FR solutions are not yet available on the market. Here we are engaging in active research projects together with our suppliers to phase out these chemicals and identify better alternatives.

Impact documentation – business ethics

Whistleblower Policy

At Kvadrat we wish to have an open corporate culture, where everyone can stand up freely and report any reasonable suspicion or knowledge of irregularities or illegalities in relation to our activities, employees, management and suppliers. In alignment with the EU Whistleblower Directive, Legal & Compliance we have implemented a Whistleblower channel. It is only open for Kvadrat A/S.

The purpose of the Whistleblower channel is to (1) offer employees the chance to express themselves if they have reasonable suspicion or knowledge of wrongdoing at Kvadrat without fear of negative consequences. (2) To protect persons who report to the Whistleblower channel in good faith. (3) To increase the likelihood that irregularities or illegalities will be detected as soon as possible.

During 2022, we will open the Whistleblower channel to other Kvadrat subsidiaries. However, initially it will be available only to companies that fall within required Whistleblower legislation.

Anti-corruption

Working against corruption is integrated into 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. This Code of Conduct was extended to suppliers in 2019. We have also introduced a section on anti-corruption in our new terms and conditions which states that both Kvadrat and third parties must at all times comply with applicable anti-corruption regulations. Risk assessment will be our tool to evaluate the areas of greatest concern so that we can put our best efforts into these areas and, together with our stakeholders, handle any issues that arise systematically to avoid any instances of corruption entering the supply chain. In 2021, no breach of our Code of Conduct or case of corruption have been reported neither directly or through our Whistleblower channel.

In 2022, we will prepare for a 2023 implementation of a full anti-corruption programme throughout the Kvadrat Group.

General Data Protection Regulation (GDPR)

Kvadrat has some elements of a privacy compliance programme in place to meet requirements for the processing of personal data throughout the organisation. In 2020, Kvadrat set up a new compliance function internally and hired a Compliance Counsel to safeguard it while we are growing. In this way internal policies and guidelines are followed, employees are educated, and we continue to develop our compliance programme. A global company-wide GDPR training programme was rolled out for all Kvadrat employees in 2021.

During 2022, we will empower compliance partners to work with business processes, IT systems, risk assessments and the closing of gaps in order to reach a higher level of GDPR compliance.

Kvadrat Data Ethics policy

A data ethics policy sets the moral framework for collecting, processing, and protecting personal and non- personal data in Kvadrat (this goes beyond GDPR / privacy). Working with data ethics helps Kvadrat to ensure that we process data with fairness, responsibility, and respect for human rights. Our Data Ethics policy builds upon four principles, namely; Transparency, Integrity, Privacy and Inclusion. Our policy is about people and defining a balance between the vast possibilities of the digital world and the ethical framework in which Kvadrat can navigate. The purpose of this policy on data ethics is to be transparent regarding Kvadrat's ethical views, compliance, and governance towards collected and processed data under the company's responsibility.

In 2022, we will follow up on this new policy, onboard key departments and ensure awareness and continuous implementation of the policy.



Animal welfare policy

Good quality wool and animal welfare are closely linked and together with our corporate values and responsible approach to our business. Kvadrat opposes the use of wool from sheep that have been subjected to mulesing. Our business partners must follow our Code of Conduct, manage all significant potential and actual adverse impacts on animal welfare and comply with all applicable animal welfare legislation. Furthermore, they must 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.

Sustainability advocacy – Change Maker Networks

Target: Empower four global Change Maker Networks to actively promote sustainability within Kvadrat and beyond by 2022

