

2018 REPORT

SERIOUS

about Sustainability

PCNA
INSPIRING PRIDE

Contents

Who we are	2
Serious about sustainability	3
How we care	4
Building trust	6
Product responsibility	10



Poly concept
North America
Pittsburgh, US

PF Concept
Roelofsveen,
The Netherlands

PF Logo Express
Poznan, Poland

Poly concept
Global Buying Services,
Shanghai, China

WHO WE ARE



Polyconcept North America (PCNA) is a wholly owned subsidiary of Polyconcept, the world's leading promotional products supplier. With headquarters in New Kensington, Pennsylvania, PCNA operates

Leed's, Bullet, Trimark and JournalBooks. As the corporate home for this diverse group of suppliers, PCNA serves as a single source for the widest selection of hard goods, apparel, cutting-edge decoration and reliable service.

SERIOUS ABOUT SUSTAINABILITY

Every day, people are showing a greater interest in taking care of the world around them. As such, the expectations they have for their products have come to reach far beyond price and quality. Health, safety and the environment are all on consumers' minds. And this does not apply to just the end product - the environmental impact and suitability of production conditions along the entire supply chain now play an important role. Primary concerns can range from waste reduction and resource exploitation to working conditions of employees all around the world. As such, the globally operating and fast-moving promotional product industry is faced with increasing sustainability demands.

PCNA is ready to rise to the challenge. For us, taking care of people and the environment is not

something we see as a problem; we see it as a responsibility. We share the values people hold about the world around them, and we are committed to taking sustainability seriously.

Ensuring social compliance and reducing environmental impact at all levels of the global supply chain are the big challenges of our time. If we are to generate positive change and truly make an impact, we will have to walk the walk together with our suppliers and distributors. That is why we are fully committed to living up to our social and product responsibilities in partnership with our business associates worldwide.

The unique PCNA way of driving change towards sustainability is solidly based in a serious, long-term approach to compliance management. We have built up and continuously improved the management systems and instruments capable of addressing challenges along the entire global supply chain.

Throughout all our departments, top management is strongly committed to rigorous implementation of the principles of social and product responsibility, as well as partnership and innovation. It is part of PCNA's core values to be 100% sincere about all the products we sell and the way they are produced.

PCNA's goal is to build a sustainable vendor base. The way we intend to achieve this is deeply anchored in an effective management system and trustworthy working relationships. Continuous improvements are made through Vendor Panel Reviews, Vendor Scorecards and Corrective Action Plans. Our individual approach to quality engineering in partnership with our vendors is the key to long-term relationships and good development. We are convinced that improving working conditions, safeguarding product quality and building credibility along the supply chain can advance responsible businesses worldwide.

HOW WE CARE

At PCNA, we are strongly committed to compliance. In general, compliance means conforming to rules. These rules can range from national and international laws and regulations to local policies and specifications. But for us, compliance is not just about adhering to a set of rules: we see it as our obligation. And we are prepared to go the extra mile.



Larry Whitney
Director Global Compliance
at Polyconcept Group

"We require all products that we sell to be manufactured in a responsible manner, and to meet the applicable national regulatory requirements in the markets where they are intended to be sold. Everything that we do is centered on this basic philosophy!"



Our management strongly believes in corporate citizenship. Corporate citizenship involves the extent to which businesses meet their social, legal, ethical and economic responsibilities, with the goal of

creating higher standards of living and quality of life for their employees, partners and customers. The demand for socially responsible corporations continues to grow, and we also believe sustainability should be a guiding principle when it comes to pursuing good corporate governance.

Effective compliance management is at the very heart of our company's operations, and reaches far beyond simply mitigating liability risks. PCNA serves as a gatekeeper for responsible products and suppliers, and our commitments to anti-corruption, integrity, transparent supply chains and fair working conditions are at the heart of driving a real change towards sustainable development



worldwide. The President himself is regularly involved in factory visits to stay up-to-date on progress and challenges, and the entire PCNA team is deeply committed to our Code of Ethics.

A monthly tracker informs senior management of compliance issues, and group-wide quarterly vendor panel reviews form the basis of increasingly strict implementation of our principles.

As part of the global Polyconcept Group, we have uniquely extensive options at our disposal to ensure compliance. For more than ten years now, the Polyconcept Group has employed a special team of dedicated compliance professionals, consisting of over twenty people worldwide. Working together from our offices in North America, Europe and Asia, they operate a robust supply chain organization stretching around the world. This team has been the backbone of our global activities in product development and sourcing, and they form a vital part of the Polyconcept Group's compliance organization.

Given the size of Polyconcept's global operations, we take significant steps to make sure we stay one step ahead of product and vendor compliance issues:

- All our vendors are required to abide by a Code of Conduct based on the UN Global Compact.
- Our in-house audit team inspects the factories that we use regularly, checking for social accountability, workplace safety, quality control systems, environmental practices and supply chain security practices.
- All our products are reviewed for safety and compliance requirements.
- Compliance staff work hand in hand with our quality assurance team, identifying items for screening and testing, in order to ensure that goods and the factories producing them meet our requirements and improve continuously.
- The compliance team also monitors for any changes in applicable regulations, informing the management, product development and sourcing teams when specifications need to be changed to meet regulatory changes.

