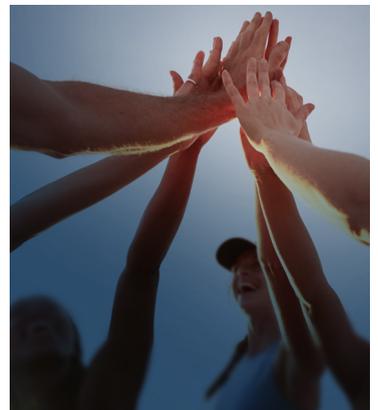
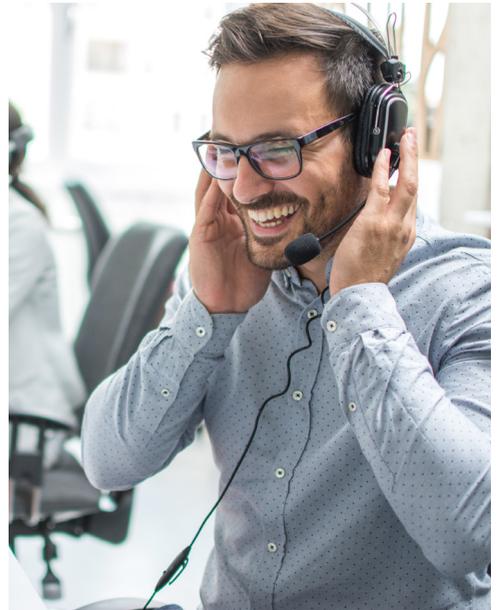
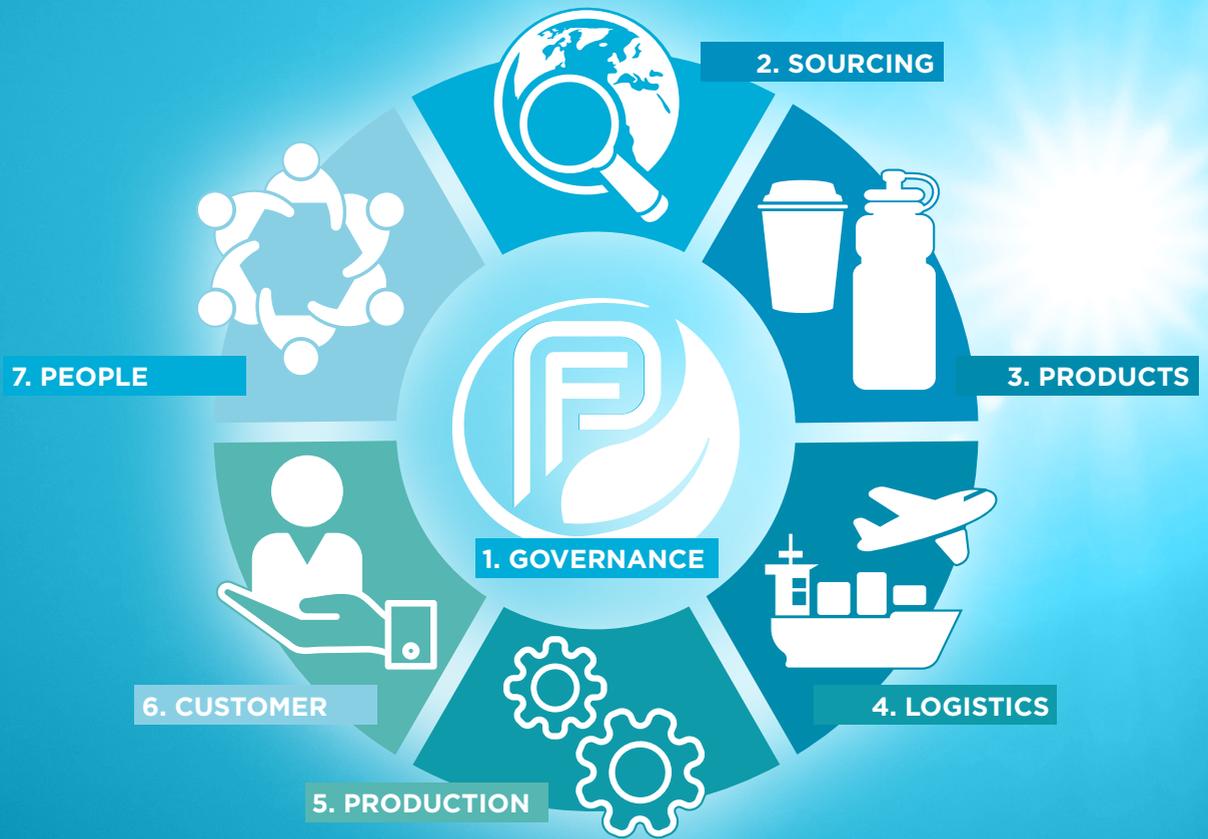


