

CORPORATE

SOCIAL

RESPONSIBILITY

UN GLOBAL COMPACT
COMMUNICATION ON
PROGRESS **2016**

METZ.DK



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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. We are confident, that responsible business management will deliver sustainable business results. It is primarily the companies of the world that drive globalization, and it will only be through a global fellowship and cooperation that we can ensure progress for the benefit of the world's economies and societies.

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 handwritten signature in black ink, appearing to read 'C. Hedegaard'. The signature is fluid and stylized, with a long horizontal stroke at the end.

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 recognize 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. On 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 2015/2016.

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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.

As the only Danish company, Metz has obtained membership and part ownership of the world's largest procurement organisation, IGC Global Promotions. IGC was founded in 1956 and is a global network represented in 52 countries.

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 thus have the greatest impact on.



MEMBER OF
IGC GROUP



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OUR APPROACH TO CSR

The backbone of the Metz CSR strategy is shaped by the ten principles of the UN Global Compact.

Together with our suppliers and building on the UN Global Compact principles, 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 Labour 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 valuechain. 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.
- 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 valuechain 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 associated with 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.

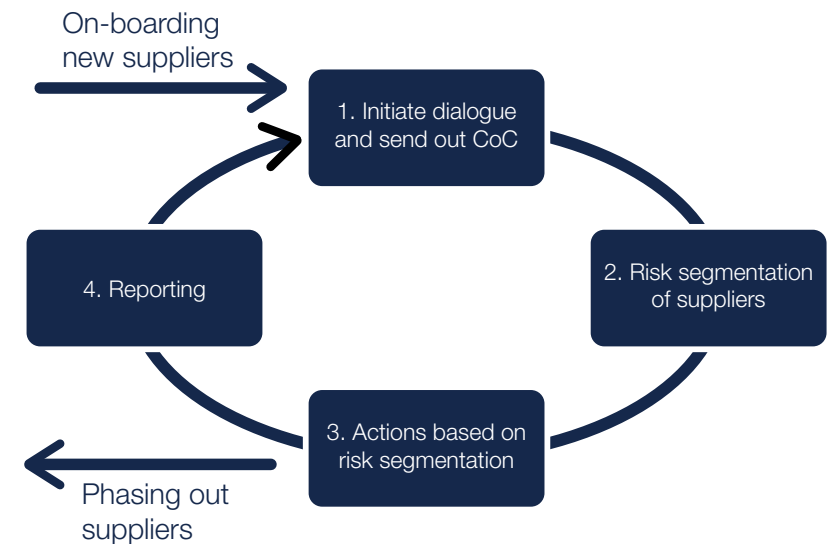
Our business model is based upon sourcing either directly from the supplier or indirectly through an intermediary. We distinguish between direct suppliers, companies selling branded goods, recognized agents or other intermediaries. The latter group often manages an independent network of suppliers and 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 and the UN Declaration on Human Rights 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 purpose of our RSCM system is to have 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.



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HIGH RISK SUPPLIER COMPLIANCE FROM RISK SEGMENTATION

In the past year we have optimized our internal supplier database, and added levels to the listed suppliers. This provides a quick overview of the supplier's present compliance stage and the requirements needed for the suppliers to move to the next level.

From this year's review, we can see an improvement in the number of suppliers that meet our requirements for documentation and our code of conduct compliance. Some new suppliers have moved directly to level 1 and some to level 2 (if a new supplier does not show compliance, they move directly to level 3).

LEVEL 1

Compliant - no supporting documents are needed; however minor improvements may be necessary.

This year 52% were placed in level 1 (against last year's 50%). Some of the suppliers from levels 2 and 3 were moved to level 1 due to supporting compliance documents or closing of their CAPS. Some new suppliers entered directly to level 1.

LEVEL 2

Partial compliance - supporting documents and/or major improvement needed.

17% were in level 2 (against last year's 19%), and some suppliers have been moved to level 1. If a supplier did not manage to close their major non-compliance findings, if documents had expired or if there has been changes in their organization that affected their compliance, we have been forced to move some of them down to level 3.

LEVEL 3

Not in compliance - Compliance documents are needed.

31% were in level 3 (against 26% last year). Some suppliers regained compliance documentation and were moved up to level 2 or 1. No suppliers from last year's level 3 have been moved to level 4.

