

CORPORATE SOCIAL RESPONSIBILITY



Metz.dk

UN GLOBAL COMPACT
COMMUNICATION ON
PROGRESS 2015

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CEO STATEMENT OF CONTINUED SUPPORT

The purpose of our Communication on Progress report (COP) is to document and communicate the way we work with the ten principles of the UN Global Compact, within our own organization as well as in our network of suppliers and customers. We strive to continually improve our CSR performance, both in our supply chain and within the daily operations of our organization.

It is therefore my pleasure to inform you that Metz A/S once again reaffirms our support to the United Nations Global Compact and its 10 principles.



Yours sincerely,

A stylized, handwritten signature in black ink, appearing to read 'CH'.

Claus Hedegaard
CEO



INTRODUCTION

Metz A/S signed up to the UN Global Compact in November 2013, as we wanted to adopt an internationally recognized framework for structuring and reporting on our Corporate Social Responsibility (CSR) efforts. With our commitment to the UN Global Compact, we emphasize that we as a company are committed to continually improve and document our work within CSR, and we wish to communicate this to our stakeholders, including our customers, suppliers and employees.

As a supplier of promotional products, we work as an intermediary between the end customer and the supplier. In some occasions our suppliers are agents, who work as intermediaries just like us. Metz has a network of many suppliers and sub-suppliers, and therefore we have a responsibility to seek to influence our suppliers in terms of establishing responsible supply chains for the products that we ultimately sell to the end customer.

In the following pages we present the Metz approach to CSR, our ambitions for working with the CSR principles as well as the CSR activities and projects that we have conducted or initiated during 2014/2015.

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ABOUT METZ A/S

Metz A/S was established in 1993 and is an owner-driven company that supplies promotional products and corporate gifts to more than 200 companies and organizations. Metz is the leading and largest supplier in the industry in Denmark and employs 35 people at our headquarters North of Copenhagen in Denmark.

Metz acts as a trend spotter and purchaser on behalf of their customers. As a supplier of promotional products and corporate gifts to Denmark's largest companies, Metz has to be a responsible and trustworthy partner in all areas. Most of the products are produced, according to the customers' wishes and needs.

We are members of several international networks such as the global promotional product procurement organization, IGC Global Promotions (IGC), and the European Promotional Product Association (EPPA) with whom we collaborate closely.

Our mission is to provide high quality products while also influencing and improving conditions relating to labour rights, human rights and the environment in our supply chain. We do this by communicating and by providing guidance to our suppliers in order to help them improve their processes and to comply with the principles of the UN Global Compact. Since we are not a manufacturer, this is the area that we will be able to influence the most, and have the greatest impact.



MEMBER OF
IGC GROUP



THE METZ APPROACH TO CSR

The backbone of the Metz CSR strategy is shaped by the ten principles of the UN Global Compact as well as our membership of the industry association EPPA. EPPA has developed a CSR certification program that focuses on verification and risk assessment of suppliers, which in time will develop into a valuable framework for companies in the promotional products industry working systematically with CSR.

Together with our suppliers and building on the UN Global Compact principles and the guidelines in EPPA's certification program, we wish to work towards a more responsible supply chain for our customers and our other stakeholders.

We do this by collaborating proactively with our suppliers and assessing our partnerships in order to strengthen their compliance with internationally proclaimed principles for Human Rights and Labor Standards, Environment and Anti-corruption. This approach is also defined in our company's CSR policy that structures and motivates our efforts within CSR, see appendix.

Our CSR policy builds on our ambition to make a positive difference to our stakeholders. One of the ways to do this is to create a transparent and responsible value chain. Our CSR efforts are driven by the following ambitions;

- We believe that by working responsibly, over the long term we can outperform competitors, who do not adhere to the same standards and practices as we do.
- We strive to monitor and manage the CSR risks associated with our business, as well as communicate our performance to our customers, so that we can support the success of their own businesses.
- We know that responsible business conduct provides sustainable, long-term business results, and that responsibility is a prerequisite for retaining our customers' trust and confidence.

Metz is an organization with a global network of suppliers and customers. Our main area of impact from a CSR perspective is our supply chain, which due to our global value chain is the area where we can make the biggest difference in terms of integrating CSR principles into business practices. For Metz, responsible supply chain management (RSCM) is therefore a strategic CSR focus area that supports our overall business strategy. RSCM has been our main priority in terms of CSR and the primary focus of our CSR activities in the past year, and will continue to be in the future.



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

At Metz we recognize the challenges and risks connected to managing global supply chains, and that our supply chain is the area where we have our biggest impact and opportunity to influence social and environmental conditions. However, we also recognize that not having our own production poses a risk and to some extent limits the control and leverage we have in terms of improving the sustainability of our supply chain.

Our business model is based upon sourcing either directly from the supplier or indirectly through an intermediary. We distinguish between direct suppliers, companies selling branded goods, recognized agents or other intermediaries. The latter group often manages an independent network of suppliers and will often represent higher supply chain related risks than a single supplier.

