

## Statement of Support

23/9 2013

To our stakeholders:

I am pleased to confirm that Kluntz A/S 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,

Hoerning, September 23, 2013

  
Kluntz A/S

Peter Nielsen, CEO

### Brief description of Kluntz A/S:

Kluntz was founded in 1996. We give advice on and sell incentive product marketing. We are a staff of 10 and our turnover in 2012 was 3 million Euro.

We help our customers by creating value for them when they buy corporate clothing, promotional products or gift items. We believe that by having a strategic approach to incentive marketing products our customers achieve motivation, recollection, visibility and sympathy.

Many promotional products available are of poor quality, but at Kluntz, we guide customers to select better quality products that will last longer and choose products that actually fulfill a demand. Our focus is also on promoting products made from renewable sources or from recycled materials. We commit to always offer a sustainable alternative if it exists.

HUMAN RIGHTS	
Principle 1	Business should support and respect the protection of internationally proclaimed human rights
Principle 2	Make sure that they are not complicit in human rights abuses

### Kluntz' A/S commitment to the principles

Kluntz A/S supports the Universal Declaration of Human Rights and the UN Guiding Principles on Human Rights. In our Code of Conduct, it clearly states that suppliers must adhere to International guidelines on human and labour rights as well as guidelines for protection of the environment.

The Code of Conduct has since its development in 2003 been updated in 2005, because we have learned from the reactions of our suppliers. The latest update was because of our joining of the UN Global Compact in 2007, where we made a clear policy that all suppliers must sign our Code of Conduct or present an equal one of their own before entering into business with Kluntz.

The nature of our business is such, that we have very few regular suppliers with whom we do constant and large business orders. However, we try to navigate within this and try to influence our suppliers – no matter our relationship – in the direction of following the 10 principles set in the UN Guiding Principles.

### How Kluntz' A/S have implemented the principles of Human Rights

In 2012, we made a risk assessment of our supply chain and mapped exactly where the risks are according to human rights in the supply chain. Our biggest risks are in the Far East countries such as China, India and Pakistan where we make approximately 20% of our purchases.

We are a Danish SME and only have very limited influence on the vast majority of our supply chain, so we need to focus our efforts where we can make a difference. Therefore, in 2012/13 we have focused only on making the risk assessment and sending out self-assessment questionnaires to our segment "Far East Producers A".

This is an overview of how we have segmented the suppliers and how we have assessed the risks:

Segment	Description of segment	Risk assessment
European wholesalers	These wholesalers have huge stocks of marketing articles. We buy their items and have them customized either on site or in Denmark.	The biggest risk for Kluntz is the complex supply chain. However, the European wholesalers are already adhering to European legislation and Codes of Conduct from their big customers.
European producers	They are production units in Europe. Typically used for rush orders and for quantities that do not allow for far east production.	The risk is low, as the factories are based in Europe, which – in regards to human rights – is a low risk area. We are a small customer, and have no



real influence.

Far East producers A

This segment is either production units or agents in countries such as China, India or Pakistan with whom we have regular business.

Since these suppliers are based in Asia, we consider them a high-risk in regards to human rights violations. In addition, the main part of these suppliers are agents, so we know that there is a long supply chain between Kluntz and the production unit, hence where breaches to our Code of Conduct may happen.

Far East producers B

These are production units or agents in countries such as China, India and Pakistan. We have placed orders just one time and have no plans to place orders again.

Since these suppliers are based in Asia, we consider them a high-risk in regards to human rights violations. However, we are an extremely small customer and they have no regular business with us, so our influence is very low.

With the European wholesalers and manufacturers, we have a low influence, as we are a relatively small customer with them. They have other big European customers and we trust that these bigger customers will drive the sustainability agenda in the right direction.

We ask this segment of suppliers to sign our Code of Conduct or present their own Code of Conduct to us, and then we check if it lives up to the same standards as ours.

For the segment "Far East Manufacturers A", we are asking for a signed Code of Conduct and a completed Self-Assessment Questionnaire. Compared to other segments, this is where we have most influence and have the opportunity to stipulate extra demands.

