

# RAW MATERIAL REPORTING AND CORPORATE SUSTAINABILITY REPORT

in line with the guidelines of UNITED NATIONS GLOBAL COMPACT  
July, 2024



# **RAW MATERIAL REPORTING AND CORPORATE SUSTAINABILITY REPORT**

in line with the guidelines of UN Global Compact Communication on commitment

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**July, 2024**

To Whom It May Concern,

We are writing on behalf of Multifelt Factory Kft., a leading manufacturer of wool-based materials, to provide detailed information regarding our raw material sourcing practices in support of our application for LEED certification.

We are committed to sustainable and responsible sourcing, and we are pleased to confirm that our practices meet the stringent requirements set forth by LEED for the credit on Building Product Disclosure and Optimization—Sourcing of Raw Materials. Below is a detailed account of our compliance with each requirement:

### **1. Raw Material Supplier Extraction Locations**

We source our wool from suppliers located in the following regions:

- Stucken Melchers GmbH & Co. KG: Bremen, Germany
- Schleibegger Wollimport GmbH & Co. KG: Germering, Germany
- Wolknoll GmbH: Oberrot, Germany

These suppliers are wool traders, being the link between sheep farmers and wool processors, as our company. Regarding the origin of wool, we buy European and Australian wool.

These suppliers sell pure wool over the world to their consumers. Each of them is known for their prudent and cautious sourcing of greasy wool: when buying the wool, they pay attention to sustainable wool farming practices, ensuring minimal environmental disruption.

Our main supplier of dyeing materials and -additives is CHT from Switzerland. They are committed to responsible and gentle use of materials and resources based on economic, ecological, and social aspects - as stated in their Code of Conduct (attached as Annex 2)

### **2. Commitment to Long-term Ecologically Responsible Land Use**

We have established long-term partnerships with our suppliers who adhere to ecologically responsible land use practices.

### **3. Commitment to Reducing Environmental Harms from Extraction and Manufacturing Processes**

Our company and our suppliers are dedicated to minimizing environmental impact throughout the wool extraction and manufacturing processes. We achieve this through:

- Using renewable energy sources in our manufacturing facilities.
- Reducing energy consumption by relocation of equipment and re-organisation of operation.
- Recycling waste products and by-products to minimize landfill usage.
- Reducing water consumption by implementing closed-loop water system.

### **4. Commitment to Meeting Voluntary Standards or Programs Addressing Responsible Sourcing**

Our suppliers and our company adhere to the following voluntary standards and programs:

- Our company's strategy is in line with the guidelines of U.N. Global Compact.
- We voluntarily apply with the "Responsible Wool Standard" (RWS): Ensuring the welfare of sheep and the land they graze on.
- our operation is in line with ISO 14001: Environmental management systems criteria.

Our supplier Stucken Melchers GmbH & Co. KG is certified for RWS (see at [www.stuckengroup.de](http://www.stuckengroup.de))

We are confident that our practices not only meet but exceed the LEED requirements for the credit on sourcing of raw materials. We are committed to continuous improvement and transparency in our sustainability efforts.



**Éva Olasz**

**Chief Executive Officer**



**Ilona Fodor**

**Chief Executive Officer**

## Company introduction



Multifelt Factory Ltd has been established in 1896. We have been producing wool felt since that time. We are the sole felt factory in Hungary and in the CEE region with this profile.

Our vision is to create the most creative woolfelt mill in Europe and bring the best eco-friendly and unique woolfelt objects into people's life.

Our mission is to be the leader in felt selling in Hungary, to produce high quality standard and unique woolfelt products.

Our long-term strategy is to become a zero-waste factory.

In addition to production felt in roles we also produce woolfelt based products. We have established multilevel co-operation with designers to create custom made wool felt products (unique and serial): carpets, wall panels, lamps, wool felt based decoration objects.

The company is currently owned by two families and managed by two ladies.

We are very much proud of our team working as a family. We take care for our environment we live in.