Future Outlook

PCNA continuously invests in improvements to process quality and supply chain control. Up till now, our habit has been to under-promise in terms of outside communication, and over-deliver in professionalization of our efforts. Together with our business partners, we've been walking the

walk quietly for many years, but now, we are ready to submit our approach to external scrutiny. The time has come for us to talk about our achievements and ambitions!

At PCNA, we are convinced we have created a strong base for provoking sustainability changes along the supply chain. We are technical people, committed to doing things right.

BUILDING TRUST



We believe that building trust starts with having a strong value system. Responsible management and rigorous governance are essential to achieving corporate sustainability. We make sure we enact the same values and principles wherever we have a presence.

Vendor compliance is driven through a set of tried and tested tools and procedures such as audits, specialized vendor panel reviews and scorecards. Our vendors agree to abide by a Code of Conduct that is based on the UN Global Compact principles in the areas of human rights, labor, environment and anti-corruption.



Green, Yellow, Orange, Red and Black are color codes assigned to scores in our factory audits. The codes represent factories that are scored 'excellent' to those where we have discovered zero tolerance issues.

Our top 150 vendors, representing 80% of our spend, are audited annually. Corrective Action Plans (CAP) are established when issues are

found. Zero Tolerance issues must be resolved immediately, or factories face expulsion from our supply chain.

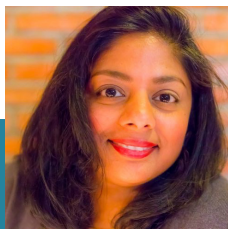
All factories receive coaching on how to implement their CAP by our Quality Assurance team. It is our intent to develop lasting relationships with the good factories, and they in turn value our assistance in helping them to improve.

The code includes a strict zero-tolerance policy towards child-labor and forced labor. Adherence to the Code of Conduct is regularly verified by an in-house audit team using our factory audit template: a comprehensive system of checklists based on information received from audits conducted on our facilities by a number of organizations. Some of the most famous global brands were influencers for the Social Accountability and Workplace Safety components. A large influencer was the Quality Certification Alliance, the promotional industry accreditation body in the US whose audits look at Social Accountability, Workplace Safety, Quality, Supply Chain Security and Environmental issues. Semi-annual Vendor Panel Reviews cover the top 150 vendors of hard goods and apparel, and involve representatives from top management and all business units.

This thorough procedure builds upon a risk-mitigating approach and shows that PCNA is serious about compliance and continuous improvement in partnership with its vendors. The understanding of partnership is based on a quality engineering approach rather than on quality control. By incorporating this extensive compliance system

into our strategies, policies and procedures, PCNA offers a principled approach to doing business, as well as setting the stage for long-term success. Our Leed's and Bullet business units are certified by US Customs as Tier II CTPAT members. Our participation in this Department of Homeland Security program demonstrates our firm commitment to the integrity of our supply chain from origin to our US facilities. Our Leed's and Bullet business units are certified by US Customs as Tier II CTPAT members. Our participation in

this Department of Homeland Security program demonstrates our firm commitment to the integrity of our supply chain from origin to our US facilities.



Michelle Armstrong
Director Product Development & Compliance at Global Buying Services

"By working closely with our suppliers, we have been able to improve their social compliance standards to the point that our Top 100 vendors (which represent 80% of our overall business) rank at an orange level or higher, meaning there are no high-risk non-conformities on site. We continue to work with those vendors for ongoing improvements, and have now extended our focus to reach the next 50 vendors."

PRODUCT RESPONSIBILITY

Promotional products play an important role in corporate marketing. The market is seeing a shift in trend from low-priced giveaways towards high value gifts, and product responsibility has become an important factor in adding extra value to such items.

End users, such as company staff or customers, tend to have an increasingly critical eye. High expectations are placed on transparency, reliable sourcing and sustainability of both the production process and the product itself.

As part of the global Polyconcept group, PCNA has an ambitious global product strategy: all products that we sell are to be manufactured in a responsible manner and have to meet the

regulatory requirements of the markets where they are sold.

Our global approach enables us to identify sustainability issues early in the product development phase.

It also helps us to ensure that requirements are addressed with the appropriate sourcing and compliance strategies. Our approach to product innovation is based on progressively strict criteria for product development, covering both compliance and sustainability aspects.

In order to ensure that our customers receive products which meet their expectations, PCNA makes a strong contribution to monitoring product compliance standards throughout the product lifecycle.

Product compliance is assured through a comprehensive Product Due Diligence procedure. Our global use of product lifecycle and purchase order management tools allows us to quickly communicate product compliance requirements to our teams world wide, and to the factories that we use. They also permit us to create stage gates to coordinate the scheduling of product testing with PO shipments. All products undergo a risk and regulatory review by our product compliance team prior to launch, and they are subject to ongoing reviews after launch. Processes are in place to monitor compliance with our global Restricted Substances List. We use our own testing facilities as well as third party laboratories to conduct tests on products periodically.





PCNATM
INSPIRING PRIDE
www.pcna.com

2017-8874