



UN Global Compact

Eighth Communication on Progress
from VS. Juni 2017.

UN Global Compact

Eighth VS progress report
(Communication on Progress/COP)

VS Vereinigte Spezialmöbelfabriken GmbH & Co. KG
Tauberbischofsheim, Germany, June 2017

Contents

Declaration of support for the UN Global Compact

VS employee and sales development

I Human rights and VS

- I.1 Objectives
- I.2 Measures and results
- I.2.1 Supplier guidelines – Code of Conduct
- I.3 National Action Plan Business and Human Rights (NAP) of the Federal Government
 - I.3.1 Main statements of the NAP
 - I.3.2 Comments
 - I.3.3 VS position

II Social and labor standards

- II.1 Objectives
- II.2 Measures and results
 - II.2.1 Employment of women
 - II.2.2 Compatibility of family and job
 - II.2.3 Employment of refugees
 - II.2.4 Employment of persons with disabilities
 - II.2.5 Cooperation with sheltered workshops
 - II.2.6 Workplace health promotion
 - II.2.7 Employment with the company
 - II.2.8 Staff development – education and training

III Environmental protection

- III.1 Objectives
 - III.1.1 Environmental policy
 - III.1.2 Energy policy
- III.2 Developments in the management systems
 - III.2.1 Introduction of energy management at VS
 - III.2.2 Quality and environmental management system at VS
 - III.2.3 Internal improvement management
- III.3 Energy consumption and CO₂ emissions
- III.4 Solvents consumption and VOC proportion
- III.5 Supplier guidelines – Code of Conduct

IV Certificates

- IV.1 Company-related certificates
- IV.2 Product-related certificates

V The fight against corruption

- V.1 Objective
- V.2 Measures

VI Social responsibility

- VI.1 Cultural promotion
- VI.2 Non-profit promotion
- VI.3 Sports promotion
- VI.4 Education promotion
 - VI.4.1 Wukro Museum in Ethiopia
 - VI.4.2 International Languages Training Center in Tanzania
 - VI.4.3 School students' competition, Creative Minds

VII Annex

- Supplier guidelines – Code of Conduct

Declaration of support for the UN Global Compact

Dear VS employees and stakeholders in the VS Vereinigten Spezialmöbelfabriken GmbH & Co KG,

VS hereby presents the annual progress report, the eighth since the company joined the United Nations Global Compact on September 22, 2008.

2016 was the most profitable year in the long history of the VS. We exceeded last year's sales significantly throughout Germany and across all our branch offices. The Didacta education fair in Cologne also gave us considerable momentum.

In the international school furniture business, the year started in somewhat restrained manner, but then became more dynamic. Our subsidiaries and holdings abroad were pleased with our positive business development. VS America in particular continued its ongoing growth path and is evincing an increasing presence in the United States.

We also recorded an excellent business performance in the office furniture market in 2016. Important major projects were acquired. A successful appearance at the Orgatec, the international trade fair for office and contract furnishings rounded off the consistent positive results for the year in an overall resurgent market.

Our sales approach of being active in different markets and regions helps us to cushion possible downturns in individual market segments and to compensate as far as possible. This year, we are benefiting from the fact that nearly all of our target markets have developed positively.

2016 was also an eventful year for our headquarters in Tauberbischofsheim.

We have further developed our site, not only due to new buildings but also through targeted improvements of existing production areas. Our progress is already clearly visible with the ongoing construction of a new factory building.

The strong expansion of our production areas has made it a challenge to reach the climate objective that we have set ourselves since our participation in the UN Global Compact – to reduce CO₂ emissions by 30% compared to 2008.

This target was already set for 2015. However, due to construction measures and the associated expansion of our industrial land by more than 11,000 m² over the past few years, the increased value added at the site and the commissioning of our own block-type thermal power plant, we have only succeeded in reducing the CO₂ content by 17%.

We shall, however, take every opportunity to improve this value. In connection with our energy management program, we are also tackling the more precise definition of meaningful indicators, which express specific CO₂ emissions in relation to value added at VS – these figures can serve as indicators for regular reporting.



We welcome the fact that the Federal Cabinet finally adopted the 'National Action Plan – Implementation of the UN Guiding Principles on Business and Human Rights' on 21 December 2016, after two years of consultations. The document is an important reference framework for the globally active German economy in human rights protection. It serves not only the observance of human rights, but can and should help to create equal and fair conditions of competition for all companies.

The international impact of the National Action Plan is significantly enhanced by the fact that companies are also obliged to include their suppliers in the implementation of a business policy that is geared to the full observance of human rights. To this end, we adopted supplier guidelines in 2013; based on the criteria of the UN Global Compact, it therefore exceeds the scope of the National Action Plan. We pay particular attention to compliance with the supplier guidelines.

It is gratifying that the total number of our employees and especially the proportion of apprentices in the workforce could be further increased.

The high percentage of persons with disabilities in the total workforce of the VS is also unchanged. At nearly 10 percent, it is well above the 4.7 percent average of the private sector in Germany.

I am delighted with the level of social commitment shown by VS employees in and around our company. This report also contains examples of this commitment.

VS will continue to support the principles of the UN Global Compact and implement them within its sphere of influence.


Philipp Müller
Chief Executive Officer

The 10 Principles of the UN Global Compact

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence.

Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5

Businesses should uphold the effective abolition of child labour.

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

The United Global Compact is based on ten universally-recognized principles. These principles pertain to four areas: human rights, working standards, environmental protection and the fight against corruption.

On the basis of these principles, the UN Global Compact pursues the vision of an inclusive and sustainable global economy as a strategic initiative for companies.



In signing the UN Global Compact, the VS Vereinigte Spezialmöbelfabriken company has voluntarily committed to align its own business activities with these ten principles, which are reflected as social, ecological and economic aspects in the cross-sectional areas of the company – human rights aspects in supply chain and value chain management.

For example, are just as important as delivery reliability, product quality, the fight against corruption and greenhouse gas emissions.

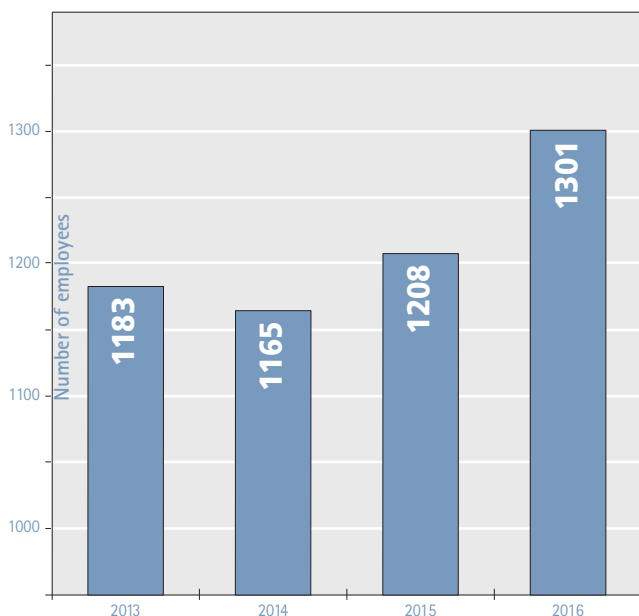
VS Vereinigte Spezialmöbelfabriken GmbH & Co. KG

VS is Germany's leading school furniture manufacturer with a global presence. This family business is also successful as a supplier of fittings for offices and as contract furnishers.

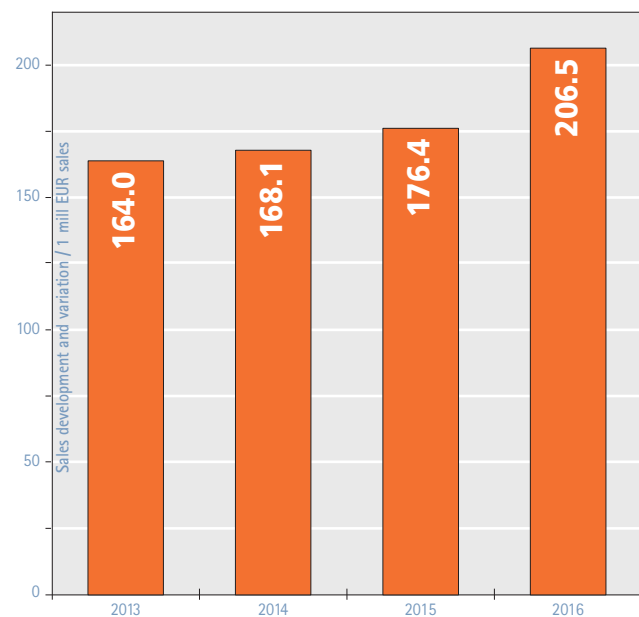
VS has designed, manufactured and marketed furniture and media equipment for the knowledge society for nearly 120 years: for schools and colleges, administrations and ministries and companies and corporations.

Its head office and sole production site is in Tauberbischofsheim in Baden-Württemberg, Germany. VS also has branches and subsidiaries in Europe, the USA and the Near East.

