

KEY MERCHANDISE

CSR Report

2020 - 2025



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A MESSAGE FROM THE FOUNDERS



The Key Merchandise Sustainability Report is our long term approach to supporting our team, enhancing our connection to local communities, reducing our environmental impact and sourcing products in sustainable and responsible ways.

Since January 2020 it has been a particularly challenging time for many households and businesses across the world. We saw the major impact the COVID 19 virus had on our employees and facilities in China, followed by the hardship faced in Europe and our headquarters.

The safety and wellbeing of our team members and customers has always been the priority for us and Key Merchandise, and this year has been no different. In response to the COVID-19 virus implications to our business we implemented a number of new ways of working and made radical decisions to save costs and keep employees at work.

This year also marks our five year CSR program and we are pleased with what our team together with our suppliers and other stakeholders have achieved.

To inform our 2025 strategy and goals, we've drawn on our experiences, leanings and stakeholder consultation to ensure we are putting people and the planet at the heart of everything we do.

Our focus for the remaining COVID virus time is to take a leadership position with our partners and suppliers to ensure our operations remain COVID safe. Our focus on the planet will see us continue to offer and produce sustainable products and recycle as many materials as possible.

Our positive progress would not be possible without the support, commitment and positive spirit of our team members, customers and partners who all play an important role to help us make bigger things happen.

Michael Moen

Juriaan Houdijk

KEY MERCHANDISE AT A GLANCE



Founded
2008



Employees
14 NL
4 China



Offices
NL & China



Distribution
Mainly Europe,
occasional USA
and Canada



Customers
Multinationals,
NGO's and small
businesses

KEY'S CORE VALUES

The Core values are the practices a Key Merchandise employee should be guided by on a daily basis, and in all work situations. They form a common platform and strengthen our teamwork.

- **PASSION** - Encourage those around you
- **INNOVATION** - Offer innovative and superior solutions
- **RESPECT** - Respect and trust each other
- **COMMON SENSE** - Learn from experiences
- **RESPONSIBILITY** - Take Ownership
- **EXECUTE** - Lead by example
- **TEAMWORK** - Learn from each other

Key Merchandise offers complete, creative and tailor-made concepts in the areas of merchandise, product design, product development and webshop solutions. The headquarters is established in The Hague, The Netherlands.

In addition, we have our own Purchasing Organization in China and an extensive specialist network of manufacturers in Europe and the Far East.

Key Merchandise strategy is based on achieving growth through innovative designs, products and services that add value and attract consumers to the clients' brands and products. We aim to be a leader in sustainability in our industry.

CSR is not just a signature on a piece of paper, it is a process and a change of attitude. It is a critical area for our clients and a core strength of our business.

Our Quality and CSR team comprises a dedicated staff. Collectively, they ensure that we deliver our services whilst maintaining the highest ethical and quality standards. They do this by applying our stringent policy on responsible sourcing, which has been laid down in our Code of Conduct, which must be adhered to by all our supply chain partners.

We take our responsibilities seriously and believe that collaboration with our suppliers, and industry associations like ECOVADIS, the UN goals, BSCI and the Supplier Ethical Data Exchange (SEDEX), is the most effective means of improving practices within our supply chain.



STRENGTH

Key Merchandise takes pride in being a development hub for both brand owners and manufacturers alike. We aim to add value through offering innovative design, products and services.

DESIGN



Unique design skills create tailor-made concepts for various customer sectors. An experienced and multi-skilled team deliver creative, intelligent and original solutions.



PRODUCT DEVELOPMENT

Based on design and high quality technical solutions, we develop products using the latest materials and techniques in all areas of branding, labelling and packaging.



PRODUCTION

Own manufacturing combined with a network of partners in strategic markets guarantee quality, flexibility and timely delivery.



SUSTAINABILITY KNOWLEDGE

Knowledge and competence are integrated into Key Merchandise's operations; in product development, production and logistics.



GLOBAL LOGISTIC SOLUTIONS

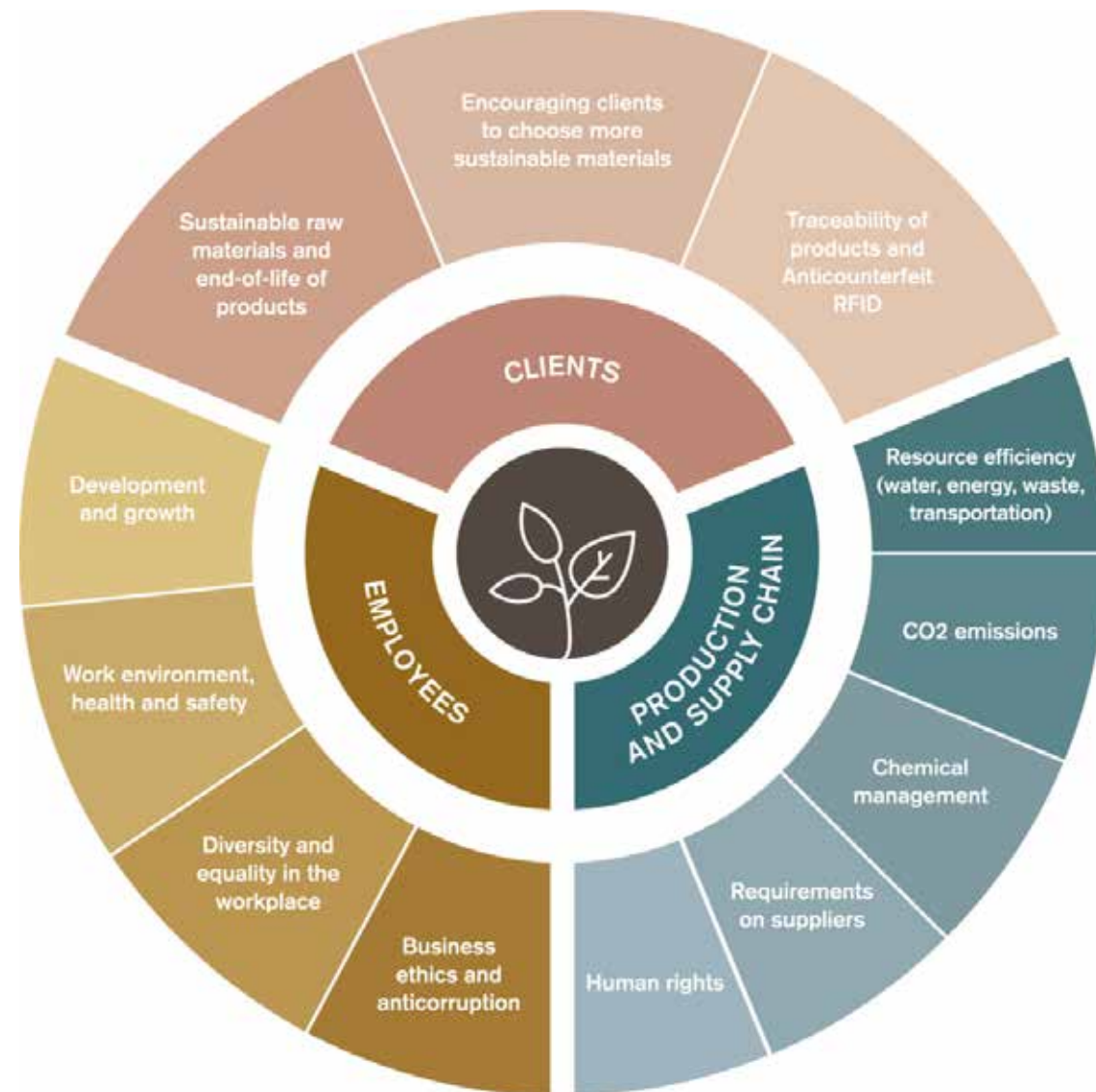
We are global but act locally, close to the main markets as well as being strategically close to where the production of the items takes place.

