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UN GLOBAL COMPACT

Communication On Progress

Kluntz A/S Corporate Social Responsibility report for UN Global Compact.

Statement

As CEO of Kluntz A/S I hereby confirm my continued support to the Global Compact. Because of our support of the Global Compact and because of our concern for the environment and the people of the planet, we have been appointed member of the Danish Council for Sustainable Business Development. As a SME company the positive effect of being a member of both initiatives, has been huge. We have found it much easier to discuss improvements with our suppliers, our customers respect our effort and our employees are proud to work with us. Our focus is on sustainability and we consider ourselves to be a marketleader in this field, within our businessarea in Denmark. We think that everybody should consider a sustainable alternative if it exist and we put an honour into mentioning it. We also strongly recommend other companies to support the Global Compact whenever we have a chance to do so. We also mention this in our Supplier Code of Conduct.

Hoerning, 25th June 2009

Kluntz A/S



Peter Nielsen
CEO

Introduction of Kluntz A/S

Kluntz was founded in 1996. We advise on and sell incentive marketing products. We are a staff of 12 and our turnover in 2008 was USD 4,500.000. Beside from making donation to Global Compact, Kluntz also make yearly donations to Save the Children, Medecins Sans Frontieres and UNICEF. Since the foundation of our company we have always treated our employees with respect and in a fair manor, as it is custom to do in Denmark. Initially we had very little import from outside the European Union, but as sales increased, so did our trade with the Far East and the urge to secure a decent behaviour of our suppliers.

Suppliers

Kluntz mainly import from EU, Turkey and China. Occasionally we import from Pakistan, Bangladesh, Vietnam and India.

It is of great importance that the women and men who manufacture the goods we sell are treated in a fair and respectful manor. However being a SME in a businessarea where demand for certain products change rapidly due to fashion and development, it can be very difficult to control all our suppliers and their sub-suppliers. The fact that orders are often small, also does not allow for costly expenses to audit the suppliers on site. Many SMEs face this challenge. So what can we do?

Supplier Code of Conduct

[Present Supplier Code of Conduct](#)

Why the supplier should commit

Instead of just demanding suppliers to sign a Code of Conduct, it is important to inform them about the advantages they will achieve, by treating their employees in a fair and respectful manor. Happy people are more efficient, make less mistakes and are less sick. Due to this the owner can have a competitive advantage and earn more profit.

The past and present

In 2003 we issued our first Supplier Code of Conduct and sent it to all our suppliers. It was sent to both producers and wholesalers. We experienced that many were reluctant to sign it, for various reasons:

1. Some probably because they could not meet the principles and had no intention to.
2. Some because their company policy does not allow audits and scrutiny of their companyfiles by others than themselves.
3. Some wholesalers did not want to give information about the origin of their products, because they considered this information a companysecret.

In 2005 we issued an updated Supplier Code of Conduct, that allowed for wholesalers to send us their own Supplier Code of Conduct instead of signing ours. If their own could meet the principles in ours, we would accept it. Also in the 2005 Code of Conduct we took a more soft attitude to our demands, pointing out that we would not terminate a co-operation if a supplier did not meet the principles at the time of signing the code, as long as the supplier were willing to work towards improvement to acceptable level of the issues that failed.

In 2007 we again sent our suppliers an updated version of our Supplier Code of Conduct (the present one), this time informing about our participation in the Global Compact.

Suppliers that does not sign and return the Supplier Code of Conduct can not be used for production of the goods we sell. All new suppliers must sign the code before getting orders from us. Wholesalers with a code that comply with ours can be accepted.

The future. Actions to improve conditions at our suppliers

In 2009 our suppliers outside Europe will receive a Checklist for Suppliers. This checklist will be directly linked to the issues in our Supplier Code of Conduct. The purpose of the Checklist is to have an "official" tool for following up on issues that need improvement and to let our suppliers know that we intend to go beyond just accepting their signature on the document. Beside sending out Supplier Code of Conduct and Checklist for Suppliers, our Purchasing Department also meet with regular suppliers to check the conditions on site and discuss improvements. For suppliers that are only used once or twice we ask sourcing partners to do the audits.

