

THE CREON WAY



STATEMENT OF
CONTINUED SUPPORT
AND COMMUNICATION
ON PROGRESS



Content

Statement of continued support	5
Creon's approach to the 10 principles.	6
Communication on Progress	7
Taking the Profile Store to the next level	7
Human Rights and Labour principles	8
Assessment, Policy and Goals	8
Implementation	9
Outcome 2016	10
Targets for the coming year is:	11
Assessment, Policy and Goals	12
Production	13
Transports	13
Implementation	13
Measurements of outcome	14
Anti-Corruption Principles	15
True CSR work pays off.	15



Creon is an industry leading outsourcing partner of branded 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

Apr 28, 2017

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 always share this information with our stakeholders using our primary channels of communication.

2016 was the year we took our business model one step further, when we introduced a sustainability rating system to our products. Starting with the assortment for our largest customer, we've set sustainable goals for each product as well as making sure that our suppliers adhere to the customer business Code of Practice regarding society and the environment.

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 2016 to April 2017

Creon offer a very wide product portfolio covering nearly anything large corporations need to represent their own organizations, internally and externally. From the very start we made this possible through our business model - the Profile Store. This 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.

Taking the Profile Store to the next level

By introducing a sustainable rating to our products we're aiming to become even more aware of how we can enhance our customers brands by being really true to their core values.

No product is accepted to the assortment if the basic label isn't reached. When purchasing branded items and workwear from the Profile Store the customer actively support our as well as their own sustainable productivity goals.

Every item from the Profile Store is then stored and transported climate neutral.

By doing this we are aiming to make an even more direct impact to all 10 principals.



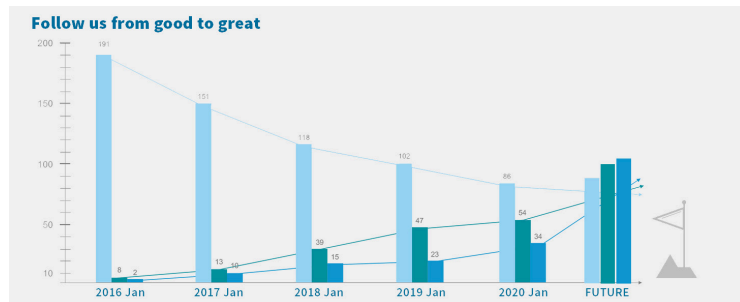
Exceeding industry standards
Manufacturers are chosen based on their commitment to high sustainability and ethical standards.



Improved procedures
Extra measures have been taken to reduce environmental impact or increase overall community benefit.



Certifications
Optimal CSR and environmental standards achieved and certified.



Human Rights and Labour principles

- P1:** *Businesses should support and respect the protection of internationally proclaimed human rights; and*
- P2:** *make sure that they are not complicit in human rights abuses.*
- P3:** *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
- P4:** *The elimination of all forms of forced and compulsory labour;*
- P5:** *the effective abolition of child labour; and*
- P6:** *the elimination of discrimination in respect of employment and occupation.*

Assessment, Policy and Goals

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 ambition is always 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.
- Initiate 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 regard 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.
- Split the responsibility between multiple employees in order to create a broad dedication to our CSR-program. All with the 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.
- During 2016 our sourcing criteria has continued to develop even further. We

continued to select factories in a higher degree that are already certified towards desired standards such as SA 8000, BSCI, ICTI and GOTS. We also made sure all employees or partners responsible for sourcing understand and follow them.

- The Sustainable rating program is up and running for our largest customer.

Outcome 2016

With the increasing numbers of certified and/or audited suppliers in our catalogue we will experience years with fewer audits. This also comes from the variety of productions made from our customers' needs that can be fluctuating from on year to another. This year we have accomplished the following:

- AAll (100%) new suppliers have signed our Code of Conduct and our supplier agreement.
- Today we have 409 unique products in our sustainability rated assortment. They have all been graded and cataloged from a CSR-, control measure-, follow-up-, production location- and sourcing perspective.
- Creon has been responsible for 11 new SA8000 Social audits carried out by accredited third party the last year.
- 1 success case has been documented where producers have agreed to implement improvement plans after the initial audit. This result have been or shall be verified and documented with third party re-audits.
- 23 key producers/factories have been visited by own personnel or third party agency.
- Increased average score at factories where Creon and/or our agents ordered thirds part audits from Asia Inspection.
- 2016 was the first year as certified GOTS reseller (April). As a first, we succeeded in implementing two GOTS certified textile products before the end of the year.

Targets for the coming year is:

- To improve our compliance framework enabling better possibilities to measure and follow-up CSR data.
- Continue to increase the number of ECO/CSR friendly products as a whole
- Continue to increase average score through Asia Inspection social audits.
- Continue to increase the number of SA 8000, BSCI (minimum level GOOD), ICTI or other equivalent certified factories throughout our supply chain



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

P7: *Businesses should support a precautionary approach to environmental challenges;*

P8: *Undertake initiatives to promote greater environmental responsibility; and*

P9: *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 "Transport".



Production

Creon does not operate or control production facilities directly. However, 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
- We can see and explain a decreasing density score for the second year in a row. However this year figures show a unreasonable high difference that we have questioned our suppliers figures. This recheck haven't been able to be ready for this report.
One major reason to the deceasing score is the chosen air freight option which packs in a specific volume ratio that sometimes makes it difficult to increase the density, Also we have made some large bulk shipments to Canada and Australia where many of the products have a unfavored kg/CBM ratio build in. These are products such as water bottles, jackets, different models of trollies, scale models etc.
- **13 706** shipments (99%) climate compensated during 2016!
- **1 190 tons** CO2 were offset and invested in 9 different climate protection projects around the world!

Anti-Corruption Principles

P 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 24 PROUD EMPLOYEES WHO - WITH THEIR VARIOUS CORE COMPETENCIES - ALL CONTRIBUTE TO US BEING ONE OF THE INDUSTRY'S FASTEST GROWING AND MOST SUCCESSFUL TEAMS.



CREON

THINGS MATTER