Progress and key activities in 2021

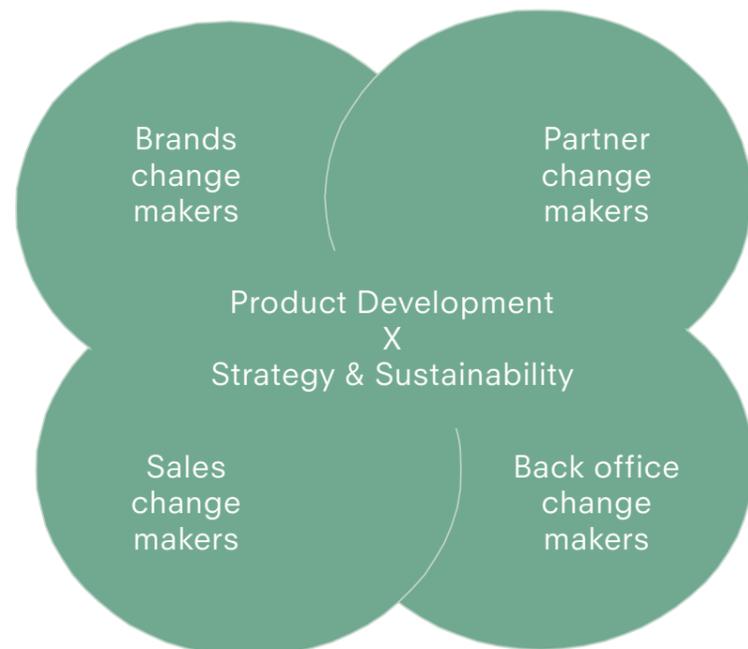
Change towards a more sustainable future cannot be achieved through the efforts of one department or one country but through collective global action. We believe this will only be possible through empowerment and ownership. Therefore, as part of our Sustainability Strategy, we have introduced the concept of Kvadrat Change Maker Networks. During 2021, we established three networks: one within our brands for our design teams; another for our global sales organisations; and a third for our people based at our headquarters, including the various back offices.

The selected Change Makers from each network are trained across numerous sustainability modules. They automatically instil new market, production or material-related knowledge into the core sustainability team. Through this regular exchange, we can ensure that challenges are identified early, potential solutions are collectively assessed and our shared knowledge capital increases at pace.

Beyond our company borders, we aim to become sustainability advocates for our clients and partners, supporting them in their own ambitious sustainability agendas, and together build better and more regenerative futures.

Currently, our three Change Maker Networks work as follows. Within our brand's network we have 11 selected members; within sales we have nine members; and for our HQ network 13 colleagues have been chosen. In total, we have already undertaken seven sustainability training sessions across these networks.