Employee and sales development at VS¹



► Fig. 1 Employee development in the VS group, annual average



► Fig. 2 Sales performance of the VS group in millions €

¹ The reports of the last few years released the figures for the parent company. These figures have also been published for the VS group since 2013. In this current COP, we have therefore changed the report to cover these figures.

I Human rights

Principles of the UN Global Compact

Principle 1: Companies should support international human rights within their sphere of influence and respect and

Principle 2: ensure that the own company is not complicit in human rights abuses.

I.1 Objectives

The protection and promotion of human rights within the framework of its sphere of influence are integral to VS' corporate strategy. We are guided by the International Human Rights Charter, which comprises the 'Universal Declaration of Human Rights' of 1948 and the International Civil, Political, Economic, Social and Cultural Covenants of 1966. These human rights standards are enshrined in German law. In accordance with the Charter, we acknowledge the universality and indivisibility of human rights.

We include in our sphere of influence not just our core business at our production site in Tauberbischofsheim in Germany, our German branches and our subsidiaries in the USA, France and the UAE, but also our supply chain.

We also refuse to be drawn directly or indirectly into co-responsibility for human rights violations, especially by states in which we maintain business relations.

I.2 Measures and results

VS proceeds from the assumption that human rights standards are rigorously upheld within our direct sphere of influence. This is because a high percentage of our entire value creation is accounted for by production at the Tauberbischofsheim site and that a large part of our supplies comes from companies in Germany or Central Europe, where strict statutory provisions are both in place and are observed.

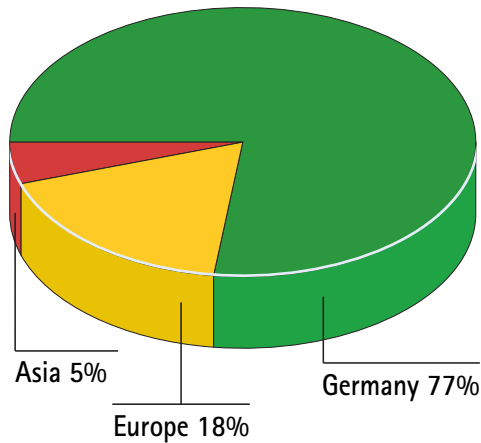
I.2.1 Supplier guidelines – Code of Conduct

In 2013, the VS management decided to create guidelines for its supplier companies. These guidelines follow the principles of the UN Global Compact. Vs began implementing them in 2014 and we continue to use them every year.

The supplier guidelines are applied to the 100 strongest-performing suppliers, the suppliers and manufacturers of machines and equipment designed especially for VS, and our energy suppliers. They must adhere and confirm their adherence to the supplier guidelines of VS.

² For the wording of these guidelines, please refer to the appendix of this report.

Orders from VS are shared between approximately 1,200 suppliers; the supplier base consists of approximately 6,000 suppliers. Among the one hundred top-selling suppliers of 2016 were 11 who had not yet been contacted in the past few years. Of these 11, 10 confirmed compliance with the supplier guidelines or provided an equivalent document.



► Fig. 3 Distribution of the locations of VS suppliers (2016)

I.3 National Action Plan Business and Human Rights (NAP) of the Federal Government

I.3.1 Main statements of the NAP

On 21 December 2016, after two years of consultations, the Cabinet of the Federal Government adopted the 'National Action Plan Implementation of the UN Guiding Principles for Economic and Human Rights' (NAP). The government thus confirmed and fulfilled the decision taken by the 2015 Summit of the G7 states in Elmau, in which the Heads of State and Government underline "the shared responsibility of governments and the economy" in the realization of human rights and "urge the private sector to exercise its due diligence in human rights."

In its Corporate Social Responsibility (CSR) strategy adopted in 2011, the EU Commission had already asked all Member States to develop national action plans to implement the UN guiding principles.

The objective of the NAP is to ensure that 50% of all enterprises which are active in Germany and which have more than 500 employees have integrated the necessary measures for human dignity into their corporate practice by 2020. If this goal is not achieved, the Federal Government intends to consider a legal regulation.

The importance of the human rights due diligence of the German economy and the responsible shaping of a sustainable and successful economy is derived by the NAP (in the case of Germany) in that "few countries are as internationally intertwined as the Federal Republic of Germany." Here "the increasing networking of German companies in global supply and value chains offer opportunities and challenges at the same time." On the one hand, new markets and production sites would be opened up, creating jobs and prosperity, but risks could also

arise as a result of the lack of transparency and the often-imperfect enforcement of human rights and labor, social and environmental standards along the supply and value chains of globally operating companies."

The NAP aims to "join the forces of the various stakeholders from government, business, civil society and trade unions and in particular to make an active contribution to improving the human rights situation along the supply and value chains." Through "reliable conditions for German companies, the Federal Government would like to work towards fair, global competitive conditions ('level playing fields)."

In shaping the implementation of human rights due diligence, "the different perspectives of one's own employees, relevant stakeholders and possible other stakeholders should be included." As participants in the implementation of human due diligence, the NAP names "the departments of personnel, purchasing, compliance and sales." "Suppliers, customers, trade unions, but also civil society organizations, economic associations and governments should be involved within the company's environment." To increase the impact of measures and, in particular, to reduce the costs of multiple inspections of the same facts by different companies, the NAP recommends that "it should be possible to carry out certain elements of the process in association with other companies at association or industry level, if antitrust guidelines are correspondingly addressed."

The NAP sees the "core elements of human rights due diligence" as including:

- A declaration of principle by the management of the company to respect human rights,
- The establishment of a procedure for the identification of actual and potentially detrimental effects on human rights caused by the company directly, by suppliers or through indirect relations (for example via intermediaries). The investigation of such effects involves a risk assessment. Areas of risk and risk countries should be determined and vulnerable groups such as indigenous peoples in these areas and countries identified. A separate risk analysis should first be performed to clarify whether an in-depth examination is necessary, one for which external expertise should be called in for consultation.
- The following are recommended as measures for the implementation of human rights due diligence and to monitor the effectiveness of the measures: Training of certain employees in the company and at suppliers, joining industry initiatives, "adapting management processes" and "changes in the supply chain",
- regular reporting and
- the establishment of a "complaints mechanism", in which the target groups should be included. In addition, an "anonymous complaints office" could be set up.

The NAP deals with "state protection obligation" in a later chapter. Responsibility for the economic policy framework is the most important state protection obligation. In addition, public procurement is highlighted as a state instrument for the

enforcement of human rights due diligence in the economy. A "Competence Center for Sustainable Procurement at the Office of the Federal Ministry of the Interior" was set up to this end in 2012. An announcement was made that the Federal Government would examine the extent to which "binding minimum requirements in the area of human rights can be established in the context of contract awarding law." A step-by-step plan is to be drawn up on how this goal can be achieved.

Regarding the protection of human rights in the supply and value chains, the NAP recommends increased communication and coordination between companies at industry level and in multi-stakeholder forums, such as the UN Global Compact and the German Sustainability Code (DNK). Examples here include the Forum of Sustainable Cocoa, the Alliance for Sustainable Textiles and the Roundtable on Human Rights in Tourism. Seals and certification for standards play an increasingly important role in this respect. However, there is a lack of transparency and comparability in the face of a growing number of certificates. The NAP therefore seeks 'clarity for seals'. At www.siegelklarheit.de, you will find information on the product groups of wood, food, detergents and cleaning products, natural stone, textiles, paper and 'Laptop & Co'. The Federal Government is examining the inclusion of a guarantee mark in German law. EU law already provides for the introduction of a European guarantee mark.

Regarding reparation in the event of human rights violations, the NAP refers to the existing legal situation whereby the person who believes his or her rights have been violated by the actions of a company domestically or abroad can assert claims in civil courts in Germany where the company's headquarters are located. If neediness is demonstrated, those affected have the right to legal aid. With regard to human rights violations along the supply chain, reference is made to the "German Foundation for International Legal Cooperation" (IRZ), which advises almost 30 states on the reformation of the legal and judiciary systems and also addresses "the issues of the design of an effective legal aid, in order to ensure access to justice." Since victims of human rights violations are often unaware of the existing complaints mechanisms, the federal government will develop an appropriate information booklet.

The other sections of the NAP deal with the activities of companies involved in areas of conflict, extrajudicial complaints body for human rights violations by companies ("National Contact Point for the OECD Guidelines for Multinational Enterprises"), the policy coherence of measures taken and intended within the framework of the NAP and the monitoring of the implementation of the NAP. As of 2018 (subject to budgetary approval) an "annual survey carried out according to scientific standards" is to be established for monitoring purposes.

I.3.2 Comments

The German Institute for Human Rights and civil society organizations such as Amnesty International in Germany, Brot für die Welt, Germanwatch, Misereor, Oxfam Germany and Südwind acknowledge the "first positive approaches" of the NAP, but criticize it as "insufficient", pointing to its weaknesses. In particular, they call for "consistent monitoring of the implementation of the plan" since many measures are "too vaguely formulated" or act "only as test orders." In particular, they demand a "systematic monitoring of the implementation of the plan" because many measures were "too vague" or "seen only as test orders".

