

SUPPLIER ETHICAL AND SUSTAINABLE BUSINESS CODE OF CONDUCT

As a global retailer, we know that our responsibility goes far beyond selling great product. Our purpose and Ethical Framework guide our every move whilst we work to prioritise people and the planet, and create products our customer loves that we can all be proud of. We take a zero tolerance approach to unethical behaviour and in partnership with our suppliers we're committed to complete transparency at all levels of our supply chain.

We work together with our suppliers, to strategize and develop our ranges and aim to improve the livelihoods of everyone we touch. Our Supplier Ethical and Sustainable Business Code of Conduct details the expectations entrenched as our core values within the agreement we have with all of our suppliers. Our 14 Rules To Trade, Ethical Sourcing Program and all other policies and programs outlined within this document support our purpose to make a positive difference in people's lives.

We're proud of the great working relationships we have with each of our suppliers, and we continue to work closely with them to ensure the environments our products are made in are safe, fair, sustainable and responsible.

COMPLIANCE WITH THE LAW

We only partner with suppliers that agree to and comply with our Supplier Agreement.

Our Suppliers:

- Must comply with all applicable laws, regulations, ordinances, and all other legal requirements concerning the manufacture, packaging, packing, marking, import, export and delivery of our products.
- Acknowledge that we have zero tolerance for bribery and corruption and are obliged to notify us immediately if they become aware of bribery and corruption in any shape or form in dealings with the Cotton On Group.
- Acknowledge that we have zero tolerance to all forms of human trafficking and child labour and our Suppliers must comply with all laws preventing human trafficking, child labour and slavery.
- Must ensure they comply with the Australian Illegal Logging Prohibition Act 2012 and all equivalent logging legislation in the countries our products are supplied.

We have the ability at any time to request our Suppliers provide evidence of their compliance and may immediately terminate partnerships which do not align with our requirements and values.

14 RULES TO TRADE

All of our suppliers and their factories across all levels of our production process are required to understand and comply with our 14 Rules To Trade which is entrenched within our Supplier Agreement.

Our 14 Rules To Trade cover all four points set out by the International Labour Foundation's Fundamental Principles to Rights at Work, the prohibition of regular and excessive overtime, and provisions to protect worker health and safety

1. **NO CHILD LABOUR** Suppliers and factories must not employ children under the age of the local legal minimum working age.
2. **NO FORCED LABOUR** Suppliers and factories must not allow any form of forced labour including bonded, involuntary, prison labour or acts of human trafficking.
3. **RESPECTFUL WORKING ENVIRONMENT INCLUDING DIVERSITY, EQUALITY AND INCLUSION** Suppliers and factories must promote and support diversity, equality and inclusion for all employees. There must be no discrimination in the recruitment of employees or in employment practices. Every employee must be treated with respect and dignity. No physical, sexual or verbal harassment or abuse will be permitted.
4. **WORKING CONDITIONS ARE SAFE AND HYGENIC** Suppliers and factories must ensure all operations are safe and clean. All factories must be structurally sound, consistent with all applicable laws and regulations and must hold a valid building safety and fire safety certificate.
5. **ADVANCING TO LIVING WAGES** Suppliers and factories must ensure that wages paid for a working week must be at least the minimum national standard or collective bargaining agreement. Suppliers and factories must be on the journey towards payment of living wages where wages are enough to meet an employee's basic needs and provide some discretionary income.
6. **NO BRIBERY AND CORRUPTION** Under no circumstances will the Cotton On Group tolerate the practice of bribery and corruption in any shape or form in dealings with a supplier or factory or any of their employees, or associated parties.
7. **FAIR WORKING HOURS** Working hours and benefits for all employees must comply with national / local laws and industry benchmark standards. Employees must be compensated for overtime hours at the rate legally required in the country of manufacture and all overtime work must be consensual.
8. **ALL EMPLOYMENT LAWS ARE FOLLOWED** Suppliers and factories must ensure that work performed must be on the basis of recognised employment relationships established through national laws and practices. This must be supported by providing each employee with a clear, understandable labour contract containing all legally required employment terms, entitlements and conditions.
9. **DISCLOSURE OF ENTIRE SUPPLY CHAIN** Suppliers must not use factories for Cotton On Group production without Cotton On Group's prior approval. Suppliers must disclose all factories (including final stage factory, inputs factory, components suppliers and raw material suppliers) used for Cotton On Group production, and both suppliers and factories must not refuse inspection from any Cotton On Group or third party auditor.
10. **RESPECT FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING** Suppliers and factories will respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference. This includes the right to form and join trade unions or other employee associations of their own choosing. Where the rights to either are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed.
11. **REDUCE ENVIRONMENTAL IMPACT** Suppliers and factories must strive to maximize sustainable resources to reduce their carbon footprint and improve environmental performance. Suppliers and factories must comply with all applicable national and international environmental laws, standards and regulations.

