

2.2 Purchase like partners

The first pillar of the Group's CSR strategy, the commitment to "Purchase like partners" acknowledges environmental and social issues in the Group's supply chain, particularly the extraction or

production stages of the raw materials used to manufacture the products sold by the brand.

2.2.1 VIGILANCE PLAN

Pursuant to the regulatory requirements arising from law No. 2017-399 of 27th March 2017, on the duty of vigilance, in 2018, the Maisons du Monde Group formalised its vigilance plan. This vigilance plan describes due diligence for risks identified in relation to human rights and fundamental freedoms, personal health and safety as well as serious environmental damage.

In the light of the non-financial risks map (see Section 2.1.1) and the significance of the social and environmental issues in the Group's supply chain, Maisons du Monde focused its vigilance plan on three key issues: sustainable management of natural

resources, social risks and working conditions in the supply chain and the management of chemicals. This document, compiled jointly by the CSR Purchasing, Legal and Internal Control Departments, details the key risks identified, contains all the control procedures in force within the Group and lists the action plans associated with the development of these procedures. Maisons du Monde Group's coverage of these key risks is summarised in Sections 2.2.2, 2.2.3 and 2.2.4 of this report, on the Group's CSR commitment in its supply chain.

2.2.2 SUSTAINABLE MANAGEMENT OF RESOURCES

Ambitions 2020

100% of our strategic furniture suppliers in India committed to our traceability programme with TFT

Standardise the use of timber from sustainably managed forests in accordance with FSC®/PEFC™ standards

Managing environmental risks in the supply chain is key for Maisons du Monde. The "sustainable management of natural resources" roadmap, formalised in 2017, makes the responsible purchasing policy part of a progress plan by identifying key risks, compiling an action plan to reduce such risks, and voluntary measures to offer an increasingly responsible range of products to the brand's customers.

This roadmap makes it possible to respond to the risk of non-compliance with the legal requirements of the European Union Timber Regulation (EUTR) or the highlighting of negative social or environmental impacts on the supply chain of certain raw materials such as wood, leather and cotton.

In 2018, this progress plan was expanded once again, in line with key stakeholder issues and expectations. Actions plans were formalised for leather goods distributed by Maisons du Monde. A leather procurement map identified the key issues associated with regions of production as well as the significant environmental impact of processing. On this basis, the Group is committed to LWG (Leather Working Group) certification for tanneries.

In addition, when the vigilance plan was formalised, the timber purchasing policy was strengthened by formalising control

procedures as well as by applying sanctions in the event of supplier non-compliance.

Lastly, to ensure suppliers' commitment, Maisons du Monde has included its minimum requirements for the responsible supply of raw materials in documents sent out to suppliers (product specifications and terms and conditions). By signing these documents, suppliers agree to:

- provide reliable and verifiable information on the type and origin of all raw materials used in Maisons du Monde products;
- ban the use of animal or plant species recognised as being vulnerable (VU), endangered (EN) or critically endangered (CR) by the IUCN (International Union for the Conservation of Nature);
- ban the use of animal or plant species listed Appendix I of the Washington Convention (CITES). Species listed in Appendices II and III of the Convention may be accepted if they are sourced in accordance with the import rules defined by said Convention;
- ban the use of animal fur;
- comply with the timber purchasing policy.

Our sustainable timber commitment

Since 2010 the Group has carried out substantive work on sourcing timber, a material used in most of its products. The actions taken have a dual objective: to comply with regulations – beginning with the European Union Timber Regulation (EUTR), and to guarantee the sustainability of timber resources by taking a voluntary differentiating approach.

These commitments are formalised in the Maisons du Monde timber purchasing policy which was updated in 2018. This policy not only contains the minimum requirements, but also some additional recommendations, making suppliers aware of the Groups expectations and enabling them to be part of a partnership and support network.

| | |
|-----------------------------------|--|
| Minimum requirements | Compliance with the European Union Timber Regulation Ban timber from regions identified as being at risk: Myanmar, Cambodia, the Congo basin and the Amazon basin Compliance with the specifications of voluntary FSC® and PEFC™ certification standards for labelled timber |
| Additional recommendations | Prioritisation of the FSC® label Use of recycled wood wherever possible Best efforts to reduce the risks identified |

This updated version of the timber purchasing policy is now sent to furniture suppliers involved in new developments, as an attachment to the product specifications. The minimum requirements are also included in the terms and conditions sent, on an annual basis, to suppliers of decoration items.