There is criticism that contrary to the announcement in the G7 declaration of Elmau and even with the first draft of the NAP document, the German government was "flinching from doing its duty to force German companies to respect human rights abroad, merely expressing a corresponding expectation." In addition, what was expected of the companies was not underlined by their self-commitment.

In trade and investment agreements, the Federal Government was merely supporting "non-binding sustainability chapters", but not "binding human rights clauses that guarantee the freedom of the states to implement human rights." Such trade agreements could "hinder the implementation of the UN Guiding Principles for Economic and Human Rights in the EU and in third countries."

The Federal Government was also failing to use the National Action Plan for reparation and to strengthen the rights of persons who had incurred harm abroad through the actions of German companies. The existing process hurdles would have to be dismantled. Victims should be able to better sue for their rights before a German court. Better opportunities for collective claims and significantly extended statute of limitations deadlines were important.

I.3.3 VS position

The NAP is to be welcomed as a guide for businesses to comply with their due diligence on human rights. The increased inclusion of the value and supply chain of companies can contribute significantly to the strengthening of human rights worldwide. This is in all our interest.

In public debate, it is often not recognized (and therefore too little attention is drawn to the fact) that such guiding principles for compliance with human rights, environmental and climate protection, social standards and the fight against corruption – especially if they are of global importance – make a significant contribution to fair, global competitive conditions (level playing fields). Here the great opportunity provided by international trade agreements should be recognized and used.

As a company the customers of which mainly come from the public sector (and especially schools), we welcome the fact that the observance of human rights in public procurement is an important criterion.

VS has participated in the UN Global Compact since 2008. The company has therefore entered into a voluntary obligation to comply with human rights, as expected by the NAP.

II Social and labor standards

Principles of the UN Global Compact

Principle 3: Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining, as well as

Principle 4: the elimination of all forms of compulsory labor,

Principle 5: the abolition of child labor and

Principle 6: the elimination of discrimination in respect of employment and occupation.

II.1 Objectives

It goes without saying that our business policy at VS is based on the acknowledgement of employee participation in the management policies of the company. Employee participation is a prerequisite for ensuring that staff identify with the goals of the company, develop a vested interest in its success, and assume a sense of responsibility for the company in good times and bad. Codetermination does not work without freedom of association.

Irrespective of existing laws in Germany, the right to bargain collectively, refusal to be associated with forced labor, child labor and conscious discrimination against employees are implicit in how VS does business. VS also expects this of its supplier companies (also see Section I.2.1).

In the area of discrimination (even in Germany), there are weak points that must be addressed and learning processes that must be carried out. What was taboo years ago has today become the legal norm or is the subject of public debate. The relevant subject areas particularly include gender equality, and the elimination of discrimination based on religion, origin (migrant background employees), culture, age or sexual orientation.

VS is fundamentally receptive to and actively participates in such change. VS has never regarded a physical or mental handicap to be a hindrance to employment. In point of fact, VS tries to integrate as many people with disabilities as possible into the company.

II.2 Measures and results

The guidelines for our supplier companies require them to: comply with ILO Core Labor Standards, especially regarding child labor, the free choice of occupation and freedom of association and the right of employees to form workers' representation and carry out collective bargaining, as well as the banning of discrimination.

In addition, wages and social benefits of supplier companies must enable employees to live a life of human dignity and workplaces must comply with internationally recognized health and safety standards. People with disabilities should be particularly encouraged.

The principles of VS' business policy are reflected in the following social structure features:

II.2.1 Employment of women

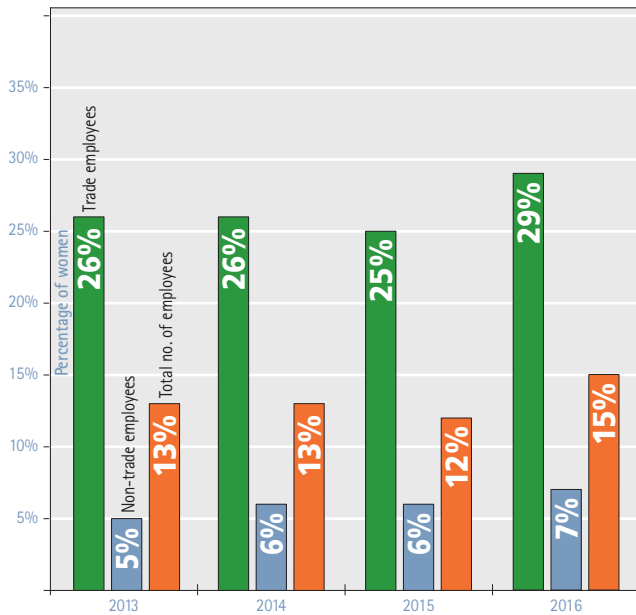
VS strives to increase its proportion of female staff. However, the reasons behind the relatively low employment rate of women persist, because VS employees mainly come from rural catchment areas, where women manage the household and raise the children, while the men work for wages and salaries.

Accordingly, the number of male applicants exceeds the number of female applicants by more than ten to one. The proportion of female employees at VS is therefore comparatively low, especially among the industrial workers who mainly work in shifts. Nevertheless, the proportion of women among our employees (office) rose from 25% to 29% in 2016.

Ø Values 2016	Gender	Part-time	Full-time	Totals
Office	M	3	321	324
	F	46	88	134
	All	49	409	458
Industrial	M	26	758	784
	F	16	43	59
	All	42	801	843
Total		91	1,210	1,301

► Table 1 Gender distribution of employees in the VS group ¹

¹ In recent years under review, the individual employee figures were published on the reporting date of 31.12. Due to the changeover to the number of employees now expressed in an annual average, absolute numbers and therefore the proportion of women and disabled persons in the entire workforce can no longer be compared with those of previous years. We now specify a percentage proportion for comparison purposes.



► Fig. 4 Proportion of female VS employees

II.2.2 Compatibility of family and job

One important aim for VS is to ensure a successful balance between family and professional life. Since 2012, we have organized an educationally-oriented, full-day childcare facility for our employees' children on the company site for a period of three weeks during the summer holidays.

Our employees can choose from a variety of part-time models tailored to their specific needs. The choice includes home office as well as part-time working during or after the period of maternal leave.

Other options such as a company kindergarten or reserved places in the local preschool facilities are under discussion but are not currently considered necessary by the company's staff.

II.2.3 Employment of refugees

The influx of refugees seeking protection in Europe from political persecution and the effects of war has lessened during the year 2016, but it has not ceased altogether – and this means that our society continues to be faced by major humanitarian challenges.

Given that most of the refugees will not be returning to their home countries in the foreseeable future, the issue is not only to provide a decent livelihood for them, but also to integrate them into our society. This means quite specifically that they must find work to earn a living for themselves and to establish social contact with their work colleagues.

VS addresses those tasks. However, labor legislation significantly restricts the job opportunities, because secondary labor market access applies to refugees with residence permits and work permits.

During 2016, up to 13 refugees were given temporary employment. This number varied according to the season. A refugee also signed a training contract with VS in 2016.

II.2.4 Employment of persons with disabilities

The equal participation of disabled people in the labor market is a social goal that has always been actively supported by VS. This is attributable, among other things, to the continuously high proportion of VS employees who have a disability.

In 2016, the average number of disabled and equivalent persons in the VS group was 107. As of December 31, 2016, 67 employees were severely disabled with a degree of disability of at least 50%. Due to the severity of their disabilities, four of those are entitled to more than that number of compulsory places. Three others do not have parity notification as they work part-time for less than 18 hours a week. 33 employees have parity with a disabled person, i.e. their degree of disability is at least 30%.

The proportion of disabled persons in the total workforce has risen steadily from 8.3 per cent since 2006. Since 2011, VS has had a quota of over 10 per cent, a number which was only reduced for the first time in 2016 when it fell to 9.5%. This decline was directly linked to the continuous upswing in staffing of the past two years.

Nevertheless, the 2016 employment quota of severely disabled people was well above the statutory minimum ratio of 5% and above the national German average of 4.7%.²

In 2016, VS also participated in the 'Inclusive' project of the four job centers in the Heilbronn-Franken region and the employment agency in Schwäbisch Hall/Tauberbischofsheim. The aim of the project was to help disabled persons return to work – initially through a six to nine-month traineeship, which would ideally lead to temporary or permanent employment.

¹ In recent years under review, the individual employee figures were published on the reporting date of 31.12. Due to the changeover to the number of employees now expressed in an annual average, absolute numbers and therefore the proportion of women and disabled persons in the entire workforce can no longer be compared with those of previous years. We now specify a percentage proportion for comparison purposes.

² Source: Inclusion Barometer 2016 of the Aktion Mensch e.V.

Through this project, VS enabled two deaf people to take part in a business internship. One of these deaf persons has now received an indefinite employment contract in our company.