STRATEGY

A dialogue with customers is an opportunity for us to benchmark the industry and get feedback on whether or not we are on the right track. It gives us different perspectives on our work so far and how it is perceived and at the same time it gives us the chance not only to collect opinions but also a possibility to create awareness. Questionnaires are sent out via SurveyMonkey.

We deliver our products to more than 25 countries around the world and are thus part of far-reaching supply chains. We feel that such a presence calls for responsible actions. We commit ourselves to continually improve our sustainability practices. To lay the foundation, we have built our sustainability strategy around three pillars: clients, production / supply chains, and employees.

In 2019, we held a stakeholders dialogue, which provided us with further insights on the most material topics for our core business partners and employees. Together with a context analysis of the industry. Encouraging clients to choose more sustainable materials we have defined sustainability ambitions to be reached by 2025 and aligned them with our most material issues. The chart on this page, presents these insights.



"Sustainability at Key Merchandise means working towards meeting the needs of people and society, without compromising the needs of future generations. In other words, acting in the long-term interests of the many."

At Key Merchandise, we are proud of the progress we have made in our sustainability work, but we know that sustainability is a journey where learning and improvement are continuous. Our sustainability report is a valuable tool for following up on our ambitions and commitments to drive an increasingly sustainable business and increasingly sustainable business relations".



WATER MANAGEMENT

Water management is, of course, important, for our Ecovadis certification as well. However, from an environmental protection point of view, it does not play a major role at our company. The production of our items do not require a lot of water and in the headquarters in The Hague water is used exclusively for sanitation and in the kitchen. Water consumption is recorded by our office facilitator regularly assessed.



WASTE MANAGEMENT

Being waste efficient is part of our sustainability strategy. We continue to promote waste minimisation, re-use and recycling across our office and production locations.

Despite the fact that waste management is already very well regulated in The Netherlands, it is still an important environmental issue at our headquarters in The Hague.

All waste is collected by local waste management companies and properly disposed of, or it is brought to a collection station on premise.

A proportion of waste (copper and metal) from left over products is collected separately and passed on to a recycling company.

Ground water well protected

The total water supply for our The Hague headquarters is provided by the municipal water utility. The source of our drinking water is a groundwater from the South Holland District.

Company Growth

Unfortunately, the amount of garbage a company creates often grows as the company grows. However, we have managed to reduce our waste despite higher sales. From an environmental management point of view, this is already a small success. For example, thanks to better utilization of the systems, less energy consumption and higher material efficiency, the waste output of our offices has not grown even when the company did grow.

Or our emissions per employee: the same number or more employees, but without higher amounts of electricity, water, material consumption, etc. – that is our goal.

More plastic than fish

Experts estimate that up to 12 million tons of plastic garbage is landing in our oceans every year. And even though our “western” industrialized world is clearly producing too much plastic, at least most European and American industrialized countries have reasonably functional waste disposal systems something which is still lacking in China.