Monitoring regulatory compliance

As a crucial step in our sustainable timber commitment, compliance with regulations and monitoring of such compliance are key to the Group's vigilance plan. The European Union Timber Regulation (EUTR) applies to all products distributed by the Group. In 2013, Maisons du Monde formalised a "due diligence" procedure enabling it to ensure the legality of the timber used and to comply with the requirements of this regulation. This procedure is based on following three steps very closely:

- collection of information on the provenance of the wood, as well as documents proving its legality;
- analysis of the risk of illegality;
- implementation of risk mitigation procedures.

Should suppliers fail to comply with these regulatory requirements, the Group has formalised a monitoring and withdrawal procedure. This specifies the time that the supplier is given to comply, as well as the withdrawal procedures, ranging from stopping any new development to transferring the products in question.

Range of products made from sustainable timber

In addition to regulatory requirements, Maisons du Monde is continually seeking to increase the number of environmentally-friendly products. For this reason, the Group has defined several product ranges that currently comprise the sustainable timber product offering in Maisons du Monde catalogues:

- **Products made from recycled timber:** recycled timber can be used to create new and unique products without consuming any additional forestry resources. In 2018, 147 SKUs were products made from recycled wood, or 5% of the wooden furniture sold by the brand;

- **Products made from certified timber:** Maisons du Monde is constantly seeking to expand the number of FSC® and PEFC™ SKUs. Timber from certified forests meets responsible management standards based on protecting biodiversity, renewing resources and complying with social criteria for dependent communities. Between 2017 and 2018, the number of FSC® certified SKUs rose from 657 to 890, up 35%. PEFC™ certified SKUs were up from 424 to 529 in 2018. Currently, labels are the best way of guaranteeing that timber comes from sustainably managed forests. To ensure that these labels are robust and to avoid any false allegations regarding products, Maisons du Monde exercises oversight with regard to these certifications. For each SKU made from certified timber and distributed by the brand, suppliers must supply their own valid certificate, a valid certificate from their timber supplier as well as proof of purchase of certified timber. If the supplier is unable to submit the evidence required, or if there is any doubt as to the authenticity of the documents, Maisons du Monde may trigger a third party audit. Labels are only affixed to products and displayed in the catalogue once a detailed audit has been conducted. In 2018, Maisons du Monde carried out three independent audits to ensure suppliers' compliance with the specifications of FSC® certification;
- **Products made from traced timber:** as it is unable to source FSC® or PEFC™ certified timber in India where these certifications do not exist, Maisons du Monde has introduced its own traceability system in partnership with a non-governmental organisation, TFT (Earthworm). Operated by the Group's main Indian suppliers, this system makes it possible to trace the timber back to its origins and to ensure that it has been legally felled. Once the entire supply chain has been audited by Earthworm, products are marked with a QR code that tells the brand's customers their history, from its forest of origin to its place of sale, including the audit date. The programme now has 12 Indian suppliers, accounting for 82% of the purchase volume of wooden furniture manufactured in India. 92% of strategic Indian suppliers are now involved in this programme. These suppliers are committed to making their supply chains more transparent and to gradually increasing the number of products traced. Thus, 55,075 pieces of furniture bearing QR Codes were shipped in 2017 compared with 32,700 in 2017, a 68% increase. In addition, to raise local players' awareness of environmental issues, Maisons du Monde organised a press conference in Jaipur, in the region of Rajasthan in India. Over 40

journalists made the journey to find out about the innovative traceability system introduced by the Group.