SERIOUS

about Sustainability





WHO WE ARE

PF Concept is proud to be able to call itself the leading promotional product supplier to the European market. Established in 1984 and with its headquarters in the Netherlands, PF Concept is part of the global Polyconcept Group and offers a uniquely comprehensive portfolio of promotional solutions.

With more than 10,000 items, including a wide range of promotional giveaways, corporate apparel and gifts of high perceived value, PF Concept offers the widest product mix in the industry, combined with a range of services that provide unique value to distributors. Operating from 9 sales offices throughout Europe, our on-the-ground presence ensures the best possible customer service.

The UK based hard goods leader SPS is part of the PF Concept Group since late 2017. With three manufacturing sites in the UK and over 26 years' experience, SPS Group is renowned for its custom made innovative items and exports printed promotional products around the globe, currently supplying to over 40 countries. On top of that, PF Concept has a unique decoration and delivery service: PF Logo Express. Based in Poland, its facilities combine logistics and decoration, enabling us to offer centralisation of pan-European services. This means PF Concept is optimally set up to be the preferred one-stop-shopping solution for all types of businesses, whether they are smaller local companies or large-scale enterprises.



**Polyconcept
North America**
Pittsburgh, US

PF Concept
Roelofarendsveen,
The Netherlands

PF Logo Express
Poznan, Poland

**Polyconcept
Global Buying Services,**
Shanghai, China



BUILDING THE MOMENTUM FOR SUSTAINABILITY



Ralf Oster
CEO PF Concept

“ Having been honoured as the “Influencer of the Year 2017” at the PSI Sustainability award, we take it as our responsibility to speak out more loudly and raise the awareness of our distributors and end customers of pursuing more sustainable options. ”

Since the publication of our first sustainability report in 2017, we have continuously refined our “serious about sustainability” approach. Being a global player, we are aware that sustainability challenges need to be addressed at all levels of our supply chain. We have taken this up as our core challenge in line with our quality engineering approach based on strong partnerships with our supply chain partners. It is our conviction that trust comes with transparency. Joining the Business Social Compliance Initiative BSCI is one of the steps to submit ourselves to external scrutiny along our supply chain.

Putting sustainability considerations at the centre means looking at all core business topics within our organization and along our global supply chain. Just like any major business development topic, results don't show overnight but need a long-term management approach. The development of a more coherent strategic approach to sustainability presented in this

year's report reflects our sincere commitment to mainstream sustainability at the corporate level, aligned with other future-oriented developments such as digitization. On the practical side, we have taken many small steps to increase the momentum of sustainability across the organisation. We will highlight a few of our achievements in this issue of our sustainability report.

Still considering ourselves a strongly compliance-based organisation, we are aiming at increasingly demonstrating sustainability impacts beyond compliance at all levels of our business. For this, we are looking at continuous social, ecological and economic improvements in the sourcing of our products, the products themselves, our logistics chain and our own production & branding facilities in Europe. We are convinced that it is not only a win-win strategy to focus on sustainability, but an ethical imperative to go the extra mile. One of the next challenges

is to gain more insights into social and ecological impacts by systematically collecting the respective facts and figures.

Not only being serious about sustainability but also about service, we are observing that sustainable branding plays an increasingly important role for the customers of promotional goods. Having been honoured as the “Influencer of the Year 2017” at the PSI Sustainability award, we take it as our responsibility to speak our more loudly and raise the awareness of our distributors and end customers of pursuing more sustainable options.

Last but not least, raising our own people's awareness and engagement on sustainability was one of our central concerns in the past year. Under the central theme of PF United, we are promoting joint engagement on sustainability. Ultimately, it is our own people who will build a company culture around sustainability in all parts of our organization!



TRUST COMES WITH TRANSPARENCY AND ACCOUNTABILITY

A growing tendency of transparency and accountability along the supply chain is among the most prominent features in today's global trade. The market is demanding not only top product quality and conformity with applicable standards and legislation, but also assurance for social and environmental compliance in the production process.

