

OROTON ETHICAL SOURCING CODE AND SUPPLEMENTAL STANDARDS

13TH FEBRUARY 2015

Oroton is committed to conducting its business with the highest standards of integrity, in accordance with our international obligations and in compliance with all applicable laws. We work with suppliers who share and follow our high standards of conduct in whichever country they operate.

Oroton's Ethical Sourcing Code includes minimum requirements and expectations that all suppliers must meet as a condition of doing business with Oroton. The Ethical Sourcing Code is based on Oroton's commitment to respecting the core labour standards established by the International Labour Organization (ILO), protecting and respecting human rights as set out in the United Nations *Universal Declaration of Human Rights* and promoting environmental sustainability.

The Ethical Sourcing Code applies to all vendors, factories or authorised sub-contractors ("suppliers") involved in the manufacturing of any merchandise where Oroton works with factories directly, Oroton proprietary branded merchandise and licensed branded merchandise sold exclusively at Oroton.

The Ethical Sourcing Code forms part of the contract with suppliers. Oroton expects suppliers to be honest and transparent in their dealings with Oroton and commit to making continuous improvements in their operations. In the event there is a violation of the Ethical Sourcing Code or a supplier does not demonstrate a willingness to comply, Oroton reserves the right to discontinue business with the supplier.

Oroton's Ethical Sourcing Code does not replace the local laws of the countries in which our suppliers operate. At a minimum, suppliers should always be familiar with and comply with all relevant laws and regulations. In the event of a conflict between these standards and a local law, the stricter requirement must be followed.

The Ethical Sourcing Code is supported by supplemental standards containing additional requirements which also form part of the contract with suppliers. The complete *Oroton Ethical Sourcing Code and Supplemental Standards* can be obtained by visiting www.oroiongroup.com

For any questions regarding this Code or Oroton's wider Ethical Sourcing Program, contact Oroton's customer service department at customerservice@oroion.com

1. Labour

1.1. Child Labour

Suppliers will comply with the minimum employment age limit defined by national law or by International Labour Organization (ILO) Convention 138, whichever is higher. The ILO Convention 138 minimum employment age is the local mandatory schooling age, but not less than 15 years of age, subject to exceptions allowed by the ILO and national law. Hazardous work must not be undertaken by anyone under the age of 18.

Supplemental Standards:

- Suppliers must comply with all applicable laws governing minimum working age.
- Comply with all legal restrictions placed on young/juvenile workers. This includes the number of overtime hours, hazardous and/or night work, annual medical checkups, and taking all necessary precautions to ensure juvenile workers are protected from working conditions likely to endanger their health, safety or welfare.
- Hiring procedures are in place to verify age documentation.

1.2. Wages, Benefits and Working Hours

Suppliers must comply with all laws regulating local wages, overtime compensation, and legally mandated benefits. Wage and benefit policies must satisfy all applicable laws and regulations. Under ordinary business circumstances, employees must not be required to work excessive working hours per week, including overtime, and have the option of adequate days off. We expect that all record keeping will be accurate and transparent at all times.

Supplemental Standards: Wages and benefits

- Legal minimum wage is guaranteed to all workers. In countries where it is legal to pay a worker by piece instead of by hour, the worker must receive a wage equal to or above minimum wage.
- Workers must be paid on time, in accordance with the law, and in the form of the local currency.
- Legal and company minimum wage rates are posted or available to workers.
- Pay slips must be provided and include workers' personal information (e.g. name, address, etc.) and a detailed explanation of payment, including days worked, wage or piece rate earned per day, hours of overtime, bonuses, allowances and a description of any and all deductions. This same information should be available for subcontractors who work on-site.

Supplemental Standards: Working hours

- Suppliers must have a written policy for working hours and overtime in accordance with the legal requirements. The policy shall be effectively communicated to all workers.
- Suppliers must comply with the legal requirements and limitations on regular hours and overtime.
- All hours are tracked and time cards accurately reflect the real working hour situation in the factory. Absence of an adequate system of tracking hours worked means that correct pay for hours worked cannot be verified.
- Legal working hours and the working hours of the supplier are made available to all workers.
- Workers are given the legally required rest or break time during working hours.

