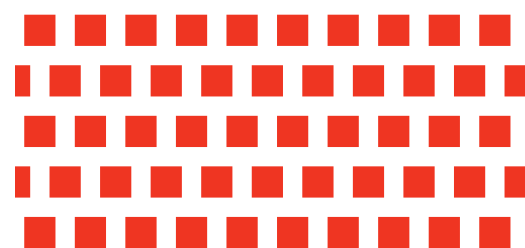


United Nations Global Compact
Communication On Progress



UN Global Compact COMMUNICATION ON PROGRESS 2015

18 May 2016

To our stakeholders:

I am pleased to confirm that mcs Promotion GmbH supports the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. With this communication, we describe how we fulfil those principles, as well as our intentions of doing so in the future. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engage in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

mcs Promotion GmbH will make a clear statement of this commitment to our stakeholders and the general public. We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy.

Sincerely yours,



Ralf Dickopf
Owner



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

- A formal policy concerning labour practices and human rights has been developed at mcs.
- Most current supplier contracts stipulate that suppliers should abide by the International Partnership for Premiums and Gifts (IPPAG) and mcs Codes of Conduct, which state that all Human Rights should be observed.
- Safe and healthy working conditions mean social progress and a competitive economy. All German health and safety laws as set out by the federal Ministry of Labour and Social Affairs are adhered to. Suppliers are expected to meet their respective local government demands or the standards set by the International Labour Organisation (ILO), whichever are more applicable.
- With the help of newly implemented safety mechanisms, zero lost-time accidents and zero occupational injuries occurred in the past calendar year.
- To be more socially responsible and to help employees save for the future, a private employee retirement fund has been implemented, which provides up to 100% of the monthly payment into the employee's retirement fund according to the employee's income bracket.

Principle 2: make sure that they are not complicit in human rights abuses.

- In an effort to actively fight complicity of human rights and labour abuses, audits and self-assessments of mcs's most frequently used suppliers are conducted annually. mcs uses a variety of audits and assessments, the most frequent of which are the Social Accountability International (SAI) self-assessment and the SMETA (SEDEX Members Ethical Trade Audit). mcs does 80% of its business with approximately 90 of its 454 active suppliers. Of the 90 top suppliers, 48 are currently assessed via biennial SAI Self Assessments and/or SMETA. Progress has been made in the area of Human Rights, as mcs has asked these 48 partner suppliers to agree to the mcs and IPPAG Codes of Conduct and reach the status of "Corporate Social Responsibility (CSR) Validated", "Audited" or "Partner" in the IPPAG network.
- Mcs has had no investigations, legal cases, rulings, fines or other relevant events related to Human Rights.

GOALS

- Maintain zero lost-time accidents and zero occupational injuries.
- Improve transparency to all stakeholders by publishing mcs's "Policy on Labour Practices and Human Rights".
- Implement a grievance mechanism consisting of a board of employees.
- Facilitate a private health insurance option for employees and their families.
- Develop the knowledge of mcs purchase managers regarding Human Rights related risks in Asia and Eastern Europe via collaboration with SEDEX.
- Increase the number of SAI Self Assessments and/or SMETA of top suppliers.
- Get more partner suppliers to agree to the mcs Code of Conduct and have status of "CSR Validated", "Audited" or "Partner" in the IPPAG network.
- Institute audits and self-assessments of more top suppliers, which include assessments of Human Rights performance.
- Include the IPPAG and mcs Codes of Conduct in all future supplier contracts.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

- All employees are required to sign a written employment agreement, which clearly states employee rights and responsibilities, as well as their compensation and benefits. Employees of mcs are free to choose representation or join collective bargaining efforts. Time spent in these meetings for these issues can take place on company grounds, but should occur outside of core work hours and will not be compensated by mcs.

Principle 4: the elimination of all forms of forced and compulsory labour;

- Trainings of all employees concerning effective communication and fair feedback processes were conducted in 2015 and will be conducted periodically in order to increase transparency, limit bullying and improve equality of workers.