PERCENTAGE OF STRATEGIC INDIAN SUPPLIERS INVOLVED IN THE TRACEABILITY PROGRAMME.

| | 2018 | 2017 |
|---|------|------|
| Number of suppliers committed to the traceability programme | 12 | 13 |
| Percentage of strategic Indian suppliers committed to the programme | 92% | 92% |

NUMBER OF FURNITURE SKUS MEETING ONE SUSTAINABILITY CRITERION:

| | 2018 | 2017 | 2016 |
|--|--------------------|------------|------------|
| Traced timber | 144 | 135 | 134 |
| Recycled timber | 147 | 140 | 151 |
| FSC® certified timber | 890 ⁽¹⁾ | 657 | 620 |
| PEFC™ certified timber | 529 ⁽²⁾ | 424 | 679 |
| “Ecodesigned” products | 14 | 6 | - |
| Percentage of wooden furniture SKUs | 60% | 56% | 56% |

(1) and (2) The number of FSC and PEFC SKUs does not include ecodesigned SKUs, which are also made from certified timber.

Please note that, for the first time in 2018, the responsible timber product offering was supplemented by SKUs from the decoration item range.

NUMBER OF DECORATION ITEM SKUS MEETING ONE SUSTAINABILITY CRITERION:

| | 2018 |
|---|-----------|
| Traced timber | - |
| Recycled timber | 3 |
| FSC® certified timber | 31 |
| PEFC™ certified timber | - |
| Percentage of wooden decoration SKUs | 5% |

Traceability of leather goods

In the context of its roadmap, Maisons du Monde identified leather as being the second priority material, after timber. Leather is, in fact, a material that comes from a complex animal supply network with multiple by-products that poses challenges that go beyond environmental issues. These challenges include issues of animal welfare, rearing-related deforestation, the environmental impact of tanning skins, the use of chemicals and even the social conditions at each stage of the production process. Leather procurement mapping, launched in 2017, identified the key risks and made it

possible to devise an action plan to make leather goods more responsible in relation to two issues:

- the environmental impact of skin tanning processes:** Maisons du Monde has chosen the Leather Working Group (LWG) standard to guarantee its customers that skins are tanned under environmentally friendly conditions. The task force brings stakeholders together with the aim of devising a common standard to reduce environmental impacts and ensure that leather products are harmless. In addition to treating effluents and managing chemicals, the LWG audit protocol covers water and energy consumption, waste management, the health and safety of workers and leather traceability. By the end of 2018, 36 SKUs had been manufactured using leather from LWG certified tanneries, accounting for 18% of SKUs containing leather;
- the impact of livestock farming on deforestation:** Intensive cattle rearing in some regions has been identified as one of the main causes of deforestation, particularly in Brazil. In the light of the complexity and opacity of supply chains and to ensure that the leather products distributed by Maisons du Monde do not contribute to this deforestation, the Group has mapped the origin of the leather used in its products. According to the results of this mapping exercise in 2018, 20% of Maisons du Monde leather SKUs are currently sourced from Brazil. An action plan is being formalised with a view to reducing the risks related to these sourcing areas.

TRACEABILITY OF LEATHER GOODS

| | 2018 |
|---|------|
| Percentage of leather SKUs from LWG certified tanneries | 18% |
| Percentage of leather SKUs originating in Brazil | 19% |

Traceability and certification of cotton

In the light of the environmental and social issues associated with growing cotton (water consumption, use of pesticides and fertilisers, working conditions, etc.), in July 2018, Maisons du Monde started risk mapping, in partnership with Earthworm. 9 suppliers, accounting for 60% of the volume of cotton product purchases, were selected for inclusion in the project. This in-depth analysis will enable Maisons du Monde to question its suppliers so that supply chains can be traced back to growing regions. Once the risk mapping is complete, Maisons du Monde will define the next actions to be taken to reduce the risks identified.

The Group has also identified GOTS and Oeko-Tex® standards as being the best way of guaranteeing that the products are innocuous and reducing their environmental impact. Maisons du Monde targeted textile products from the Junior ranges as being key to the transformation and, in its 2019 catalogue, will include a range of products made from GOTS-certified cotton and Oeko-Tex® labelled products.