We are actively taking up such trends in our compliance management by continuously enhancing our flow-chart system and integrating new requirements.

We are approaching the first full year of implementing a Global Restricted Substance List which is implementing our global chemicals management strategy for all new products launched. Test protocols have been extended to more substances in accordance with ROHS II and REACH guidelines. This results in a better control of raw materials by the factories, and better products for our customers. An important step is the transformation of our very own Code of Conduct from an aspirational into a legally binding document. This builds leverage, especially on immaterial social compliance issues attached to the production process. Our Code of Conduct is inspired by soft law standards such

as the UN Global Compact. Ethical business practices, workers' rights and safety aspects are taken up beyond legal obligations.

Engagement in multi-stakeholder initiatives

Sustainable change in globalized supply chains can only be achieved in broad-based partnership. As announced in last year's sustainability report, PF Concept became a member of the Amfori Business Social Compliance Initiative (BSCI) in 2018. This is a code of conduct based on the International Labour Organisation's standards that help global companies build ethical supply chains whilst continuously monitoring and improving social standards around the world.

This engagement complements our own internal audit and vendor scorecard system to work towards enhanced social standards in partnership with our vendors. By joining BSCI, we are submitting ourselves to the external scrutiny of regular third-party BSCI audits and reporting.

Keeping our factories on their toes

We are monitoring vendor compliance very closely through our own factory audit program. Our internal audit team conducted over 180 audits in China in 2017, and a dozen more in other markets. A thorough system of regular audits, vendor panel reviews and scorecards verifies all elements of social and product compliance as well as other metrics at the factory level. Our requirements and serious violations list has been continuously updated. Clients and end-users can rest assured that our zero-tolerance policy on child labour, forced labour and fire protection is thoroughly enacted through our internal audits. Last year's update of our environmental audit checklist raised the bar for factories and their suppliers using environmentally sensitive production processes.

amfori  **BSCI**
Trade with purpose

Partnerships for progress

Since 2011, we are pursuing a quality engineering approach in partnership with our vendors. The basis for this was a reduction in the number of partners we work with by half. With those remaining on the roster, we are building a long-term partnership for continuous improvement.

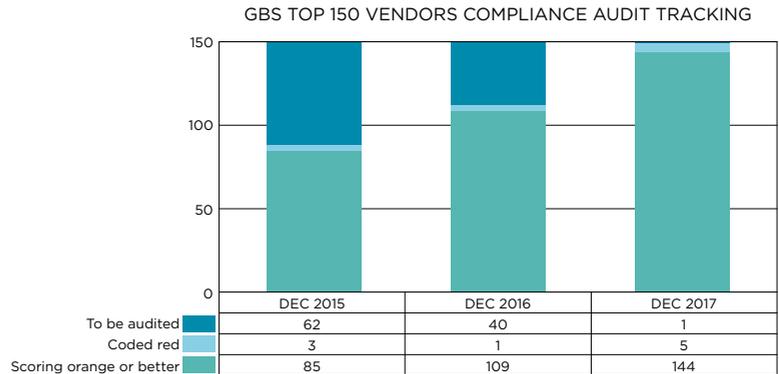
Progress is tracked based on our internal audit system and the colour coding of our top vendors. Over the past three years 2015-2017, an increasing number of vendors were included into the internal audit program. The auditing started with a target roster of 100 top vendors and was increased from 2016 to cover the 150 top vendors, together representing 80% of our spend.

Through continuous improvement, more and more vendors passed their respective annual audits with improving scores. Where ze-

ro-tolerance issues or an elevated number of other serious violations are found, vendors are black-listed and dropped if they do not engage in corrective actions within a 90 day grace period. As black-listed vendors are excluded from the roster, the focus is on improving the status of vendors passing the audit but remain coded red. Overall, the number of vendors and factories achieving passing scores has almost reached the defined

quality engineering target of 150 vendors by end 2017.

These results demonstrate that the continued partnership approach with our top vendors pays off and ultimately improves the working conditions of factory workers and environmental risk mitigation. As one of our next steps, we will conduct a review of our own scoring system and continue to raise the bar.



Joris van den Boogaard

Demystifying compliance through collective learning

Joris van den Boogaard is PF Concept's Compliance Manager and part of the PF Compliance team, which, next to Joris, consists of a junior Compliance Manager, Hidde de Vlieger, and Annette de la Rie, PF Concept's Director of Legal Affairs & Compliance for Europe.