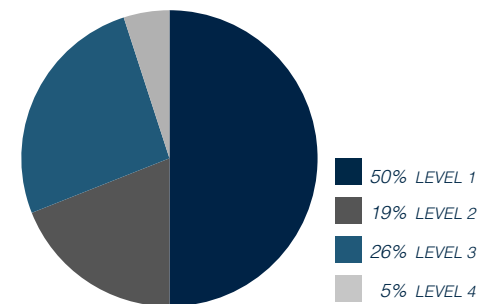
LEVEL 4

Phasing out

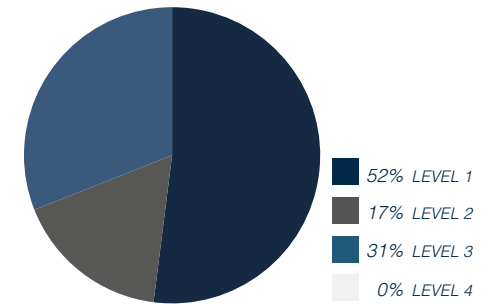
0% in level 4 (against last year's 5%). Some suppliers from last year's level 4 were phased out of our system, however a number of suppliers have been moved to level 3, 2 or 1 because they have had audits or provided other types of compliance documents.

Next year we will focus our efforts on level 2 and 3, and try to help the suppliers move up a level, and we will do this through guidance and close cooperation.

Result of our risksegmentation in 2015, based on high risk areas (4 steps).



Result of our up to date risksegmentation, based on high risk area (4 steps).



Our target for year 2020 is that 95% of our primary factories in high-risk areas will meet the requirements of 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.

Ideally, we would like 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 are doing extra on CSR within their industry.

HIGH RISK SUPPLIER COMPLIANCE FROM METZ CODE OF CONDUCT

Throughout the past year, we have worked intensively with our risk assessment system, and updated some of the areas within the system that needed improvement. The system provides us with a quick overview of our suppliers' performance and identifies which areas that need extra guidance and effort on our part. The new updates should help us map the areas further, so we can work closer on meeting our target for year 2020, and reduce the areas of non-compliance by 50%.

Please find below the findings from this year's assessment against the Metz Code of Conduct.

1. HUMAN RIGHTS AND LABOUR

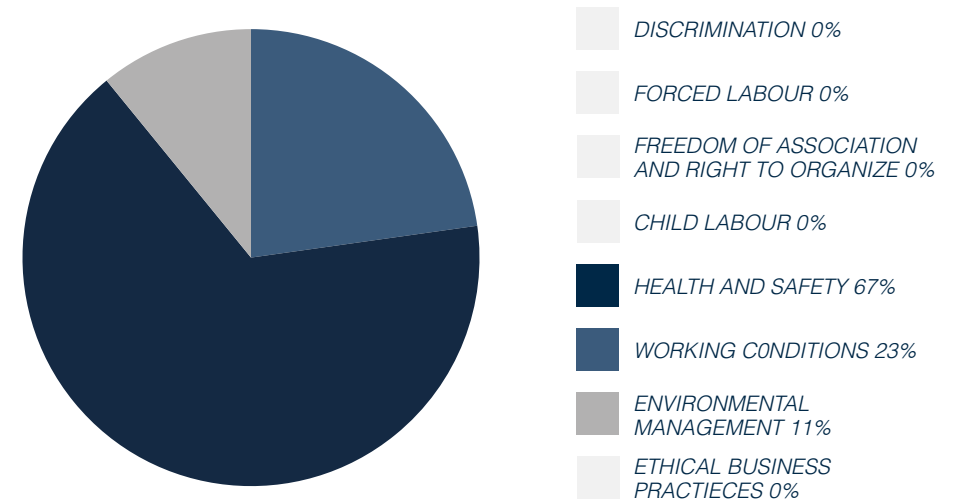
- Discrimination, findings in our document review 0%
- Forced Labour, findings in our document review 0%
- Freedom of Association and Right to Organize, findings in our document review 0%
- Child Labour, findings in our document review 0%
- Working Conditions, findings in our document review 23%
- Health and Safety, findings in our document review 67%

2. ENVIRONMENTAL MANAGEMENT

- Risk identification and management, findings in our document review 11%

3. ETHICAL BUSINESS PRACTICES

- Corruption, findings in our document review 0%



PROMOTING A GOOD AND HEALTHY WORKING ENVIRONMENT

Similar to last year, we can see from the assessed documents, that it is the area of Health and Safety that needs extra attention. With regard to "Health and Safety", it is mostly lack of PPE (Personal protective equipment) that the suppliers need some guidance in.

It's important that both the management team and the workers understand the reasons why it is important (preventing injuries, sickness etc.). Next year we will focus on promoting the benefits of having a good and healthy working environment, what it can do for the company by giving the workers the right tasks, challenge their individual areas of expertise, but also the benefits that comes from a good team spirit in the workplace. In our opinion healthy and satisfied workers will deliver better quality and better service and in the end this will result in greater success for the company.

METZ STAKEHOLDER CSR ACTIVITY 2016

CUSTOMERS

We have seen a change in the smaller companies in the last year. It seems that the large corporations' CSR development and required documentation for sustainable practices are now starting to trickle down to the small and medium sized companies. A number of medium sized companies are now also asking for confirmation of their code of conduct, transparency in their supply chain (permission for same if required) in order to demonstrate their responsibly produced items. This is a positive development as we are confident that responsible business management will deliver sustainable business results. Through global cooperation it will be possible to influence and educate the factories on the importance of social responsibility for the benefit of the world's economies and societies.