As for "Far East manufacturers B", we simply ask them to sign our Code of Conduct.

### The measurement of outcomes in 2012 in regards to Human Rights/ plans for 2013

During 2012, we have received 40% of signed Codes of Conducts or equivalent from our suppliers. This is not good enough, and in 2013 we will put pressure to receive up to 75% signed Code of Conducts from these suppliers.

The return rate of self-assessment questionnaires for the "Far East Manufacturers A" are very low, they simply do not take their time to fill out the questionnaires. Moreover, out of the seven suppliers in this segment, the five of them are agents who need to have another sort of questionnaire than the one sent out in 2012. What we need to ensure is, that they have knowledge about and control over the units where our items are produced. In 2013/14, we will make a new type of questionnaire, with fewer details and hope that this will cause the return-rate to increase.

We are an SME in a highly competitive business area, where customer demand change rapidly due to new fashion trends. This results in a big turnover of suppliers, due to constant changing customer demands. Therefore, it is challenging to have a sustainable focus when sourcing. However, we hope to narrow our

portfolio during the next couple of years and especially we would like to make the Polypropylene bags one of the key products that we will offer our customers. We have one supplier of these bags, and we hope to become a bigger customer for them in the future and we consider this a supplier where we could focus our efforts more in the years to come.

In regards to the “Far East Manufacturers B”, we have only received a few signed Codes of Conduct, but since it is a requirement of ours, we will have a much more stringent approach to this in the following year. We trust that the bigger brands and bigger customers will move the sustainability agenda in the right direction.

We will keep doing what little we can by asking questions and asking for signatures to our Code of Conduct, and thus become a small part of the big wheel that help turn the sustainability agenda in the right direction and protect the Human Rights globally.

Please view our Code of Conduct by following this link:

[http://www.kluntz.dk/pdf/code\\_of\\_conduct\\_2012.pdf](http://www.kluntz.dk/pdf/code_of_conduct_2012.pdf)

<b>LABOUR</b>	
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labour
Principle 5	The effective abolition of child labour
Principle 6	The elimination of discrimination in respect of employment and occupation

#### **Kluntz' A/S commitment to the principles**

Kluntz A/S supports the fundamental labour principles in Denmark and abroad. We do our best to influence our suppliers to adhere to these principles.

In addition, we support the principles of freedom of association and the right to collective bargaining and the Danish collective agreement system as a supplement in line with Danish labour legislation.

It is a core value of Kluntz A/S that all our employees and workers in our supply chain are treated with respect and dignity.

Please view our CSR Declaration, also explaining our commitment to Labour rights.

CSR Declaration <http://www.kluntz.dk/content/view/116/207/>

#### **How Kluntz' A/S have implemented the principles**

Kluntz A/S is following the Danish Labour Law, which the Danish Working environment Authority on a regular basis follows up.



We take pride in going beyond what is expected in presenting a good working environment for our employees:

- Five weeks holiday each year and five personal days, which adds up to six weeks of holiday in total per year.
- We offer that our employees can take the day off for their child's first sick day without losing pay.
- We cover 2/3 of the pension scheme for our employees; they pay the 1/3 themselves.
- Every Friday we offer free breakfast.
- Every day our employees can get free fruit, coffee and tea at the office.
- In addition, we offer everybody ½-hour massage once every 2nd week, which increases the wellbeing of our employees.
- In our office building, we also have a gym, which is available for all employee, free of charge.
- We have also made sure that the office is equipped with ergonomic working tables and chairs.

In regards to labour rights in our supply chain, we have our Code of Conduct, which we ask our suppliers to sign and return to us. In more details, we have described this under the section of Human Rights Principles, implementation and measurement of outcomes.

**The measurement of outcomes in 2012 in regards to Labour Rights/ plans for 2013**

As mentioned earlier, then we have had problems in gathering information in regards to human rights and labour rights in our supply chain. We want to try to sharpen our approach a tiny inch to see if we can get more suppliers to respond in the future. We want to do this, by focusing more on how the suppliers control their supply chain and which management systems they have in place to ensure compliance.