Principle 5: the effective abolition of child labour; and

- Supplier contracts stipulate that suppliers should abide by the IPPAG and mcs Codes of Conduct, which state that all Labour Principles should be observed.
- The international labour laws as set out by the ILO are adhered to. Child labour is strictly prohibited and the youngest student workers hold summer jobs and are at least 16 years of age. German labour law restricts their workload and times.

Principle 6: the elimination of discrimination in respect of employment and occupation.

- The principle of equal employment opportunity and a work environment free of discrimination and harassment for all employees is important to mcs. All employment decisions are based on business needs and individual qualifications, without regard to race, religion, national, social or ethnic origin, sex (including pregnancy), age, physical, mental or sensory disability, HIV status, sexual orientation, gender identity and/or expression, marital, civil union or domestic partnership status, family medical history or genetic information, family or parental status, or any other status protected by the laws or regulations. Discrimination or harassment based on any of these characteristics will not be tolerated.
- Equality in the workplace has been improved via the decentralization of the company's organisational structure into self-managing teams. This move eliminated the majority of formal leadership positions that had traditionally been held by men, thus helping to empower all workers to participate in all management decisions on an equal playing field, regardless of gender, ethnicity or any other characteristics.

GOALS

- Install new warehouse hardware and software to further reduce physical and environmental risks.
- Systematically eliminate pay discrepancies and salary discrimination between women, men and minorities.
- Further develop and publish formal policies on labour practices and the "CSR Information for Stakeholders" document.
- Finalise and communicate to employees a personal development scorecard meant to help employees track their personal goals along their career path at mcs.
- Owners of mcs will annually review and consider data relating to the Ten Principles before mcs publishes the next annual UN Global Compact Communication on Progress.
- Employee absenteeism can be an indicator of dissatisfaction. In 2015 mcs recorded an average of 7.5 days of absence per worker, which was a reduction in absenteeism compared to 2014. mcs plans to further decrease the days of absence by working to improve employee satisfaction.

Environment

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

- External initiatives covering core CSR issues via IPPAG and Gesamtverband der Werbeartikel-Wirtschaft e.V. (German Promotional Product Association, GWW) are endorsed.
- As an importer of products produced around the world into the European Union, mcs is required to adhere to German health and safety laws, which include the reduction or elimination of certain hazardous chemicals.
- mcs joined the BOMcheck database which leads to increased product safety by means of supplying the possibility of analysing mcs's products along the supply chain.
- In an effort to keep its carbon footprint at a minimum and increase the number of environmentally friendly products with high product specific quality standards, mcs sources approximately half of products from local German suppliers.
- Mcs has a written environmental policy, which promotes the prevention and management of environmental risks, as well as a commitment to developing a risk management and sustainable procurement process in connection with ISO 20400.

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

- A CSR manager was appointed in 2013 to improve the social responsibility standing of mcs. This role continues to promote socially and environmentally responsible behaviour to the present.
- Supplier contracts stipulate that suppliers should abide by the IPPAG and mcs Codes of Conduct, which state that mcs is committed to conduct its business in an environmentally friendly way through the responsible use of resources.
- All employees who come into contact with potentially hazardous substances, such as batteries and paint, go through safety training. In addition, all employees in the warehouse complete regular packing/shipping security training.
- Naturstrom AG provides mcs with 100% renewable energy generated by water power plants. Because it uses this source of energy, the company was able to reduce its carbon emissions by approximately 32 tons of CO₂ during the last calendar year.
- mcs is a member of RESY Organization für Wertstoffentsorgung GmbH (Waste Management Organisation), which guarantees the complete disposal and reuse of all transport and grouped packaging bearing the RESY symbol. RESY adheres to the European Parliament and Council Directive 94/62/EC of 20 December 1994. Through this initiative, at least 60% of paper and cardboard used by mcs is recycled or recovered annually.
- mcs reduces waste by actively managing its printer toner reuse by collaborating with the supplier: sending empty cartridges back to the supplier to have them refilled.