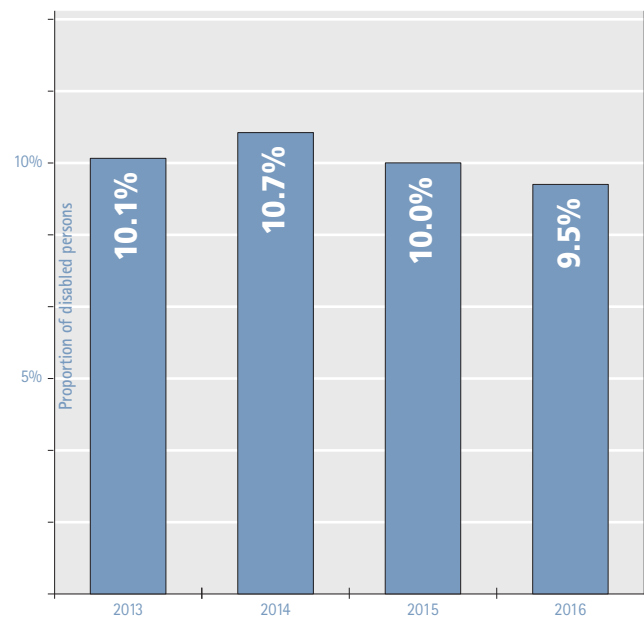
The above-average employment rate for severely-handicapped persons was achieved through the following measures:

- On 20 December 2000, an integration agreement was concluded between the management, the severely handicapped representatives, the VS severely handicapped representative and the works council.
- In cooperation with the integration services, (IFD), the municipal association for youth and social affairs of Baden-Württemberg (KVJS) and the Federal Agency for Labor, traineeships for handicapped persons are offered at VS. And if possible, young people with difficult illnesses are offered opportunities for practical training.
- In the case of vacant positions, VS first checks to see if these can be filled by a person with severe disabilities. In the case of a vacant disabled-friendly position, if there is no suitable person with a severe disability in the workforce, the company, together with the Agency for Employment and the Integration Service examine whether this position could be filled by an external person with a severe disability.
- The works council and the VS representative for the severely disabled are informed about job applications from persons with severe disabilities and subsequently take part in the decision process within the framework of the legal requirements. Specially-qualified applicants with a severe handicap are invited for an interview.
- Prevention discussions and in-house integration management (§ 84 SGB IX) are conducted in the event of persons being absent for more than six weeks per year.
- The VS representative for the severely disabled and the company doctor work in close cooperation.
- VS acts in accordance with the central regulatory framework SGB IX (rehabilitation and participation of disabled persons) and, where required, addresses the different types of support for adapting workplaces and the working environment for disabled persons through professional tools or technical work equipment. These financial and personal types of support combined with a working life are intended to provide support for people with disabilities or with imminent handicaps in finding, starting and keeping a job. VS attaches great importance to the training of their departmental heads in the correct and sensitized approach to working with disabled colleagues and gets regular feedback from the staff or the integration officers.

For its level of commitment to people with disabilities, the extent of which is unusual for a manufacturing company, VS was presented with the 'Pioneer for Inclusion' award by the Schwäbisch-Hall-Tauberbischofsheim Labor Agencies.

Ø Values 2016	Gender	No degree of disability	30% degree of disability	50% degree of disability	Totals
Office	M	309	6	9	324
	F	129	0	5	134
	All	438	6	14	458
Industrial	M	705	25	54	784
	F	51	1	7	59
	alle	756	26	61	843
Total		1,194	32	75	1,301

► Table 2 Distribution of disabled persons throughout the work areas



► Fig. 5 Proportion of employees with a disability in the total VS workforce

II.2.5 Cooperation with sheltered workshops

Despite our high employment rate for severely disabled persons, VS still strives to award as many contracts as possible to sheltered workshops. VS order volume to sheltered workshops has risen from €98,000 in 2000 to €366,457 in 2016 (see Table 3).

Year	Sales
2000	97,627 €
2007	125,036 €
2008	124,613 €
2009	168,757 €
2010	310,126 €
2011	299,390 €
2012	258,959 €
2013	282,908 €
2014	228,470 €
2015	262,588 €
2016	366,457 €

► Table 3 VS contract volume for sheltered workshops

II.2.6 Workplace health promotion

We do all we can to ensure the health and well-being of our employees. All our employees are offered a free prevention check annually by our company doctor, in compliance with medical secrecy and data protection regulations. We also have a flu vaccination program every year.

A new addition to our workplace health promotion in 2016 was a VS back training course on the premises of the AOK near the VS site. The exercises were arranged in such a way that our shift workers could attend one course per week.

Back-check measurements were also offered again. For the newcomers, a workshop was held in which general knowledge and exercises on the topic of movement and supporting equipment were taught. A new bonus was introduced for employees: when an employee is re-measured, and his or her back-check values have been maintained or have improved after a year, they win a Wirtschaftsforum Pro Tauberbischofsheim e.V. voucher for €40.

Workplace design is oriented around safety-related and ergonomic considerations. Here we clearly exceed the legal requirements. For example, every employee may change his or her seating in the administration during the working day. Height-adjustable workstations are of course also available.

In our canteen, we offer our employees and external guests a full breakfast and lunch menu. The canteen also sources organically-grown fruit and vegetables from the company's own kitchen garden.

II.2.7 Employment with the company

The average period of employment with the company remains very high at more than 17 years. Even women stay with the company for a long period of time. This underlines the high level of corporate identity that VS staff possess.

Ø in the year 2014	Number of employees	Ø-Age	Ø-Employment with the company
Office	585	43.87	14.20
Industrial	516	43.31	14.82
Total	985	43.33	14.60

Ø in the year 2015	Number of employees	Ø-Age	Ø-Employment with the company
Office	353	45.68	18.70
Industrial	636	44.52	16.58
Total	989	44.94	17.34

Ø in the year 2016	Number of employees	Ø-Age	Ø-Employment with the company
Office	458	43.37	14.20
Industrial	843	43.31	14.82
Total	1.301	43.33	14.60

► Tab 4 Average age and average length of employment with the company

II.2.8 Staff development – education and training

VS attaches great importance to staff development. VS' objective of 'challenging and promoting employees' underscores the functions of training and further training within the sphere of personnel development.

Industrial, technical and commercial training is ongoing at VS. In addition to dual vocational training, the VS has successfully cooperated with the Baden-Württemberg Cooperative State University (DHBW) for more than 30 years. The training is needs-oriented. The aim is to offer graduates of dual training and graduates from the Cooperative State University a job at the end of their training or period of study.

VS also enjoys educational partnerships with regional schools in the area. The aims are, inter alia, support for the transition between school and training and between a course of studies and employment, the improvement of training maturity and the ability of students to train and study.

In 2016, VS employed an average of 47 trainees and DHBW students. The proportion of commercial trainees and DHBW students in relation to all office employees is 6.38%, the proportion of industrial-technical trainees in relation to permanent industrial employees is 3.85%. VS trains staff in the following occupations and courses of study:

- Wood Machinist
- Industrial Machinist
- Warehouse Logistics Specialist (m/f)
- Industrial Business Management Assistant
- Industrial Business Management Assistant with additional qualifications
- Technical Product Designer
- IT Specialist
- B.Eng. Wood Engineering
- B.Sc. Business IT
- B.A. International Business
- B.A. Industry
- B.Eng. Mechanical Engineering

In 2016, a variety of training measures were carried out as part of the company's further training program. Trainees and students receive support from VS for additional training courses offered by vocational schools and the Cooperative State University, e.g. for language experience abroad or to qualify as a training instructor or REFA basic training. Some employees are also involved as examiners on the examining boards of Chambers of Industry and Commerce.

III Environmental protection

Principles of the UN Global Compact

Principle 7: Companies should support a precautionary approach to environmental challenges;

Principle 8: should undertake initiatives to create greater environmental responsibility and

Principle 9: encourage the development and diffusion of environmentally-friendly technologies

III.1 Objectives

The management at VS is convinced that the conservation of resources and climate protection should be part of the company's economic activity.

The main objectives of VS' environmental policy include minimizing the environmental impact in the pre-supply chain and at the production site in Tauberbischofsheim and being able to offer our customers products which have been made in the most environmentally-friendly way possible. VS also endeavors to minimize the environmental impact of waste disposal.

Environmental policy is therefore an essential element of VS' corporate strategy and in-house environmental protection is an integral part of all our company departments and processes. Our aim is to achieve long-term, sustainable, integrated results through individual measures – although these may often be irrational in terms of economic and business reasoning – without making a fuss about it.

Since joining the UN Global Compact, VS has set itself a climate target. By 2015 the company's CO₂ emissions in relation to sales should drop by 30%.

However, this approach to a revenue-related CO₂ reduction does not address any substantial changes in the value added at the Tauberbischofsheim production site, the result of the company's ongoing expansion over the past few years.

The focus has therefore placed increasingly on the expansion of the integrative company policy. In addition to quality policy, this includes environmental policy and energy policy, with an energy management system having been introduced since the beginning of 2016.