In regards to our own office in Denmark, we are always listening to the wishes and requirements of our employees and follow the local legislation carefully. It is always possible for our employees to raise concerns about their working environment as we have an open door policy in our office.

ENVIRONMENT	
Principles 7	Business should support a precautionary approach to environmental challenges
Principles 8	Undertake initiatives to promote greater environmental responsibility
Principles 9	Encourage the development and diffusion of environmentally friendly technologies

**Kluntz' A/S commitment to the principles**

In Kluntz A/S, we fully acknowledge our share of responsibility in protecting the Environment and minimizing our environmental footprint throughout the entire supply chain. We set demands both for ourselves and for our suppliers.

However, we realize that where we can do most good for the environment and where we have most opportunity to change things, are in our own country and our own office premises. Our office is located in a

new energy-saving building. We take pride in everyday saving of electricity, water and waste by using available devices and by recycling and reusing, whenever it is possible.

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

### **How Kluntz' A/S have implemented the principles**

We have a very complicated and ever changing supply chain. This means that we have no real influence to implement our environmental policies. We have our Code of Conduct and we ask our suppliers to sign it. In our Code of Conduct, we require them to comply with all local laws and regulations in regards to the protection of the environment and it states that our suppliers must strive to:

- Reduce waste and emissions to air, ground and water.
- Handle chemicals in an environmentally safe way.
- Handle, store and dispose of hazardous waste in an environmentally safe manner.
- Contribute to recycling and reusing of materials and products.
- Implement environmentally friendly technologies.

When we talk to new and existing suppliers, we always raise the question of social and environmental responsibility and our attitude towards this. We know we cannot move much, but we believe that if we are part of raising the questions and putting the demands on suppliers, then we are also part of moving the sustainability agenda as a whole.

### **The measurement of outcomes in 2012 in regards to Environmental Protection/plans for 2013**

We have done a risk assessment of our supply chain in regards to social challenges, but we have not yet done this according to environmental challenges. In 2013/14, we wish to do a risk assessment based on where in our supply chain we have the biggest negative impact on the environment.

We are not aware of any breaches in protecting the environment in our supply chain this year.

In 2013, we would like to put more focus on offering our customers Polypropylene (PP) bags as a more sustainable alternative to normal plastic bags. The benefits to the environment when choosing this material instead of normal plastic are as follows:

- One of the most environmentally friendly materials on the market
- It is recommended to use this as an alternative to normal plastic
- Kluntz' PP bags are half made from recycled and new polypropylene
- No water is used in the production process forming the granulates to fiber
- Less energy is used in producing PP than any textiles
- No chemicals are added anywhere in the production process
- PP will not cause allergic reactions
- Polypropylene melts at 170°C and in an incinerator it reduces the extortion of poisonous particles from other materials
- It is biodegradable when submitted to direct sunlight.



## ANTI CORRUPTION

Principle 10

Business should work against all forms of corruption, including extortion and bribery

### Kluntz' A/S commitment to the principles

As mentioned in our Supplier Code of Conduct bribes must not be offered, promised, given, accepted, demanded or contributed from, when doing business with Kluntz A/S. 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.

### How Kluntz' A/S have implemented the principles

It is a clear policy for all our employees in the office in Denmark.

Our suppliers who sign the Code of Conduct have all signed up for not accepting or benefitting from corruption. We explain our Code of Conduct in details to new suppliers whenever new business relations are made.

### The measurement of outcomes in 2012 in regards to anti-corruption/ plans for 2013

There have been no incidents reported during the last year and since we operate from one of the least corrupt countries and buy mostly from other EU countries, we have limited risk of experiencing corruption in our business relationships.

### How to communicate this COP to our stakeholders

This Communication of Progress will be available on our website alongside our Supplier Code of Conduct and our CSR Declaration.

Whenever possible and when we participate in network groups, conferences and seminars we will inform about our CSR initiatives and support to UN Global Compact, The Danish Council for Sustainable Business development (RBE) and The Danish Ethical Trading Initiative (DIEH), with whom we are also members.