

Georg Jensen

2010 Communication on Progress



Georg Jensen A/S

CVR nummer: 26573645

Søndre Fasanvej 7

2000 Frederiksberg

Phone: 38149898

Email: gj@georgjensen.com

Webpage: www.georgjensen.com

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1. Introduction to the report

For the second consecutive year Georg Jensen files a communication on the progress report to the UN Global Compact. This report covers activities from 28 January 2010 to 31 December 2010 for the entire Georg Jensen Group (Georg Jensen) as presented in the Group model below. The report describes how we link the creation of business value with social value in the Georg Jensen Group. The report is for all stakeholders with an interest in Georg Jensen, our end users and our customers, our partners and shareholders, our employees and society at large. Georg Jensen still has development potential in relation to both the further development of our CSR strategy, actions and reporting in terms of data quality and in terms of our intent to provide uniform reporting for all areas of the Group. The purpose of our reporting is to give all our stakeholders an idea of the actions we have initiated, the challenges confronting us and the goals we intend to pursue. In this report, we focus on actions and results for the financial year 2010. This report is a follow up on the progress made in relation to those central areas.

2. Message from the CEO

Georg Jensen is one of the most well-known brands in Denmark and has a significant brand position within the luxury goods industry worldwide. Georg Jensen is a brand with a heritage that stands for excellent craftsmanship, superior luxury and timeless, elegant design. The users of Georg Jensen's products should be able to own or wear Georg Jensen products with pride, knowing with certainty that the products are produced in a responsible way.

2010 was a great year for Georg Jensen. We achieved the financial goals set for the year and experienced a positive development in a time in which the luxury sector was still feeling the aftermath of the financial crisis. 2010 was a turning point for Georg Jensen in terms of overall profitability. Total revenue exceeded budget and grew by 10% to DKK 847 million. We managed to reduce our cost base and align it with the top line. By regaining our gross margin, we achieved an EBITDA including sundry items of DKK 83 million compared to a loss of DKK 68 million in 2009. This makes Georg Jensen well-prepared for the demands and challenges of tomorrow including pursuing our responsible business strategy.

Our corporate social responsibility goes beyond the philanthropic initiatives and we are working towards further integrating CSR key issues into our business strategy and Strategic Roadmap which encompasses four core pillars:

- Leveraging the brand
- Retail led growth
- Under-penetrated markets
- Operational excellence

Corporate responsibility is an important element when executing the strategy. Georg Jensen is a foresighted manufacturer that wants to operate in consideration of environmental and social factors and good governance.

Our efforts to integrate social responsibility into our business operations have intensified our focus on the positive correlation between our business on the one hand and the creation of social value on the other. Therefore, Georg Jensen is fully committed to upholding a socially responsible development strategy for the benefit of our customers, our business and social development. We are a proud signatory of the UN Global Compact and will continue to develop our future socially responsible initiatives within this framework and with respect for the ten principles and core conventions that form part of the initiative.

We have investigated which CSR areas are of key concern and work towards integrating these areas into strategies and operations. Our key focus areas are determined on the basis of a materiality criterion in relation to Georg Jensen's business and significance to stakeholders and society at large. We have identified key areas all of which are areas where we have a significant impact, a high degree of control and where we see a need to mitigate risk. Our key areas are the sourcing of materials and production, environment and climate change considerations in operations and the continuous improvement of the working conditions and welfare of our employees.

The process used for integrating the Global Compact's principles is the same in all focus areas, but challenges, potential and measurability vary from one area to another. Each of our focus areas has a number of initiatives with specific actions and objectives to be followed up on, on an annual basis. In addition to being described in this communication of the progress report to the UNGC, Georg Jensen also files a separate CSR chapter in the annual report.

It is our belief that the private business community can and should contribute to improving standards for human and labour rights, environment and climate change as well as fighting corruption. These global challenges are not solved by public sector engagements alone, but require collaboration across business communities, public sector and NGOs.

In Georg Jensen, CSR is a core value. Our teams around the globe are fully united under our brand just as much as they are committed to our responsible business approach. I am proud of that commitment and wish to thank employees and business partners for their efforts to build a responsible and successful brand.