As a passionate biker and nature-lover who bikes to work every day, Joris is happy to see more and more sustainability challenges being taken up by standards and legislation, as well as in more sustainable product development.

His daily work is based on PF Concept's own developed strong flow chart system for compliance management. It is his way to stay up to date with all legislative requirements for PF Concept's more than 20.000 products imported into the EU. Guided by a set of questions, he is able to delineate the "playing field" of applicable legislation for each product, and then link up to the current European legislation. On top of that, he follows up with the compliance team on any new or continued risk of non-compliance through additional sources.

The flow chart is also accessible to all internal parties, including e.g. product developers, product category managers and customer service. However, the compliance world is not easily understood. Joris' role as an internal advisor and his personal ambition is to create a situation of collective learning. In his role as a compliance expert, he helps his colleagues demystify compliance and gain the knowledge they need to solve their particular issues. This creates not only an answer, but joint understanding of the particular challenges and better solutions for our clients and the end users of products.

3. PRODUCTS



MORE SUSTAINABLE PRODUCT OPTIONS

The dire outlook our planet has requires to take a step back and think about the harmful impact our choices may have when it comes to promotional items. In today's increasingly sustainable societies, PF Concept wants to meet customers' high demand for eco-conscious merchandise. Our way of raising awareness on pressing environmental problems such as plastic waste is to promote products offering more sustainable choices.



BAGS

AVOID PRODUCING UNNECESSARY WASTE WITH PLASTIC BAGS AND TRY USING ONE OF THESE COMFORTABLE AND REUSABLE REPLACEMENTS FOR A CHANGE.

WITH TRENDY CORK

1202460 BULLETT Cotton and Cork Drawstring

1917400 BULLETT One Life water bag

1202460 BULLETT Jane Blackback

IT'S ESTIMATED THAT **500 BILLION** DISPOSABLE PLASTIC BAGS ARE USED IN THE ATLANTIC REGION.

THAT'S LIKE AN ESTIMATED **300 MILLION BAGS** A YEAR.

ONE REUSABLE PROMOTIONAL BAG HAS A LIFESPAN COMPARABLE TO **1500 PLASTIC BAGS**.

A SINGLE PROMOTIONAL BAG CAN BE REUSED **15 TO 3 MILLION** TIMES.

1.5 TO 3 MILLION LITTERED BAGS ON LAND.

12018200 BULLETT The Large Jane Size

10151600 BULLETT Charcoal Jane gift tote

10332000 BULLETT Pure cotton tote

12012000 BULLETT Premium Heavy Weight Cotton Book Tote

ONE PERSON USING REUSABLE BAGS WOULD REMOVE MORE THAN **22,000 PLASTIC BAGS** FROM THE ENVIRONMENT.

I AM NOT A PLASTIC BAG
I CARE ABOUT TOMORROW.

ENJOY THE GREEN CONCEPT



600 BILLION CUPS ARE DISTRIBUTED GLOBALLY EACH YEAR.

BOTTLED WATER IS **600** TIMES MORE EXPENSIVE THAN TAP WATER

ONLY 0.25% ARE RECYCLED



A MILLION PLASTIC BOTTLES ARE BOUGHT AROUND THE WORLD **EVERY MINUTE**

CO₂ THE PRODUCTION OF ONE SINGLE USE COFFEE CUP, SENDS 0,11 KG OF CO₂ TO THE ATMOSPHERE



IT'S ESTIMATED THAT **500 BILLION** DISPOSABLE PLASTIC BAGS ARE USED AROUND THE GLOBE EACH YEAR

THERE ARE AN ESTIMATED **300 MILLION BAGS** IN THE ATLANTIC OCEAN ALONE



A REUSABLE PROMOTIONAL BAG HAS A **LIFESPAN COMPARABLE TO 500 PLASTIC BAGS**



A SINGLE PLASTIC BAG CAN **KILL ONE ANIMAL** EVERY THREE MONTHS. THERE ARE **1.5 TO 3 MILLION**



LITTERED BAGS ON LAND

THE GREEN CONCEPT

We have created the Green Concept as a brand name for more sustainable product options. Customers are offered a varied assortment of promotional products presenting more environmentally sustainable choices for their brands to be showcased on. Green concept is more than a brand, but our approach to contribute to the continuity of a healthy planet.