Our products have a lot of excellent characteristics. The wool is natural, organic, biodegradable, and renewable. We do not use any chemicals to produce wool felt. We only need water, temperature and pressing.

The dyeing additives we use comply with Ökotex 100 Standards.

Although our products and way of production are traditional, nowadays are popular due to their characteristics.

We have been committed to respect the human rights, the environment in which we operate. We are against at any form of corruption. We think there is no other way of operation - these are the zero points for us.

However, this is the first time we compose all these issues in a report form. We have the intention to communicate our progress on these issues regularly in the future.

## The Ten Principles of the UN Global Compact

The UN Global Compact asks companies to operate in a manner that meets fundamental responsibilities for human rights, labour, environment, and anti-corruption. Multifelt is committed to making a positive contribution to society while creating lasting benefits for stakeholders in a manner that is responsible, transparent, and respectful of the rights of all.

We have incorporated the UN Global Compact's Ten Principles into our strategies, policies, and procedures.

The UN Global Compact's Ten Principles derive from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption.

### The UN Global Compact's Ten Principles:

#### **Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### **Labour**

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: the elimination of all forms of forced and compulsory labour.

Principle 5: the effective abolition of child labour; and

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

#### **Environment**

Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### **Anti-Corruption**

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

## Global Compact Achievements- Self-Assessment

The following pages are our self-assessment on how we meet the Global Compact criteria and the ten principles. In a few cases we can prove our self-assessment with third party reports.

## Implementing the Ten Principles

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. These take the form of ten principles.

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** 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:** The elimination of all forms of forced and compulsory labour;

**Principle 5:** The effective abolition of child labour; and

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

**Principle 7:** Businesses should support a precautionary approach to environmental challenges; **Principle 8:** Undertake initiatives to promote greater environmental responsibility; and **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.

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

## Description of Application of UNGC

### *Human Rights*

Multifelt prioritises respect for human rights not only within our own internal processes, but also in the projects we engage in. We uphold the human rights of our people and our local communities. We work to ensure that all work undertaken incorporates full consideration of human rights and gender mainstreaming where appropriate. This always ensures that throughout the lifetime of our projects, human rights are considered by us.

We consider the Human Rights risk for us as limited. This is due to our business profile and geographical position.

We produce wool felt in rolls, so we are part of textile industry. We buy natural wool in bales and process them to produce the felt. We buy wool from wool traders within the EU, mainly from German traders. Regarding the sourcing of wool, we use European and Australian wool.

Our main dyeing material supplier is CHT Company from Switzerland.

We expect our suppliers to respect the human rights in their written and unwritten policies and day to day operations.

The Code of Conduct of CHT is attached to this Report.

Multifelt is committed to long-term, ecologically responsible, and conscious usage of our planet. We are also committed to reduce the harm on the environment deriving from production and processing.

We are devoted to complying voluntarily with standards and/or programs related to responsible sourcing.

Regarding our geographical position we are EU based SME. We are obliged and willing to comply with all EU standards, regulations and principles including but not limited to human rights.

All Multifelt staff have read and signed that they comply with our policies that include among

others: protection of human rights, compliance with labour and safety standards, data protection, anti-corruption clause. They are incorporated in our Code of Conduct. Our Code of Conduct is attached to this Report.

All staff are provided with equipment to help provide a safe and suitable working environment.

#### *Measurement of Outcomes for Human Rights:*

Over the last year, no human rights issues and problems have been reported by employees or other stakeholders.

### **Labour**

Our colleagues are our greatest asset. We treat them fairly, uphold their rights and reward them competitively, in line with their contribution to our success. We believe that it is vital to our business to attract and retain the best people at every level.

We ensure that we comply with minimum wage standards and that employment-related decisions are checked by our Legal advisor and are based on relevant and objective criteria.

Our operation strives to provide safe, healthy workplaces without discrimination or harassment.

We prohibit discrimination based on race, nationality, religion, gender, age, sexual orientation, disability, ancestry, social origin, political or other opinion, or any other bias. We do not tolerate any form of racial, sexual or workplace harassment.