1.3. Forced/Bonded Labour

Suppliers shall not use any type of forced labour, which means any work or service performed involuntarily under threat of physical or other penalty, such as prison, indentured or bonded labour. Further, they shall respect the freedom of movement of their workers and not restrict their movement by controlling identity papers, holding money deposits, or taking any other action to prevent workers from terminating their employment.

Supplemental Standards:

- Indentured, bonded and prison labour are strictly prohibited.
- Workers must not be forced to work against their will, ability, or in a manner outside the provisions of the labour contract, where applicable.
- Workers must be allowed to freely move within the workplace to use the toilets, take designated breaks, etc., and leave the workplace at the end of their shift or after giving their employer reasonable notice.
- Workers shall not be coerced by personnel of the supplier, including supervisors, security personnel, etc.
- The movement of workers must not be restricted by controlling identity papers (such as ID cards or passports) or withholding money deposits, or requiring excessive fees, etc.
- Worker's government issued identification, passport, work permit or other personal identification can only be retained with the worker's written permission, and shall be returned at the worker's request.
- Workers must be able to end their employment, as outlined in legally compliant contracts. Suppliers shall pay all wages fully and promptly and not employ other tactics to prevent workers from leaving at will, such as withholding salary as a "year-end bonus" or charging a penalty when workers terminate their contract.
- Workers must be able to refuse to perform certain tasks that the worker believes to be hazardous without penalty of termination.
- All overtime is voluntary. Workers are educated on the standard work week and the factory seeks their willingness to work overtime hours. For workers not interested in working overtime, the supplier is supportive of their decision and does not, in any way, force or coerce them to work overtime hours.

1.4. Discrimination

All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics, such as age, race, colour, nationality, gender, religion, marital status, sexual orientation, maternity status, disability or political beliefs. Suppliers must ensure that they provide an environment where their employees can work without distress or interference caused by harassment, discrimination or any other inappropriate workplace behaviour.

Supplemental Standards:

- Different treatment is not given to workers based on personal characteristics or beliefs, such as age, race, colour, nationality, gender, religion, marital status, sexual orientation, maternity status, disability or political beliefs. This includes denial of work and promotions, and differing pay rates, benefits and disciplinary practices.
- Discrimination based on workers' associations is prohibited. This includes refusing to hire workers because of their associations, as well as threatening, disciplining, punishing or firing workers because they exercise this right.
- Suppliers must have a policy against discrimination in the workplace based on gender, ethnic origin, religion, and/or personal beliefs, etc. The policy shall be effectively communicated to all workers.
- The use of medical examinations, to prevent a worker from being hired or firing a worker who becomes ill or injured, is not allowed.
- Religious observance, prayer breaks and religious holidays should not be unreasonably prohibited.
- Supplier policies must not favour one group of workers over another.
- Hiring notices do not specify discriminatory factors, such as gender or race.
- Female workers must not be discriminated against. They must receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male workers.
- Female workers must not be questioned about their pregnancy status, and pregnancy tests must not be conducted before hiring or as a pre-condition to employment.
- Female workers must not be forced or pressured to use contraception.
- Female workers who take maternity leave (in accordance with the law) shall not face dismissal, loss of seniority or deduction of wages, and will be able to return to their former position at the same rate of pay and benefits.

1.5. Harassment and Abuse

Workers shall be treated with dignity and respect. In particular, suppliers will provide a workplace free from harassment of any form including physical, sexual, verbal or visual behaviour that creates an offensive, hostile, or intimidating environment.

Supplemental Standards:

- Suppliers must have a policy prohibiting acts of harassment or abuse in connection with workers' employment. The policy shall be effectively communicated to all workers.

- The supplier shall provide its workers with a workplace free from harassment or abuse. This includes, but is not limited to:
- Illegal methods of discipline, as well as the withdrawal of basic physical comforts provided to other workers, are prohibited.

1.6. Freedom of Association and Collective Bargaining

To the extent permitted by local laws, suppliers must respect the right of their workers to freedom of association and collective bargaining. This includes the right to form and join trade unions or other worker associations of their own choosing without harassment, interference or retaliation.

1.7. Health and Safety

Conditions in all production and residential facilities must be safe, clean and consistent with all applicable local laws and regulations and/or industry best practices, in order to avoid preventable work related accidents and injuries.

