

Statement of Support

October 8th 2014

To our stakeholders:

I am pleased to confirm that Kluntz A/S re-confirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour Rights, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our ambitions to improve continually the integration of the Global Compact and its principles into our business strategy and daily operations.

We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Hoerning, October 8, 2014

Kluntz A/S

Peter Nielsen, CEO

Brief description of Kluntz A/S:

Kluntz was founded in 1996. We sell incentive product marketing and provide our customers with good service and advice for the best promotional product for their purpose. We are a staff of 12 and our turnover in 2013 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. We also consider our commitment to ethical trade as an “added value” to our products. So buying sustainable products from us, can also improve the images of our customers.

At Kluntz, our primary service is to guide our customers in selecting the best quality and the best product for the purpose. We take pride in promoting sustainable alternatives to most of the products we sell, and we guide our customers into making that choice.

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. During this year, we have aligned our Code of Conduct with UN Guiding Principles. We use the UN Guiding Principles as a method of implementing the principles of UN Global Compact.

It is a prerequisite to doing business with Kluntz, that our suppliers sign our Code of Conduct.

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 in a more sustainable direction no matter how much business we do with them.

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

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; this is why we have done a segmentation of our suppliers in 2012/2013. After this segmentation, we have a better understanding of our supply chain and our risks.

Below is an overview of how we have assessed our risks and what actions we take to work with our risks:

Segment	Description of segment	Risk assessment	Action
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 have their own Codes of Conduct based on the same standards.	Ask to see their own COC's or any work they are doing to comply with their other customers COC's.
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.	We will send them a self-assessment tool and ask them to fill it out and return to us. Minimum requirement is that they sign our COC.

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, 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.	These suppliers need to sign our COC and fill out our self-assessment questionnaire. Most importantly we need to know where the production is taking place and the supplier needs to show transparency.
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 may not order 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.	They will need to sign our COC before we place the order. We cannot expect more from them.

The measurement of outcomes in 2013 in regards to Human Rights/ plans for 2014

In 2013, we have developed new documents and procedures for working with the risks in our supply chain. Since we would like to align our Code of Conduct and audit tools according to the new EPPA certification system, we have not yet sent it to our suppliers.

We have continued asking our suppliers to sign the old Code of Conduct before we enter into a business with them, so our focus on CSR have not decreased during the last year.

Our aim last year was to receive 75 % signed codes of conducts, but we have not reached this aim, still struggling to get our suppliers to commit to this area of work. However, we are confident, that as soon we send out the new Code of Conduct, it will be easier for our suppliers to commit to, as we also acknowledge our own responsibilities, and since the approach is not based on pass/fail mentality.

During 2013, we have achieved the EPPA bronze certification, but EPPA is not quite ready with the guidelines for achieving silver or gold, which is our aim for 2014/15. We would like to wait for these guidelines/requirements from EPPA before we send out our new requirements to our suppliers, in case it needs amendments.

The brief description of the requirements of the silver and gold level are as such:

Silver level: 'Diagnose and plan'

The company recognizes its social responsibility and translates the Code elements to its daily operations. The program allows a gradual approach each second year, so with each recertification the criteria become more ambitious. The silver level requires the following activities, of course in addition to achievements from the bronze level.



- *Company identifies and documents how the Code principles relate to its activities*
- *Company identifies a management representative, who is responsible for the establishment, implementation and maintenance of the processes related to the Code principles*
- *The company establishes and implements procedures, which provide its relevant employees with applicable information on the principles in relation to employee's roles and responsibilities.*

Mandatory activities for certification in addition to the above business practices:

- *Management training (awareness and understanding)*
- *Mandatory webinar for 50% of key its employees*
- *Company audit, externally verified. Verification criteria develop over four bi-annual audits*
- *Move to the gold level after three years for direct sourcing companies*

Gold level: 'Monitor and verify your supply chain'

Company integrates the Code principles in its daily operations throughout the organization and verifies key stakeholders in its supply chain up to 1st tier manufacturer. This likely includes the following activities, in addition to achievements from the silver level.



- *The program is the responsibility of a company's management/board member*
- *Company continuously recognizes its sphere of influence and integrates into its full business practices*
- *Company ongoing monitors and verifies supply chain up to 1st tier manufacturer (upstream) and works towards credibility of its social responsibility towards its customers (downstream).*

The company will be verified by an independent verification company and works with similar independent companies for verification of their supply chain.

Mandatory activities for certification in addition to the above business practices:

- *Company audit gold level (replaces silver level audit), externally verified*
- *Social audits. Gradual approach from first towards fourth year, depending on risks involved, using own auditors or external auditors*

We expect to be able to send out the new COC and our new self-assessment questionnaire before the end of the year 2014.