Although due to the relatively low number of employees (8 persons) no trade union is formed within the company, we uphold the freedom of association and recognition of the right to collective bargaining.

Multifelt ensures that we do not participate in any form of forced or compulsory labour.

Multifelt are strongly against any child labour.

#### *Measurement of Outcomes for Labour:*

Multifelt is owned and managed by two females. Altogether we have 5 males and 5 females in our team. The rate of occupational injuries and sickness is very low.

### **Environment**

Although we belong to SME sector within the EU, we are part of textile industry having impact on our environment coming from not the size, but from the due to the nature of the activity.

We produce wool felt only. Wool has many excellent characteristics, which position us to a precautionary approach to environmental challenges as well as promote greater environmental responsibility. Wool is natural, organic, biodegradable, renewable.

We produce woolfelt with traditional wet felting technologies. We do not use any chemicals for production of felt. What we need are: water, steam, temperature and pressing.

Should we produce dyed felt, we use dyeing materials and additives complying with Ökotex 100 Standards.

The certificate of our supplier for Ökotex 100 and our confirmation of the usage of these materials only are attached to this Report.

The production of felt with this traditional wet felting technologies is relatively energy intensive.

Our energy mix includes the following elements:

- natural gas 85%
- electricity: 10%
- water: 5%



Since 2017, the year of change in ownership, we have introduced many actions to reduce the quantity of energy consumption. These are as follows.

- We re-placed certain equipment within our site to reduce the number of buildings in which the operation takes place. The production was stopped in two from the eight building. One from these two buildings have already been re-furbished and used for another purpose (event hall). We have the same plan for another one.
- We re-organised our production: we trained our colleagues to be able to perform multiple workflows, and thereby to reduce the number of days when our gas boiler shall operate without decreasing our production. We reduced the gas boiler's working days from 20 to 12 per month.
- We invested in re-using the condensation water of our machines.
- We invested in solar panels by the end of 2022. Solar panels produce around 50% of our annual electricity consumption.
- We have been continuously training our colleagues to contribute to energy savings, like turning off the lights in case they do not need it, or they stop of finish their work in the given area.

In the waste management we have done a few steps either to reduce the waste or to recycle the by-products.

We have two main groups of waste arising from production:

- 1) wool and vegetable matters: the wool as a natural fiber may contain vegetable matters, like grass, straw, thistle. The very small wool fibers fall out during carding. These elements however are degradable and thereby compostable. We collect and transport these elements to a special composting plant.
- 2) textile waste (e.g. cutting leftovers, edges of felt rolls): these leftovers are recyclable. We have the proper tearing machine with which we tear the felt into fibers and re-use in production as raw material. However, the recycling is limited in this manner: as the teared fibers are very short, we can use in 20% only. We actively seek for the opportunities to reuse the leftovers. We regularly donate these leftovers to the educational institutions (kindergarten, elementary schools, universities). At the same time, we look for full alternative usage in the frame of new product development. Therefore, these leftovers are stocked now, nothing is put into the waste bin.

Additionally, in the daily operation we try to use video conferencing and train travel instead of taking flights and cars, thus reducing our carbon footprint.

#### *Measurement of Outcomes for Environment*

As a result of the above steps, we succeeded to reduce the consumed energy as follows:

- natural gas from 135.045 m<sup>3</sup> in 2018 to 62.749 m<sup>3</sup> in 2023
- electricity: 65.807 kWh in 2018 to 34.065 kWh in 2023, out of which 15.329 kWh was produced by solar panels.

#### **Anti-Corruption**

Our primary objective is to ensure that we maintain a culture of ethical behaviour and compliance. Our clear position on bribery and corruption, which is that offering, paying, authorising, soliciting, or accepting bribes is unacceptable.

We will not knowingly assist any third party in breaching the law, or participate in any criminal, fraudulent or corrupt practice in any country.

#### *Measurement of Outcomes for Anti-Corruption:*

Multifelt has not been involved in any legal cases, rulings or other events related to corruption and bribery. Our external accountants check our books and accounts on a quarterly basis.