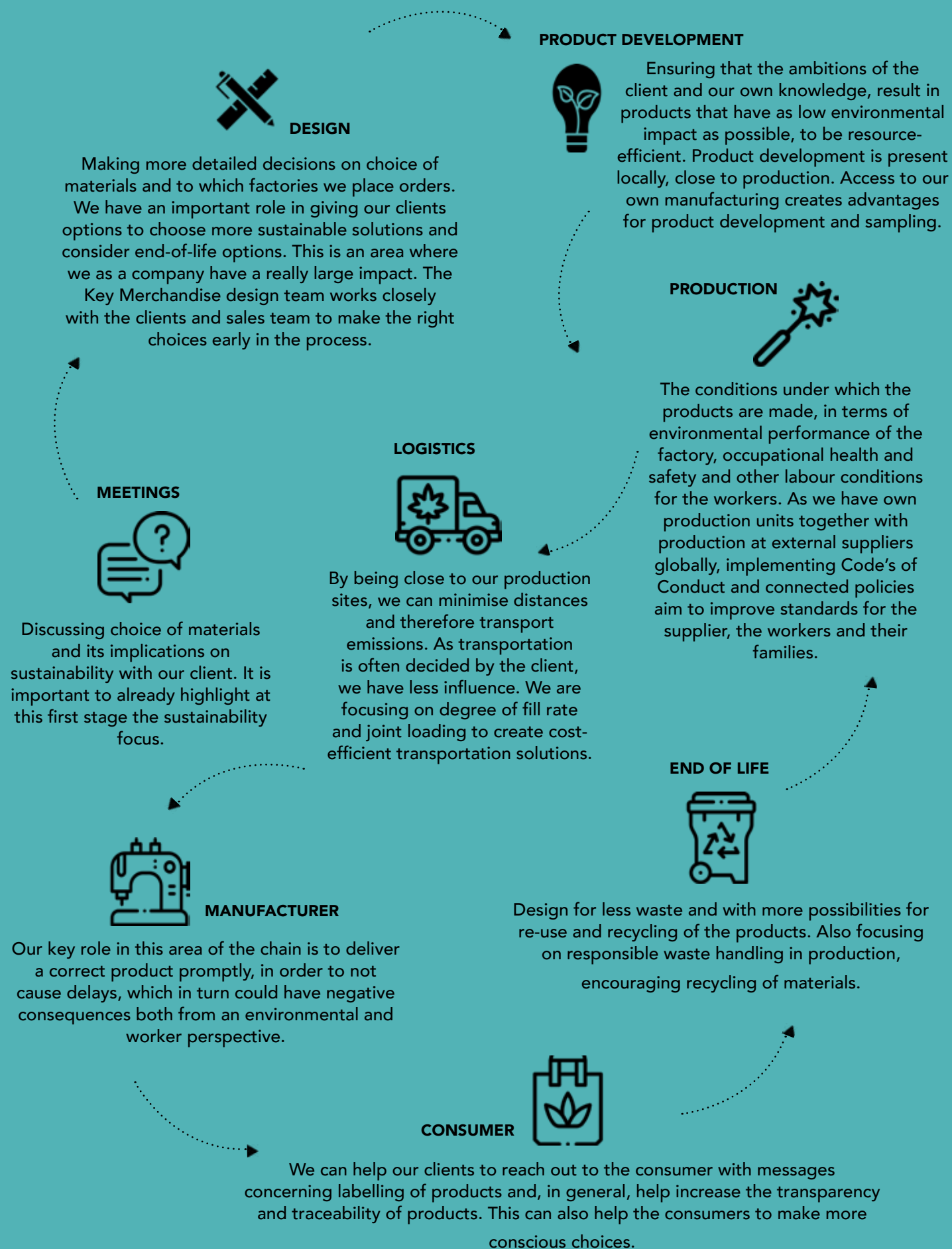
Because our main production countries are in Asia, we are also responsible and have to do our part to help solve the problem. We are working to raise awareness among our suppliers for the issue and never work with hazardous substances that can be released into the environment.

We work hard to be innovative in everything we do, from the way we design to the way our products reach our clients. We continuously make progress to meet our business and sustainability ambitions and provide better choices and solutions for our clients.

We aim to provide products that create a sustainable added value for our clients, and we also enjoy supporting and guiding them in their transition to using more sustainable materials.



TOWARDS A SUSTAINABLE VALUE CHAIN



SUPPORTING SUSTAINABLE COMPANIES

Since 2015, we have taken on a voluntary commitment for all supply purchases for our office locations. We want to use our influence to support companies which, like Key Merchandise, incorporate sustainability as a corporate philosophy.

Therefore, we place great importance on purchasing or reusing local products and using products that are as environmentally friendly as possible including office supplies, cleaning products, furniture and everything else we need for our business operations.



ENVIRONMENTALLY FRIENDLY USE OF MATERIALS



Key Merchandise has obtained the FSC® certification (C104487). The Forest Stewardship Council® (FSC) is one of several third-party organizations operating an international forestry and woodlands certification program. Key Merchandise uses FSC paper in notebooks, headercards and packaging.

We have significantly reduced harmful emissions from printed materials and paper consumption since 2015. Firstly, we have consistently conserved paper, for example, by not handing out hard copy catalogues to clients, sending electronic invoices and transferring most of our paper stock to eco-friendly recycled paper, we put this leverage to use for our carbon footprint.

AS LITTLE PACKAGING AS POSSIBLE

Unnecessary packaging is truly problematic, especially if it is made of plastic. Most Key Merchandise headercards and giftboxing is made of environmentally friendly cardboard. However, we cannot completely get by without plastics.

Since 2016 Key Merchandise supplies **Packaging Reduction Guidelines** (*Sustainable Procurement chapter) for suppliers with clear instructions for maximum size, materials allowed and mandatory labeling that enables us to sort and recycle the packaging. These guidelines are mandatory for all Key Merchandise products. We monitor adherence with random testing at our warehouse. Our goal is to work with our suppliers to make unavoidable packaging as environmentally friendly as possible.



FIBERS FROM SUSTAINABLE AGRICULTURE FOR YOUR TEXTILES

In our Key Merchandise cotton products, we use certified organic cotton that is manufactured under strict environmental conditions – without the use of chemical fertilizers or pesticides and requiring less water than conventional cultivation methods.



GOTS-CERTIFIED FROM THE FIELD TO OUR CUSTOMERS

GOTS stands for the Global Organic Textile Standard and it certifies every single production step of the products, from growing and harvesting the cotton until they reach our customers.

For years we have been processing certified organic cotton – one example: our textile supplier Stanley Stella. However, we weren't allowed to use the GOTS seal for a long time. One reason for this is that Key Merchandise itself was not GOTS certified and this is a prerequisite for the use of the GOTS seal.

The second reason is that the GOTS standard specifies a minimum proportion of natural fibers in the end product. For many Key Merchandise products, however, we use a different fiber blend, usually cotton combined with polyester and the proportion of polyester was too high for the GOTS.