Animal well-being

In addition to the environmental issues regarding the traceability of raw materials, respect for animal well-being is an important aspect in the management of the Group's sourcing. Depending on the risks identified concerning the types of animal material (hides,

leather, feathers, etc.), the Group endeavours to develop action plans and comply with the standards guaranteeing the respect of animal well-being. Specific action plans will be formalised as part of the process of defining the 2024 roadmaps

2.2.3 SOCIAL AND ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN

Ambitions 2020

| |
|--|
| 100% of our suppliers sign the Code of Conduct |
| 100% of our strategic suppliers audited on the basis of social criteria, every two years |
| 100% of product managers trained in responsible purchasing |

Risk management in relation to working conditions at the Group's suppliers is one of the main issues being worked on in relation to Maisons du Monde's duty of vigilance. The supplier support programme aims in particular to respond to the priority risks presented in Section 2.1.1 relating to failure by a supplier to comply with the social requirements of Maisons du Monde, the identification of a situation of corruption or the occurrence of an environmental incident in a factory. This work, which is key to the Ambitions 2020 roadmap, has been adapted according to supplier type, with three distinct levels of commitment:

- **all suppliers:** all of Maison du Monde's suppliers who commit to complying with the Group's requirements sign a Code of Conduct;
- **strategic suppliers:** the Group has defined various control and monitoring mechanisms to aid the progress of strategic suppliers in "at risk" countries (primarily Asia and Eastern Europe). 100% of these suppliers will have to be audited, in particular, on social criteria every two years, by 2020; Please note that the list of strategic suppliers is compiled by Purchasing Departments at the beginning of each year and covers a minimum of 2/3 of furniture and decoration purchasing volumes;
- **directly-owned factories:** the Mekong Furniture production plant in Vietnam as well as the joint-venture in China were supported in working towards the target of SA 8000 certification.

Suppliers' vigilance plan

2018 and the formalisation of the Group's vigilance plan marked the strengthening of the Group's continuous improvement approach to supporting its suppliers' social performance. The Group's commitment has now been formalised and procedures shared both internally and with Group suppliers. The social audit

policy has been summarised in a document which introduces the Group's approach to supporting and monitoring social practices: identification of suppliers to be audited, types of audit ordered, monitoring procedures and methods of withdrawal in the event of a lack of cooperation. Compiled with the Purchasing Department and translated into Mandarin, this policy was then sent out to all strategic suppliers in 2018, who were targeted ahead of the launch of the social audit campaign.

To improve risk management and support and monitor the performance of its strategic suppliers, the Group also increased its presence in factories. Two CSR coordinators were recruited in India and then in China. As former social auditors, these local champions of the Group's ambitions are tasked with upskilling audited suppliers by sharing experience, training plant managers and carrying out internal follow-up audits. Under the supervision of high-quality expatriates, they report on operations to the CSR project manager for suppliers in France.

On a wider scale, to incorporate all the risks and impacts of its product manufacturing sites, the Group decided to add an environmental component to its 2019 audit procedure. Training in the environmental audit standard introduced by the ICS was monitored by the Suppliers' CSR project manager and serves as the starting point for related risk mapping. In parallel, this benchmark was tested for the very first time during an audit on the Mekong Furniture plant which obtained a promising rating. A procedure designed to monitor environmental risks in factories by defining minimum criteria and an environmental audit framework will be formalised in 2019 to monitor the "at risk" suppliers and filières. An audit campaign will, therefore, be launched in 2019 in around fifteen factories.

Suppliers' Code of Conduct

Reiterating all the requirements in relation to the social conditions expected from its suppliers, beginning with compliance with fundamental ILO Conventions, the Maisons du Monde Code of Conduct serves as common ground for managing social impacts in the supply chain. This document, which is sent out by buyers direct, is annexed to specifications for furniture suppliers and was also forwarded to key suppliers of decoration items in 2018. Signing must be systematic by 2020.