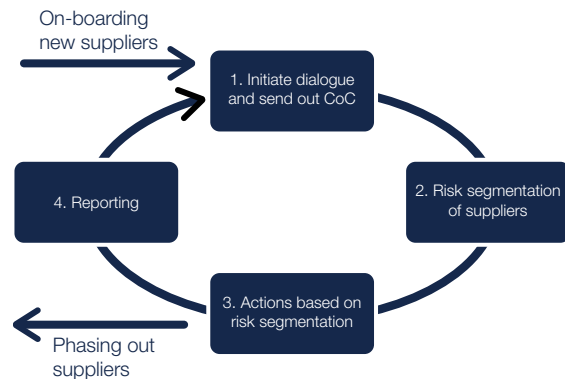
For Metz, working with RSCM is about finding the right balance between the risks and the resources we have, and thus setting realistic goals for improvement. Our RSCM system is based on the UN Global Compact framework. The ten principles of the UN Global Compact, the principles in the ILO conventions, the UN Declaration on Human Rights as well as our membership of EPPA form the basis of the demands we present to our suppliers. The Metz Supplier Code of Conduct outlines the requirements that we expect our suppliers to comply with.

The focus of our RSCM system is to put in place a systematic management system that enforces responsible business practices across the supply chain with the purpose of monitoring significant risks and determining the effort needed to achieve reasonable confidence about suppliers' level of compliance with the Metz Supplier Code of Conduct and international standards.



RISK SEGMENTATION OF SUPPLIERS

Our risk assessment is based on four steps, whereas some of our suppliers need only go through the first two. We make this distinction due to the fact that it is important for Metz to be able to implement a risk based but also resource efficient supplier management system. Once a supplier registers with us, we request the supplier to sign our Supplier Code of Conduct and to complete a self-declaration with a number of questions related to the suppliers' performance on Human Rights, Labour Standards, Environment and Anti-Corruption (step 1). On the basis of various risk-based criteria, such as geographical location, we use the responses and supporting documentation to initially assess in which risk category each supplier should be placed (step 2). If we assess that the supplier poses a high risk, we will initiate a dialogue with the supplier on responsibility and documentation (step 3). The aim of the dialogue is to clarify or resolve any issues involving non-compliance with our Supplier Code of Conduct. If the initial dialogue does not resolve the issues to our satisfaction, further discussions will take place, which may eventually result in the supplier being phased out as a supplier to Metz (step 4).



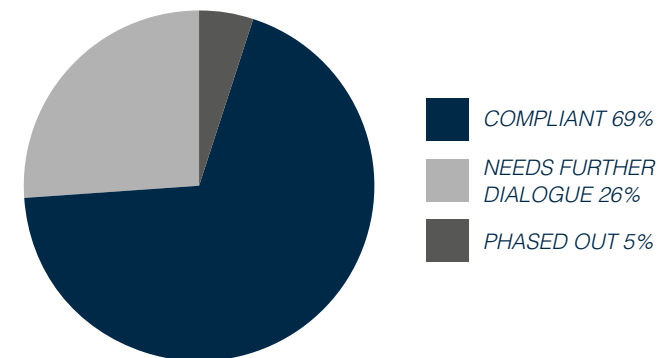
HIGH RISK AREA DOCUMENTATION RESULT

From our review of the received documentation, we can see that 69% of the factories located in high-risk areas, are compliant with our Code of Conduct, and 26% needs further dialogue on how they could improve their performance. If a secondary supplier has not met our CSR requirements, and if it has not been possible to improve their performance, they have been phased out. For this reason we have phased out 5% of the reviewed suppliers.

Our target for year 2020 is that 95% of our primary factories in high-risk areas will meet the requirements in our Code of Conduct. We will meet this target by phasing out the factories where it has not been possible to improve their CSR performance, by moving our primary factories up to our level, and by entering into new partnerships with factories that demonstrate high commitment to the work with CSR.

The ideal would be, that we are able to inspire the factories to take responsibility and to understand the importance of social responsibility, so in time it is not a matter of whether they are compliant or non-compliant, but a question of what they do extra on CSR within their industry.

RESULT OF OUR SUPPLIER RISK SEGMENTATION IN 2015, BASED ON HIGH RISK AREAS (4 STEPS).



CSR ACTIVITY

From last year we can see a significant development in our customers' needs for sustainably produced items, and we expect that it will increase significantly over the next years. When the largest corporations define demands for CSR and documentation for sustainable practices, this development will trickle down to small and medium sized companies, and the effect is that more companies will begin to have similar demands. In principle, this also means that over the coming years there will be more companies to influence and educate on the importance of social responsibility in the factories in the Far East.

ACTIVITIES AND PROJECTS

Our main area of impact from a CSR perspective is our supply chain, which is the area where we can make the biggest difference in terms of integrating CSR principles into business practices. We have therefore visited some of our primary factories in 2015 in order to strengthen our cooperation, and we will continue this approach in 2015/2016.

Due to our global supply chain, responsible supply chain management (RSCM) is a strategic priority for our business. Since our last COP, we have worked intensively with the system, and it has become a valuable tool for our organization. It has given us a systematic approach, and it provides us with a quick overview of our suppliers' performance and identifies which areas that need extra guidance and effort on our part.