Ulrik Garde Due



3. Group strategy and UN Principles

Since Georg Jensen's signing of the UN Global Compact principles, Management has been occupied with the integration of the principles into Georg Jensen's business practice. Georg Jensen aspires to address the UN Global Compact Principles material to Georg Jensen and Georg Jensen's stakeholders in a way that secures the focus of Georg Jensen's efforts and actions on areas where Georg Jensen can make the largest impact.

Working with CSR is an ongoing journey requiring constant improvement and development. Consequently, Georg Jensen has decided to further structure how the CSR agenda is addressed and managed. Even though some elements of social and environmental responsibility were already on Georg Jensen's agenda, we have only recently embarked on the real CSR journey.

In 2010, Management initiated a process with the aim of defining Georg Jensen's approach to CSR. It is a process which brings new knowledge to the Company contributing to the improvement of our efforts, targets and results. Management will continue to discuss and evaluate the CSR strategy in 2011 and especially take into consideration how to establish a future data collection process. The quality of such a data collection process will be an ongoing process with the objective of improving our methods wherever possible. Consequently, some of our empirical data may be adjusted in future reports with the aim of constantly improving the quality of information and transparency.

Systematic mapping of material social and environmental aspects and issues related to Georg Jensen and Georg Jensen's business operations began already back in 2008 before the decision to sign the UN Global Compact. The idea that Georg Jensen should engage in the social and environmental agenda stemmed from a genuine desire to actively contribute to finding solutions to some of the social and environmental challenges the world is facing. The intent of the UN Global Compact corresponds with Georg Jensen's core values and key objectives. Hence, the commitment to UN Global Compact was not a radical change, but provided an excellent framework for the continuation of our work with CSR.

3.1 The Strategic Roadmap

Georg Jensen's DNA - quality, craftsmanship and Danish design – is the foundation for the Strategic Roadmap developed in 2007, setting out the strategic direction for the following five years. The aim of the Strategic Roadmap is to reposition Georg Jensen as the leading Scandinavian Luxury Lifestyle Brand and to make the Company a viable and profitable business. In 2010, Georg Jensen set out to draw CSR initiatives closer to the Strategic Roadmap.

The Strategic Roadmap is built on four pillars:

- **Leveraging the brand.** Our singular brand heritage should be reflected in every aspect of the Company and brand, from products to operation. We are continuously aim to simplify, standardise and streamline internally to enable significant growth in a complex external environment.
- **Retail-led growth.** Increase the productivity of existing stores and assess our future retail network as well as continue to develop point of sale set-ups such as franchise models, e-commerce, CRM B2B, etc.
- **Under-penetrated markets.** Maximise the Georg Jensen brand penetration in key markets through retail, franchise, wholesale and e-business.
- **Operational excellence.** Maintain a sustainable cost base to support profitable growth and continuously optimise our Sales, Operational and Planning Processes.

CSR issues are of ever growing interest to our customers and other stakeholders in nearly all markets. Hence, Georg Jensen expects that well executed CSR initiatives will, in the long term, help leverage the core elements of the strategic road map and contribute to growth, penetration of new markets, excellence in operations and a strong and unique brand.

Georg Jensen only recently started to address CSR in a structured way. This requires that our strategic key areas are followed up on an annual basis and linked to specific actions and objectives. Based on the decision to reduce risk, Georg Jensen has decided to initially keep our main focus of our CSR related efforts on Georg Jensen Thailand by specifically addressing issues related to manufacturing. These are followed up on in an annual action plan¹.

4. About the Georg Jensen Group

Georg Jensen has a long and proud tradition of design within the segments of Hollowware & Silver, Jewellery, Watches, Living and seasonal. Back in 1904, Silversmith Georg Jensen opened a shop in central Copenhagen in Denmark. He presented his items in a small wooden cabinet outside his shop. Georg Jensen's jewellery, cutlery and other designs immediately attracted attention, and his products became much coveted both in and outside Denmark.

Today, Georg Jensen is represented in 15 countries and on five continents, through its international retail network of 100 stores and its wholesale accounts. The Danish approach to doing business prevails, however with respect for local culture. We are proud of our Danish roots and stay loyal to our heritage and tradition of ensuring high quality and unique craftsmanship. We live by our mission to enthuse, surprise and inspire our end user and customers all over the world.