100 % ORGANIC COTTON, BUT IT'S THE EXCEPTION THAT PROVES THE RULE



Some products with cotton content are manufactured by our producers in Asia and Turkey. We also use organic cotton for this, but some of it is not (yet) GOTS certified.

We only promote conventional cotton in absolutely exceptional cases: e.g for jeans which included a yarn blend of organic cotton and conventional cotton. Together with our textile company - The Cotton Express -, we are working to develop a version of yarn that is completely organic.

REQUIREMENTS ON SUPPLIERS

Companies today are getting called upon by stakeholders to take responsible action in various areas, especially in the supply chain. Key Merchandise is no exception. We conduct a variety of CSR-related activities and, through our supply chain, urge suppliers to do the same, with the goal of a fully compliant supply chain and achieving sustainability in society.

It is very important to us that our suppliers work actively with all aspects of a sustainable business, in everything from sourcing materials to offering a safe working environment for all workers. They are expected to keep accurate information regarding their activities, structure and performance, and should disclose these in accordance with applicable regulations.

Monitoring suppliers across a global supply chain can be difficult, but we aim to ensure that our suppliers protect human rights and provide safe workplaces.

New suppliers to Key Merchandise are to be reviewed by the CSR department.

The first assessment includes looking at social audits that the factory may previously have been subjected to, as well as other areas, such as their production capacity and the quality of products. New suppliers should preferably be visited prior to production. Contractual agreements are made with suppliers, including their commitment to follow the Key Merchandise policies and guidelines.

SUPPLIER CODE OF CONDUCT

Key Merchandise' **Supplier Code of Conduct*** requirements are built around various principles.

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are to be paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

We carry out our own inspections in combination with relying on third party audits, through BSCI, SEDEX and other initiatives. ISO 9001 and ISO 14001 are also certifications used among suppliers, which we take into consideration when choosing suppliers.

We seek to continue working with reliable, reputable, environmentally and socially conscious suppliers. We -build on the relationships we hold with suppliers, some of which have been with us for over 10 years.

A stronger relationship equals a better partnership.

MAKE OUR (NEW) OFFICE THE GREENEST IT CAN BE

We can make a dramatic impact on our company's energy usage. By leveraging these energy saving ideas in the workplace and encouraging others to do the same, our company can reduce its energy usage and, ultimately, its bottom-line expenses.

GREEN IMPLEMENTATIONS

- We will be a green employee by changing our commute. We use bikes or go walking if the office is nearby, or take public transportation when possible.
 - We started a company carpool and encouraged our coworkers to join. An extra advantage: team-building initiative.
 - Rather than letting monitors go to sleep, we go green at the office by completely turning off our computer after each workday. Also copymachines, printers, main lights and conference room lights are switched off.
 - We adjust the office temperature to 20 degrees C or less in the winter and 18 degrees or more in the summer.
 - We use a laptop computer whenever possible. In addition to offering greater portability, laptop computers use 80 percent less energy than standard desktop machines.
 - We only print when necessary. Computers, tablets and phones can easily show important documents. When documents do need to be printed, we choose to use recycled paper and print on both sides to be eco-friendly at work.
 - We created an employee green committee to focus on sustainability awareness and initiatives.
 - We removed unnecessary energy users like small appliances, electronic devices or additional lighting from workstations to reduce power usage.
 - We recycle whenever possible. In addition to reusing already-created materials, these efforts will eliminate the energy required to create new materials.
- Hire a firm to perform a professional energy audit of the business to determine areas where energy usage is excessive.
 - Offer small rewards or perks to employees who use public transportation or carpool each day.
 - Install motion-sensor switches in rooms that don't see constant use, such as bathrooms, meeting rooms and lunch rooms.
 - Replace any applicable appliances — like refrigerators — with new energy efficient models.
 - LED lights will provide a big benefit to both the company and the environment because they last much longer and typically use at least 75 percent less energy than incandescent light bulbs. And LED lighting technology better mimics natural lighting than CFL light bulbs.
 - Use fuel economy as one of the deciding factors when purchasing new company vehicles. Research hybrid cars or trucks if applicable.
 - Green plants provide natural beauty in the office and also act as a natural air filter to remove pollutants and keep the air fresh. Some air-filtering plants don't require a lot of upkeep, making it easy for everyone to enjoy energizing plants in a cubicle or office.
 - Install a programmable thermostat in the office to allow for easy temperature control and maximum energy savings during non-peak times.
 - Review ceiling and wall insulation options for the office. Installing additional insulation will reduce total energy expenditures and increase employee comfort as well.
 - Continue to use eco-friendly office supplies. Pens, staplers, notebooks and rubber bands — we need this at the office, but not all of it is green. Many stores carry office supplies made from recycled materials. There are even green products like refillable pens on the market today, making it easy for your workplace to be green.
 - Sign up with an electricity and natural gas supplier that gives you control over your energy footprint.



As a globally operating company we recognise our responsibility to respect international standards and practices. Attention to sustainability aspects is part of our standards and policies.

We have developed a number of internal policies to support our vision and values:

EMPLOYEE CODE OF CONDUCT*

This code provides a guide to the values, behaviours and ways of working for all Key Merchandise employees, it shall guide our daily work and covers areas such as compliance with law, respect in the workplace, protection of company property, professionalism, corruption, job duties, teamwork and communication.

HUMAN RIGHTS POLICY*

We seek to play an active role in the promotion of Human Rights and to work proactively to respect the rights that all people are entitled to basic rights and freedoms, regardless of nationality, gender, religion, race or any other status. Key Merchandise aims to avoid causing or contributing to adverse human rights impacts in areas which we can directly influence, through our management control and addressing such impacts if they occur. Wherever possible, we also strive to identify, prevent or mitigate adverse indirect human rights impacts that may be linked to our operations, products and services through business relationships.