In 2009 - 2010 a segmentation of our suppliers will be made. The purpose of the segmentation is to allocate resources to the areas where they are most needed. We want to:

1. Distinguish between wholesalers and producers.
2. Distinguish between countries.
3. Distinguish between the size and frequency of orders placed at a supplier.

Depending on these measures our suppliers will either:

1. Have to present a Code of Conduct of their own or sign ours.
2. Have to sign our Code of Conduct and fill in the Checklist for suppliers
3. Have to accept unannounced visits from a impartial audit company, such as Bureau Veritas.

In 2010 we expect Bureau Veritas to do audits on 5 of our Far East suppliers.

Fairtrade

Fairtrade products used as gifts, offer companies that has a CSR strategy the possibility to get it across to their employees and other stakeholders in a very concrete way. A fairtrade gift can underline the good will of the company to put action behind its words.

In 2007 we applied for and received government financial support (DANIDA) to initiate a project that should promote fairtrade products from Africa on the business to business market in Denmark. In exchange for products traditionally handcrafted locally in Africa, we would export knowhow within design, innovation and quality control. The project was meant to generate workplaces and prosperity. Unfortunately it proved to be very difficult to allocate the necessary means to create a success and in 2008 we instead decided to look for partners that were up an running with sustainable or fairtrade productions in developing countries.

Today we have 2 such partnerships. 1 in Africa and 1 in India. We will continue our search for Fairtrade partners.

Our employees

Denmark is well known to be a country that respect the human rights. At Kluntz this is also a matter of course. The staff has been informed of our participation in Global Compact on a number of occasions and has been told to advocate for Global Compact whenever they have a chance to do so.

Present. Actions we have already taken to improve conditions for employees

In Kluntz we have gone beyond what is expected to have a good working environment. We believe that happy employees do their work more efficiently and have less sick leave. In Kluntz we offer our employees:

1. 6 weeks holiday a year.
2. Free leave on childs first day sick.
3. Pension scheme paid 2/3 by Kluntz and 1/3 by employee.
4. Free breakfast every Friday
5. Free fruit every day.
6. Free coffee/tea every day
7. ½ hour massage once every 2nd week
8. 50% coverage of fee in health gym.
9. Ergonomic working tables and chairs.

For all other areas of our internal CSR commitment, please view our [CSR Declaration](#).

Future

Since we consider ourselves to have done everything possible to create a good working environment, we have no plans at present to improve further. However we keep an eye on the development and listen carefully to the needs of our employees.

The environment

We must all contribute to sustainable actions to save our planet from disaster. We must reduce consumption, reuse products more often and recycle more.

External commitment

As mentioned in our Supplier Code of Conduct all our suppliers must comply with local laws and regulations regarding the protection of the environment.

Our suppliers must strive to:

1. Reduce waste and emissions to air, ground and water.
2. Handle chemicals in an environmentally safe way.
3. Handle, store and dispose of hazardous waste in an environmentally safe manner.
4. Contribute to the recycling and reuse of materials and products.
5. Implement environmentally friendly technologies.

Internal commitment

In Kluntz we are committed to always offer our customers a more sustainable alternative to the product they had in mind, if it exists. We seek to live by this rule ourselves in all aspects of our corporate and personal lives.

In 2008 we moved to a complete new building which has been build under the new regulations for energy saving houses.

During 2009 we will produce an Corporate Climate Strategy for Kluntz A/S. The purpose is to have an official document that our staff and management has to commit to.

Anti-corruption

As mentioned in our Supplier Code of Conduct bribes must not be offered, promised, given, accepted, condoned, knowingly benefitted from or demanded.

This commitment apply for our suppliers as well as our own staff and management. Any knowledge of bribery or attempt of bribery must be reported to Kluntz management, who will take appropriate and immediate action.

Communication of CSR and Global Compact

This Communication on Progress will be available in our website alongside our Code of Conduct, CSR Declaration and, later in 2009, our Climate Strategy.

Whenever possible and when we participate in networkgroups, conferences and seminars, we will inform about our CSR initiatives and support to Global Compact and membership of The Council for Sustainable Businessdevelopment. In 2008 we participated in 3 conferences concerning Partnership Practice held by the Confederation Danish Industry and Danish Commerce and Companies Agency and in 2008 we also participated as major sponsor in Women for Influence, an event held by MS Danish Association for International Cooperation in support of women in Zimbabwe.