

UN GLOBAL COMPACT: COMMUNICATION ON PROGRESS

AD Merchandise Limited

Date: 25th October 2019

1. Background

November 2019 marks the 1st anniversary of AD Merchandise's association with the UN Global Compact (UNGC).

We pledge to continually upgrade workplace stands in the areas of:

- Human rights
- Labour
- Environment
- Anti-corruption

AD Merchandise re-affirms its support for the UNGC and its 10 guiding principles.

A handwritten signature in black ink that reads 'Amo Singh'.

Amo Singh
Managing Director

2. Progress reporting

This Communication on Progress (COP) reporting period is from November 2018 to October 2019.

This report details the systems and activities at AD Merchandise that;

- Support the 10 guiding principles; and
- Outline the outcome of each of them.

2.1. Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses.

2.1.1. System

We have international organisational policies and procedures that guide and control the implementation of internationally proclaimed human rights and the exclusion of abuses. The main policies and procedures are:

- **Code of Conduct** - We state our position on international human rights, sustainability standards and principles. It comprises:
 1. *Do not engage in or support the use of child labour.*
 2. *Do not engage in or support the use of forced labour.*
 3. *Do not engage in or support the use of any form of corporal punishment.*
 4. *Do not engage in or support any form of discrimination.*
 5. *Apply with applicable laws and industry standards on working hours.*
 6. *Freedom of association and the right to collective bargaining are respected.*
 7. *Provide a safe and healthy working environment and minimise accidents through removing hazard and reducing risk.*
 8. *Ensure that wages paid always meet legal or industry standards and shall be sufficient to meet basic needs and provide some discretionary income.*
- **Our values** – these are the foundation of our business and define the way our employees act.

Vision - To provide inspiring branded merchandise solutions to our customers in the most sustainable and socially responsible manner

Promise - To bring inspiring branded merchandise solutions that promote our customers' brands globally in a sustainable manner. By putting people at the heart of all that we do, we create a happy and positive environment that gives all of our partners the opportunity to flourish.

Core Values

Integrity • Sustainability • Innovation • Collaboration • Quality

- **Supply chain management** – The Code of Conduct is implemented through the day-to-day supply chain operations for all vendors globally to qualify vendors (suppliers and factories) that share our values. We define the important nature of the key values with our supply chain to ensure full compliance to legal, environmental, societal and ethical standards.
- **Policies** – we have a number of policies that form of the company handbook that are reviewed annually including:
 - Anti-slavery and human trafficking policy
 - Bullying and Harassment policy
 - Code of conduct
 - Disciplinary policy
 - Grievance policy
 - Disability policy
 - Equal opportunities and diversity policy
 - Family friendly policy
 - Health and safety policy
 - Whistleblowing policy

2.1.2. Activities

- In September 2019, following a period of consultation with the internal team a new vision, promise and values and desired behaviours was communicated with our team (as listed above).
- Training on the AD Merchandise Code of Conduct for all staff as part of the induction process, training matrix and company handbook.
- Inclusion of the AD Merchandise Code of Conduct to all suppliers and factories annually. We only work with factories, manufacturers and suppliers who share these values.

2.1.3. Outcomes

Our achievements as a result of the activities are:

- All key suppliers have renewed their commitment to the Code of Conduct as part of our annual trading agreement.
- All new suppliers including Chinese factories have signed up to the Code of Conduct prior to any purchase orders being issued.
- All Chinese factories that we have worked with over the last 12 months have shared acceptable BSCI audits, with principles aligned closely with those of the UNGC.
- Our internal team have a clearer understanding on the corporate values and the vision, whilst being able to interpret and apply this more in their day-to-day duties.

2.2. Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation.

2.2.1. System

We have internal organisational policies and procedures that define day-to-day operational standards in relation to the right of collective bargaining, elimination of forced labour and compulsory labour, child labour and discrimination.

- Code of Conduct
- Policies and Procedures on Human Resource Management
- Policies and Procedures on Environment and Health & Safety (EHS) Management.

2.2.2. Activities

- Training on our Code of Conduct for all employees.
- Revision and communication of HR and EHS policies & procedures that incorporate up-to-date local regulations and operating standards.
- Implementation of HR and EHS policies and procedures – on Diversity & Inclusion and Health & Safety.
- Certification of factories in accordance with our Responsible sourcing guidelines via 3rd Party audit service providers.

2.2.2. Outcomes

Our achievements as a result of the activities are:

- We implemented a new Anti-slavery and Human Trafficking policy; communicated in April 2019.
- HR and EHS policies were made more accessible on the company shared drive (where previous they were harder to find). They can now be found at the top-level directory.
- All staff were trained on the updated HR policies and procedures through training and meetings.
- All staff were given general health and safety training including an annual Display Screen Equipment (DSE) assessment.
- Staff events organised – 10th year business anniversary party on 1st October 2019.
- We employed another member of staff who has utilised our family friendly policy, choosing to work 4 days a week. There are now five members of the team who work reduced hours because of family reasons.

2.3. Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

2.3.1. System

Our guiding principles and measures are state in the following policies:

- Policies and procedures on Environmental Management that are generated in accordance with ISO14001 guidelines.

2.3.2. Activities

- We have achieved re-certification on ISO standards - ISO9001 and ISO14001 dated September 2019.
- Awareness training to our team on the Environmental Management System.
- Revised our company vision with a focus on supplying merchandise in the “most sustainable and socially responsible manner”.
- Promoting and marketing a larger percentage of products to our clients’ that are either biodegradable, recyclable, made from recycled materials, promote an environmentally conscious lifestyle (e.g. oppose single-use plastics) and/or have a low carbon footprint.
- All courier parcels have been switched to use the UPS Carbon Neutral service as standard.

2.3.3. Outcomes

Our achievements as a result of the activities are:

- Reduction of carbon emissions through:
 - All company cars are now hybrid vehicles with mileage regularly monitored.
 - Offset carbon emissions from courier deliveries using the UPS Carbon Neutral service for all deliveries.
 - Zonal lighting sensors installed in the office.
- 50% increase in the number of environmentally conscious products that we now sell, over 300 sustainable or eco-friendly products now available for our customers to choose from.

2.4. Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

2.4.1. System

Policies related to anti-corruption and anti-bribery are:

- AD Merchandise Code of Conduct.
- AD Merchandise Anti-Bribery Policy.
- AD Merchandise Anti-Slavery and Human Trafficking Policy.
- AD Merchandise Corporate Hospitality and Gifts Policy.

2.4.2. Activities

- Training on our Code of Conduct and Anti-Bribery policies as stated in section 2.4.1.

2.4.3. Outcomes

- Over 50 suppliers and factories representatives have been briefed on the AD Merchandise Code of Conduct.