FOR A WORLD WITH LESS WASTE

The most urgent challenges addressed through the current choice of green concept items is the overuse of resources and the proliferation of waste in the environment. Green concept's focus is on alternative choices to single-use items such as plastic bags, bottles and paper cups.

Our selection of promotional bags for example is made from natural materials such as cotton and jute to replace single-use plastic bags

Our British-made drinkware products have been specifically designed and manufactured to consumer-durable standards. Unlike common promotional giveaway items, SPS drinkware is virtually unbreakable under normal day-to-day use and can be reused regularly for several years. Not only are our reusable Americano mug and sports bottle ranges helping to avoid waste, they are also made from materials that are easy to recycle (at the end of their product life), instead of being added to the mountain of waste going into landfill.

Americano[®]





ALTERNATIVE SOLUTIONS FOR IMPORT AND DISTRIBUTION LOGISTICS

Together with our import logistics partners, we are constantly exploring new options for efficient and more climate-friendly transport options.

Beside time and price attached to different ways of transportation, we are increasingly taking transport-related emissions into consideration. Alternatives are being evaluated for more climate-friendly import logistics from the Far East.

For transport within Europe for example, containers are partially shipped directly to our factory,

PF Logo Express, in Poland instead of using the train from Rotterdam. This reduced not only freight traffic all across Europe, but also emissions.

SPS in the UK is seeking to reduce its carbon footprint from distribution logistics. This is achieved in partnership with its transportation network and through sustainability criteria as part of its supplier selection strategy.



TAKING THE TRAIN FROM CHINA?

For time-critical cargo, the substitution of high-emission airfreight through rail transport from Far East is currently tested as an alternative solution. China has opened up the new Silk Road Freight Train, opening up new logistics solutions for trade with the Far East. We are looking for ways to schedule freight to arrive within only a few weeks via the “Silk Road Train” directly to Poland, where PFLE’s warehouse is located for branding and further distribution in Europe. This reduces emissions to approximately 5% of those caused by air freight, while still reducing delivery time compared to shipping freight by almost half. Hereby we are creating a more environmentally friendly alternative for time-critical cargo.



As a leading promotional merchandise supplier, SPS sends out on average 2750 boxes and 90 pallets per week, to the UK and throughout Europe. With the transportation of customer orders being a source of carbon dioxide emissions, SPS continually monitors the sustainability objectives of their chosen distribution agents.

Thanks to this commitment, 80-90% of their parcel deliveries are delivered by a transporter with an

ambitious target of all deliveries being carbon-neutral. The transport network has an external audit each year to measure the amount of greenhouse gas emissions from their vehicles. Reduction of CO² emissions is achieved by increasing the load factor of transport vehicles and using optimal routes. Plus, the transport agent is increasing their use of alternative fuelled vehicles, including LNG (liquefied natural gas), BNG (Bio Natural Gas) and electric or electric assisted vehicles.

For the remaining 10-20% of their deliveries, SPS are using the business’ sustainability objectives as a core part of their supplier selection strategy. The logistics team are targeted with moving across to distribution agents whose sustainability objectives match their own ambitious targets for achieving a lower carbon footprint.



PF LOGO EXPRESS: ENVIRONMENTAL EXCELLENCE IS A WIN-WIN STRATEGY

PF Logo Express located near Poznan, Poland, is PF Concept's production facility and pan-European logistics center. PFLE continues to pursue its "win-win" strategy on environmental excellence. The prime focus on reducing environmental impacts proves to be favourable for the environment

and at the same time economically viable for the company.

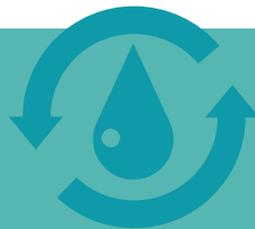
PFLE's continuous improvement is deeply rooted in its ISO 14001-certified environmental management system. Marek Flaszak, PFLE's Factory Director, takes special pride in the fact that this year's recertifica-

tion audit was passed without any non-conformity!



Outlook: Investments in wastewater management

The next environmental challenge PF Logo Express is aiming to address is the improvement of wastewater management. Large-scale investment into a factory-owned modern sewage plant is planned for the year to come. The win-win strategy behind these investments are significant operational costs savings combined with a clear reduction of negative environmental impacts. From the moment the sewage plant is up and running, impacts on the environment resulting from water use and wastewater can be reduced significantly.