SUPPLIER CODE OF CONDUCT*

Our Supplier Code of Conduct serves as a common foundation for us and our suppliers in terms of acting in a responsible manner, including focusing on social responsibility and good working conditions. Companies applying this code are also expected to comply with national and other applicable law and not be involved in any act of corruption, extortion or embezzlement, nor in any form of bribery.

ANTI-CORRUPTION POLICY*

Our Anti-corruption Policy contains the organisation's mandatory rules and restrictions regarding gifts and other kind of appreciations. It also describes the procedures for employees to raise any ethical questions or to report any breaches or suspected breaches of the company's Code of Conduct.

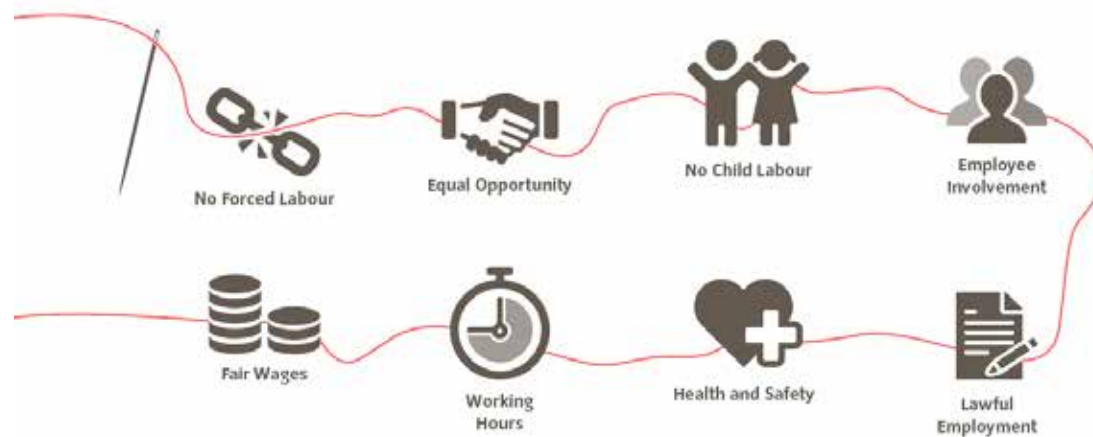


THE FUNDAMENTAL PRINCIPLES ARE:

- 1 Business is conducted lawfully and with integrity
- 2 Work is conducted on the basis of freely agreed and documented terms of employment
- 3 All workers are treated equally and with respect and dignity
- 4 Work is conducted on a voluntary basis
- 5 All workers are of an appropriate age
- 6 All workers are paid fair wages
- 7 Working hours for all workers are reasonable
- 8 All workers are free to exercise their right to form and/or join trade unions or to refrain from doing so and to bargain collectively
- 9 All workers' health and safety are protected at work
- 10 All workers have access to fair procedures and remedies
- 11 Land rights of communities, including indigenous peoples, will be protected and promoted
- 12 Business is conducted in a manner which embraces sustainability and reduces environmental impact

SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

Social responsibility has a very high priority at Key Merchandise. We are not only committed to our employees at our headquarters in The Hague, we are also committed to good working conditions for everyone involved in the manufacturing of our products. The task isn't always easy – but we are working to meet this challenge based on our convictions.



LONG-TERM PARTNERSHIPS

Key Merchandise has a great interest in long-term relationships with suppliers.

For Key Merchandise, it is important that the suppliers have an understanding of our Key Merchandise values and quality standards. We achieve this through many years of collaboration based on mutual trust. This foundation creates the conditions for open, constructive collaboration that helps us to shape and improve sustainable processes at the production sites.



EQUAL TREATMENT AND EQUAL OPPORTUNITY

Do you think that equal treatment and equal opportunity is important? We do too! Because many women work for us, we pay particular attention to ensuring that they have the same opportunities as their male counterparts. At Key Merchandise these principles apply not only at the headquarters in The Hague, but also at all of our production sites.



WE SAY NO TO CHILD LABOR

Key Merchandise is strictly against child labor and has consistently campaigned for the rights of children in the production countries. Giving children the right to attend school and keeping them out of the labor market helps pave the way to a successful and productive future.



An obligation in and of itself is not enough, of course. Therefore, all of our producers are regularly and independently audited by organizations such as Fair Wear. Auditors check carefully whether there are cases of child labor. This is verified through interviews inside and outside the production site and by reviewing documents.

WORK ENVIRONMENT HEALTH AND SAFETY

Key Merchandise aims to be an employer of choice by offering more sustainable, caring and safe working environment. Diversity is recognised as a strength and is to be a natural part of the Key Merchandise organisation. Attracting and retaining highly skilled employees is a strong competitive advantage and to do that we need to offer an excellent work environment.



Several initiatives for a better work environment have been taken, some examples are a breast-feeding room, a stop-smoking program, fresh fruit supply, and the possibility to lease e-bikes are provided to The Netherlands operation.

We promote a safe, healthy and secure environment, both in our own offices as in our external suppliers' activities. The focus of our occupational safety in Key Merchandise is on preventive actions and raising awareness, i.e. risks and hazards are to be eliminated in advance where possible. Risk assessments are carried out, and training programs are held. Key training is fire prevention, first aid and equipment instructions.

In 2019, 0 incidents were reported.

| EMPLOYEE ATTENDANCE (%) | | |
|-------------------------|-------|-------|
| 2019 | 2018 | 2017 |
| 97.8% | 96.1% | 96.3% |

* Absenteeism is tracked locally in accordance with regulations applicable in the different countries where Key Merchandise operates. Key Merchandise does not have a harmonised system for managing absenteeism throughout its subsidiaries.

DEVELOPMENT AND GROWTH OF EMPLOYEES

Capacity building and training is arranged locally in each country - for example, First Aid and Occupational Health and Safety training at our own production sites. Skills development is an area we want to focus on more, as well as training in the CSR and sustainability field. Our induction program shall ensure that new employees receive a broad understanding of Key Merchandise and how we operate. It sets the tone for our collaboration. Part of the program is the **Code of Ethics Conduct***. In 2016, the program was updated with more detailed introduction in relation to CSR and sustainability. All employees are offered annual performance reviews.