We are basing our future approach on UN Guiding Principles, which in time will be easier, as more and more companies will be required to work in this direction. We are a small company with limited influence and leverage in our supply chain, so UN Guiding Principles, is a perfect tool for us to work with.

LABOUR	
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 and adhere to the fundamental Labour principles in Denmark and International Labour Rights. We also respect and adhere to the principles of freedom of association and the right to collective bargaining, bot locally in our supply chain.

How Kluntz A/S have implemented the principles

During 2013, we have worked on aligning our documents and procedures with UN Guiding Principles.

In regards to Labour Rights in our supply chain, we have our current 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.

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

The measurement of outcomes in 2013 in regards to Labour Rights/ plans for 2014

The documents that will enable us to receive more signatures and answers from our suppliers are ready, but we are, as mentioned, waiting for the final guidelines to be able to distribute them out to our suppliers.

Most of our work on CSR during this year have been maintaining our current focus in the daily operations while developing new things, which are now ready for launch.

We have continued our focus on the wellbeing of our own staff in the office in Denmark and we always seek to do better in developing people in our organization.

When implementing UN Guiding Principles we are required to look at our own operations first and how they affect all the Human Rights. This analysis will be initiated during 2014/15 and we will be able to report on our findings and remediation in the 2015 report.

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.

Our Code of Conduct states that our suppliers must strive:

- To reduce waste and emissions to air, ground and water.
- To handle chemicals in an environmentally safe way.
- To handle, store and dispose of hazardous waste in an environmentally safe manner.
- To contribute to recycling and reusing of materials and products.
- To implement environmentally friendly technologies.

How Kluntz A/S have implemented the principles

In our Code of Conduct, there has always been a focus on environmental issues, and this focus has continued in the new development of the Code.

We have always had a focus on environmental issues in-house, by using energy saving light bulbs, being cautious when printing and building a low energy consuming office and warehouse.

This year we have also moved our attention towards the environmental issue in the supply chain by making a risk assessment.

The measurement of outcomes in 2013 in regards to Environmental Protection/plans for 2014

During 2013/14, we have made a risk assessment on where we find we have the biggest risk on affecting the environment in a negative way.

CO2 Emissions

Looking at our supply chain, we found, that the biggest negative impact we make is transportation of our goods, so we have decided to investigate how we can decrease the CO2 emissions by choosing transportation suppliers who have a focus on environmental transportation and a vision to decrease their CO2 emissions over time.

Water usage

Since we have many garment products in our portfolio, we cannot neglect the challenges faced in the garment sector – especially in regards to environmental issues.

The garment industry consumes a lot of water during the entire value chain, all the way from the cotton fields, to the entire use-phase. It is estimated that it will cost 22.000 liters of water to produce one T-shirt.

This is not something we as a small company can work to decrease on our own, but we support sector initiatives and government initiatives to find solutions to the big consumption of water in the garment industry.

Waste

During 2013, Kluntz have focused a lot on packaging and we have been advising our customers on how to reduce waste by minimizing the amount of packing materials. We have also been focusing on recycling of boxes with the general aim to reduced waste and we have had great success with this.

We are continuously working on providing our customers with a more sustainable alternative to every item we have in our product portfolio. We are especially focusing on becoming the key supplier of Polypropylene bags in the promotional product sector. During 2013, we have developed a new web shop and we are highly confident, that the sales of these bags will increase during the next year at the expense of cotton 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.

In 2014/15, we will do an internal assessment to make sure that we are still doing our best in order to be environmental friendly in our office in Denmark. It is important to check the status occasionally that we live up to our own high standards towards which we strive.

ANTI CORRUPTION	
Principle 10	Business should work against all forms of corruption, including extortion and bribery

Kluntz' A/S commitment to the principles

It is part of our requirements that suppliers must strive to avoid corruption in their supply chain. Under no circumstance must they be involved directly in any cases involving taking or offering bribes.

If we experience a supplier offering us a bribe, it will be reported immediately and our business relationship will be terminated.

How Kluntz' A/S have implemented the principles

It is a clear policy for all our employees in the office in Denmark, that if offered a bribe, they should refuse this and report the incident to the management instantly. Of course, they are aware, that they are not to offer a bribe to any of our stakeholders at any time; this will be reason for termination of employment contract.

Once we embark on a new business relationship, we explain the principles of our Code of Conduct to them and what corruption mean.

The measurement of outcomes in 2013 in regards to anti-corruption/ plans for 2014

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.

We have no plans for developing in this area further, as this is low risk to us and we have other areas that demands our focus.

How to communicate this COP to our stakeholders

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

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.