III.1.1 Environmental policy

Dealing responsibly with the natural resources of the environment is an important company principle for VS. Two key objectives of our environmental policy are to keep environmental impacts at the plant as low as possible and to offer our customers largely environmentally-friendly products. At VS, commitment to the natural environment VS means:

- Protecting the environment, our employees and our customers by avoiding harmful effects in the production, use and disposal of our products
- Eliminating or minimizing emissions and waste
- Using the smallest possible amounts of the natural resources of water, soil and air
- Using materials economically in all production areas (recycling management), producing VS products that have a long service life, selecting material in an environment-oriented way and designing VS products that are recycling-friendly and modular.

III.1.2 Energy policy

Environmental protection and the associated economical use of energy has been part of the company's management for many years. With the introduction of an energy management system as per DIN EN ISO 50001, the prerequisites for consciously controlling energy consumption and constantly improving energy-related performance were put in place. This entails:

- the optimization of energy supply and production, addressing the energy efficiency of production facilities during procurement,
- the economical use of energy in all production areas,
- promoting the use of regenerative energies and
- the reduction of CO₂ emissions.

Strategic energy targets:

- The companies of the VS Group strive for a continuous reduction of CO₂ emissions. In doing so, the trading of emission allowances will be completely dispensed with. Instead, as in the past, this goal is now implemented through our own actions and despite pending plant and building extensions, energy consumption is kept constant.
- In the case of new buildings, building insulation keeps values below the permissible required values of the primary energy requirements (as per EnEV, WärmeEEG). Renewable energies and energy from cogeneration are also used to cover heat requirements.

III.2 Developments in the management systems

III.2.1 Introduction of energy management at VS

Since November 30, 2011 the term 'Energiewende' (conversion of energy policies) has meant something for every German citizen. It was on that day that the German Parliament approved the final termination of the use of nuclear energy. All German nuclear power plants must be shut down by 2022.

This far-reaching decision was taken because of the serious incidents at the nuclear power plant in Fukushima Daiichi. On March 11, 2011, a devastating earthquake caused the meltdown of three reactor blocks and significant amounts of radioactive material were released, contaminating the air, soil, water and food for many miles around – and for a long time to come.

This catastrophe was a major factor in the German Federal Government's decision to approve the Energiewende, which was intended to reduce the non-sustainable use of fossil fuels and nuclear energy by increasing the use of renewable energies. The program is also aimed at achieving the strict climate goals of the German Federal Government. By 2020, primary energy consumption in Germany should be reduced by 20% compared to 2008.

The effects of this can already be perceived in the private sector. In the case of new buildings or renovations, measures must be taken to increase energy efficiency, such as the installation of photovoltaic equipment for electricity generation, wooden boilers for heating, solar thermal heating for hot water production and the strict insulation of external facades.

Private citizens feel the benefits of the Energiewende when they pay their energy bills. In the case of electricity, however, 25% percent of the electricity costs in the private customer segment will have to be spent on financing the Energiewende for energy producers, energy suppliers and grid operators.

Among other factors, German companies are affected by the decision to initiate the Energiewende by means of the so-called energy service law. This requires all companies of a certain size or with a certain turnover to audit and certify their energy use by January 1, 2017 in accordance with applicable European standards. If this deadline is not met, heavy fines were to be imposed on the offending companies.

As a result, VS introduced a normative energy management system in accordance with DIN EN ISO 50001. This has the following (simplified) objectives:

- To emphasize, define and actively promote the economical use of energy and materials in all production areas
- To involve employees, business partners, customers and other stakeholders of the company

- To set goals and implement specific measures to achieve them
- To regular record energy consumption
- To pursue a continuous improvement process (exploiting energy efficiency potentials, reducing energy costs and reducing emissions of greenhouse gases and other environmental impacts)

This certification is the first management system in the company to include all our German sites and those of our German subsidiaries:

- VS Vereinigte Spezialmöbel (with sales offices in Berlin, Munich, and Dortmund),
- VS Visuelle Medien (Visual Media),
- VS Services.

However, VS did not wait for these legal obligation; on its own initiative, the company has been very active in energy management for many years and in many areas, as evinced by the following measures:

1. Construction of energy-efficient machine and plant technology
2. Construction of energy-efficient buildings
3. Energy concept for the efficient supply of machine/plant technology and buildings

For many years now, this commitment to energy efficiency has contributed to the fact that VS products can hold their own against market competition thanks to their edge in technology and costs.

In brief: What do you contribute to energy management?

In day-to-day work, every employee plays a major part in the success of the management system. Everyone in the company can help to save energy by:

- closing the air valve after completion of the activity and reporting compressed air leaks
- turning the lights off at the workplace and social rooms during breaks, after work or as soon as there is sufficient daylight
- not permanently opening windows (tilting) during heating periods, using only temporary ventilation
- submitting improvement proposals for energy-related topics

Within the framework of the annual certification by the TÜV (German Association for Technical Inspection) (LGA Inter Cert), employees may also be asked about the contents of the energy management system. You should therefore be aware of the following:

- There is an energy management system at our company that promotes the economical use of energy and materials.
- What can you personally achieve (see above)?
Further information on energy management is also available on the Intranet:
- Energy policy and energy targets of the management for all our companies
- Management Manual with all the valid process descriptions
- Management Review
- Report of the Energy Management Officer

In addition, notices on the topic of energy management are created and displayed on the departmental information panels.

III.2.2 Quality and environmental management system at VS

VS ist seit vielen Jahren erfolgreich nach zwei weiteren Managementsystemen zertifiziert:

- seit 1996 nach dem Qualitätsmanagementsystem (DIN EN ISO 9001); Ziele sind
 - to achieve consistently excellent and long-lasting product quality through defined processes,
 - to achieve an excellent quality of service, from initial contact to aftercare after delivery and
 - to achieve the highest level of customer satisfaction;

- the Environmental Management System (DIN EN ISO 14001) (since 2003); the goals here were
 - to protect the environment, our employees and customers by avoiding damaging influences,
 - to use the smallest possible amounts of the natural resources (water, soil, air),
 - to select environmentally-friendly materials through the recycling-friendly design of our products.

The energy management system is integrated into existing management systems and will be expanded.

III.2.3 Internal improvement management

In April 2005, VS introduced an improvement management system (VBM). The goals here were

- to promote the active participation of our employees
- to promote an ideas management program, through which the employees, as experts in their individual fields of work, can show us opportunities for improvement.

Special ideas in the field of environment and energy are also submitted here and processed. In the future, content can also be taken from the report of the management representatives, such as operational energy and environmental goals and their implementation.

III.3 Energy consumption and CO₂ emissions

With the introduction of energy management, the existing system of data acquisition has been optimized in the following points:

- Development of a concept of measuring points
- Modernization of measurement technology through the increased use of digital readout meters
- Review of the investigation procedures regarding energy consumption and the correction of errors
- Company and site-related acquisition of current energy consumption levels
- In the future, energy values will only be determined for the past 5 years
- Weather adjustment of consumption data according to VDI 3807
- Introduction of new CO₂ equivalents in accordance with the GEMIS database (Global Emission Model for Integrated Systems) of the International Institute for Sustainability Analyses and Strategies (IINAS)
- Addition of diesel fuel energy consumption

Past calculations and consumption determinations are therefore no longer valid.

The following diagrams display:

- Absolute energy consumption (final energy in kWh)
- Weather-adjusted energy consumption ((in accordance with VDI 3807 Sheet 1, (2013) and the Energy Conservation Act 2007))
- Energy consumption for buildings and production (final energy in kWh)
- Absolute CO₂ emissions
- Weather-adjusted CO₂ emissions ((in accordance with VDI 3807 Sheet 1 (2013) and the Energy Conservation Act 2007))

Remarks:

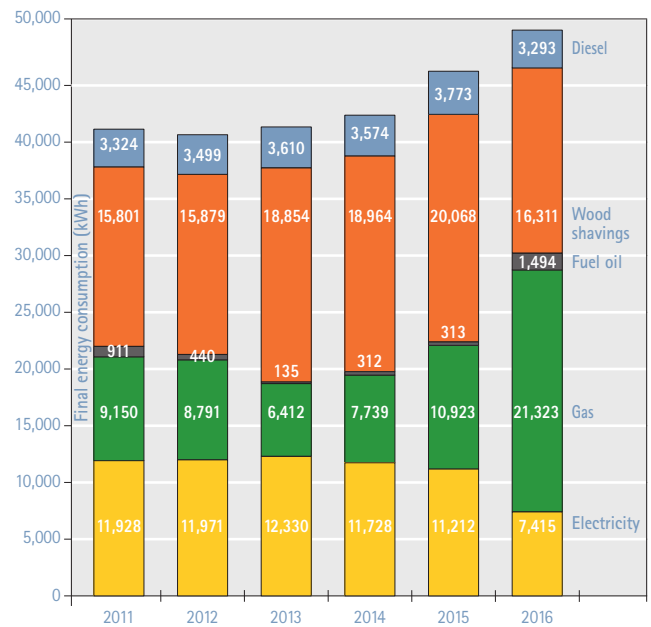
The new CO₂ equivalents were adopted in accordance with the GEMIS database of the IINAS.

The increase in consumption is explained by increased added value on the site and the building expansion (2015: commissioning Work 6; 2016: commissioning Hall 5) and the effects of VS' own cogeneration plant.