Supplemental Standards: General Environmental Health and Safety (EHS)

- Suppliers must have knowledge of and comply with all local legal regulations on health and safety. Suppliers must be aware of industry best practices and have in place a policy and plan to achieve higher standards on a continuous improvement basis. The policy shall be effectively communicated to all workers.
- Each factory operated by the supplier must appoint a senior management representative to govern health and safety in the workplace. In addition, the senior management representative should identify interested workers and managers as 'health and safety' champions' who represent the broader factory team, meet quarterly as a minimum (monthly meetings are preferred), with minutes kept of all meetings outlining attendees, items discussed and actions to be completed.
- Regular monitoring is conducted to check that health and safety procedures are being followed.
- Workers are appropriately supervised and trained to perform their jobs safely and receive formal training on safety procedures in general.
- Supplier factories are generally kept clean and hygienic in accordance with the law. This includes regular and systematic refuse collection.
- Periodic testing is conducted on all drinking water to ensure it is safe.
- There are a reasonable number of operating toilets that are clean, offer privacy (i.e., ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odours.
- Identify risk areas, such as toxic substances and dangerous machinery, and effectively manage by providing the applicable training and ensuring chemicals are properly stored and labelled
- Chemicals are stored in a separate area which is equipped with the appropriate fire extinguishers, safety signs, ventilation, and instructions on handling and disposal and personal protective equipment for workers.
- Injury records are properly maintained and all significant accidents and near misses are investigated, reported and corrective action is performed to minimise any re-occurrence.
- Machinery, equipment and fixtures are checked regularly to ensure they are in safe working condition. Documentation is maintained to demonstrate compliance.

- Suppliers shall respect the right of a worker to refuse work that he or she has reasonable justification to believe is unsafe, without suffering discrimination or loss of pay, including the right to refuse to enter or to remain inside a building that he or she has reasonable justification to believe is unsafe for occupation.

Supplemental Standards: Emergency/Fire Preparedness

- Supplier factories shall communicate fire and emergency evacuation plans and post the diagrams in the local language in various locations around the factory. The plan must illustrate critical information such as emergency evacuation routes, “you are here” mark, correct layout direction, location of fire extinguishers and hydrants, and instructions in the local language of what to do in the event of an evacuation.
- Evacuation drills are conducted regularly, at least annually or more often where required by law.
- Exit routes are not obstructed by equipment, materials, production, etc. (internally and externally) and are regularly checked.
- The number of emergency exits is in accordance with the local law and exits are unlocked, clearly marked, and lead to the outside. Doors that are not exits are labelled as such, i.e. “NOT AN EXIT”.
- Fire alarm system is audible throughout the entire factory. The system is inspected regularly and tested in coordination with fire drills.
- Fire prevention and fire fighting equipment, including fire extinguishers, are easily accessible, clearly marked, and routinely inspected to ensure they remain operational.
- Emergency lighting to be installed in all stairways and where needed on exit routes. The lighting is to be inspected periodically.
- Designated factory personnel (workers and supervisors) are trained at regular intervals in fire safety, the use of fire extinguishers, and how to administer the fire prevention procedures and emergency evacuation plan.
- Sufficient first-aid supplies are maintained on work floors with adequate personnel trained in First Aid to assist in an emergency.
- Floors are kept clean from hazardous spills and materials.
- Emergency and other hazardous signage is adequate.
- Electrical equipment and wiring is properly maintained, covered/insulated to prevent exposure of wires.
- Gas cylinders are properly marked, used, inspected, stored and secured.

Supplemental Standards: Accommodation

- In addition to the following, all health and safety guidelines listed above are implemented in supplier sponsored dormitory buildings.
- Accommodation and food service area are generally kept clean, provide a safe, hygienic living environment for workers, and comply with all legal regulations regarding residential facilities, where provided.
- Dormitories are not attached to any production or warehouse building.
- Separate accommodation exists for males and females.
- Residents should have their own bed, an area for personal items and the ability to secure belongings.

- There are a reasonable number of operating toilets and showers that are clean and separated by gender. The ILO recommends a minimum of one toilet, one wash basin and one bathtub or shower for every six persons. Toilets offer privacy (i.e., ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odours.

2. Environment

Suppliers, as a minimum, will meet all relevant local and national environmental protection laws, and will strive to comply with international environment protection standards such as ISO 14000 - Environmental Management.

