

## GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS

<b>Company Name</b>	Trayton Group	<b>Date</b>	Jan.25 <sup>th</sup> , 1995
<b>Unit (if applicable)</b>			
<b>Address</b>	1999 Lianyou Road Minhang District, Shanghai, China		
		<b>Membership date</b>	Aug. 22nd, 2007
<b>Country</b>	China	<b>Number of employees</b>	1500
<b>Contact name</b>	Shelley Du		
<b>Contact Position</b>	Group HR manager	<b>Sector</b>	Group HR
<b>Contact telephone no.</b>	86 21 62967838		

### Brief description of nature of business

Trayton Group founded by Danish entrepreneur Mr. Simon Lichtenberg in 1995, is a multinational company and one of the largest furniture manufactures and retailers in China.

Trayton Group's main business is design, branding, manufacturing and distribution of upholstery furniture, retailing of furniture and lifestyle products and trading businesses and service. With 15 years development, the Group has grown to a multinational furnishing company. Registered at Hong Kong, the Group is globally headquartered in Shanghai, and set up offices and owns subsidiaries in the U.S., Hong Kong, China mainland and Denmark. The Group produces upholstery products in China and distributes and retails products to all over the world, as well as promotes overseas furniture and accessories in the China market.

Being one of the largest furniture manufacturers in China, the Group has 2 factories in Shanghai and Zhejiang with 74,000 m<sup>2</sup> production space and about 1500 employees. Trayton operates BoConcept in China, a retail chain spanning 9 gateway cities in China with a total of 17shops.

Trayton also acts as the exclusive agent as the two famous brand from Denmark, Georg Jensen and Kvadrat. Two Georg Jensen boutiques opened in Shanghai in 2010and 2011, respectively, which presents a variety of Georg Jensen's stunning jewelry, utensils, and the classic collection-level works. The business of Kvadrat started in Chinese market in the spring of 2010, the product – fashion design-oriented textiles will be introduced into China's architectural and interior design industry.

### Statement of support

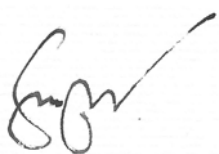
As a result of the global financial crisis, our industry – housing markets have been hit as well and consumers around the world are frightened and concerned. Nevertheless, Trayton Group turned around with lots of management “homework” done. We are going to stay focused and committed to a continuous path of learning and driving our business forward in a responsible manner.

We believe that our success is partly due to the way in which we integrated social responsibility and respecting for human rights into our business. Besides unwavering business efforts to develop, produce and promote quality products for a better way of living, we always show our commitment to create best living environment for all people through helping the disadvantaged community, protecting the environment and fostering the youth generation. To ensure safe working conditions for the employees with respect and dignity, the Group conducts regular internal audits to ensure all standards to be executed properly. Continuous attention on improving labor's working conditions won globally recognized reputation and respect for the Group from its customers.

Trayton Group believes that people make the ultimate difference in success of business. People's development is the focus of the Group's human resource management approaches. We encourage an open, healthy, vigilant and creative corporate culture. Trayton introduced RICE – Innovation, Responsibility, Engagement, Care as a relaunch of our corporate values. These have been embraced well by all of our employees and will have a lot of positive influence on our actions and performance in the years to come. And 4D (Four Dimensional) Design – Aesthetics, function, Value and Emotions are meant as inspiration to all Trayton people, which also results in more of the right products being taken into our customers' selection. In addition, multiple communication channels have been set up for more transparent and accurate information revealing an efficient communication between first level employees and supervisors as well as the top management, such as Open Day, Workshop Communication Committee, Employee Representative Committee etc.

We have committed ourselves to observe all principles of the United Nation's Global Compact. We will continue to incorporate the basic principles and elements of sustainable development into our strategies, business flow and corporate culture. We will work hard and join hands with our stakeholders to promote sustainable development and advance ourselves to be responsible corporate citizenship.

**Signature**



**Position**

**Trayton Group CEO**

**PRINCIPLE 1**

**BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS**

**Our Commitment or Policy**

Trayton considers that respect for human rights is the basis for sustainable development. This is why we have defined our value system. Our values clearly reflect our position on human rights. Ensuring safe working conditions and products with no health risks to employees and customers is another aspect to embody our commitment to human rights.

**1.1 A brief description of our Processes or Systems**

We consider the first and foremost thing in Trayton is people. We believe that putting our Values into practice, creates long-term benefits for shareholders, customers, employees, suppliers, and the communities we serve and ourselves!

**Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

To keep the sustainable development of Trayton, we have Trayton Group's core values as Innovation, Engagement, Responsibility and Care. We practice our values well in our daily work with the guidelines of each value.

In order to apply these values into our day to day business, we carried out a series of programs as well. From Aug. 2011 to Jul. 2012, we organized outward bound activities and outing for our managers and staffs, sports meeting and annual parties as well. In addition, we have built the employees' club with 100 members on badminton, mountaineering, basketball, football, table tennis and swimming in Trayton Group scope. We organize birthday party, travelling, family day and reading club for our employees, which not only enriches their lives, but also enhances trust, communication and cooperation among our employees.

Some other programs, such as the establishment of Trayton Fund etc, these efforts show Trayton's commitment to the highest standard of social responsibility.

**1.2 A brief description of our Processes or Systems**

Trayton Group has always been committed to ensure safe working conditions and assure production and the use of Trayton products do not pose health risks to employees and customers.

**Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

Our company has obtained the approval of the government departments of Occupational Safety and Health, and the occupational risk factors of the workplace are tested & evaluated annually, which accorded with national standards. Continuous attention on improving labor's working conditions and working protection equipments is to ensure employees' safety and health. Every year we also arranged the physical examination of the occupational hazards, in order to ensure the health of each employee. We provide the appropriate Personal Protective Equipment and specific protective clothing to all workers and visitors in any harmful or potentially risky work areas. Employees are also provided with heatstroke prevention medicines, carbonated drinks, Green beans soup to prevent heatstroke in summer. First aid equipment is adequately stocked and available to workers during all shifts in case of urgent accident. We have the appropriate fire fighting equipment, the placement and maximum distance between fire extinguishers complies with applicable laws and regulations or specific approvals from the fire authorities. Strengthening the monitoring and control of waste management and environment emission, there is no risk of chemical leaking, and the annual environmental test & evaluation are qualified and accorded with national standards.

We organize fire-fighting exercise every half year to improve employees' awareness and practical methods to save themselves. The training of raising safety and environmental awareness is with 100% attendance rate. In 2011, We have also invited the teacher from Safety Supervision Bureau to train the EHS for all the workers of our company, which improved their safety, health and environmental awareness. The management of special certificate was strengthened and our certified rate reached the 100%. The safety, health and environment awareness of employee was improved, the work-related accidents was reduced and no major incident. We strengthened standardized and reasonable usage of energy, made energy-efficient system and improved operations. Our company was awarded the municipal safety company by Shanghai Social Security Comprehensive Management Committee in 2011.

Trayton organized Disaster Prevention, Safety and Occupational Health Committee, which is responsible for safety production and employees' health. The General Manager is responsible for the company overall safety production, each department manager is responsible for the safety of his/her location department. The safety affair office is responsible for organizing safety affairs in factories, monitoring and instructing each department and plant to carry out safety jobs. The committee executes routine patrol, and record those failed items, then correction actions are made known to the department or plant. The committee will finally follow up those correction actions. In order to improve employees' first-aid skills, we sent 30 employees from workshops to Red Cross to have the training on first-aid knowledge and skills and they were certified as first-aid responders. The occupational hazard factors' monitoring and evaluation in workplace of Trayton are in line with national standards. With the whole EHS system, we are capable to ensure safety and health for all the employees in Trayton Group.

### **1.3 A brief description of our Processes or Systems**

Trayton Group has integrated insurance to secure all its employees for a variety of life contingencies.

### **Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

In conformity with the nation's related laws and regulations, Group has established social insurance system for employees, covering pension, medical care, work-related injury safety, and unemployment insurances, and housing accumulation fund. Trayton Group also provides supplementary medical care insurance for all its employees and their family members. During the period of April 2011 and March 2012, Trayton employees and their family members have got totally RMB 125,000 Yuan medical compensation.

### **1.4 A brief description of our Processes or Systems**

In order to acknowledge the employee who achieved good performance in Trayton Group, the rewarding policy is established to set a good example for the attitude and behavior that are expected by the company and exploit their potential ability.

### **Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

From Jan. 2011 to Dec. 2011, We selected 47 employees as Trayton Values Stars and Strategy Stars, 26 Quarterly Stars, 20 Annual Excellent Employees and 39 Annual Loyal Employees, they were rewarded with gifts, certificates, and their stories were introduced in Trayton Group's internal publication.

