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**Communication on Progress
of Ch. Dahlinger GmbH & Co KG
to the Global Compact of the United Nations,
Lahr, Germany – December 2011**

To our stakeholders:

I am pleased to confirm that Ch. Dahlinger GmbH & Co KG reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Bernd Dahlinger
Managing Partner

Valerio d'Adamo
Managing Director

Ch. Dahlinger GmbH & Co KG (ChD) is one of the world's leading suppliers of high-quality packaging, decorations and presentations for jewellery, watches, writing instruments, spirits and other luxury items. Since 1871 ChD has been renowned for its very high quality and innovative products made from cardboard, plastic and wood featuring a variety of cover materials.

We documented this fact by signing up to the United Nations' Global Compact on 13 June 2005. The ten principles of the Global Compact cover human rights, health and safety standards, environmental protection and fighting corruption and are recognised and applied by our management and staff. Consideration is given to observance of these principles whenever we make decisions and take actions impacting on the present and future.

The principles form part of all the contracts that ChD takes out with its main suppliers. These are made accessible to business partners and we make our partners aware of the importance of compliance.



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ChD continues to monitor and conduct regular checks on principles 4 and 5 ("**the elimination of all forms of forced and compulsory labour and the effective abolition of child labour**"). Employee passports are checked regularly, especially in Southeast Asian countries. If even a vague suspicion of child labour occurs, the existing business relationships are discontinued and, as the case may be, new business relationships are not initiated. All of our current suppliers have been advised that a violation of the principles 4 and 5 of the Global Compact will result in immediate termination of the business relationship.

Approximately 30 million units of product are manufactured annually at ChD. They are mainly packaging and displays which are made of cardboard, plastics and wood and are coated with different substances. Wise use of these resources enables ChD to have a strong influence on environmental protection.

ChD has incorporated a carrying bag made of stone paper which will be available for sale beginning 1 January 2012. Stone paper is, as the name suggests, made on the basis of ground stone (usually limestone) instead of wood cellulose. Consequently, not a single tree needs to be felled for this type of paper manufacturing. Furthermore, the manufacturing does not require any water, acids, alkalis or bleach. In addition, the required energy expenditure to produce this paper is lower than that for the production of conventional paper and recycled paper. Stone paper is composed of 80% limestone and a 20% composite of PE and PP. Stone paper bags are waterproof, more tear-resistant and durable than their counterparts which are made of cellulose paper. They can be recycled or fed back into the environment. The weather dissolves the bond of PE and PP so that only the starting material stone remains in its ground form.

In reality, ChD products rarely find their way into the garbage. The high level of luxury and the storage function of the packaging and carrier bags are so appealing that the final customer keeps them and reuses them in most cases.

The "Innovation Work Group" was launched in 2007 in order to urge compliance with Principle 9 ("**Promote the development and expansion of environmentally friendly technologies**"). In this work group, employees from different departments work on new designs and look for new and environmentally friendly materials. One of the newest projects on the agenda will be the intense examination on the topic of "bioplastics" which deals with biodegradable plastics.



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REACH, a chemical regulation authority, has officially been in effect since 1 July 2007. REACH stands for Registration, Evaluation (rating), authorisation (approval) and restrictions of chemicals (substances). Since ChD is not a manufacturer or importer of chemicals, we are merely considered as downstream users and are therefore only affected to a limited extent.

We must comply to the following REACH provisions as manufacturers of packaging: Under Article 7, we are obliged to register substances in products to the ECHA (European Chemicals Agency) or have them registered if three conditions are met at the same time:

1. The substance is a substance of concern which is also listed on the ECA candidate list,
2. and the substance in the product is present in a concentration of more than 0.1%,
3. the substance in the product as a whole contains an amount of over one ton per year and manufacturer.

Because of our years of experience as a manufacturer, we can virtually exclude the possibility that products exceed the above limits. Consequently, ChD operates in accordance with the provisions of the REACH Regulation.

Let's discuss our legal obligations a little more. ChD already has a standard which exceeds the REACH regulations for large customers with a correspondingly large volume of orders. In doing so, we inspect our products for many more chemicals in much lower concentrations than required by law.

Over the past two years, we have begun inspecting the materials we use and our products on-site in China much more intensively. Because of the great deal of effort in doing so, we have increased our staff in our China ChD service office from four to seven people.

We also place a strong emphasis on cleanliness with our Chinese partners. It is beneficial to product quality as well as immensely important for the well-being of workers. For this reason, all rooms connected to production are equipped with modern sanitary facilities and hot water.

A steadily increasing part of our product range is lacquered wood packaging. The wood used for this purpose comes from renewable sources. The focus on people and the environment is also very important in production. We have equipped our carpenter's workshop with a special dust extraction which enables us to collect the sawdust and have it recycled. Furthermore, an activated carbon filter technology which exceeds national requirements and is aligned to a high international standard is used in the paint line. In addition to the use of conventional coatings for the costly painted wooden boxes, paint tests with water-based coatings are also currently being conducted. These coatings are very low odour and have a very low percentage of organic solvents. Also the fact that the coating equipment cannot be cleaned with anything more than water makes these coatings very environmentally friendly. However, the water-based paints still have a way



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to go in terms of gloss. Therefore we are currently working out a low compromise solution in favour of the environment as well as quality.

To continue to respect and understand the Global Compact principles in the areas of **human rights and anti-corruption**, a supplier compliance is being currently developed by ChD. Further contents of this compliance are child / youth labour, discrimination, freedom of association and collective bargaining, forced labour, discipline, working hours, documentation of employment, compensation, health and safety and environmental protection. We will report in the next COP on the progress in the implementation.

Bernd Dahlinger
Managing Partner

Valerio d'Adamo
Managing Director