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creon

RESPONSIBLE
CORPORATE
BRANDING

STATEMENT OF CONTINUED SUPPORT
AND COMMUNICATION ON PROGRESS

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Creon is an industry leading outsourcing partner of promotional items. By letting Creon manage the whole value chain from product development to end distribution; large sized corporations save resources, gain control and strengthens their brand communication to their stakeholders.

Statement of continued support

May 4, 2016

To our stakeholders:

I am pleased to confirm that Creon Promotion AB 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,



Mikael Svensson
CEO



Creon's approach to the 10 principles.

Even though this is the second year as a signatory to the UN Global Compact, our work with becoming a socially responsible business partner to our clients and suppliers started 2007.

Instead of taking the easy path forward and limit our practical actions to our operations in Sweden, we realize that our business can be utilized for much more value if we leave the comfort zone. By applying our efforts and resources where it really matters, we are convinced that our business can have a positive impact on people and planet.

Creon's operations are taking place in regions where functioning social safety nets are missing. The majority of all products we supply to our clients are produced in countries with high risk of human rights abuses. As buyers, we have an important role to set requirements of social accountability, follow them up in practice and influence business partners to positive change. Our work with integrating the 10 principles are therefore to the largest part devoted to maximize our positive impact on downstream suppliers that are active in regions with high risk.



Communication on Progress

Period covered by the report: May 10, 2015 to May 9, 2016

Human Rights and Labour principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses 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

Assessment, Policy and Goals

Creon offer a very wide product portfolio covering nearly anything large corporations need to represent their own organizations, internally and externally. That requires Creon to have a wide network of sourcing channels (suppliers, agents, producers and service providers) in order to fulfill the demands.

This complex sourcing environment in which we operate requires established processes to follow and clear communication of how the principles should be safeguarded.

The risk of human rights abuses and poor work place conditions in the sourcing environment is high. It is therefore of outmost importance for Creon to have well established relations with all partners that have influence in the sourcing phase. Creon's policy is to only contract partners that share our ambitions and make sure products are produced under highly ethical circumstances. Our code of conduct and supplier agreements emphasize the expectations we have on our partners.

Our goal is to:

- Only contract suppliers with high ethical awareness.
- Know where and by whom each product we purchase are produced.
- Have 100% of all suppliers to understand, sign and follow our code of conduct.
- Conduct risk assessments on all new producers
- Make sure third party Social Audits are carried out at all production facilities that are perceived as "high risk" in our risk assessment.
- Start up improvement dialogues with each supplier where deviations have been detected in a Social Audit.
- Utilize our room for negotiation to steer positive development
- Affect industry colleagues to address human rights issues in their own supply chains and actively support initiatives such as BSCI memberships or SA 8000 certification.
- Contribute to raise the maturity of our industry in regards to Social and Environmental Responsibility



Implementation

- Our Code of Conduct is revised annually, it is guided by the principles of the Universal Declaration of Human Rights, the UN Global Compact and the conventions issued by the International Labour Organization (ILO) as well as the OECD guidelines for multinational enterprises. Each new supplier shall receive, understand and sign it.
- There are several perspectives of supplier sourcing to balance together with financial aspects.
- Awareness training is the foundation of sound decisions. Training of all personnel working with operational purchasing should be conducted continuously in our organization. All this in compliance with our ISO 9001 certification.
- Conduct a CSR-related risk assessments for every new supplier that is contracted by us. The risk assessment focus on product category, sourcing country and supplier due diligence.
- Even if a product we bring in to the assortment is managed and sourced by a European supplier, we shall if deemed necessary in our risk assessment, carry out a third party Social Audit at the first tier manufacturer.
- Auditing format: All social audits should be based on SA8000 standard. SA8000 address the global compact principles 1-6.
- Make sure to follow-up the progress of factory social compliance for repeat orders.

- Have one employee dedicated to our CSR-program with responsibility and authority to make sure we put our words in practice.
- Highlight the risk aspect in our industry to all stakeholders, we shall contribute to the attention of industry colleagues to actively assess and monitor human rights aspects in their own supply chains. Over the past year, we have increased our efforts in knowledge sharing and addressed the need of more Supply Chain transparency in our industry.
- **Our sourcing criteria's has during 2015 been changed. We select factories in a higher degree that are already certified towards standards such as SA 8000, BSCI, ICTI (for toy's) and GOTS (textile). We make sure all employees or partners responsible for sourcing understand and follow them.**

Measurement of outcome

- All (100%) new suppliers have signed our Code of Conduct and our supplier agreement.
- Every single product in our assortment has been catalogued and have been graded from a CSR perspective. Control measures, follow-up, production location and sourcing measures likewise. As of today, our CSR library includes 409 unique products.
- Creon have been responsible for 13 SA8000 Social audits carried out by accredited third party the last year.
- 4 success cases have been documented where producers have agreed to implement ambitious improvement plans after the initial audit. These results have been or shall be verified and documented with third party re-audits.
- 5 key producers have been visited by own personnel in the sourcing countries who have assessed and advocated continuous improvements.
- **Increased average score at factories where Creon or our agents conduct thirds part audits by Asia Inspection.**
- **Please note, all factories which we audit might not be used based on result. Score were during 2015 very much lowered by a factory score at 0,3 where we never produced our products at.**

Targets for the coming year is:

- To improve our compliance framework enabling better possibilities to measure and follow-up CSR data.
- Increase the number of GOTS certified product.
- Increase average score through Asia Inspection social audits.
- Increase number of SA 8000, BSCI (minimum level GOOD), ICTI or other equivalent certified factories.