<b>PRINCIPLE 2</b>	<b>BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES</b>
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### **Our Commitment or Policy**

Trayton Group provides competitive paid leave, maternity leave, paternity leave and convalescence system among companies of the same industry. What's more, Trayton Group always shows its commitment to rich employees' leisure time, and provides a series of employee clubs for entertainment.

### **2.1 Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

We have paid vacation for each employee in Trayton Group, such as annual legal holidays, annual paid leave, marriage leave, maternity leave, paternity leave etc. With the provided paid vacation, employees can have the chance to refresh from the working pressure, and we create a harmonious working environment for employees to have time enjoy their lives.

### **2.2 Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

We established various clubs for employees to enjoy their leisure time and practice hobbies. There are table tennis club, badminton club, basketball club, football club, swimming club, The clubs carried out programs regularly. Through a variety of club activities, employees not only exercise their physical body, but also enhance the team spirit.	
<b>PRINCIPLE 3</b>	<b>BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING</b>
<b>Our Commitment or Policy</b>	
Trayton Group supports the employees' rights to form groups and collective negotiation, and established Employee Representative Committee, Trayton Fund, and employee communication convention,	
<b>3.1 A brief description of our Processes or Systems</b>	
Trayton Group established Employee Representative Committee so as to promote the development of employee relationship, enhance the communication between management and employees, induct employees to be involved in business management, Raise employees' awareness of company ownership.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Employee representative meetings are held convention quarterly, on which the production and operation objectives and key matters are discussed and reviewed, and important decisions relating to rights of employees are voted by the employee representatives. The group organized employee representatives to propose advice and suggestion to company new policies and procedures, and monitor the execution of those policies and procedures. The employee representative committee collects the suggestions and requirements related with employees' working and lives, and submit to the management for problem resolving. With these efforts, Trayton Group basically fulfils the transparency of company affairs, solving the problems with opening and just forms. It has achieved fruitful results and played an active role in creating opening, transparent and just environment, mobilizing employees' activeness.	
<b>3.2 A brief description of our Processes or Systems</b>	
Trayton Group established Trayton Fund so as to provide aid to the employees or people outside Trayton who are facing great difficulties. Trayton Fund gives full play to safeguard employees' interests and help the disadvantaged people, which promotes the awareness that I help others, and I can get help when I need.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Since the establishment of Trayton Fund in Jan. 2009, it has totally donated the difficulty people for 86,000 Yuan, which 10,200 Yuan in 2011. Trayton Fund plays the role to enhance the company's cohesion, So that everyone fully aware of the warmth from the company and colleagues.	
<b>3.3 A brief description of our Processes or Systems</b>	
Trayton Group supplies communication platform for every member, and help to strengthen the understanding between company and employees, and listen to employees attentively. The Group provides necessary information for refinement management of different parts in company, and total quality management.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
The Trayton Human Resources Department organizes employee communication every month, which is attended by the employees from every different department. In 2011, 1100 workers presented the meeting and 50 of them had direct dialogue with GM. They clear up the suggestions and advices and communicate with the related department about these, and write up The Results and Solution of Employee Communication Convention, and then track the actions. Through the proposals from employee communication convention, Trayton group has made a lot of adjustment and improvement measures on various aspects such as management process, operating devices and equipments, employees' working condition and environment, employee' safety and health, the employees' dines, enriching recreational activities for employees, employees' motivation programs etc.	
<b>PRINCIPLE 4</b>	<b>BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR</b>
<b>Our Commitment or Policy</b>	

The protection of human rights and the observance of fundamental labor standards - these are principles that should be a matter of course for all Trayton companies.

#### **4.1 A brief description of our Processes or Systems**

Trayton Group pays out wages for every employee on time, and ensures the minimum wages standard according to the laws and regulations. And the Group processed employing and leaving procedures in strict accordance with Chinese Labor Law to safeguard employees' interests, do not make use of bonded or involuntary labor.

#### **Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

Trayton Group follows Chinese Labor Law strictly, all the employees' wage is above the lowest wage standard of the area where the company is located in, and we adjust wage according to company business situation, and employees' performance, and market salary quotation. Trayton Group always pays out the wage on time every month, and we have never delayed to pay out. If employment contracts are terminated according to agreed notice time, We will not make any salary deductions for workers who leave.

All the employees have offered their work voluntarily. It is prohibited that work or service that a person is compelled to carry out under any threat of punishment or confiscation of any personal belongings, such as ID card, passport etc. Employees are not bonded by financial debts, loans or deposits as well. Trayton Group allows its employees to freely leave the factory premises when their work shifts end.