¹ See appendix I

Georg Jensen has an ongoing retail programme and its new store concept, The Scandinavian Luxury Lifestyle Home, is represented on five continents, with stores in Copenhagen, Denmark; Stavanger, Norway; New York & Bal Harbour, USA; Shanghai & Chongqing, China; Hong Kong; Taipei Kaohsiung, Taiwan; Sydney, Brisbane, Perth & Westfield Doncaster, Australia; Tokyo, Japan and Qatar.

In 2010, Georg Jensen had 35 directly operated stores, 7 franchise stores and 58 concession “shop in shops” in 15 countries in Asia, Europe, the Middle East and the US.

The Georg Jensen Group

Group model



Georg Jensen has production facilities in Copenhagen (Denmark), Hjørring (Denmark) and Chiang Mai (Thailand). During 2010 the average number of employees was 1,149 employees. In 2010, Georg Jensen’s net turnover totalled DKK 847 million.

Georg Jensen is a 100% owned subsidiary of the Royal Scandinavia Group which is owned by the Danish private equity fund Axcel II A/S. Axcel II holds 70% of the company shares. The remaining 30% are controlled by FIH, LD and PKA. As a private equity-fund owned company, Georg Jensen

follows the guidelines and recommendations issued by the DVCA (Danish Venture and Private equity association), or explains where and why the recommendations are not followed in whole or in part. The recommendations include guidelines for the description of a number of elements including corporate governance, financial risk, employees, strategy and corporate social responsibility.

4.1 Georg Jensen Vision and Mission

The five Georg Jensen values constitute the very foundation of our business and provide guidelines for our employees. Our values set the standard for everything we do and ensure that we always strive to do things even better. The Vision and Mission concept saw daylight in May 2009 and has been approved by the Georg Jensen Management and Board of Directors.

4.1.1 Vision

Our vision is to be a world-leading, Scandinavian Lifestyle and Luxury Brand.

Our ambition is to be the preferred brand with those who wish to own unique Danish design within the segments of Hollowware & Silver Jewellery, Watches, Living and Seasonal.

4.1.2 Mission

We are proud of our Danish roots. We are loyal to our unique and timeless designs and maintaining the Georg Jensen tradition of ensuring a high quality and unique craftsmanship. It is our mission to enthuse, surprise and inspire our end users and customers all over the world.

Our mission consists of these five areas one of which specifically addresses Georg Jensen's responsibility towards society:

We want to be a responsible member of society and comply with all rules and regulations. We want to live up to the CSR of our business with respect to the health, safety and security of our surroundings and environment.

As reflected in our strategy, Vision and Mission, Georg Jensen upholds a strong commitment to CSR and has in 2010 initiated practical actions and implemented changes that have contributed to a more sustainable and responsible business practice. These practical actions and how they have contributed to making Georg Jensen more sustainable and responsible will be described further in the following chapters.²

5. Environment

Georg Jensen supports the precautionary approach to environmental challenges and believes that businesses should undertake initiatives to promote greater environmental responsibility. Georg Jensen is

² See: www.georgjensen.com for further information about vision, mission and values.

making an effort to reduce the impact on the environment, both in relation to surrounding communities with whom Georg Jensen interacts when manufacturing, transporting and selling its products and the global environment as a whole.

All Georg Jensen's three production facilities, Copenhagen (Denmark), Hjørring (Denmark) and Chiang Mai (Thailand) are subject to environmental inspections and comply with legislation and international standards. Georg Jensen takes actions that go beyond legal compliance by optimising usage of raw material and energy, taking preventive actions against contamination and pollution as well as optimising usage of recyclable raw material.

In the production process, usage of processing aids considered hazardous to the environment is limited, under close supervision and is constantly being optimised to reduce any negative impact on the environment as well as the working environment.

Thanks to investments in recycling plants, Georg Jensen has been able to re-use and re-melt silver, gold and brass at the manufacturing sites in Thailand and Hjørring. Further investments have been made in a water-purifying plant that recycles purified waste water at the manufacturing site in Thailand. Continuous improvements in quality management have been introduced at all manufacturing sites, focusing on reducing raw material spills.

