

Supplier Ethical & Sustainable Business Code of Conduct

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Supplier Ethical & 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 behavior 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 strategise 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.

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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.

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10. RESPECT FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Suppliers and factories will respect the rights of employees to associate, organise 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 maximise 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, Bengali, Vietnamese and Hindi, 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

Goods supplied to the Cotton On Group must be manufactured in factories which are registered with Cotton On Group internal supply chain systems. Therefore, before entering into any order, the Cotton On Group and the supplier needs to agree on which factory the supplier may source the Goods/Services from and at which factories the Goods will be manufactured or stored.

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Approval to supply to the Cotton On Group will be determined upon successful receipt of independent evidence of compliance to the 14 Rules To Trade. All suppliers and their factories will be graded according to the level of compliance which is detailed in the Audit Grading section.

New Suppliers and new Tier 1 factories must follow the Cotton On Group supplier and factory onboarding guidelines and must meet all minimum audit requirements in order for the onboard process to be successful and to obtain approval to commence production. Supply of goods or services can only commence upon advice of an 'Approved' supplier and factory status.

All onboarding documentation must be completed in full and submitted to us for review, along with factory photos that are within seven days old.

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

Our Ethical Sourcing Program is underpinned by a robust auditing, corrective action and remediation process. All Supplier and factories must be transparent and cooperative to ensure full compliance with the requirements of this Ethical Sourcing Guide and provide evidence of full compliance against the 14 Rules to Trade via audits.

AUDIT SCHEDULING

Cotton On Group Ethical Sourcing audits will be prioritised according to the following requirements and will be conducted either on an un-announced, semi-announced or announced basis:

- Risk or Impact and Strategic Partners
- Priority of Tier; T1, T2, T3, T4
- New factory being onboarded to Cotton On Group supply chain
- Priority of audit grading; RED, BRONZE, SILVER and GOLD
- Existing factory with expired audit cycle
- Existing factory with outstanding non-conformances
- Existing factory with significant changes in operation (i.e. new premises or new location, new ownership, expanded facilities)
- Existing factory undergoing a rotation spot audit or shadow audit

MUTUAL RECOGNITION REQUIREMENTS

We will review and recognise external international social compliance audit schemes to onboard as per the Cotton On Group 14 Rules to Trade and Ethical Sourcing program. A Cotton On Group Ethical Sourcing full audit may be conducted within 12 months from the approval date. The approved list below of external international social compliance audit schemes will be reviewed annually and/or change without notice and must also meet the following criteria.

- Conducted within the last 12 months.
- Carried out by third party or Cotton On Group auditors.
- Includes a full copy of the audit report, CAPS and factory photos.

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- Factory photos that are within seven days old must be submitted to us using our photo template provided by our auditors.
- Any related audit certificate with rating.
- Sedex members must ensure the audit and caps are uploaded onto the Sedex platform with any non-conformances detailed.

Amfori Business Social Compliance (BSCI)

Worldwide Responsible Accredited Production (WRAP)

SEDEX Member Ethical Trade Audit (SMETA)

SA8000

Initiative Clause Sociale (ICS)

Better works/ILO

International Council of Toy Industries (ICTI)

Social and Workforce Compliance Programme (SLCP)

SUSTAINABLE BUSINESS AND SUPPLY CHAIN PERFORMANCE (SEDEX)

We utilise the SEDEX platform for the secure exchange of ethical sourcing data with suppliers. If our suppliers and factories are members, they are required to ensure ethical sourcing audits and non-conformances are shared on the SEDEX platform and uploaded by an approved auditor.

ETHICAL SOURCING FACTORY 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	
Gold	Approved	12 months	0 Zero Tolerance, 0 Criticals
Silver	Approved	12 months	0 Zero Tolerance, Less than 5 Criticals
Bronze	Approved	6 months	0 Zero Tolerance, Between 5 - 7 Criticals
Red	Conditionally Approved	3 Months	1 Zero Tolerance OR 8+ Criticals *Verification audit required in 2 months vs CAP date. The independent audit cost is to be born by the factory
Black	Not Approved	No further audit required	More than 1 Zero Tolerance OR Failed verification audit

14 Rules to Trade:

ZT: Zero Tolerance findings in the audit

CR: Critical findings in the audit

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ZT REMEDIATION AND ESCALATION PROCESS

We take a zero tolerance stance against important issues such as Child Labour, Forced Labour, Falsified Documentation, Invalid Business License, Harassment & Abuse, Not Paying Minimum Wage, Unauthorised T1 Factories, Bribery and Corruption. Where a zero tolerance finding is identified by an auditor, the auditor will report the issue to the Head Of Ethical Sourcing within 24 hours.

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

- Factory employees via the Confidential Reporting Service in all countries that we operate
- Factory visits by our staff.
- Media reports.
- Government/civil society inspection reports including the Bangladesh RMG Sustainability Council (RSC)

The Ethical Sourcing team will also communicate the findings to the relevant Cotton On Group production management team.

The Ethical Sourcing team will formally advise the Supplier of the Zero Tolerance finding and consequential actions. If the factory fails to remediate the Zero Tolerance finding within the required timeframe or if more than 1 Zero Tolerance is identified, their status within the Cotton On Group supply chain will be moved to 'Not Approved' and will be banned from further use.

REFUSAL OF ENTRY TO AUDITORS

As a condition of the Supplier Agreement, factories must provide access to Cotton On Group team members and authorised representatives to enter and inspect factories.

In the event that a supplier refuses entry to an announced, semi-announced or un-announced audit, this should be escalated to the Head of Ethical Sourcing.

The brand and/or the Head of Ethical Sourcing will contact the supplier directly to ensure understanding of the requirements set out in the Supplier Agreement.

BANGLADESH RMG SUSTAINABILITY COUNCIL (RSC) ON FIRE AND BUILDING SAFETY

We are signatories of The RSC 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 in writing and audit approval while cannot implement the proposed change unless and until it has been approved.

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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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