If guest workers or temporary labor are employed on a contractual basis, such workers have never been required to remain employed against their own will for any period beyond the agreed time of the contract. We pay all commissions and other fees to the recruitment agency in connection with their employment.

<b>PRINCIPLE 5</b>	<b>BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR</b>
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#### **Our Commitment or Policy**

Trayton Group clearly forbids hiring child labor or teenager workers. Trayton Group evaluates the high risk of using child labor, and formulates the measure of elimination child labor according to the related laws and regulations.

#### **5.1 A brief description of our Processes or Systems**

Trayton Group follows both international regulations and Chinese Labor Law, and has completed our procedure of employing and using employees. We prevent the occurrence of using child labor and teenager labor with the system.

#### **Actions implemented in the last year / planned for next year and Measurable Results or Outcomes**

In Trayton Group employee manual, the hiring stipulate shows that the age of the employee must follow nation's regulation. Trayton Group always hiring employees strictly follows the regulation, there has never been any child labor events till now.

<b>PRINCIPLE 6</b>	<b>BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION</b>
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#### **Our Commitment or Policy**

Trayton Group complies strictly with Non-discrimination principle, eradicating racial discrimination, colour discrimination, religion discrimination, nationality discrimination, social position discrimination and any other discrimination.

We provide equal career development opportunity for each employee, and we insist on the principle of Open, Fair, Competing and Selecting the best, perfect open competing system, promote the employees who have abilities and excellent performance, and achieve human resources optimization, improve employees' enthusiasm for work.

#### **6.1 A brief description of our Processes or Systems**

It clearly states in Employee manual of Trayton Group: when we employ people we should not have

discrimination for nation, gender, age and region and so on.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
<p>Trayton Group employs people from different regions and from abroad as well. The males and females have equal promotion opportunities, the females also can be managers.</p> <p>Trayton Group employees can appeal the discrimination issue through general manager's email and inquiry ways, and they also can submit to employee representative committee, and the employee representative committee will submit to management about discrimination issue. We also can solve these issues via legal channels.</p> <p>There has never been any discrimination in Trayton Group till now.</p>	
<b>PRINCIPLE 7</b>	<b>BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES</b>
<b>Our Commitment or Policy</b>	
Trayton has a history of success in the area of environmental protection. But we don't want to stop here, we want to continue to work to protect people and the environment.	
<b>7.1 A brief description of our Processes or Systems</b>	
Trayton Group ensures compliance with applicable laws and classification regulations relating to purchasing, storage, handling, use and transportation of chemicals. We have a valid permit for chemicals that are legally restricted or controlled.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
<p>We establish and maintain an updated list of all chemicals, including the name of the chemical product, the purpose/area of use and a reference to an MSDS used in production, operations and maintenance. We have documented procedures for the purchasing, storage, handling and use of chemicals as well.</p> <p>We ensure that workers that purchase, store, handle and use chemicals have the right competence and are adequately trained before starting work. We store, handle and transport chemicals in a way that prevents emissions to air, ground and water, prevent risks of ignition/explosion and ensure workers health and safety.</p> <p>Applicable information regarding the risks and safe handling of chemical compounds and substances are displayed at storage areas and in operations areas where the chemical is used. All containers of chemicals, including temporary containers, are properly labeled with appropriate danger symbols and chemical names to ensure that the contents are known and the potential risk minimized.</p>	
<b>7.2 A brief description of our Processes or Systems</b>	
Trayton Group ensures compliance with applicable laws & regulations relating to handling, storage, transportation, recycling and disposing of hazardous and non-hazardous waste.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
<p>We establish and maintain a list of hazardous and non-hazardous waste in order to monitor the type and quantity that is generated. The list clearly shows which type of waste is hazardous and which is not, and is continuously updated. We establish a procedure for the handling, storing, transportation and disposal of hazardous waste that prevents harmful emissions to air, ground and water, prevent risks of ignition/explosion and ensure workers health and safety as well.</p> <p>We ensure workers handling hazardous waste have the right competence and are adequately trained. We store, handle and transport waste in a way that prevents contamination to air, ground and water, ensure workers health and safety and facilitates recycling when possible.</p> <p>We ensure that our contractors for transport, storage and final disposal of hazardous waste are licensed according to applicable legislation.</p>	
<b>7.3 A brief description of our Processes or Systems</b>	