Georg Jensen's manufacturing sites have achieved extraordinary good results focusing on optimising the re-melting silver, gold and brass. The normal level of spill of raw material within the jewellery industry is 8-10%. Georg Jensen has minimised the spill to less than 2.5% of silver, gold and brass used in manufacturing. The value of the material recycled in 2010 represents the value of 1.1 MHBT or almost 200,000 DKK. Having such a low level of spill is a great benefit both from an environmental and commercial point of view.

There were no comments in 2010 from the environmental inspections of Georg Jensen's production facilities.

5.1 Community engagement

The executives and staff members of the Georg Jensen (Thailand) Co., Ltd have together planted trees in an attempt to slow down the situation of global warming through the *Plants for the Planet Project*, for a second consecutive year. The goal is for the trees to help absorb carbon dioxide from the global atmosphere, which in turn would help stabilize the temperature, allowing vapours to float up all the way to the global atmosphere, increasing humidity and covering the soil from direct sunlight, which all together would help lower the temperature of the earth. The Company planted 10.000 trees in 2010. All together, this activity has so far resulted in the planting of 23.000 trees, which should contribute to

neutralising emissions from Georg Jensen’s site in Thailand. The activity has been well received in the local community and among the employees and Georg Jensen plans to continue this activity in the years to come.



Furthermore, 300 Georg Jensen workers participated in the “Children’s Day”. This is an annual event where a country village is selected based on two criteria. Firstly, the village should categorise as a village in need of help and secondly one or more employees should originate from the village. This year, the Ban Kong Pa School was selected and solar cells were donated to the school to replace some of its electricity usage.

6. Social and Human Rights

Georg Jensen supports and respects the protection of internationally proclaimed human rights and the freedom of association as well as the effective recognition of the right to collective bargaining. Social responsibility forms part of Georg Jensen’s core values, and Georg Jensen has since its foundation in 1904 taken numerous actions related to the social welfare of employees and the community as a whole.

As a multinational company, Georg Jensen has included its values relating to social responsibility in all its activities in other parts of the world while always respecting the local cultures. Georg Jensen participates actively in social, educational and health-promoting initiatives.

Georg Jensen has incorporated the Danish approach to social responsibility into the manufacturing site in Thailand. However, Georg Jensen has done so in a way that shows respect and openness towards other cultures and religions.

In Thailand the working day is eight hours and the maximum working week is set at 48 hours. Georg Jensen has decided that the working week should be 40 hours and that the workers should have Saturday and Sunday off from work. This decision was made thanks to a desire from Georg Jensen to offer its Thai employees working conditions similar to those of the employees in Denmark. The workers are paid full wages i.e. as if they worked 48 hours a week. Georg Jensen also respects the Thai culture and religion for which reason robes were donated to Buddhist monks at a nearby monastery. Candles were also donated to a nearby temple.

Georg Jensen does not tolerate harassment or discrimination based on nationality, race, religion, age, sex, marital status, sexual orientation, disability, trade union membership, political affiliation or personal opinion. It is Georg Jensen's policy that all employees are treated equally and are paid the same wages for the same kind of work and qualifications.

The manufacturing site in Thailand participates in arrangements focusing on poor children's conditions and offers financial support to these arrangements. In 2010, the Ban Kong Pa School was given books and cement to repair the school at the annual children's day.

7. Health and Safety

Georg Jensen considers health and safety very important and wants to provide a safe working environment for its employees. Georg Jensen has evaluated that the largest risk for health and safety issues lies in the manufacturing site in Thailand. Therefore, there is extra focus and resources allocated to health and safety prevention actions on this site.

The manufacturing site in Thailand has been certified by the "Thai Labour Standard TLS 8001-2003" which combats discrimination and requires compliance with the maximum working hours requirements in Thailand while also securing the employees' right to freedom of association. The 2010 audit resulted in only smaller comments.

Georg Jensen (Thailand) Co., Ltd has a safety committee consisting of 11 staff members. The safety committee is primarily responsible for ensuring compliance on health and safety compliance towards Thai laws and regulations and making recommendations for safety improvements.