12. **RESPONSIBLE SOURCING – RAW MATERIALS AND PRACTICES** Cotton On Group prohibits specific materials and practices for all Cotton On Group products. This includes: materials sourced from high risk regions; harmful chemicals; animal testing of any product or formulation either during production or on finished products; and those legally required in the country of manufacture and/or sale.
13. **A VALID BUSINESS LICENSE AND BUILDING PERMIT MUST BE HELD** A business license to manufacture and a building permit fit for use must be held by any Cotton On Group producing factory.
14. **IMPLEMENTATION AND PROVING COMPLIANCE TO THE 14 RULES TO TRADE** Suppliers must implement and promote Cotton On Group's 14 Rules to Trade throughout their entire supply chain (including final stage factory, inputs factory, components suppliers and raw material suppliers). Suppliers and factories must maintain relevant records regarding their operations and provide this information upon request. Factory inspection is to be permitted during any time of operation. No disciplinary action, dismissal or discrimination against any employee for providing information concerning observance of these rules is permitted.

We do not partner with suppliers until we have received evidence of their compliance with our 14 Rules to Trade. Our 14 Rules To Trade is an ongoing commitment and we continually monitor all of our suppliers' compliance. If at any point they are unable to demonstrate their compliance with our 14 Rules of Trade, we have the ability to immediately terminate partnerships.

A summary of the 14 Rules To Trade is available in a poster format in English, Chinese and Bengali and is required to be posted in an accessible location where it is visible by all factory workers.

COTTON ON GROUP ETHICAL SOURCING PROGRAM

Our Ethical Sourcing Program, which encompasses our 14 Rules To Trade, guides and governs the sourcing, manufacturing and supply of all of our products.

Our Ethical Sourcing Team consists of team members not only located at our Global Support Centre in Australia but also on the ground in regions where our suppliers are located.

ONBOARDING SUPPLIERS AND FACTORIES

Our suppliers are thoroughly audited by our Ethical Sourcing Team and if applicable, independent third parties to ensure their compliance with our Ethical Sourcing Program before they can commence manufacture of our products.

Our suppliers cannot use any un-authorised factories to manufacture our products unless they have been audited and approved.

Our suppliers are also required to ensure that agreements they enter into with third party factories contain clauses that:

- acknowledge the third party is aware of and will comply with our Ethical Sourcing Program
- allow us or our third party agents to have full access to any premises where our products are being manufactured
- if any of our approved or existing factories changes location, the factory is required to go through the onboarding process again as we classify all factory re-locations as completely new factories.

ETHICAL SOURCING AUDIT PROGRAM

All factories within all tiers of our supply chain are required to provide evidence of compliance with our 14 Rules To Trade.

Our Ethical Sourcing Audit is conducted at every Tier 1 factory in a 12 month cycle:

1. Factory audit
2. Corrective action plan established with supplier and factory Manager
3. Training and support to implement best practice
4. Follow up audit to review, including additional training where needed
5. Corrective Action Plan established with Supplier and Factory Manager
6. Factory Audit

AUDIT GRADING

The table below sets out the criteria against which audit results will be assessed to provide a colour coded grading for each factory which determines the frequency of re-audit.