LONG-TERM INVESTMENT STRATEGIES PAY OFF FOR THE ENVIRONMENT

The reduction of ink waste is one of the examples where continuous fine-tuning of environmental technologies is showing results. An impressive 28% of ink waste was avoided in 2016 as compared to the previous year, and the positive trend was continued with yet another 17% reduction in 2017. Our target for 2018 is to reduce yet another 10%. On top of that, we are currently working on an enhanced system to reuse the remaining ink waste that cannot be avoided.

One of the major trends we have been following is digital printing, where we are now observing a strong increase in demand from our customers. PFLE has invested in digital printing technologies years ago, and the share of digital printing has continuously increased by 26% in 2016 and again 45% in 2017. We are expecting these figures to double in 2018 due to the pick-up on demand. Since the digital printing generates hardly any ink waste this initiative already has and will continue to have positive impact to environment and both resource and ink usage reduction.



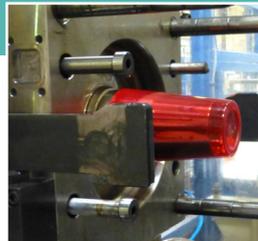
Richard Wildsmith

“Our recycled plastic products have the potential to be manufactured from up to 100% in-house recycled plastics, and all our UK-manufactured paper products are made using paper from responsibly managed forests.”



During 2017, our factory recycled:

- 289.2 tonnes of paper
- 56.3 tonnes of packaging material
- 14.5 tonnes of mixed metals and lithographic plates



One of the key environmental concerns for our UK manufacturing facility is the management of all our waste streams. Our primary business aim is to maintain our Zero to Landfill status, by continuing to monitor our practices for avoiding, recycling and reusing waste.

With the aim of minimising the amount of packaging waste on-site, we continually monitor the packaging that our raw materials arrive in. Once an item is decorated, we ensure that the only the necessary amount of packaging is used, so that it's sufficient to protect the item during transit.

SPS is a member of Valpak, which is the UK's leading environmental compliance scheme. Under the Producer Responsibility (Packaging Waste) Regulations, packaging users are required to meet set targets for their packaging waste and are obligated to pay towards packaging recycling. As a member of this scheme, the target for UK

businesses is to recycle a minimum of 65% of packaging by 2025; our facility already comfortably achieves this target. At present we reuse and recycle more than 75% of our on-site waste.

For waste that can be recycled at our facility, we re-grind the waste plastic and purchase recycled polymer to produce our Brite-Mat range of products (excludes our Brite drinkware range).

Our recycled plastic products have the potential to be manufactured from up to 100% in-house recycled plastics, and all our UK-manufactured paper products are made using paper from responsibly managed forests.

For any waste that cannot be reused or recycled internally, we use specialist waste management companies. In doing so, the waste is turned into energy using an Energy from Waste facility. Well managed energy from waste facilities are

clean and safe, with a track record of reliability and efficiency. We see them as a fundamental part of environmentally sustainable waste management processes.

In addition to this, we are also a member of the British Polymer Federation, which is the leading trade association for the UK plastics industry. This federation sets out with the aim of reducing business' overall energy consumption. I'm delighted to say that we've exceeded the targets set for kilowatt hours per kilogram of polymer, for the last two years. In fact, we exceeded the target for 2016, by an impressive 7.7%.

Thanks to our commitment to maintaining energy efficient practices, we continually monitor our energy consumption and wastage. We keep a close eye on our processes to ensure that we're not wasteful with either our energy or materials.



CORPORATE SUSTAINABILITY GAINING GROUND



GROWING INTEREST IN GREENER PRODUCTS AND SUSTAINABILITY LABELS

PF Concept is known for a strong backbone in compliance management. Distributors are taking trust in our management system certifications such as ISO 9001 on quality management and ISO 14001 on environmental management. They are also asking for specific certificates

attached to products, whereby most aspects are compliance driven.

However, we are observing that there is a lot more attention on sustainability among end users, and that triggers more interest on the side of companies serving

them. The customer's interest in labels for eco-products and fair-trade is growing. Certificates based on third party audits, e.g. at factory level or from product testing, are enjoying a higher level of credibility with companies and end-users.



OUTLOOK: JOINTLY RAISE ATTENTION FOR SUSTAINABILITY

Lately, sustainability has also gained more focus in branch magazines. We will take it as our responsibility to raise our distributor's attention and enable them to serve the needs of their customers. We will explore jointly with our distributors the development of ways for promotional items to be integrated more closely into the sustainability strategies of the branch.