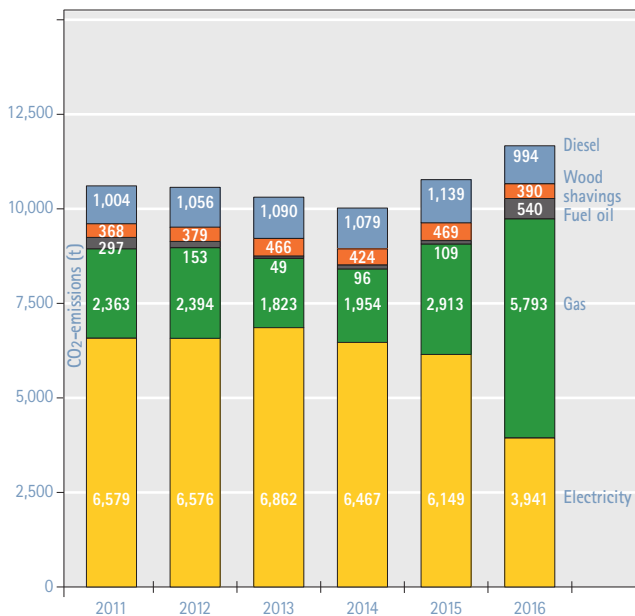
The absolute energy consumption values must still be added to the ratio. Required parameters must be clarified and will only be available next year.



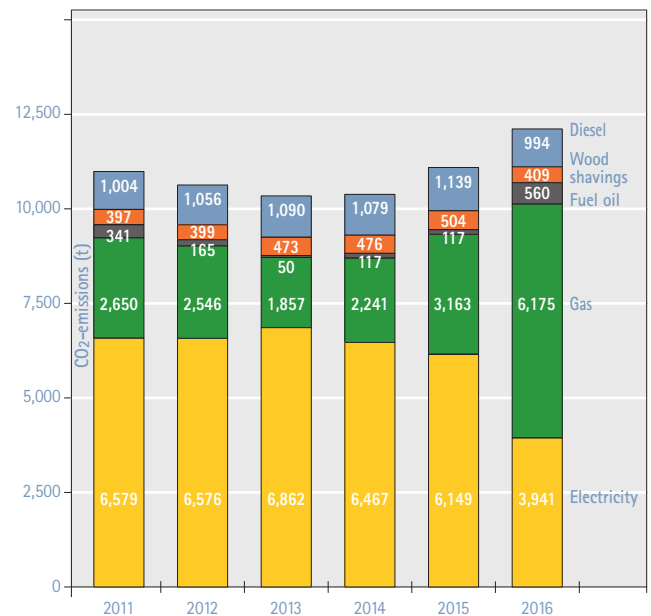
► Fig. 6 Energy consumption by energy carrier



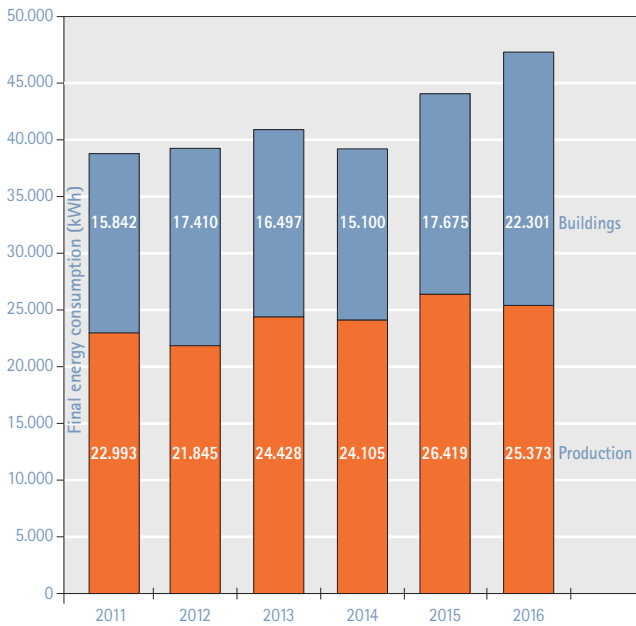
► Fig. 7 Energy consumption by energy carrier, weather-adjusted



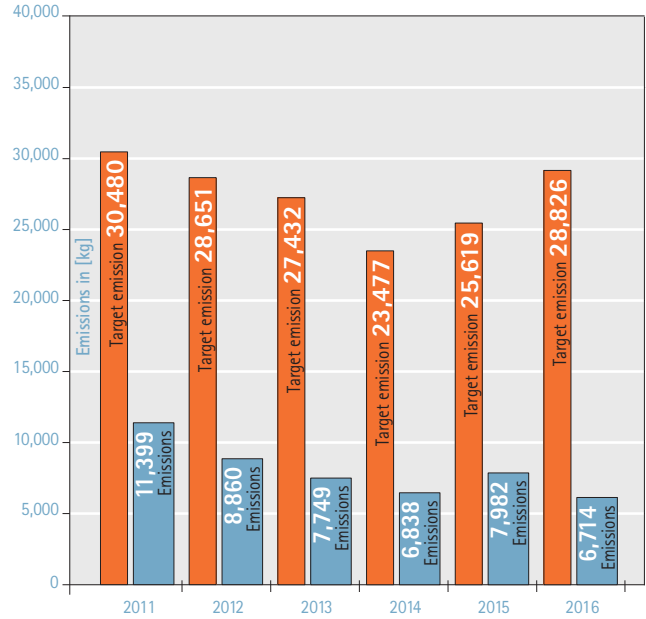
► Fig. 8 CO₂ emissions by energy carrier



► Fig. 9 CO₂ emissions by energy carrier, weather-adjusted



► Fig. 10 Energy consumption by use



► Fig. 11 Solvent consumption in wood lacquers

Year	Plant size	Annual yield Summation	Hrs. of sun Summation	CO ₂ -savings
2001	486 KWp	416 MWh	1,672 h	181 t/a
2011	935 KWp	881 MWh	1,926 h	463 t/a
2012	935 KWp	872 MWh	1,874 h	458 t/a
2013	935 KWp	730 MWh	1,511 h	383 t/a
2014	935 KWp	808 MWh	1,613 h	424 t/a
2015	935 KWp	836 MWh	1,722 h	439 t/a
2016	935 KWp	792 MWh	1,587 h	416 t/a

► Table 5 CO₂ savings through photovoltaic systems ¹

III. 4 Solvents consumption and VOC proportion

VS uses environmentally-friendly, water-based lacquer systems. VS' lacquer systems are subject to the 31st German Federal Emission Control Act (Solvents Regulation). The aim of this regulation is to limit the use of volatile organic compounds (VOCs). VS has been using water-based lacquer systems for 15 years now and was one of the first companies to do so. These lacquer systems contain only 6% volatile solvents (VOCs) compared with 70% in conventional systems that contain solvents. VS products thus fall well below the prescribed limits.

In the figure below, the blue bar shows the emission of solvents in conventional systems and based on total paint consumption, calculated for each year. The actual solvent emission at VS (red bar) is much lower. In 2016, actual VOC emission at VS was 77% below the prescribed limits.

III.5 Lieferantenrichtlinie (Code of Conduct)

The guidelines for suppliers in respect of environmental protection include: Compliance with nationally-valid guidelines and laws, definition of their own environment goals as part of their business principles, the introduction of an environment management system (if not already in place), and environmentally-friendly production and products, including eco-friendly packaging. The supplied products must be free from substances that are harmful to health.

¹ Since 2001, electricity from photovoltaic systems has been generated on our factory roofs. These systems have a total output of 950 kilowatt peak (kWp). Their annual output depends on the number of hours of sunshine. Sonnenscheinstunden.

IV Certificates

IV.1 Company-related certificates

Management standards DIN EN ISO 9001, DIN EN ISO 140001 and DIN EN ISO 50001

VS is certified as per the following standards; certifications are regularly reviewed:

- Quality management as per DIN EN ISO 9001. Certification as per ISO 9001 forms the basis for the continuous improvement of the company's internal quality management system (QMS).
- Environmental management as per DIN EN ISO 14001. This globally-accepted and applied standard specifies requirements for an environmental management system that enable a company to develop and realize an environment policy and its relevant objectives.
- Energy management as per DIN EN ISO 50001. This standard refers to factors that can be influenced by the company and can be adapted to individual requirements. In complying with this standard, companies can increase their energy efficiency systematically and continuously.

PEFC wood certificate

Since September 2014, VS has been entitled to carry the PEFC logo on furniture that contains components made of wood or wood composites and which is produced at the Tauberbischofsheim site. PEFC stands for 'Program for the Endorsement of Forest Certification Schemes'.

Forests are of central importance for life and survival on our planet. Furniture manufacturers are therefore required to make a tangible contribution to preservation of the forests: we must provide evidence for the sustainability of our products, so we must ensure that our timber and timber-based materials come from sustainably-managed forests.