Ethical Sourcing Audit Grading for existing suppliers/factories:

AUDIT GRADE	APPROVAL STATUS	AUDIT FREQUENCY
GREEN	APPROVED	2 YEARS
YELLOW	APPROVED	1 YEAR
ORANGE	APPROVED	6 MONTHS
RED	APPROVED	3 MONTHS
BLACK	NOT AUTHORISED FOR PRODUCTION	NO FURTHER AUDIT

REMEDIATION AND ESCALATION PROCESS

We take a zero tolerance stance against important issues such as Child Labour, Forced Labour, Unpaid Wages, Undisclosed Factories and Bribery and Corruption. Where a zero tolerance finding is identified by an auditor, the auditor will report the issue within 24 hours.

Findings may also be identified by any of the following means:

- Factory employees via the grievance mechanism.
- Factory visits by our staff.
- Media reports.
- Government/civil society inspection reports (i.e.; the Bangladesh Accord on Fire and Safety).

AUDIT SCHEDULING

Our Ethical Sourcing Audits may be conducted on an un-announced, semi-announced or announced basis.

Our audits may be scheduled according to the following requirements:

- New factory being on-boarded to our supply chain.
- Existing factory with expired audit.
- Existing factory with outstanding non-conformances.
- Existing factory with significant changes in operation.
- Existing factory undergoing a random audit or shadow audit.

MUTUAL RECOGNITION REQUIREMENTS

We accept external ethical sourcing audit frameworks as evidence of compliance with our 14 Rules To Trade whereby the audit meets the below criteria:

- Conducted within the last 12 months.
- Carried out by third party or Cotton On Group auditors.
- Uploaded onto SEDEX with any non-conformances detailed.
- Includes a full copy of the audit report, CAPS and factory photos.
- Any related audit certificate with rating.

SEDEX Members Ethical Trade Audit (SMETA), 4 pillars is our preferred mutually recognised audit format.

ETHICAL DATA EXCHANGE (SEDEX)

We utilise the SEDEX platform for the secure exchange of ethical sourcing data with suppliers. We require Tier 1 suppliers to complete the SEDEX registration process. Our suppliers are required to ensure ethical sourcing audits and non-conformances are shared on the SEDEX platform and uploaded by an approved auditor.

SHADOW AUDITING

Shadow audits are undertaken to monitor the accuracy of information provided by third party auditors. Shadow audits are completed for at least 5% of audits performed by approved third party audit firms, at least once per quarter in both China and Bangladesh.

REFUSAL OF ENTRY TO AUDITORS

As a condition of our Supplier Agreement, our suppliers must provide access to our team members and authorised representatives to enter and inspect factories.

BANGLADESH ACCORD ON FIRE AND SAFETY

We are signatories of The Accord on Fire and Building Safety in Bangladesh, an independent agreement designed to make all garment factories in Bangladesh a safe workplace. It includes independent fire safety inspections at factories, electrical and structural engineering tests, and public reporting of the results of these inspections.

COTTON ON GROUP SUPPLIER AND FACTORY TRACEABILITY PROGRAM

Our suppliers cannot use factories to manufacture our product without our approval.

Our suppliers must disclose all factories (including final stage factory, inputs factory, components factory and raw material suppliers) used for the production of our products, and both suppliers and factories must not refuse inspection from any Cotton On Group or third party auditor.

We require our suppliers to disclose their full supply chain to us via our traceability audit two times per year.

If our suppliers wish to make changes to their supply chain, they must notify us of the proposed change immediately and cannot implement the proposed change unless and until it has been approved.