In order to strengthen the consciousness of against mouse and insect pest, and protect environment as well, Trayton Group has formulated the control system against mouse and insect pest.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
The measures we take are that we maintain the fly-exterminating lamps one time each month, exterminate mice, mosquitoes, flies and roaches all the time in our factories, and we Increase eradication measures during the peak period of summer pest. So that we have not encountered pest troubles for our products or food, and the environment are protected well.	
<b>PRINCIPLE 8</b>	<b>BUSINESS SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY</b>
<b>Our Commitment or Policy</b>	
With the economic development, people are growing awareness of protecting the natural environment. In Trayton Group, we always pursue the concept of sustainable development, conserving resource, reducing energy consumption and mitigating business operation impacts on environment.	
<b>8.1 A brief description of our Processes or Systems</b>	
With the effective management system, we control the implementation of our environmental protection measures and monitor the compliance with our objectives.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Trayton Group and the subsidiary companies require all the employees to save water, electricity and energy. We set up the emission reduction target, and break down to sections, then follow up the result through evaluation. Although we have the expansion of production since 2007, but the emission quantities of unit volume still maintain at a low level.	
<b>8.2 A brief description of our Processes or Systems</b>	
Trayton Group subsidiary companies drain water following the regulation of Shanghai Water Draining Rules and abide by the water quality standard of urban Watercourse water-draining.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
The related government department tests the quality of waste draining water from Trayton factories every year, and our test results are all qualified. We get the water draining permission certificate that is certified by Shanghai Municipal Bureau of Water Resources.	
<b>PRINCIPLE 9</b>	<b>BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES</b>
<b>Our Commitment or Policy</b>	
For all factories in Trayton, we evaluate the risks, develop safety, health and environmental protection concepts and check that they are implemented correctly. Compliance with these, steps is laid down in a guideline that is binding throughout the Group.	
<b>9.1 A brief description of our Processes or Systems</b>	
Trayton Group demands a high quality of raw materials.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Trayton Group check strictly for raw materials, and request the contents of formaldehyde in Wood-based Panel should be higher than the national standard, and we use European E1 standard. The productions that are sold to North America should be above CARB PI level. The glues we use are environmental protection glues, and the contents of formaldehyde, toluene and methanol accord with standard. We strictly ensure the overall formaldehyde emissions of our products, so that decrease the environmental pollution.	
<b>9.2 A brief description of our Processes or Systems</b>	
Trayton ensures its operation related with forest management to achieve sustainable and accountable	

business requirements.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
In the area of procurement of raw materials, Trayton strictly audits suppliers, does not use non-controlled timber , does not accept or purchase illegal and non-controlled timber based on FSC and SmartWood regulations.	
<b>PRINCIPLE 10</b>	<b>BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY</b>
<b>Our Commitment or Policy</b>	
We comply with the laws and respect the good anti-corruption practices of the countries in which we operate. We work against corruption in all its forms, including extortion and bribery.	
<b>10.1 A brief description of our Processes or Systems</b>	
Trayton Group and the subordinate subsidiary companies implement the method of punishing and preventing corruption, and prevent the corruption through effective risk prevention and control system.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Trayton Group's anti-corruption management Focuses on the requirements of the Global Compact, Deepening company culture and the work of the anti-corruption campaign, Continuing to promote the construction of anti-corruption. We strengthen internal oversight, Getting into promoting the building of corporate integrity, and preventing and controlling the possible risks of corruption. While we design and carry out the anti-corruption program, we learn from the international advanced anti-corruption methods.	
<b>10.2 A brief description of our Processes or Systems</b>	
Trayton Group encourages fair competition and do not adopt the business strategy of dumping and monopoly.	
<b>Actions implemented in the last year / planned for next year and Measurable Results or Outcomes</b>	
Trayton Group encourages fair competition, and do not adopt the business strategy of dumping and monopoly. Our business strategy is: lowest total cost, key account focus, production and service sophistication. Trayton Group follows the country laws and regulations, respects requirements from customers, and wins the customer trusts and social praise. Trayton Group observes the regulations related with anti-monopoly, protecting fair competition in the market, improving efficient economic development, maintaining customers' benefits and social benefits, so that we contribute to economic development.	
<b>How do you intend to make this COP available to your stakeholders?</b>	
The stakeholders will receive a PDF version as well as a paper copy. They will attend an annual meeting to share their inputs.	