VS opted for the PEFC certificate. PEFC is one of the largest global non-governmental organizations for forest certification. Its guiding principles are:

- Mixed stands of site-adapted tree species must be maintained or developed,
- clear cutting must be avoided,
- an adequate supply of dead wood must be maintained,
- when using machinery, the forest floor must be preserved,
- the use of pesticides must be avoided (certificate required),
- and it is vital to respect protected biotopes and conservation areas and to protect endangered animal and plant species.

At the heart of PEFC certification is the Chain of Custody (a certified product chain, from certified forests to the final product). Here a supplier list must be kept, itemizing all the current wood and wood composite suppliers. Supplier details are also recorded in this list, particularly the certificate number and the type and quantity of the material supplied. A risk assessment of the supplier is also carried out as per the corruption perception

index (CPI) of Transparency International. If the CPI is below 50 for a specific supplier, special measures must be taken by that supplier to eliminate the possibility of wood originating from disputed sources (including supplier audit and verification of the supplier documents regarding the origin of the wood).

An external audit conducted in 2014 confirmed that VS satisfies all the requirements of the PEFC standards for successful certification. The certification entitles VS to carry the PEFC logo on furniture produced at the Tauberbischofsheim site and which contains components made of wood or wood composites.

European Timber Regulation (EUTR)

The European Timber Regulation (EUTR), based on EU Timber Regulation No. 995/2010, has been in force since March 3, 2013. The aim of the Regulation is to ensure that only timber from secure sources reaches the EU market. Placing illegally-harvested timber on the market is prohibited. Importers of timber and timber products must exercise due diligence and register with the German Federal Office for Agriculture and Food (BLE).

VS established due diligence by way of a work instruction. The company has been registered with the BLE since August 28, 2013.

Authorized economic operator (AEOF)

Since July 2011, VS has had the status of a 'Type C Authorized Economic Operator, AEO'. A company is awarded this status if it fulfills certain requirements for reliable global trade. The 'C' stands for customs simplification.

However, the ever-growing demand for VS furniture on the international market and the associated customs requirements and above all security requirements in international trade induced VS to aim for the AEO status F (Full) in 2013. The company was awarded the AEO status F on October 8, 2014 and thus meets all international trade customs and safety requirements.

PQ-VOL

Inclusion in the nationwide PQ VOL database occurs with the prequalification (PQ), in accordance with the award and contract regulation for services (VOL). All proofs of performance required from VOL are then regarded as being fulfilled. VS is currently the only company in the Main-Tauber region which is pre-qualified for VOL.

PQ-VOB

Companies are recorded in the nationwide PQ VOB database when they obtain the pre-qualification (PQ) for the defined requirements for construction companies in accordance with construction tendering and contract procedures (VOB). All proofs of performance required by the VOB are then regarded as being fulfilled.

Dualis Seal

The Dualis certificate of the Heilbronn-Franken Chamber of Industry and Commerce (CIC) for 'Excellent Training Companies' is awarded after an external audit, during which all the training phases are tested and ultimately given at least a 'good' rating.

In 2015, VS was certified with the Dualis Seal, which remains valid until 2018.

IV.2 Product-related certificates

GS seal, 'Inspected Safety'

Products bearing the GS seal – and this includes nearly all VS series products – are tested on the basis of the German Product Safety Act. They thus equate with the current state-of-the-art technology. Whether or not a manufacturer qualifies for this seal must be assessed, tested and confirmed by an accredited test laboratory. The test is carried out at the manufacturer's request and is voluntary.

LGA pollutant-tested

The 'LGA pollutant-tested' seal applies to all the materials used at VS. The seal provides proof that the pollutant limits comply with all statutory regulations or are well below them. According to the present state of science and knowledge, a threat to health is not to be expected from the use of these products.

The 'LGA pollutant-tested' seal is regarded as being roughly equivalent to the 'Blue Angel' (RAL-ZU 38) and exceeds that standard and/or the legal requirements:

- In addition to the requirements of the Blue Angel, annual monitoring of the production sites takes place and regular product checks are carried out under a monitoring contract
- A lower limit (0.05 ppm) applies than the statutory requirement for formaldehyde emission (0.1 ppm).

Level® – The BIFMA Sustainability Standard

Since October 2013, many VS products have been certified in accordance with the sustainability standard of the American Business and Institutional Furniture Manufacturers Association (BIFMA). In 2008, BIFMA introduced a guideline on sustainability for office furniture, the BIFMA Level e3-2012.

VS implemented this guideline for seven product groups with 52 series models of chairs, tables and cabinet units – and after the recertification of 2016 the company was awarded the respective product-related BIFMA certification at the highest level – platinum. VS furniture was assessed according to the following criteria:

- **Materials:** The choice of materials must already be addressed in the company's environment policy and include sustainability aspects such as climate neutrality, recyclability, recycled content, efficiency of material consumption, and the life cycle of the material.

- **Energy and atmosphere:** The environmental impacts of processes and products are calculated on the basis of the consumption of grey energy, greenhouse gas emissions and transport volume.
- **Human health and ecosystem:** All the supplied chemicals for the materials, the processes and the finished products are listed and compared to the appendices of the standard containing critical chemicals. Harmful waste and emissions in air and water are also assessed.
- **Social responsibility:** The company's occupational health and safety, human rights, safety and health management, plus the inclusion of the social community and the commitment to it are aspects of corporate responsibility, which are also evaluated in the supply chain.

Greenguard – Low Chemical Emissions

Most of the VS furniture has been awarded the 'Greenguard' or 'Greenguard Gold' certificate. The certificate is the American counterpart to the LGA pollutant-tested seal. It confirms that the products comply with the upper limits for chemical emissions for use in offices and other indoor environments.

The Greenguard certification in gold is based on stricter certification criteria for products used in schools, day-care centers or other environments where children spend longer periods of time.

Greenguard certification programs are recognized by numerous construction assessment programs, including LEED (Leadership in Energy and Environmental Design).

AGR seal of approval

The AGR seal of approval recognizes that a company has successfully participated in the 'Healthy Backs' (AGR) campaign, which distinguishes products with a back-friendly design. The products are certified by an independent testing committee consisting of experts from different medical disciplines. Such utility articles are suitable for the prevention of back pain and act as aids in the treatment of illnesses of the musculoskeletal apparatus.

The AGR seal of approval is awarded to selected VS chairs and tables that meet particularly outstanding ergonomic requirements.

Individual reports for VS products and model variants are published at www.vs.de/kataloge/zertifikate

V The fight against corruption

Principles of the UN Global Compact

Principle 10: Companies should work against corruption in all its forms, including extortion and bribery.

IV.1 Objective

At VS, anti-corruption is standard and binding. It is promoted in accordance with the requirements set down in the UN Convention against Corruption, in the Convention of the Organization for Economic Co-operation and Development (OECD) on Combating Bribery and in the requirements of the non-governmental organization Transparency International.

IV.2 Measures

In 2004, the VS management agreed on a ruling stipulating that sales employees could only claim small amounts as expenses for customer support. Independent distributors of VS furniture are also prohibited from acquiring orders through bribery. However, VS cannot monitor whether individual distributors are involved in bribery during their business transactions. If such instances become known, a dialog is conducted to review the business relationship and eliminate such practices. There were no complaints in the period under review.

The supplier guidelines stipulate that they do not tolerate corruption. Suppliers must particularly ensure that VS employees are not offered any advantages aimed at winning orders or gaining any other type of business favors or preferences. Accordingly, invitations and gifts for VS employees may only be warranted if the occasion and the scale are appropriate, i.e. if they are inexpensive and considered compatible with general local business practices.

VS also expects its suppliers to behave fairly towards its competitors and to observe prevailing anti-trust laws. They must not take part in agreements that violate anti-trust laws nor may they abuse any market-dominant position that may exist.

VS also expects its suppliers to observe the applicable statutory regulations on money laundering prevention and not to participate in financial transactions that support money laundering, either directly or indirectly.

VI Social responsibility

Responsibility should not stop at the factory gates. As a part of society, we want to contribute beyond our immediate sphere of action and help to promote a good quality of life in the community.

V.1 Promotion of culture

Our school museum in Tauberbischofsheim has extended the diversity of the region's museums by adding an original exhibition and training space. Visitors experience a unique journey through the history of school institutions and architecture at national and international levels, from the start of the 20th century through to the present day. Entrance to the museum is free.

We also support the Kloster Bronnbach sponsoring society and the Grünewald Orchestra of Tauberbischofsheim.

VI.2 Non-profit promotion

We make regular contributions to regional charitable and social initiatives. We also support international aid projects by donating school furniture and logistics services.

V.3 Promotion of sports

We are committed to supporting the athletes of tomorrow. Every year, we sponsor the International VS-Möbel-Cup, a ranking tournament held in Tauberbischofsheim.

We help athletes who are completing vocational training or are employed at VS to combine their training, competitions and careers in the best possible way.

V.4 Promotion of education

As an outfitter of the knowledge society, we have a particularly close relationship with education, supporting various national and international education projects.

We finance a founding professor at the Baden-Württemberg University of Cooperative Education and promote the German Technical University Association and we support various national and international educational projects, some of which are presented below.