Georg Jensen (Thailand) Co., Ltd has developed a safety policy and has set goals relating to occupational health, safety and security. The policy and goals are reviewed on an annual basis by a management committee to ensure that all implementation and goals are aligned with the safety policy. Furthermore, Georg Jensen (Thailand) Co., Ltd has key performance indicators in place for covering safety, occupational health and security. Near miss accidents are also reported to furthermore prevent accidents and increase focus on a safe working environment.

Similarly to last year, a “Safety Week” has been conducted and 610 persons have been trained in the safety requirements set up by the Thai labour standard.

This year extra focus has been given to the risk for diseases spreading in the manufacturing facilities and a nurse room has been established in case of need of urgent treatment.



Georg Jensen furthermore has a drug policy. The manufacturing site in Thailand is located nearby “The Golden Triangle”, which is an area that, for a long period of time, sadly has been struggling with drug-related problems. Accordingly, Georg Jensen supports the national antidrug programme in Thailand and has introduced a specific drug policy on how to help and handle employees with drug problems or addictions. The drug policy gives the staff member with positive test three choices:

- Give up without treatment
- Give up drugs with support from medicine from GJ
- Give up with treatment hospitalised.

The number of positive drug tests in 2010 was 15 compared with 2 in 2009. The increase relates to the fact that the working force has increased with 140 new employees and that it takes time to get the no drug culture implemented among new staff members.

A new more sensitive drug test made on the skin has been implemented. This test is more accurate than the ordinary urine test and this has also contributed to the increase. All staff members tested positive agreed submitting themselves to weekly drug test for six months and all of them are still employed

at the workshop. The tests are handled with confidentiality and no employee tested positive is exposed to retaliation, if they agree to the treatment programme or to give up drugs.

For the seventh consecutive year Georg Jensen has as the only foreign company received the price "To be no one". The prize is given by Thailand's King Bhumibol and is one of the most prestigious prizes seldom given to foreign companies. Today Georg Jensen in Thailand is a learning centre for other companies in how to implement and manage an effective drug policy.

8. Production and Sourcing

The sourcing of gold, silver, brass, steel and precious stones can be burdening on the environment and requires strict health and safety standards. The mining industry has been an area with historical cases of human rights violations. Georg Jensen is aware of the risks and challenges accompanying the sourcing of these types of raw material. Therefore, all of Georg Jensen's suppliers must comply with all international standards relating to the environment and labour conditions as well as with international human rights declarations. Georg Jensen is aware that China may pose an area of risk. To secure an understanding of what we expect from our Chinese suppliers related to CSR we invited them to our factory in Thailand to share with them our solutions and ways of working with CSR-related to manufacturing and manufacturing processes. We also held a workshop where we focused on CSR-related manufacturing.

As a result of the action plan, particularly regarding Georg Jensen's suppliers in China, Georg Jensen has strengthened the dialogue and set more specific requirements on CSR, environment, labour conditions and human rights conditions to the suppliers. Georg Jensen has also decided to include requirements for CSR policies and performance of CSR-related audits when selecting future suppliers.

9. Corporate Governance

The Danish Venture and Private Equity Association (DVCA) issued guidelines for responsible ownership and sound corporate governance for private equity funds and the companies they control. The recommendations include guidelines for the description of a number of elements in the Management Review, including Corporate Governance, financial risks, employees and strategy.

Via Royal Scandinavia A/S and Royal Scandinavia Invest A/S, the private equity fund Axcel A/S holds 70% of the shares and voting rights, and thereby a controlling interest in Georg Jensen.

In 2010, the Board of Directors of Georg Jensen comprised seven members. Lars Nørby Johansen holds the post of Chairman of the Board of Directors and Nikolaj Vejlsgaard holds the post of Vice Chairman. The other members of the Board of Directors are Anne Monfray-Leopoli, Claire Kent, Ole Andersen (resigned), Claes Hansted (elected by the employees) and Inge Andersen (elected by the employees).

Erik Olsen is Quality & CSR Manager and holds the responsibility for Corporate Social Responsibility. He coordinates with relevant members of the Board of Directors regarding CSR activities.

