



UN GLOBAL COMPACT

Communication On Progress 2010

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 and its 10 principles.

The effect of more and more companies focusing on CSR and sustainable production methods is huge. Despite the difficulties and many dilemmas that must be overcome along the way, every company's effort, no matter how small, is a push towards a better world.

We take every opportunity to encourage other companies to join CSR Networks such as Global Compact and today Kluntz is also a member of The Danish Ethical Trading Initiative (DIEH) and The Danish Council for Sustainable Business Development (RBE), in both cases as member of the board.

2009/2010 has been a period of many business challenges, hence we have not been able to allocate adequate resources to fulfill our good intentions as mentioned in our 2009 COP. The unfinished process therefore continues into 2011, as outlined in this Communication On Progress.

Hoerning, 15th September 2010

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 11 and our turnover in 2009 was USD 5.000.000.

4 business areas

We focus on 4 business areas: Branded Clothing, Branded Gifts, Branded Promotion and Branded Christmas. We believe that by having a strategic approach to Incentive Marketing Products our customers achieve motivation, recollection, visibility and synergy.

Sustainable products

Many of the promotional products available is of poor quality and quite useless. At Kluntz we guide customers to select better quality products that will last longer and products that actually fulfill a demand. Our focus is also on promoting products made from renewable sources or from recycled materials.

Donations and social responsibility

Beside from donating to Global Compact, Kluntz also make donations to Save the Children, Medecins Sans Frontieres and UNICEF. We very often support social activities and cultural initiatives nationwide, from homeless people to children in need, from different societies to sportsclubs and at present also a campaign, Verdens Bedste Nyheder, to promote the 2015 goals.

Suppliers

Kluntz mainly import from EU and China.

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 highly competitive business area where customer demand change rapidly due to new fashion trends and general development of new products, it can be very difficult to control our suppliers and their sub-suppliers, since we often change suppliers, due to the changing demand. The fact that orders are often also small, 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 company files 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 company secret.

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

Due to the general market situation, we have not managed to finish the improvements mentioned in our COP of 2009. We therefore continue improving the same areas as mentioned in COP of 2009.

In 2011 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 2010 - 2011 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 auditing visits from us, our partners, customers or external audit bureaus.

Dilemma!

In our 2009 COP we state that we intend to let Bureau Veritas do audits at 5 of our Far East suppliers during 2009/2010. When discussing this matter with the companies we selected for the audits we experienced some unexpected difficulties:

1. The producers were reluctant to let 3rd party audit bureaus do the audit, stating that they would always find improvements to be made, even if not needed, because then they would have to come back and hence make more money.
2. Some mentioned that they had experienced audit bureaus, who needed a "tip" to approve an audit, hereby stressing that audits were useless.
3. Some producers would only accept an audit if we as customer would pay for all the improvements to be made.

It is important to understand that we as a small company and with the limited volume of our orders, have absolutely no chance of threatening our suppliers. They like us, but don't necessarily need us. One could get the idea that we then should source suppliers who already had an approved report. However, approved or certified suppliers are often big and only accept large volume orders. Nevertheless we are trying to do an effort in this direction.

Another thing we are considering, is to sign up as member of BSCI (Business Social Compliance Initiative) as this may allow us to pool orders with others of our kind.

As a result of the above, we have, for the time being, decided not to conduct factory audits using external bureaus.

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 and 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 respects human rights. At Kluntz this is also a matter of course. The staff has been informed of our participation in the Global Compact on a number of occasions and has been told to advocate for the 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 child's 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.

In our COP 2009 we expected to finish a Corporate Climate Strategy for Kluntz A/S. This work will continue into 2011. 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 af 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 2011, our Climate Strategy.

Whenever possible and when we participate in networkgroups, conferences and seminars, we will inform about our CSR initiatives and support to UN Global Compact, The Danish Council for Sustainable Businessdevelopment (RBE) and The Danish Ethical Trading Initiative (DIEH), which we are also members of. In 2009 / 2010 we have participated in numerous seminars concerning CSR and we have in working groups contributed to the making of a recommodation for Responsible Supplier Management, which will soon be published under RBE. We have also contributed to the awareness of the UN Millennium Development Goals through our participation as partner in the campaign Verden Bedste Nyheder (in collaboration with DANIDA and UN).