Kvadrat's Change Maker Networks

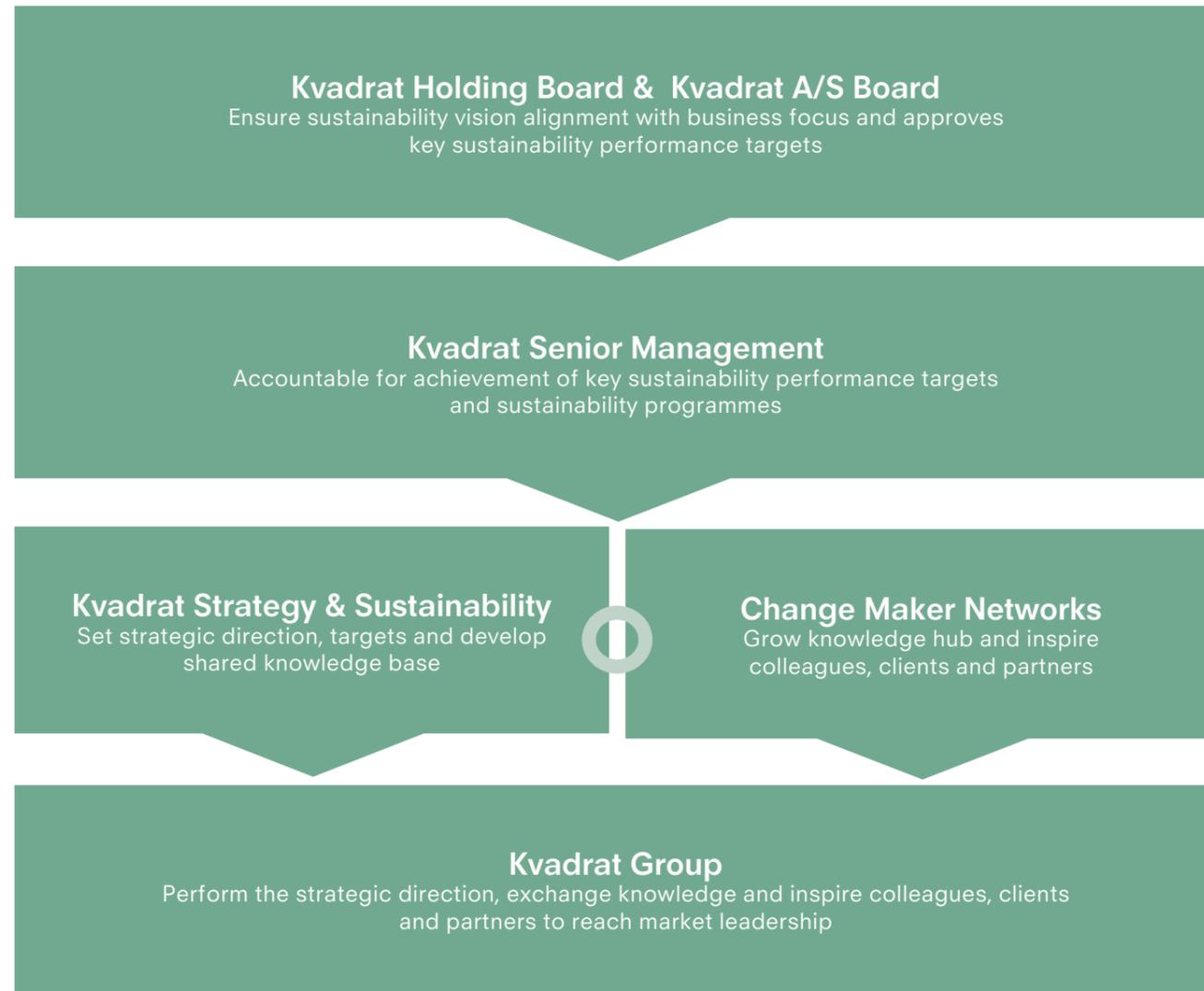


In 2022, many more training sessions are planned as well as the recruitment and active deployment of a fourth Change Maker network, to foster dialogue and collective sustainability engagement among our key production partners. For our existing Change Maker networks, we will perform an evaluation to explore their impact and any further development opportunities.

Sustainability advocacy – governance model

Kvadrat sustainability governance structure

We believe strong sustainability governance works up and down an organisation. Our organisation must be equipped to act upon its strategic targets and thus develop and create impact. Therefore, we consider strong governance as our key driver for future success. We are committed to empowerment through learning and development; and thereby create an inclusive transformation owned by all of us.



Progress and key activities in 2021

Our two boards Kvadrat Holding A/S and Kvadrat A/S Board are safeguarding the alignment and synergy between our sustainability vision and our overall business focus and performance. Kvadrat’s Senior Management has the leading role in delivering success on our sustainability targets. In 2021, Senior Management was introduced to specific KPIs directly linked to the sustainability strategy targets.



Individual KPI performance is tracked year by year through regular follow-up. Our Kvadrat Strategy and Sustainability Team is responsible for setting the strategic direction in alignment with external market forces and internal capabilities. This includes the continuous monitoring and evaluation of cost and impact performance and implementing necessary infrastructures for effective knowledge sharing.

In 2022, we will reinforce our governance structure. This will include following up with Senior Management on our existing KPIs and an eventual adjustment of KPIs. Status and performance of selected KPIs will be shared with Kvadrat’s board of directors, fostering engagement and ownership. Furthermore, the Strategy & Sustainability Team will seek alignment with Senior Management on concrete action plans for each strategic target. The wider organisation will be onboarded through a mix of digital learning material and Change Maker training sessions to ensure the long-term integration of the strategy. Key sustainability targets must be anchored in each business area’s annual Balance Scorecard and each employees’ Personal Development Conversation (PLC).

UN Global Compact Index

UN Global Compact Principle			Activity	Page
Principle 1 Principle 2	Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights; and Make sure that they are not complicit in human rights abuses	Reporting on CSR Sustainability strategy Compliance and risk assessment Human and labour rights	9 10-11 10-11 23 + 31
Principle 3 Principle 4 Principle 5 Principle 6	Labour Rights	Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation	Reporting on CSR Sustainability strategy Employee policy Health & Safety Diversity Compliance and risk assessment Human and labour rights	9 10-11 21-26 25-26 24 10-11, 31 23-31
Principle 7 Principle 8 Principle 9	Environment	Businesses should support a precautionary approach to environmental challenges; Undertake initiatives to promote greater environmental responsibility; and Encourage the development and diffusion of environmentally friendly technologies	Reporting on CSR Sustainability strategy Environment	9 10-11 12-20
Principle 10	Anti-corruption	Businesses should work against corruption in all its forms, including extortion and bribery	Reporting on CSR Sustainability strategy Anti-corruption and competition law	9 10-11 31