KEY FINDINGS FROM THE METZ CODE OF CONDUCT DOCUMENTATION ASSESSMENT

1. HUMAN RIGHTS AND LABOUR

- Discrimination, findings in our document review 0%
- Forced Labour, findings in our document review 0%
- Freedom of Association and Right to Organize, findings in our document review 0%
- Child Labour, findings in our document review 2%
- Working Conditions, findings in our document review 18%
- Health and Safety, findings in our document review 68%

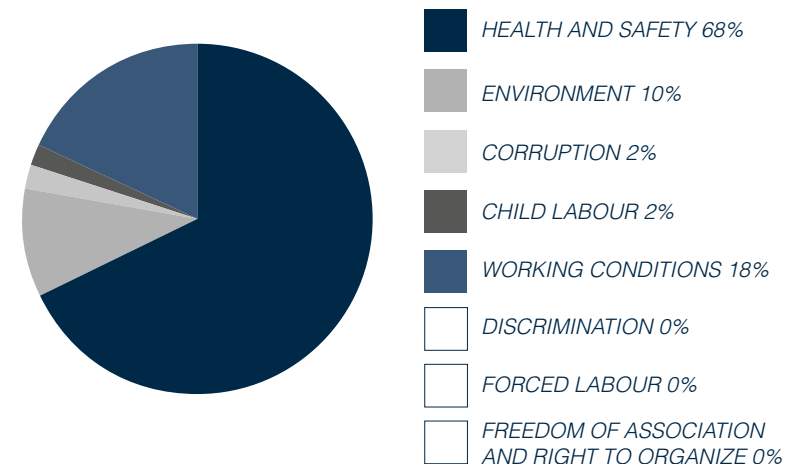
2. ENVIRONMENTAL MANAGEMENT

- Risk identification and management, findings in our document review 10%

3. ETHICAL BUSINESS PRACTICES

- Corruption, findings in our document review 2%

From the assessment of the received documentation, we can see that the area that needs an extra effort on our part is the area of health and safety. We will therefore during the next year pay extra attention to this specific area, and provide extra guidance to the factories in order to meet our target for year 2020, and reduce the areas of non-compliance by 50%.



CUSTOMER WEBSHOPS WITH ENVIRONMENTAL FOCUS

One of our main business areas is worldwide distribution of promotional items through our webshops. For this reason we have developed a system that focuses on minimizing waste by 15-20%. This includes all aspects that are associated with the finished item like: production, storage and delivery. Furthermore, this also prevents our customers from spending money on ordering quantities that are not used.

OUR EMPLOYEES

The employees at Metz play a vital role in the success of the company. This is why we need to continuously focus on the elements that advance the commitment, job satisfaction and wellbeing of our employees.

We do this by inspiring a healthy work environment that supports our employees' job satisfaction and personal development and by fostering a good team spirit, e.g. by frequently organizing social events.

We offer all our employees private health insurance and free access to sports facilities as well as a healthy lunch program, which we believe contributes to preventing sickness and strengthening our employees' physical well-being. In 2014, the private health insurance helped two of our employees with faster recovery and rehabilitation from non-work-related accidents.

To ensure ongoing employee development, annual one-on-one interviews are conducted between the employees and their immediate managers. This is to evaluate job satisfaction and performance, and to define and follow up on employee development goals.

AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2014	AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2013	AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2012	AVERAGE SICK LEAVE FOR PRIVATE OFFICE SECTOR EMPLOYEES IN DENMARK 2013	
3.35	2.53	2.60	7.05	
METZ 2015	MALE	FEMALE	TOTAL	AVERAGE YEAR OF EMPLOYMENT
EMPLOYEES	11	24	35	8.45
MANAGEMENT	1	3	4	



APPENDIX: METZ CSR POLICY

Metz wishes to be a responsible and trustworthy business partner as a supplier of promotional products and corporate gifts to Denmark's largest companies. Metz does not have any in-house production, but act as trend spotter and purchaser for our customers. By delivering the right products, by providing high quality service and by creating a transparent value chain, we want to support a successful business for our customers. Metz was founded upon these values and principles.

We created our CSR policy with the goal of making a positive difference. Responsible supply chain management and the collaboration with our suppliers are the areas in which we have our biggest CSR impact, and where we can make the biggest difference in relation to advancing responsible business practices. The framework for, and backbone of, our CSR strategy and activities are based on the ten principles of the UN Global Compact that we joined in November 2013 as well as our membership of the industry association European Promotional Products Association (EPPA).

EPPA has developed a CSR certification program, which focuses on supplier verification and risk segmentation and which in time, will develop into a valuable CSR framework for companies within the promotional products industry.

By building on the UN Global Compact principles and the guidelines in EPPA's certification program, we will work towards a more responsible supply chain. We do this by proactively impacting and collaborating with our suppliers in order to comply with internationally recognized principles for Human Rights, Labour Standards, Environment and Anti-Corruption.

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