VI.4.1 Wukro Museum in Ethiopia

VS sponsors a museum in the northern Ethiopian city of Wukro. This museum drives Ethiopia's economy by bringing in tourists from all over the world, thus.

It was built when a temple from the time of the legendary Queen of Saba (almost 3,000 years old) was discovered near Wukro. It contained precious objects which had to be safeguarded in a museum and made accessible to the public. Other excavations suggest that the temple was a center of the ancient culture.

The inscriptions show that the characters, religion and stylistic idioms of the cult objects correspond to those in Southern Arabia at that time; but they also have cultural features that did not occur in Arabia, but in the Nile Valley and other parts of Africa. Such knowledge is of great importance for the cultural self-image of the Ethiopians and for the whole of Africa. The museum is therefore an educational center in which school classes and students learn about Ethiopia's ancient times.

The museum also has a technical department. The community of Wukro gifted their former power plant to the museum. It has a large former ship generator, which was so badly damaged during the Civil War in the 1980s that it could only be restored for teaching purposes. Now students can learn what electrical power is, how it is produced and what it is used for.

The museum will be a cultural center for the 50,000+ inhabitants of the booming provincial town and the multi-purpose hall is suitable for meetings. The museum shop, still in its initial stages, will be an important source of funds for the museum.

VS provided 50 stackable chairs for the multi-purpose hall of the museum. The original concept for the construction of the museum was to use Ethiopian-manufactured materials as much as possible – and this was largely achieved, one example being the very elegant Ethiopian exhibit showcases, which were manufactured by an excellent Ethiopian cabinetmaker from a design of the Berlin University of Applied Sciences (HTW).

However, the chairs available on the Ethiopian market were either ergonomically unhealthy, non-stackable or inferior imported goods – so an exception was made and our offer of VS chairs was gratefully accepted. The German school in Addis Ababa also uses these VS stackable chairs.

The museum opened on October 18, 2015 accompanied by a large festival and a scientific symposium on the cultural history of the region. Guests of honor were Abay Weldu Hagos, the President of the Ethiopian state of Tigray, the German Ambassador Joachim Schmidt, Dr. Berhane Asfaw, the internationally-recognized Ethiopian paleontologist who was the acting representative of the Board of Trustees, and Dr. Kerstin Volker-Saad, the Chairman of the German Society for the Promotion of Museums in Ethiopia (GFMÄ).

The GFMÄ financed 60% of the total cost of around €250,000 – the other 40% was financed by the state government of Tigray and the community of Wukro. The VS chairs were used for the first time in October 2016 at the first meeting of the Board of Trustees and at a meeting between representatives of local authorities and the civil society of Wukro.

V.4.2 International Languages Training Center in Tanzania

The 'International Languages Training Center' (ILTC) in Mwanza, Tanzania, is an educational institution where people of all ages can participate in education, irrespective of their religion, origin, gender or social status. Children receive a comprehensive basic school education here too, in line with the ILTC motto, 'Education is a Priceless Treasure'.

VS sponsors five preschoolers, ensuring that they receive a good education. The school was also given furniture from withdrawn VS lines – equipping the rooms in stimulating manner.

Headmaster Charles Mwombeki reports regularly on the boys and girls – and he's especially proud of their learning progress, as he wrote at the end of the 2015/16 school year: "We are happy to inform you that everyone is participating with a great deal of enthusiasm. Passing exams for the first time in their lives has made them very proud."

V.4.3 School students' competition – Creative Minds

The 'creative minds' of the Tauberbischofsheim region were presented with awards on the 10th occasion of this event. In this 'competition for all inventive pupils', young people submit project ideas from the fields of natural sciences, technology, computer science or mathematics – ideas which they want to implement with practical support from companies.

VS also sponsored the competition this year. In addition to the financial and ideological support provided by our company, VS trainers and trainees also supervised 3 of the 14 projects that were classified as eligible for funding: The Smart Cat House, the Writing Desk with Dividers and the Picnic Stroller. The VS people were also involved in two other projects – the Automatic Timber Trailer and the Photovoltaic Wind Turbine.

Together with experts from our various workshops, the students had three months to put their project ideas into practice – from design planning to implementation and final presentation to the jury.

VI Appendix

Supplier guidelines – Code of Conduct

Sustainable development is an important company goal for the VS Vereinigten Spezialmöbelfabriken GmbH & Co. KG. We implement this goal through our certified environment management system in accordance with DIN EN ISO 14001:2009 and through participation in the UN Global Compact. It is within this framework that we place practical requirements on our suppliers to adopt sustainable business conduct. The following section sets out the most important and relevant requirements, the observance of which we request you confirm to us in writing.

I. Human rights and working conditions

No child labor

Child labor may not be used in any production process. Adherence to ILO Core Labor Standards is stipulated, whereby the general minimum age is fixed at 15 years and 14 years in the case of underdeveloped countries.

Free choice of occupation

Employees may not be employed or forced to work against their will.

Freedom of association

VS expects its suppliers to respect the rights of employees to form workers' representation and carry out collective bargaining in accordance with their own national legislation.

Wages and social benefits

Wages should be paid at least at national minimum or standard wage levels. Wages must enable the employee to lead a life of human dignity. Working hours and recreation times must at least comply with national laws or standards.

Health and safety

Workplaces must conform with internationally-recognized health & safety standards. Supplier companies must carry out measures to reduce the frequency of accidents and avoid health risks. Workers must receive appropriate training and be equipped with safety clothing where required.

If the supplier company provides accommodation, the living conditions provided must be of a decent standard and if the supplier provides food and drink, all items must comply with recognized health & hygiene conditions.

Integration of persons with disabilities

The company must provide special support for persons with disabilities. The appointment and training of persons with disabilities must be encouraged.

Ban on discrimination

VS suppliers should promote equality of opportunity and equality of treatment and prevent discrimination when appointing employees and when promoting or granting training and/or further training measures.

No employee may be disadvantaged because of his or her gender, age, skin color, culture, ethnic background, sexual identity, disability, religious affiliation or personal views.

II. Environmental standards

Responsibility

Nationally-applicable, environmentally-relevant directives and laws must be complied with. The environmental objectives of VS suppliers must be defined in their company principles. An environmental management system should be in place; if this is not the case, its introduction should be initiated.

Environmentally-friendly production

For VS, the essential points of environmentally-friendly production are

- using energy and materials in an economical way in all areas of production (recycling management)
- promoting the use of regenerative energies
- using the smallest amounts possible of the natural resources of water, soil and air
- eliminating or minimizing emissions and waste
- the handling of hazardous substances must be regulated to protect the environment and the employees
- the production sites and equipment must be checked regularly for compliance with the relevant environmental aspects.

Environmentally-friendly products

Materials and products delivered to VS must meet the following criteria:

Packaging

Goods must be adequately protected against damage, but unnecessary packaging should be avoided. Wherever possible, recyclable packaging materials should be used or materials that have been manufactured from recycled materials. Re-usable packaging should be used if possible.

Harmful ingredients

- Category 1 and 2 CMRs (carcinogenic, mutagenic, toxic for reproduction) may not be used/included
- The requirements of the Chemicals Prohibition Ordinance must also be observed
- Substances covered by the REACH Regulation must be registered

III. Business ethics

The fight against corruption

Corruption should never be tolerated. The United Nations Convention against Corruption and the Organization for Economic Co-operation & Development's (OECD) Convention on Combating Bribery must be observed. It is important to ensure that VS employees are not offered any advantages intended to obtain orders or to gain any other business preference.

Gifts

Invitations and gifts for VS employees are only warranted if the occasion and scale are appropriate, i.e. if they are inexpensive and considered to be compatible with general local business practices.

Free competition

VS expects its suppliers to behave fairly towards its competitors and to observe the prevailing anti-trust laws. They must not take part in agreements that violate anti-trust laws nor may they abuse any market-dominant position that may exist.

Money laundering

VS expects its suppliers to observe the applicable statutory regulations on money laundering prevention. They must not participate in financial transactions that support money laundering, either directly or indirectly.

IV. Compliance with the supplier guidelines

Violations of the above principles and requirements by a supplier will be viewed as being significantly damaging to the contractual relationship. If non-observance of the principles and requirements is suspected, VS reserves the right to demand specific information about the issue. VS also has the right to terminate, extraordinarily and without notice, individual and/or all contractual relationships where evidence exists that a supplier has neither fulfilled its contractual performance(s), nor has it sought or implemented measures for performance improvement, after a reasonable deadline was set by VS.

Acknowledgement of 'Supplier Guidelines – Code of Conduct'

The information contained in 'Supplier Guidelines – Code of Conduct' is part of the order placement.

We hereby acknowledge these guidelines and undertake to comply with them.

Date: Company stamp:

Name: Signature:



www.vs.de | www.vs-furniture.com



VS Vereinigte Spezialmöbelfabriken GmbH & Co. KG
97941 Taubertschloß, Germany | Hochhäuser Straße 8
Tel: 09341-880 | Fax: 09341-88107 | vs@vs-moebel.de
Export: Phone: +49-9341-88888 | Fax: +49-9341-88830 | vsexport@vs-furniture.com