TOPICS ADDRESSED IN THE CODE OF CONDUCT

| | |
|----|------------------------------------|
| 1 | Child labour |
| 2 | Forced labour |
| 3 | Discrimination |
| 4 | Working time |
| 5 | Compensation |
| 6 | Freedom of association |
| 7 | Health and safety |
| 8 | Environment |
| 9 | Subcontractors and traceability |
| 10 | Management system and transparency |
| 11 | Corruption |

The document was expanded in 2018 to include the subject of anticorruption policy, identified as a risk in the vigilance plan. At the end of December 2018, 562 suppliers had signed the supplier Code of Conduct, 187 furniture suppliers and 406 decoration suppliers. That accounts for 39% of Group suppliers by number and 79% by purchasing volumes.

PERCENTAGE OF SUPPLIERS WHO HAVE SIGNED THE CODE OF CONDUCT

| As a % of all suppliers | 2018 | 2017 |
|-------------------------|------------|------------|
| Furniture suppliers | 92% | 86% |
| MLP/Deco suppliers | 32% | 26% |
| GROUP TOTAL | 39% | 34% |

Support for strategic suppliers

As well as signing the Code of conduct, strategic suppliers received ongoing support from Maisons du Monde.

Social audits

Strategic suppliers are audited on social issues on a regular basis to assess their performance. By 2020, audits will have to be carried out at least once every two years at the premises of all strategic suppliers.

In 2018, two types of audit were carried out at the premises of the Group's strategic suppliers: guidance audits, carried out by an independent auditor based in Asia, and audits on compliance with the ICS standard, carried out by accredited audit firms.

Maisons du Monde joined the Initiative for Compliance and Sustainability, (ICS) in 2017 with the aim of:

- accessing a shared audit methodology and tools;
- pooling best practices and implementing joint measures to help factories to progress;

- contributing to the continuous improvement of the standard by taking part in the task forces overseen by the initiative.

ICS audits measure the factory's performance using a rating which illustrates the compliance of practices and the criticality of instances of non-compliance identified. It also lists best practices and corrective measures to be implemented to comply with its standard. Guidance audits are ordered for the smallest suppliers or for those who lack maturity in this area. This approach supplements the advice given to the factory to help it understand the benefit of the approach as well as the overall assessment of practices and fully customised action plan.

In 2018, 49 audits were carried out by Maisons du Monde on the basis of the ICS standard and 9 guidance audits were ordered in parallel. Lastly, 14 social audits were ordered by other members of the initiative on suppliers shared with Maisons du Monde.

NUMBER OF SOCIAL AUDITS IN 2018, BY TYPE

| | 2018 | 2017 |
|--|------------|------------|
| ICS audits ordered by MDM | 49 | 17 |
| External guidance audits | 9 | 12 |
| ICS audits at shared factories, ordered by other members | 14 | 19 |
| TOTAL | 72 | 48 |
| Percentage of strategic suppliers audited in the last two years | 58% | 37% |

RATING OF ICS AUDITS AT MAISONS DU MONDE SUPPLIERS IN 2018



In accordance with its social audit policy, a specific action plan is implemented in line with the rating obtained. In 2018, 17 suppliers were awarded an E rating, meaning that at least one critical non-conformity with alert notification had been discovered. These suppliers then enter a more rigorous follow-up and control process which includes a new audit carried out by a third party within the next six months. The role of the local CSR contacts, recruited in 2018, is then vital in offering guidance to suppliers and checking the correction of the instances of non-compliance identified. These suppliers will be audited again in 2019.

Inter-supplier training sessions

Since 2017, Maisons du Monde has been organising training sessions on social issues for its strategic suppliers. These sessions aim to raise awareness of the Group's expectations, to bring the teams together to offer mutual support and to get plant managers involved by asking them to share their experience with their peers. They increase understanding of the support mechanisms put in place for factories and address social issues.

After the success of the first round of the programme in India, in 2017, the Group decided to replicate the inter-supplier meeting in China in September 2018. Organised internally with the support of the local CSR coordinator, this training was co-facilitated by Maisons du Monde, Mind-Up Consulting and TFT China on health and safety issues, and the NGO, Human Resources Without Borders, on human resources policy. To close the day, two historic suppliers took the floor to present their CSR approach to their

counterparts. 43 strategic suppliers representing all the product families attended this meeting and over 80% rated it as very satisfactory or above.

