

*Social Compliance
Policy*

PACIFIC B  BRANDS

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Introduction

At Pacific Brands our suppliers are integral to our value chain and we expect our supply partners to meet specific standards in relation to human rights, environmental impacts and ethical business practices.

We will choose, promote and develop relationships with suppliers who are aligned with our expectations of ethical and socially responsible behaviour.

Scope

This policy applies to all employees, contractors, agents and representatives of Pacific Brands Limited and its controlled subsidiaries (hereinafter, Pacific Brands) with respect to all suppliers, factories and manufacturers used by Pacific Brands (collectively 'suppliers').

Given the size and complexity of the Company's supply chain, there is a need to prioritise its efforts. The current scope focuses mainly on cut-make-trim suppliers and raw material producers for Pacific Brands owned factories. The audit program generally does not directly extend to all raw material producers and suppliers, component suppliers or other second tier suppliers in the supply chain. However a key objective in the Company's Ethical Sourcing Strategic Plan is to improve on this and Pacific Brands has commenced initiatives to improve visibility to the second tier. Notwithstanding this, the Company's direct suppliers are made responsible for ensuring that second and subsequent tier suppliers comply with the Company's supplier code of conduct.

Policy statement

Prior to transacting with any supplier the Pacific Brands Social Compliance Team will assess their ability to comply with the Pacific Brands Social Compliance Policy and Supplier and Manufacturer Code of Conduct (the specific requirements are outlined at Appendix A).

Suppliers to Pacific Brands can be assessed in a number of ways.

Suppliers can be assessed by an onsite audit, which may be conducted by the Pacific Brands' Social Compliance Team or an external audit firm. Pacific Brands may accept on a case by case basis, audit reports conducted by other providers, where the report content can be independently verified and is current (no more than 12 months old).

Where the audit has identified issues for rectification, a supplier will be graded based on the criticality of the issues. This grading will determine whether Pacific Brands will source merchandise from this supplier.

Where the audit has identified issues and Pacific Brands believes the supplier is genuinely committed to rectifying these issues we will ask the supplier to complete a corrective action plan which will be monitored by the Pacific Brands' Social Compliance Team.

If Pacific Brands feels that the supplier is failing to rectify issues within a reasonable period of time, taking into consideration the nature of the issues, we will choose to exit the supplier and no further purchase orders will be placed.

In circumstances where product is sourced through an agent, Pacific Brands will ensure:

- certain agency selection criteria have been considered prior to engaging the agent
- the agent and its referred suppliers are committed to complying with Pacific Brands' Supplier and Manufacturer Code of Conduct and Social Compliance Guide for Suppliers and Manufacturers. This commitment is acknowledged and provided by the agent and senior factory management via Service Level Requirements.

- the appropriate screening processes and review of documentation have been conducted by the Social Compliance team

Pacific Brands reserves the right to conduct an independent review of the agent's assessment processes and an unannounced audit of the factories referred by the agent.

When Pacific Brands sources non 'Pacific Brands' branded products for resale and is not the exclusive retailer of the products, the supplier will be required to sign an ethical trading acknowledgement form to confirm their commitment and compliance to our social compliance standards.

Finally, where a factory has been approved by a Licensor, Pacific Brands will rely on the Licensor's approval processes in choosing to source from the factory.

Approach to compliance

Pacific Brands is conscious that the application of our social compliance standards will present unique challenges due to the diversified nature of our sourcing. We seek to work together with our suppliers as partners to achieve these standards, as that will assist us in making practical and principled business decisions. The following elements form the basis of our social compliance program:

- **Mandatory participation** - all production locations producing finished goods for Pacific Brands including licensed products, must participate.
- **Communication** – suppliers (including agents) are responsible for notifying Pacific Brands of all locations used for the production of products.
- **Legal compliance and Code of Conduct** – the legal requirements for the region and Pacific Brands Supplier and Manufacturer Code of Conduct should always be adhered to however Pacific Brands reserves the right to use more stringent requirements when we determine that local regulations are too lenient.
- **Transparency** – Pacific Brands must have access to all areas of the production facility, confidential access to employees, and transparency of all necessary documents for audits and visits.
- **Continuous Improvement** – we view compliance in a continuous improvement sense and require supplier cooperation in validly resolving non-compliance issues within a reasonable time frame.

Managing non compliance

Where a supplier does not rectify critical non-conformance issues within an agreed time frame, the Social Compliance Team will recommend to the relevant operating group, that the supplier is exited.

Where the recommendation to exit is disputed, the Group Risk and Assurance Manager will determine the action, taking into consideration both the commercial impact of the decision and the risk of continuing to source from the supplier.

The following issues are considered critical and would form a basis for exiting a supplier:

- Child labour issues that are not immediately rectified or which occur on numerous occasions
- Use of forced, prison or bonded labour
- Critical safety issues which remain unrectified for more than a reasonable time frame

Where a supplier is exited for failing to rectify critical non-conformance issues within an agreed timeframe, no further purchase orders can be placed with this supplier until the critical issues have been rectified and a further audit is conducted by Pacific Brands to verify this.

Governance structure

The Pacific Brands Social Compliance Team is based in China and is led by the Regional Sourcing Compliance Manager. The Regional Sourcing Compliance Manager reports to the Group Risk and Assurance Manager.