We chose to donate a surplus of luminous glasses that we had developed for a customer campaign. Instead of throwing them away; they were put to good use in an orphanage in Ghana, West Africa.



Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy and Goals

Our Environmental policy is described in our ISO 14001 management system. The policy, in general terms, is to integrate environmental consideration in everything we do. We strive to minimize our environmental impact with precautionary actions and influence sourcing channels towards better environmental manufacturing processes.

Our two areas of environmental focus correspond to the most significant impact of our operations. These are "Production" and "Transports".



Production and Transports

Production

Creon do not operate or control production facilities directly. Even so, by using our leverage for producers where we have the biggest purchase volumes, we shall promote and influence producers to adapt to more environmentally friendly processes.

We have identified textile apparel as the product group with the most negative environmental impact. Therefore, we have set the goal to have 100% of our textile assortment to be eco labeled by year 2019.

There are good environmental initiatives available at the market. Creon is working actively together with our clients and suppliers to replace and develop the assortments to include these alternatives for the present year.

A proof of that work is that Creon In March 2016 became the first GOTS company in our line of business. To learn more about GOTS, please read: www.global-standard.org

Transports

Our business model is heavily dependent on transports in our export operations with frequent air shipments.

The goal is to have 100% of the outbound deliveries to be climate neutral.

Implementation

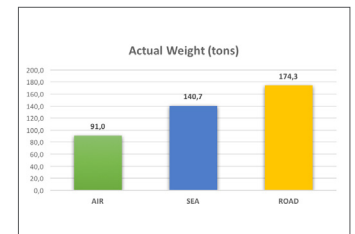
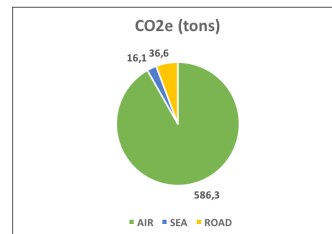
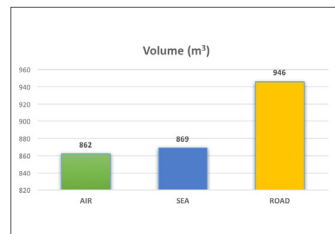
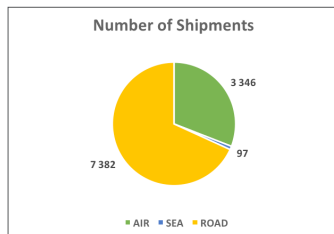
- We shall always conduct a transportation benchmark favoring the most environmental friendly alternative.
- Our customers are the ones that ultimately decide what mode of transport that should be used. We have an important task to affect a "greener" purchase behavior among our clients. By proactively analyzing our clients purchase patterns and suggest alternative ways of transporting goods, we have been able

to combine shipments and replace several smaller air shipments in to bulk orders shipped by sea.

- Creon Promotion entered the Go Green climate program and started to compensate for Co2 emissions caused by our outbound shipments.
- Efficient packing and wrapping is an important environmental factor. Creon shall work actively with minimizing inner- and outer packing material of our products in order to avoid shipping air pockets. We will therefore follow up the average density of our outbound shipments for all modes of transports combined. The goal is to reach **185 KG** of density net product weight per shipped cubic meter with a minimum of 150 kg.

Measurements of outcome

- **100%** of our internal energy consumption stems from renewable wind power
- **163,3 KG** -total average density (KG/CBM). Reason for a lower score 2015 are some larger orders where volume compared to weight has been higher than 2014. Products such as water bottles, jackets, bags such as different models of trollies etc..
- **10825** shipments (91,5%) climate compensated during 2014!
- **639 tons** Co2 were offset and invested in 9 different climate protection projects around the world!



Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

All auditors contracted by Creon Promotion AB are working for accredited agencies who in their turn are being audited. The highest risk of corruption is in the sourcing phase. As a company holding large corporate accounts, Creon and its personnel are desired platforms for sub supplier's ambitions to reach the market. The key issue for Creon is to maintain its integrity and make sure we have methods of making decisions in an objective manner.

During the past year, internal policies for representation and receiving of gifts from suppliers have been implemented.

The policy is followed up and revised once every year.

True CSR work pays off.

Since 2003, the industry association for profile and advertising articles – SBPR – has given the award, Promotion Company of the Year in Sweden, and the winner for 2014 was presented in connection with the annual Promotion trade show in Stockholm. Creon, which also won the award in 2011, was given the following motivation for receiving the award that was presented this year:

"The winner this year is a Premium Company within the industry. It is on the cutting edge of industry development that is moving towards environmental and climate-adapted products and is a role model in the industry in regard to CSR issues, without compromising on its own profitability."



Creon Promotion was founded in October 1999 by Mikael Svensson and Johan Lindberg, both active in the industry since 1990. Today, there are 22 proud employees who - with their various core competencies - all contribute to us being one of the industry's fastest growing and most successful teams.

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