Supplemental Standards:

- Suppliers must have in place an environmental policy and an environmental management system designed as a minimum to achieve compliance with national environmental protection laws and, where appropriate, to manage environmental impacts associated with manufacturing activities, such as air emissions, water and waste management, energy use and biodiversity impacts.
- Where required by law, environmental records and certificates must be maintained for each factory. Hazardous materials and chemicals will be disposed according to the law so that these materials are not discharged and do not pollute the environment.
- Suppliers should be aware of international environment protection standards such as ISO 14000 – Environment Management and have a plan to achieve these standards on a continuous improvement basis.

3. Consumer Protection

Suppliers must take all reasonable steps to ensure the goods they produce are safe and are not harmful to consumers.

Supplemental Standards:

- Suppliers must ensure that the goods they produce meet all agreed or legally required standards for consumer health and safety, including health warnings and product safety and information labels.

4. Business Integrity and Anti-Corruption

Suppliers must demonstrate a high degree of professionalism and have a close affinity with our business ethics. In particular, honesty, fair dealing and the proper treatment of workers is required at all times. Bribery and corruption in any form is strictly prohibited.

Supplemental Standards:

- Business is carried out with a high degree of integrity, honesty and fair dealings. Suppliers must have a policy on ethical standards/business integrity that prohibits bribery and corruption in any form. The policy shall be effectively communicated to all workers.
- It is strictly prohibited to offer, give, demand or accept any undue advantage (such as money, favours, gifts, discounts, services, loans, contracts etc.) to or from any person in order to obtain or retain business or other improper advantage.

5. Compliance with the Law

Oroton requires all suppliers to comply fully with the legal requirements of the countries in which they operate. All requirements in this Ethical Sourcing Code are in addition to compliance with applicable local laws.

Supplemental Standards:

- At a minimum, suppliers must comply with local laws and regulations of the country of manufacture.
- Business licenses and other documents are in order and up-to-date.
- Suppliers must aim to have written procedures in place, with a designated responsible management representative at each factory, to ensure they are aware of and understand changes that are made to the local labour law (e.g. local minimum wage).
- The designated responsible management representative communicates these changes and implications to all workers and works with the supplier's staff to ensure the necessary changes are made in a timely manner to ensure compliance with the law.
- A labour contract must be provided to each worker which stipulates the wage and compensation awards legislated in the country.
- Labour contracts, where applicable, are written in compliance with the law and signed by workers. Workers receive a copy in their native language.

6. Management Systems

Suppliers shall adopt or establish a management system covering all its factories in the manufacture of goods ordered by Oroton. The management system shall be designed to ensure (a) compliance with applicable laws and regulations; (b) conformance to this Ethical Sourcing Code; and (c) identification and mitigation of operational risks related to this Ethical Sourcing Code. It should also facilitate continual improvement.

Supplemental Standards (factory management system components):

- Policies and procedures must be in place to ensure the supplier and its factories and workers comply with applicable laws, regulations and, where stricter, Oroton's ESC standards.
- A management representative is appointed at each factory to implement the supplier's policies, procedures and improvement objectives.

- The supplier must have in place a working communication/grievance system, and workers are aware and educated on how to use the system. Issues are reviewed regularly, responded to with a sense of urgency, and properly filed to demonstrate compliance.
- The supplier shall conduct an internal audit on a regular basis (no less than once every two years) to ensure conformity to legal and regulatory requirements and the content of the ESC standards.
- Managers, staff, supervisors and workers are trained on the supplier's Code of Conduct and/or Oroton ESC standards. This training is embedded in the orientation process.

7. Compliance with our Ethical Sourcing Code

Oroton will monitor compliance with this Ethical Sourcing Code, and we, or our representatives, may visit a supplier's factories to audit compliance of any part of this Code. These visits may occur at any time and be announced or unannounced. Any breaches of our Ethical Sourcing Code will be reported to the supplier for follow up and corrective action. Suppliers are required to cooperate with the entire process. Where there are breaches and/or the supplier does not demonstrate a willingness to comply, Oroton reserves the right to discontinue business with the supplier. Suppliers must communicate and make a copy of the Ethical Sourcing Code available to workers in each factory.