The Regional Sourcing Compliance Manager will report to the Group Risk and Assurance Manager in relation to:

- developing and maintaining the Pacific Brands' social compliance framework
- liaising with key stakeholders (including regulatory bodies)
- independent oversight and decisions, such as;
 - exceptions to policy or policy changes
 - disputed decisions to exit
- acceptance of 3rd party audit reports in place of a Pacific Brands audit
- testing compliance with this policy
- the day to day operations of the social compliance program and team requirements

Reporting

The Group Risk and Assurance Manager will regularly provide reports to the Executive and Board of Directors in relation to exited suppliers and supplier grading profiles for the various operating groups.

The Group Risk and Assurance Manager will escalate to the Chief Financial Officer any breaches of this policy and any instances where an existing supplier is found to have critical issues and an immediate decision to exit has been made.

Controls

The Regional Sourcing Compliance Manager will ensure that:

- new suppliers have been screened prior to placement of any purchase orders
- all medium and high risk suppliers are re-audited or follow up visit is performed at least every 12 months, with low risk suppliers at least every 18 months¹
- rectification plans are regularly monitored and updated

Related Documents

This policy is supported by the Service Level Requirements for Supply of Products, Supplier and Manufacturer Code of Conduct and the Social Compliance Guide for Suppliers and Manufacturers.

Review

The Group Risk and Assurance Manager will annually review this policy with the Regional Sourcing Compliance Manager.

¹ Risk profiling of suppliers is performed by the Regional Sourcing Compliance Manager on an annual basis. Key factors considered include factory location, business volume, brand and nature of product, the factories' prior audit results and historically how they have responded to any corrective action plans identified.

Appendix A: Pacific Brands Supplier and Manufacturer Code of Conduct

Human Rights

The Pacific Brands Supplier and Manufacturer Code of Conduct covers 9 base principles in relation to human rights. When conducting supplier audits we will assess a supplier's compliance with these principles;

Employment is freely chosen

- forced, bonded or involuntary prison labour is prohibited
- workers are not required to lodge "deposits" or their identity papers and are free to leave after reasonable notice

Freedom of association and the right to collective bargaining are respected

- workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively
- employers must adopt an open attitude towards the activities of trade unions and their organisational activities
- workers representatives are not discriminated against and have access to carry out their representative functions in the workplace
- where the right to freedom of association and collective bargaining is restricted under law, the employer will facilitate, and does not hinder, the development of parallel means for independent and free association and bargaining

Working conditions are safe and hygienic

- a safe and hygienic working environment is provided. Adequate steps must be taken to prevent accidents and injury to health occurring in the workplace by minimising hazards inherent in the working environment
- the factory must comply with all applicable local laws and regulations regarding working conditions, including worker health and safety, fire safety, electrical, mechanical and structural safety
- workers receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers
- workers are provided access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage be provided
- where accommodation is provided it must be clean, safe, and meet the basic needs of the workers
- employers must assign responsibility for health and safety to a senior management representative

Child labour shall not be used

- no person shall be employed at any age younger than legal minimum age for working in the jurisdiction in which the work is being conducted. In no event shall the supplier or their subcontractors employ workers less than 15 (or 14 where local law allows) years of age
- there shall be no new recruitment of child labour
- children and young persons under 18 shall not be employed at night or in hazardous conditions
- companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; "child" and "child labour" being defined in Appendix F of Pacific Brands' Social Compliance Guide for Suppliers and Manufacturers
- these policies and procedures shall conform to the provisions of the relevant ILO standards.

Living wages are paid

- wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income
- all workers be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid
- deductions from wages as a disciplinary measure are not permitted nor any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded

Working hours are not excessive

Working hours must comply with national laws, collective agreements, and the provisions outlined below (based on ILO standards), whichever affords the greater protection for workers.

- working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week*
- all overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay
- the total hours worked in any 7 day period shall not exceed 60 hours, except where covered below
- working hours may exceed 60 hours in any 7 day period only in exceptional circumstances where all of the following are met:
 - this is allowed by national law;
 - this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce;
 - appropriate safeguards are taken to protect the workers' health and safety; and
 - the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.
- workers shall be provided with at least one day off in every 7 day period or, where allowed by national law, 2 days off in every 14 day period.*

* International standards recommend the progressive reduction of normal hours of work, when appropriate, to 40 hours per week, without any reduction in workers' wages as hours are reduced

No discrimination is practised

- there must be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation
- only workers with a legal right to work shall be employed

Regular employment is provided

- to every extent possible work performed shall be on the basis of recognised employment relationship established through national law and practice.
- obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor any such obligations be avoided through the excessive use of fixed-term contracts of employment.

No harsh or inhumane treatment is allowed

- physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation must be prohibited.

Environmental Impacts

At Pacific Brands we value the natural environment and acknowledge the benefits that responsible environmental management delivers to our employees, customers, suppliers, shareholders and the broader community.

Pacific Brands requires its suppliers to:

- meet legal obligations in relation to environmental performance
- establish objectives, targets and key performance indicators that strive for continuous improvement of their environmental performance
- maintain management systems to plan, document, measure, monitor and regularly review their environmental performance
- identify and assess the environmental hazards which arise from their activities, products and services, and effectively manage the risk by applying best practice principles to the prevention of pollution

Ethical Business Practices

In managing our suppliers, we endeavour to act professionally and ethically and we expect our suppliers to:

- abide by all local legal requirements and not engage in any form of corruption or fraud
- notify Pacific Brands as soon as any form of conflict of interest becomes apparent
- not offer gifts when engaging with our employees in order to receive benefits

Animal Welfare

Pacific Brands is committed to ensuring the highest standards of animal welfare are adhered to in its supply chain. Where animal products are used, we expect our suppliers to treat animals in a humane manner which includes provision of appropriate comfort, shelter and freedom from distress or hunger.