DIVERSITY IN A WORLD THAT'S WORTH LIVING IN

Companies benefit significantly from diversity in the workforce. We are convinced of this and promote diversity at Key Merchandise. People with different backgrounds and strengths should be able to develop their potential with us in the best possible way.

We have worked hard on diversity at Key Merchandise:

- Making work and life planning more flexible
- Gender equality as a high corporate value and strategic factor
- Commitment to employees who are foreigners or refugees
- High attention to fair consideration of diversity factors in hiring processes and salary determination.

DIVERSITY BOOSTS INNOVATION AND EMPLOYEE SATISFACTION

We are convinced that a workforce distinguished by diversity, in which everyone is respected and accepted, encourages innovation and creativity. As a European company in a dynamic and competitive market, innovation and creativity are particularly important in order to differentiate ourselves. We serve a diverse, international group of clients across a wide age range. Diversity in our workforce is a major advantage in meeting the wide variety of needs of these clients.



LATERAL HIRES ALSO WELCOME

As a company oriented toward sustainability and social activism, the ecological and civic involvement of our employees is at least as important as school grades or certificates.

In this sense, we also offer attractive employment opportunities to lateral hires who have the appropriate personal and methodological skills.

EQUAL PAY FOR WOMEN AND MEN

When measuring the salaries of new employees and adjusting the salaries of existing employees, the human resources department and management pay close attention to fairness and non-discrimination, including comparisons between employees in similar positions. Differences in salary are due to and can be explained by the qualifications, performance and professional experience of the employees concerned.

We regularly review wages as part of our budget process. It goes without saying that our employees receive information on how their own wages are classified in relation to their peer group in the personnel area.



TARGETED ADVANCEMENT OF WOMEN

Key Merchandise supports women on maternity leave so that they can quickly return to work. With this in mind, we have defined a clear process that makes it possible for women in particular to do some of their work from home.

With regular meetings for employees on parental leave, we strive as a company to stay in contact with our colleagues and to strengthen their solidarity with Key Merchandise. Balancing professional and private life is important to us.

After parental leave, Key Merchandise tries hard to meet the interests of returnees.

This has an impact, for example, on our high proportion of part-time employees, which was 46 % in 2019.

SUPPORTING PEOPLE WITH DISABILITIES

We would like to express the social orientation of our company even more strongly in the future by hiring people with disabilities for certain positions. We do work closely together with de Hagen Groep whom are facilitating daytime occupation for people with a mental disability. Products that need to be repacked or stickered are processed at de Hagen Groep.

SATISFIED EMPLOYEES ARE MOTIVATED

We listen to our coworkers. We involve them in decision-making processes. We offer an attractive workplace for our employees because employees who enjoy their work are able to deliver their best performance. Our corporate culture is largely based on trust: we trust our employees and are continuously working toward implementing and advancing our culture of trust.

EMPLOYEES

Our most important asset is our employees and we want to attract, retain and further develop those already working within Key Merchandise.

In 2019, as a part of our materiality analysis, we surveyed our co-workers aiming to understanding their perspectives and concerns regarding our sustainability work.

We were happy to see so many employees participate and generously share ideas and constructive feedback to improve our commitment to sustainability. Part of the results point out that employee development and growth is considered, by our co-workers, to be the most important sustainability issue. We look forward to further deepen our efforts to support our employees' learning and continue making their jobs fulfilling ones.

At Key Merchandise, we also recognise that our employees cannot thrive without an encouraging work environment, free of corruption and discrimination, which gives equal opportunities to all. This is why we take our responsibilities as an employer; staying true to our values and providing employees with the policies and tools to fight any type of corruption and prevent occupational illness and incidents.

BUSINESS ETHICS AND ANTI-CORRUPTION*

Our Code of Ethics, company core values, practices and policies guide the actions and behaviour of our employees, to act in an ethical manner that goes beyond compliance. It also means fostering an environment where our employees can speak up if they have questions or encounter violations.

CODE OF ETHICS AND BUSINESS CONDUCT*

Our Code of Ethics emphasises our company values and guides employee conduct. It includes areas such as:

- Compliance with laws and regulations
- Respect in the workplace
- Protection of company property
- Professionalism

Key Merchandise's **Anti-Corruption Policy*** includes not accepting gifts or other benefits from our partners. If gifts are ever accepted, it should take place with full transparency and in a manner that follows the organisation's policy. All employees have signed the anti-corruption policy.

Key Merchandise has had no reported cases of corruption to this point.



Sedex, the Supplier Ethical Data Exchange, is a not-for-profit membership organisation with over 15 years of expertise in responsible sourcing.

Sedex is an online database, used by more than 60,000 members in over 180 countries, which allows companies to store and view data on ethical and responsible business practices. Members also have access to a range of resources and reports, including industry specific questionnaires and market leading risk analysis tools, developed with global risk experts Maplecroft.

Sedex does not set any standards or determine the policy of its members. Sedex provides a place to store any and all ethical audit reports, with a summary of non-compliances held in a common format.

Sedex has created the Sedex Members Ethical Trade Audit (SMETA) – a common audit methodology and report format aiming to drive consistency of data from the auditing process. SMETA is the world's most commonly used ethical audit format.

The audit checks specifically against; the ETI base code and how it is spread to employees and the supply chain, relevant local laws, environmental performance, subcontractors/home workers, eligibility to work and understanding of the ETI base code.

For Key Merchandise, Sedex is a support in managing our complex supply chain and allows us to share data with clients
- we are an A/B-member (buyer/supplier). We believe that the Sedex participation will reduce the need for numerous audits, both for our own and external production. Since all social audits, such as BSCI, SA8000 and ICTI, can be uploaded to the Sedex platform, this will also reduce administration.