COTTON ON GROUP PRODUCT QUALITY AND TESTING

QUALITY OBLIGATIONS OF THE SUPPLIER

All of our products must have passed both mandatory testing imposed by law and any further testing requirements we impose which go over and above legal requirements, before they can be shipped. Our suppliers must ensure that all of our products that involve a sewing process are processed through metal detectors and are required to remove any objects detected before shipment of our products can occur. Our suppliers must provide us with a product specification, including a material safety data sheet and a full material declaration when our products contain chemical components.

RANDOM TESTING

We have the ability at any time to carry out random testing of our products and any failed products must be rectified and re tested.

PRODUCT COMPLIANCE STANDARD OPERATING PROCEDURE

Our Product Compliance Standard Operating Procedure ensures our products meet global mandatory regulatory compliance requirements within each country being sold in addition to our quality standards. Our suppliers are obligated to ensure our products are fit-for-purpose and meet mandatory compliance requirements for the market/s where our products are being sold.

Our Group Quality Team is accountable to ensure that all of our products sold globally meet all the mandatory compliance requirements (Chemical, physical and labelling) in the regions being sold.

The accuracy of product compliance is based on regular updates received from the following sources;

- Global Regulators, e.g. REACH
- Global Standard makers, e.g. ISO
- Global Certified testing service providers, e.g. Intertek, SGS, Bureau Veritas, CTT
- International Product Safety Seminars attended by the Group Quality team.

All mandatory testing is undertaken by our nominated third party certified laboratories.

Current approved testing laboratories are:

- Intertek (globally)
- SGS (globally)
- Bureau Veritas (globally) and
- CTT (China).

RESPONSIBLE SOURCING: ANIMAL WELFARE, SUSTAINABLE MATERIALS & ENVIRONMENTAL COMMITMENT

We are committed to sourcing fibres, materials and manufacturing processes more sustainably to reduce our impact.

Learn more about our supplier's commitment to animal welfare, certified sustainable materials and chemical management [here](#).

SUSTAINABILITY STEERING COMMITTEE

Our Board has an active role in sustainability and ethical sourcing. Our Sustainability Steering Committee helps develop our sustainability strategic framework and objectives, ensures we align on key programs and reviews progress.

Input to our Ethical Sourcing and Sustainability programs is provided by the Steering Committee and internal leadership teams, subject matter experts and external consultants.

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FY21 SUPPLIER AND FACTORY ETHICAL SOURCING AUDIT AND REMEDIATION RESULTS

In FY21, we conducted a total of 506 ethical sourcing audits across 322 factories. Of these 506 audits, 236 were conducted by our teams on the ground in China and Bangladesh and a further 96 audits were conducted through mutually recognised third party auditing partners. Our in-market teams also facilitated 174 follow up audits to validate the implementation of corrective action plans and deliver training and education. In addition, our in-market teams conducted over 1,500 interviews with factory workers on topics such as working conditions, wages, working hours and entitlements, training and education.

In the last 12 months, we identified 28 zero tolerance breaches against our code of conduct, known as our 14 Rules to Trade, across four suppliers and sixteen factories. The breaches identified included workers not being paid their legal minimum wage entitlements, workers subjected to involuntary overtime hours and suppliers using undisclosed subcontractors.

These zero tolerance breaches were remediated with four suppliers and thirteen factories. The remaining three factories with active remediation plans in place. Two factories required to exit as a result of non-compliance with our code of conduct.

At the time of reporting, three serious zero tolerance breaches remained open, with remediation plans in place and follow up audits scheduled.

The most common zero tolerance breach against our 14 Rules to Trade is workers not being paid their legal minimum wage entitlements. To support compliance, our team developed a best practise training module focused on helping employers better manage employee wages, hours and benefits. This year, we have conducted two training sessions based specifically on this module, carried out by our in-market teams. At the time of reporting, training had been conducted with 100 percent of our Chinese suppliers, who make up 84 percent of our supplier base. A similar program is currently in development for our Bangladesh suppliers, who make up 9 percent of our supplier based, with training scheduled in FY22.