Supplemental Standards:

- Suppliers must review these ESC standards and fully understand the requirements.
- Suppliers must ensure their factories are cooperative and transparent during an audit, or other form of inspection, and provide full access to workers, records and factory work areas as well as dormitories and other factory buildings.
- A corrective action plan must be implemented for timely correction of deficiencies identified by internal or external audits, inspections, investigations and reviews.
- Suppliers will not engage a sub-contractor to manufacture any Oroton goods or parts thereof without the express written permission of Oroton. Any contract engaging a sub-contractor must include a contractual provision requiring compliance with these ESC standards and Oroton's Ethical Sourcing Code procedural guidelines.

REPORTING VIOLATIONS

Any actual or suspected breaches of the Orotan Ethical Sourcing Code and supplemental standards can be reported to Orotan Australia via the following email address customerservice@oroton.com. All reports will be followed up by Orotan Australia. The identity of anyone who makes a report will be kept strictly confidential, unless requested otherwise.

DEFINITIONS

Bonded labour

Work for an employer not for compensation received by the worker, but to pay off a debt, which is often incurred by another worker offering the worker's labour in exchange.

Corrective action

A corrective action is a change implemented to address a weakness or non-compliance identified in an audit. It is the action taken to correct any non-compliance which has been found in an assessment to an agreed standard.

Corrective action plan (CAP)

The document completed after the audit which confirms the findings and any agreed necessary corrective actions that must be improved to meet our compliance standards.

Excessive fees

Fees charged to a worker that is in excess of the amount legally permitted by any applicable law of the host or home country. Or, in the absence of such law, fees substantially above the prevailing market rate.

Employment eligibility fees

Fees and costs associated with employment, including recruitment agency/placement firm fees, visas, health checks, work permit and work registration fees.

Freedom of association

The right of all workers to join or form a trade union of their own choosing, which is legal in the country in which merchandise is manufactured, and carry out trade union activities without interference from their employer or from public authorities.

Forced labour

All work or service that is extracted from any person under the menace of any penalty for which the said person has not offered him/herself voluntarily. 22

Grievance procedure

A process or procedure for workers who may feel that they have been treated unfairly to voice their concerns without fear of repercussion.

Harassment

Any physical, verbal, sexual, psychological or offensive conduct that threatens human dignity and worker morale.

Hazardous work

Hazardous work includes working: with dangerous machinery/equipment (e.g. knives, saws); with chemicals or hazardous substances; in working conditions which may expose a worker to extreme noise, vibrations, cold or hot conditions; in dangerously confined spaces; with lifting heavy things.

Human rights

A set of principles defined in the Universal Declaration of Human Rights (1948), based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family as the foundation of freedom, justice and peace in the world.

Indentured labour

Work performed on behalf of an employer who forbids workers from leaving employment at the worker's discretion.

International Labour Organization (ILO)

The ILO is the international organisation responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programs promoting decent work for all. <http://www.ilo.org>

ILO Convention 138

This Convention, concerning Minimum Age for Admission to Employment, was adopted in 1973 by the International Labour Organization. It requires ratifying states to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work. For details on ILO Convention 138, see <http://www.ilo.org/ilolex/english/convdisp1.htm>

ILO core labour standards

The ILO core labour standards consist of the following standards, laid out in eight conventions:

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
- The effective abolition of child labour (Convention No. 138 & No. 182)
- The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)

Juvenile worker (or “Minor”)

- Any worker over the age of a child as defined by local or national law and under the age of 18.

Piece rate

- A method of paying workers by the number of items they produce, rather than the number of hours they work.

Subcontractor (authorised)

- A subcontractor is an individual or in many cases a business that agrees to perform part or all of the obligations of another’s contract (whether in writing or not). Authorised subcontractors must be approved by Orotan prior to any agreement being made with the supplier and these subcontractors will be required to meet the requirements of the Orotan Ethical Sourcing Code and supplemental standards.

Subcontractor (unauthorised)

An unauthorised subcontractor is

- an individual or in many cases a business that agrees to perform part or all of the obligations of another’s contract (whether in writing or not), and
- who has not been approved by Orotan as a subcontractor prior to the agreement being made.

Trade union (or “Union”)

An organisation of workers that promotes and protects the interests of its members on issues such as wages and working conditions, especially through negotiations with employers.