An increasing share of companies have sustainability on top of their agendas. For PF Concept, this means that our distributors and customers are becoming more demanding with regards to sustainability of their promotional goods. They attach a high value

to good quality, trustworthy and more sustainable items to convey the message of their own engagement for sustainability. However, nowadays this is mostly true for governmental clients and TOP 500 companies. Hence, the distributors serving larger customers are

taking more and more interest. There are a few examples among our distributors focusing purely on green products, and several others listing greener products as part of their collection.



PF UNITED

Raising our own people's awareness and engagement on sustainability was one of our central concerns in the past year. Ultimately, it is the people across the organisation who will drive sustainability in their respective roles and functions!

PF United evolved as a central theme for internal communication, team building & company culture around sustainability. All PF United activities of the past year were directed towards building awareness and engaging on sustainability issues. We are building sustainability awareness through joint engagement!



PF UNITED SPIRIT ON WORLD COMPLIMENT DAY

Every day our staff works hard for extraordinary results. On March 1st it was time to give back. Together we celebrated our commitment and the exceptional team spirit that makes it all possible. Our teams all around Europe joined Compliment Day in giving each other a well-deserved compliment. Everyone received a heartfelt message from CEO Ralf Ooster and a personal mug with an inspiring compliment.

Not only does the mug remind everyone to show extra appreciation to each other and to what each person contributes every day to our success – it also helps us to protect the environment! By using our mugs we can reduce our daily waste of paper and plastic cups. Together we can be even more sustainable and remember what it is all about: Working together as world-class teammates!

CLIMATE AWARENESS ON WARM SWEATER DAY IN THE NETHERLANDS

We at PF Concept know that you can save 6% of your daily CO2 emission by reducing the temperature one degree and help protect the planet! The Dutch PF Concept office joined the Climate Association of the Netherlands to celebrate Warm Sweater Day on February 2nd! On this day, schools, governmental organizations and businesses all over the Netherlands turn down their heating to raise awareness for the reduction of energy consumption. The day was celebrated in true PF United Spirit: Sporting warm and cozy jackets, everyone in the Dutch office contributed to cooling down to 15°C saving an impressive 36% of energy! On top of that, everyone had a great time as they enjoyed hearty pea soup, hot chocolate and delicious cake.





RECYCLING AWARENESS AT SPS IN THE UK

To raise environmental awareness, we aim to encourage our employees to think about their own environmental impact. We offer recycling facilities to our employees for the safe disposal and recycling of batteries, (whether they've been used on-site or at home). Plus, every employee is given an Americano Thermal Mug and H2O Active Sports Bottle, to reduce their use of single-use plastic on-site.

SUPPORT TO THE DUTCH SHANTI PANT FOUNDATION FOR SCHOOL PROJECTS IN NEPAL

We strive to make a difference not only with our commitment to sustainability but also by supporting the Dutch Shanti Pant Foundation, helping underprivileged children in Nepal.

In April 2018, CEO Ralf Oster and VP IT Frans Fels visited the Shree Ganesh Lower Secondary School in Kavrepalanchowk to witness the positive impact the foundation has made.

The community still suffers from the devastating effects of the 2015 earthquake which also destroyed the school building. With the help of the foundation, the school was rebuilt and a permanent infrastructure provided.

Nonetheless there are still many reasons why children in Nepal do not attend school. Poverty causes

most teachers to leave Nepal for menial work elsewhere. We contribute with our donations to a teacher sponsorship program as well as the supply of education material such as stationery and school uniforms.

During their visit Ralf Oster and Frans Fels were able to personally deliver stationery to the children. Another important aspect is raising awareness about the importance of education for girls in Nepal. Visiting the children at their homes, Ralf Oster and Frans Fels were warmly welcomed and could see the success of the awareness programs and change in the children's lives for themselves. They were presented with handwritten letters, drawings and presentations from the children expressing their gratitude.

This year, PF Concept's engagement for children's education in Nepal is clubbed with our annual Recycling Day. All our staff received a special edition of branded cotton bag to replace plastic, and a small savings box to collect the money saved from buying plastic bags. The savings are collected and PF Concept has committed to doubling the amount collected to further support the Shree Ganesh School.

We're happy to do our part in improving their lives and ensuring their education.