Key Merchandise's productions in China are audited according to SMETA. The plan was to audit our factories in Pakistan in 2020. However, due to the move to a new building in the Netherlands and also the COVID-19 outbreak, we decided to postpone the SMETA audit until 2021.



REACH* is a regulation by the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry.

It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.

It is the responsibility of all manufacturers, importers and users of substances within the EU to ensure that the substances they manufacture, import or use do not pose any risk to human health and the environment.

REACH affects all EU-actors that professionally manufacture, import, sell, buy, distribute or use chemicals as such and in articles. If goods contain restricted chemicals, it is mandatory that the manufacturers and importers are informed.

MODERN SLAVERY STATEMENT

Modern slavery is a term that captures a range of human rights issues, including forced labour, bonded labour, human trafficking and child slavery. The complexity of supply chains increases the likelihood of modern slavery in the global industry.

Since 2017, Key Merchandise publishes a statement in detailing the steps we are taking to mitigate the risk of modern slavery occurring in the supply chain and business operations. The statement is published in the **Key Merchandise Policy document***. It reflects our zero-tolerance approach to modern slavery in any form, and the different forms of modern slavery are covered by the focus areas of our supply chain audits.

DATA PRIVACY RIGHTS

Key Merchandise considers the personal rights and privacy of each and every individual to be fundamental in our business relationships and intends to protect values such as confidentiality and personal data protection rights.

Key Merchandise aims to operate in accordance with the laws and regulations around the world that govern the collection and processing of personal data. Our Code of Conduct and **Data Privacy Policy*** provide guidance on the management of personal and sensitive data, and the prevention of potential privacy and security risks and incidents.

Key Merchandise collects a significant amount of personally identifiable information related to employees, contractors, suppliers, customers and other persons with whom we have a relationship. Treatment of the data must respect the principles of lawfulness, fairness and transparency to ensure that the data subjects trust how their data will be used.

GUIDELINES DURING COVID-19 PANDEMIC



OVER ALL

- Crisis Management Team (CMT) was set up. This team includes the founders.
- Updated cleaning and sanitization habits
- Established guidelines to minimize employees in the office, and visits from non-employees
- Determined how employees are to report confirmed and suspected cases
- Managed company business travel restrictions and established guidelines for personal travel

COMMUNICATION

- Developed and implemented clear communication to employees of new processes and expectations prior to their return to work.
- Avoid touching common objects, light switches, doors, microwaves, etc
- Cleaning protocols
- Provide regular updates to employees through TEAMS meetings
- For employees working remotely – managers reach out to discuss wellness, working from home conditions and work update

SOCIAL DISTANCING

- Follow appropriate RIVM guidelines
- Modify layout of office desk placement / lunch rooms to reduce number of seats
- Close the small meeting room, for one person use only
- Hold meetings via teleconference. If face to face meetings are necessary, strictly adhere to the RIVM social distancing guidance and minimize number of participants

SOCIAL ENGAGEMENT



Over the past 6 years the Key Merchandise NL team participated in NL DOET, organized by the "Oranje Fonds" (the largest national fund in the social field).



Social initiatives emerge in these turbulent times. In 2020 Key Merchandise set up the "Hou je Haags", campaign, selling T-shirts, the full proceeds (13.659,75 euro) were donated to the Voedselbank Haaglanden.



2020 was the year we officially started sponsoring the ADO Soccer G-team (disabled team).



Donated all crew shirts for Smokey Tours, a tour company in Manila whom invest 100% of the profit from our Slum Tour in the Aplaya Community in Baseco



Each year Key Merchandise donates 2.500 euro to a NGO picked out by our customers. Hartstichting, Unicef, WNF and ALS all received this gift during Christmas time.



Team members volunteered during the yearly Hartstocht, a walk to raise money for the Hartstichting. Volunteering included handed out medals to the people who crossed the finish line.



There are 61.000 children in the Netherlands who cannot celebrate their birthday because of financial issues at home. The Jarige Job foundation helps these children by giving them a box full of presents on their birthday. Suitable samples are donated by Key Merchandise to be used as birthday presents.

PRODUCTION AND SUPPLY CHAIN

We believe in close co-operation with our business partners.

We cannot add value to our clients' brands if we do not ensure that we and our suppliers are doing things right. We have production sites both in Europe and Asia. It is an advantage to have multiple locations that enable shorter delivery times, lower freight costs and reduced environmental impact.

Yet, we also recognise the challenges associated with being a global company. We strive to hold the highest labour standards for our co-workers around the world. We also systematically monitor our production environmental impact, while working to ensure an efficient use of resources and favouring renewable energy.

PACKAGING AND PROTECTIVE MATERIALS

Key Merchandise strives to minimize packaging and protective materials while meeting quality requirements. By adopting lightweight designs and reusable packaging materials, we minimize the use of raw materials, reduce waste and help optimize transport capacity, all of which contribute to reducing CO2 emissions. See our **Packaging Reduction Guidelines***

PRODUCT QUALITY POLICY *

Key Merchandise is committed to achieving this goal by meeting or exceeding all legal and regulatory requirements and through the rigorous application of our Quality Management System. Each personal product quality experience for our consumers depends upon all employees understanding their roles and responsibilities and ensuring that they adhere to Key Merchandise's quality standards, business processes and regulatory requirements at all times.



SUSTAINABLE DESIGNING

Sustainable products for us implies finding better materials and once chosen and use, those materials should be kept in a recycling loop as long as possible. For us it is important to work to be genuinely better all round, not only from the product perspective. Both materials and mode of transportation are almost always decided by the client. Our role is guiding the client in finding better alternatives is becoming more and more important and we see an increase in interest from our clients in using either certified or recycled materials.

DESIGNER CHECKLIST

This checklist has been prepared by the Key Merchandise design department. To be used as a tool in new product development.

- Does this product serve its purpose?
- Could we use certified materials?
- Will it last long enough?
- Can it be re-used?
- Is it able to have a second life?
- Could it be reduced/minimalised/simplified?
- Can the design be optimised to reduce product waste?