10. Strategic Partnerships

Involvement in strategic partnerships opens up opportunities to engage in knowledge sharing for Georg Jensen. We also wish to spread our values related to CSR and engage in innovation and working with acknowledged partners. Georg Jensen is, therefore, for the second year in a row, in Denmark and Australia involved in strategic partnerships with the Red Cross.

In Australia, we have designed a special product and in Denmark we have engaged our clients in donations. Our classical Daisy bracelet was produced in a limited edition with a red cord symbolising the Red Cross. For each Daisy sold, 50 Australian dollars were donated by Georg Jensen.

When Danish clients did their Christmas shopping, they were asked to “round up”. Georg Jensen doubled up for every one dollar donated by customers, the aim of which was to create awareness.

Thanks to donations made by clients and Georg Jensen around Christmas. The Red Cross received a donation of \$13,050 in 2010. Georg Jensen will continue the campaign in 2011.



IN AUSTRALIA, CUSTOMERS COULD BUY A BEAUTIFUL DAISY BRACELET WITH A LIMITED EDITION RED CORD TO SYMBOLISE THE RED CROSS. FOR EACH DAISY SOLD, GEORG JENSEN DONATED 50 AUSTRALIAN DOLLARS. IN TOTAL, THE RED CROSS RECEIVED A DONATION OF \$13,050 IN 2010. THE CAMPAIGN CONTINUES IN 2011.

Supporting young talents is essential for driving our industry forward and also for new creative designs to reach out to future consumer groups. This is a basic value in our company and Georg Jensen himself believed in supporting and developing young talents. He let several young identified talents work for and together with him in his workshop, supporting and developing their talents. Georg Jensen still encourages, develops and supports young artists and designers today by inviting young apprentices to become silversmiths themselves.

Georg Jensen supported the young designer student Yde. Yde worked in Georg Jensen's Hollowware division, where he developed his talent and passion for craftsmanship, quality and design. Yde is today

one of the most talented Danish prêt-a-porter designers and is predicted to have international potential.

Georg Jensen looks forward to continuing the CSR journey and working with the UN Global Compact Principles in order to make Georg Jensen an even more sustainable and responsible company.

For more information about Georg Jensen, please visit our webpage or contact: Erik Olsen, Quality & CSR Manager at email: eol@georgjensen.com

Appendix 1

Main Activities	Sub Activities	Goal	Completed in 2010
1. Prevent and protect	• Noise pollution control	Result of measurements in the standard	✓
	• Water pollution control	"	✓
	• Air pollution control	"	✓
	• Sewage pollution control	"	✓
	• Safety and Health at work	Decrease amount accidents, no work related fatalities	✓
2. Good of the workforce	<ul style="list-style-type: none"> Human Resource training and Development - CPR and first Aid course on 8 December 2010 - Safe electrical work course on 8 December 2010 - Occupational health and safety in the work environment course on 22 October 2010 - Head professional course on 13-14 December 2010 - Teamwork course on 28 September 2010 - Awareness to the organization course on 29 September 2010 	Apply in working job for efficiency.	✓
3. Together we share	• Children day activities for the local school	Sharing for society	✓
	• Plant for the planet project	10,000 trees have been planted	✓
	• Donations to the community, such as		
	Children day (Tonpao Municipality)	3,000	
	Sport day of Sankampheng	2,000	
	Tonpao Municipality	7,000	
	Vespa for Nature Chiangmai Club	3,000	
	Tham Muang Na Temple	2,000	
	Wat Pa Dad school	3,000	
	Police's child nursery	3,000	
Sankampheng winter festival Flood Disater Victims	3,000		
Total	20,000		
• Merit Making to the local community at Paphai Bor Thong Temple	Sharing for society	✓	
• Merit Making to the local community at Pabong temple.	Sharing for society	✓	
• To join May Day activities (sport) with other company at Chiangmai Labor and Welfare Office.	Sharing for society	✓	
• Safety week	Safety awareness	✓	
• Safety officer participate safety CSR project with Lamphun safety officer club	Safety awareness	✓	
4. Result of dedication	• Extend the Thai Labour Standard.	Complete Level Generative (Phase O.T not exceeding 24 hrs./week).	✓