SUPPLY CHAIN

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. It is important that our supply chain has a responsibility towards CSR and towards us, and we believe that building bridges between our companies will result in better products and better business relationships.

From our recent factory visits we can see a positive development in the number of projects with the factories in question, and we can see that the factories take greater ownership of our projects when they get this extra attention and interest. We will therefore continue the approach from last year and keep visiting our primary factories every year.

Next year we will also look closer at mapping our supply chain further. In our opinion it is an advantage to keep the number of suppliers to a minimum and work on strengthening the business with the individual factories.

A DIFFERENCE TO BE REMEMBERED BY

Our payoff: "A difference to be remembered by" reflects on the promotional items that we sell to our clients, which their recipients are happy about – and will remember. However, it also reflects the culture within Metz and is the center of our daily work in the organization in relation to the service we provide to our customers, what we can do to help others, how we treat our colleagues, and what we can do for the environment etc.

A DIFFERENCE FOR OTHERS

DISCONTINUED PRODUCTS

To avoid throwing out products that could make a difference for others, we have entered into an agreement whereby we deliver our discontinued items to a women's center and to a help organization for the homeless (1).

CHRISTMAS GIFTS – VALGGAVEN.DK

We are committed every year to develop and produce 100,000 Christmas gifts that are worth remembering. Besides our customer decided Christmas webshops (with their own gift choice), we have a predefined Christmas webshop with 25 different gifts that our customer's employees can choose from. We call this "valggaven.dk".

As a standard, one of the 25 gifts is a donation, and this year the donation is a combination of the "Menu Nepal teddy" project and a donation to the "Red Cross" (2).

(1) Examples on discontinued samples: Clothing, drinking bottles, mugs, towels, blankets, knitted hats, caps, gloves, first aid kits etc.

(2) Many young Nepali women from poor families are at risk of being led into prostitution. Through education of children and employment of young women Menu offers an alternative. Menu has teamed up with local producers in Nepal, which also wants to create a better future for Nepal's children and women. The production employs hundreds of weavers and tailors.



FIRST AID TRAINING COURSE

It's important to be able to help others, if there is an accident, or if a person has a heart attack. Many accidents end in death or in serious permanent injury because the victim does not receive the proper life-saving help in the first crucial minutes. That is why all employees at Metz have been offered a first aid training course provided by "Dansk Folkehjælp". The first course was held in November 2016 and the second course will be held in January 2017.

A DIFFERENCE FOR THE ENVIRONMENT

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.

BESIDES THE THINGS WE ALREADY DO;

Each year we are focusing on finding new ways to optimize our processes and minimize our environmental impact.

In 2014, we stopped ordering bottled spring water to REDUCE OUR WATER WASTE and each employee received a drinking bottle instead.

In 2015, we introduced a system to REDUCE OUR FOOD WASTE, where each employee notifies the receptionist if they will be in the office for lunch the following day.

In 2016, all employees got rechargeable computer keyboards and computer mice to REDUCE OUR BATTERY WASTE, this will each year save the disposal of around 450 batteries.

IT IS THE SMALL THINGS THAT CAN HELP MAKE A DIFFERENCE.



OUR EMPLOYEES

A good working environment is not only about the way we talk to each other, it's about giving the employees the right tasks, challenge their expertise, and about supporting a good team spirit. It's important that the employees get proper answers and guidance to their questions and feel that they are listened to when they present their suggestions and ideas. In other words, each employee should feel important and valued.

At Metz, we acknowledge that each employee plays a vital role in the success of the company. We continuously focus on the elements that advances their commitment, job satisfaction and their wellbeing at work. We do this by having annual one-on-one development interviews, by offering a private health insurance for our employees and their children, by fostering a good team spirit (e.g. by frequently organizing social events) and by giving the employees free access to sports facilities, healthy lunch programs, free fruit etc.

We believe that all these things result in a good working environment in the organization and are reflected in the statistics of our average yearly sick leave and average years of employment.

AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2016	AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2015	AVERAGE SICK LEAVE FOR METZ EMPLOYEES 2014	AVERAGE SICK LEAVE FOR PRIVATE OFFICE SECTOR EMPLOYEES IN DENMARK 2014	
2.31	2.2	3.35	6.5	
METZ 2015	MALE	FEMALE	TOTAL	AVERAGE YEAR OF EMPLOYMENT
EMPLOYEES	11	24	35	9.94
MANAGEMENT TEAM	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 acts as a trend spotter and purchaser for our customers. By delivering the right products, by providing high quality service, and by creating a transparent valuechain, 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.

By building on the UN Global Compact principles, we will work towards a more responsible supply chain. We do this by proactively influencing 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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