Training for product managers

Lastly, Maisons du Monde considers training in the field to be of paramount importance when it comes to enabling Maisons du Monde purchasing teams to understand the challenges faced. This training consists of taking part in a minimum half-day guidance audit, by participating in the Introductory Meeting, the factory inspection and Private Meetings with some of the workers. The product managers who have received training report back on the findings of the inspection to their purchasers and, if necessary, forward the corrective action plan.

At 31st December 2018, 75% of furniture product managers and 47% of deco managers were trained in social audits.

2.2.4 CUSTOMER HEALTH AND SAFETY – CHEMICALS

Since managing chemicals is key to the Maisons du Monde responsibility policy, it is the third strand of the Group's vigilance plan and is a strong focus of commitment. This monitoring work is a response to the risks identified in Section 2.1.1 relating to the presence of problematical substances in the products distributed by the Group or the use of problematical substances at an earlier stage of the supply chain. The process implemented by Maisons du Monde to guarantee product compliance and chemical safety, is based on four main pillars:

- regulatory and documentary oversight supplement Maisons du Monde "substances" specifications;

- systematic forwarding of the "substances" specifications to suppliers together with recommendations for the most risky products;
- monitoring of substances contained in the products;
- a voluntary action plan to reduce some "risky" substances.

With a view to constantly improving its product safety, Maisons du Monde has introduced targets to reduce the "chemical footprint" of its products by 2020, over and above regulatory requirements.

Ambitions 2020

100% of our suppliers sign the "substances" specifications

Early replacement of problematic, unregulated substances

"Substances" specifications

Chemicals contained in products are strictly regulated. The restrictions of the European REACH regulation have the greatest impact on our range of products. Some products are also affected by the regulation on Persistent Organic Pollutants which, for example, restricts the use of certain flame retardants and plasticizers. The regulation on toys and electric/electronic products also restricts some additional substances. The Maisons du Monde Group keeps the "substances" specifications up to date and targets product control campaigns on the basis of regulations and relevant scientific studies.

In 2018, when the European Commission published a regulation restricting the use of 33 carcinogenic, mutagenic or reprotoxic substances or families of carcinogenic, mutagenic or reprotoxic substances which will be restricted in textiles from November 2020, the Group decided to include these substances and control their use from 2019 onwards. 2018 was also marked by the registration, before 31 May, of any substances used in

candles and aroma diffusers and imported in quantities in excess of one tonne a year, and which had not been registered by any other players in the supply chain.

The Group and its suppliers' commitment to controlling chemicals is based on these updated "substances" specifications. By 2020, these specifications will have to be signed before an order is placed. By the end of 2018, 96% of suppliers had signed this document.

Following the same logic of improving its chemical footprint, and to go further than the regulation, the Group is also working towards eliminating and replacing certain substances within its products that are deemed to be problematic and is vigilant when it comes to unregulated Volatile Organic Compound (VOC) emissions. A detailed roadmap lists all the substances in question (Alkylphenol Ethoxylates (APEO), lead, reprotoxic phthalates, problematic fluorides) and priority product categories (junior furniture range, candles and fragrances range). These specific requirements supplement Maisons du Monde specifications.

Lastly, Maisons du Monde is working on introducing a list of substances that are also prohibited in manufacturing processes (Manufacturing Restricted Substances List - MRSL). The introduction of this type of chemical monitoring system at all stages of production, even if the chemicals are absent from the finished product, ensures greater protection for workers and for the environment.

An ambitious control policy

Suppliers' compliance with these specifications is evidenced by targeted tests on products distributed. To cover the risks, a test procedure has been formalised and incorporated in the vigilance

plan. The choice of tests is based on a multi-criteria risk analysis which recognises supplier risk (strategic supplier, new suppliers, supplier on probation) and product risk (risky materials, use with significant exposure on the part of the consumer as with chairs and bed linen).

The tests are carried out on production areas during the manufacture of the articles, by third-party laboratories mandated by Maisons du Monde. The laboratory is responsible for taking the test item from the production line and analysing it, in accordance with the test schedule laid down by the Group based on product risks. In 2018, 1,314 tests were carried out, compared with 1,200 in 2017.