ENERGY

Our scope of commitment has grown and we are aiming to reduce the overall energy consumption of Key Merchandise's operations, with particular focus on the reduced use of energy sourced or derived from fossil fuels. In 2021 part of our new office in NL will switch to renewable electricity.

More than 50 percent of our total energy consumption will come from renewable sources, and we continue to investigate options to increase that number with the goal of achieving 100% by 2023.



SUSTAINABLE PRODUCTS AND SUSTAINABLE MINDSET

Each year our, sales, inside sales and designer team embark on inspiration trips, travelling to different locations across the Europe and sometimes Asia to get inspired for the Key Merchandise concepts and items, seek out new ideas and to ensure we stay up-to-date with the latest trends. At Key Merchandise, we have been working to reduce the impact we have on the environment, not only by our offering in sustainable products and materials, but also in all aspects of what we do.

In 2019, our team made a conscious decision to only visit places that they could travel to by train. Rail transport is the most environmentally friendly way to travel, aside from walking or cycling, as the greenhouse effect of gas emissions per kilometre are 80 percent lower than travelling by car.

In some countries, less than 3 percent of all transport gas emissions come from trains.



TRAVEL BY EMPLOYEES

Key Merchandise operates in different parts of the world. Business travel is a large source of emissions, and air travel generates more emissions, per kilometre travelled, than any other mode of transport.

We will remind our staff to focus on sustainable travel options and when possible, travel less and make use of our smart IT-solutions such as Skype and TEAMS online meeting facilities.

In 2020, we clarified the car policy for car-eligible employees, focusing on electric and hybrid cars with lower emissions. New means of travelling also requires changes. One example is the charging stations for electric cars to be installed at Key Merchandise new office location.

LOGISTICS AND TRANSPORTATION

It is required that Key Merchandise is represented in different parts of the world, through our own companies and a network of strategic partners.

LOGISTIC TRANSPORTATION

Efficient transport ensuring the distribution of goods is essential for our business, and there is a distribution network, with speed and accuracy being high priority.

SEA TRANSPORT

The forwarder used for sea freight is DSV, a company with the aim of developing zero-emission vessels and making them commercially available by 2030.

The strategy is to reduce greenhouse gas emissions from shipping by at least 50 percent by 2050 (compared to 2008 shipping emissions). At this stage the forwarder is providing Less-than-container-load (LCL) shipments that are carbon dioxide (CO2) neutral from 2020 onward through a "Net Zero Carbon program" that leverages three fields of action: detection, reduction, and compensation.



RAIL TRANSPORT

For Key Merchandise it is relevant to see how we can move more transportation to less carbon intensive alternatives. Rail transport being one of these alternatives, and there is a growing interest for using rail transport from Asia to Europe.

The land route through Central Asia is relatively short. A container ship too large for the Suez Canal has to make a 24,000 km journey to reach Europe. Trains travel approximately 10,000 km to reach the same destination.

We have completed our first trials and, compared to sea freight, we saved 10 days, and it also implied reduced logistics costs and a reduction of the environmental footprint with >90 percent reduction of CO2 emissions compared to air freight. In 2020 we will continue, and plan to increase, the use of rail as our mode of transportation between Asia and Europe.

AIR TRANSPORT

When mapping our transportation for the European orders, air transportation accounted for approximately 34 percent of the transported parcels. Our goal is to reduce air transportation by 50 percent by 2025 (base year 2019).

Air transportation is often required to meet clients' deadlines, but we believe that through a better dialogue and planning, together with clients, we can reduce the share of air transport and use it only when there are special needs regarding time requirements.



REDUCE CO2 EMISSIONS FROM TRANSPORT

As the Covid-19 crisis spread around the world, we started working from home, with immediate and varied impacts on energy use. Analysis shows that for people who commute by car, working from home is likely to reduce their carbon dioxide (CO2) footprint if their journey to work is greater than about 6 kilometres.

In regards to transportation of our products: these are sent directly from the factory to the customer, all over the world. This is facilitated by our purchasing organizations that are responsible for the product quality control before these leave the factory. The direct supply reduces transportation. As far as possible the shipments are grouped to lower costs and environmental impact. If timingline allows it we transport goods from China by train. We only work with demonstrably sustainable carriers who have an eye for safety, quality and reduce CO2 emissions.

Data Summary

| Office NL | 2019 | 2018 | 2017 |
|------------------------------------|-------|-------|-------|
| Waterconsump (per person per day) | 25 lt | 31lt | 31lt |
| Waste office (per person) | 115kg | 153kg | 162kg |
| Recycle of materials | 50% | 35% | 20% |
| Fsc paper use | 60% | 45% | 10% |
| Accident rate | 0% | 0% | 0% |
| Sustainable alternative designs | 40% | 20% | 2% |
| Sustainable alternative orders | 5% | 1% | 0% |
| Parttime Employees | 46% | 30% | 30% |
| Training hours employees | 16 | 16 | 16 |
| Air Travel km/employee | 714 | 5628 | 4200 |
| Train commuting | 20% | 0% | 0% |
| Electric car/scooter commuting | 32% | 28% | 0% |
| Renewable energy | 22% | 10% | 0% |
| Employees signed policy document | 100% | 0% | 0% |
| Suppliers aware of Code of Conduct | 100% | 90% | 90% |
| Social engagement (per employee) | 19hrs | 8hrs | 8hrs |
| Train transportation orders | 23% | 0% | 0% |

* refers to our Policies and Guidelines document



STAKEHOLDERS

We take part in many stakeholders groups in a variety of settings across the Key Merchandise organisation. Commitment to ongoing stakeholders engagement is a core component in our sustainability strategy. We aim to have an open communication, to listen and to learn from others and it is necessary to allow groups to co-operate for a more sustainable industry. We want to provide stakeholders with relevant and comprehensive sustainability reports.



We thank you for your support, interest and for believing that the promotional materials industry can act in a responsible way that puts people and the planet first.

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