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

- mcs has developed a technological "Reporting Portal". This information dashboard increases efficiency of customer orders and reduces waste by facilitating information flow and customer control. This helps the customer place orders efficiently by helping them to only order the amount of product they need, which directly reduces traditional waste caused by accidental excess ordering of goods. Giving customers more information about the product type and volume of their order history gives them more power to forecast future demand of the products they will need to order from mcs. The Reporting Portal reduces the historic overproduction of products by up to 30%.

- Carbon neutral shipping is used within Germany via mcs's main logistics provider.
- mcs is in the process of implementing new warehouse software and hardware, which uses intelligent technologies to improve the efficiency of the packing process by optimising material use, as well as reducing cardboard usage and internal packing fillers.
- The use of electric cars for the carpooling fleet was initiated with the purchase of the first electric car during the past calendar year.
- Paper usage has been and will continue to be reduced via the intentional, systematic increase of digital invoicing to customers and digital file storage of orders.

GOALS

- Increase instances of digital invoice storage in order to reduce paper waste.
- Publish the mcs's "Environmental Policy".
- Develop risk management and sustainable procurement processes to be in line with the ISO 20400 in order to further mcs's environmental commitment.
- Reduce the usage of fossil fuels through the gradual addition of more electric cars to its carpooling fleet, as current leases on petroleum and diesel fuelled cars expire.
- Improve mcs's annual environmental score assigned by the EcoVadis External Assessment.

Anti-Corruption

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

- The "Policy on Business Ethics and Anti-Corruption" has been developed, which includes mcs's statement of support of the UN Convention Against Corruption and states its formal policy of zero-tolerance of corruption.
- mcs is resolutely opposed to bribery and corruption in whatever form it may take. Any payments, gifts or inducements made by or on behalf of mcs and which induce or are intended to induce someone to act improperly and payments, gifts or inducements to public officials to influence them in the performance of their duty (other than payments, fees etc. which they are entitled to demand by written law) are matters which are likely to result in disciplinary action, including summary dismissal, against employees concerned. Gifts or entertainment may only be offered to a third party if they are consistent with customary business practice in the relevant territory, are modest in value and cannot be interpreted as inducements to trade. Where there is any doubt, guidance should be sought from the Internal Counsel.
- Sales of the group's services and products and purchases of products and services from suppliers will be made solely on the basis of quality, performance, price, value and/or for the benefit of the group; and never on the basis of giving or receiving inducements in the form of payments, gifts, entertainment or personal favours or in any other form. Employees should not accept gifts, money or entertainment from third party organisations or individuals where these might reasonably be considered likely to influence business transactions. Gifts, other than trivial ones with a low value, should be returned. In a culture where such an action might cause offence, the gift should be declared to the company and, if practical, donated to an appropriate charity.

GOALS

- Increase the transparency of formal company policies and sustainability efforts by developing, publishing, and actively communicating them to all stakeholders.
- Publish mcs's "Policy on Business Ethics and Anti-Corruption".
- Improve awareness of intellectual property rights by supporting a local plagiarism museum in Solingen, Germany called Museum Plagiarius e. V.. This museum collects plagiarised products and increases awareness of the counterfeiting industry with the aim of decreasing consumption of plagiarised goods. This effort is especially relevant in mcs's industry.
- Conduct corruption risk assessments before adding new suppliers.
- Increase the percentage of contracts with business partners containing "anti-corruption" and/or "ethical behavior". About half of the long term contracts mcs holds with its clients are dated before 2010. Since transparency, ethics and environmental compliance has increased significantly in recent years, updates to the old contracts are due in the coming year.
- Conduct more audits of mcs and its suppliers worldwide to ensure consistency with mcs's anti-corruption commitment.