Fraud and Corruption Policy
September 2013
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Introduction

Pacific Brands is committed to the highest level of integrity and ethical standards in all business practices. It is our policy to conduct all of our business in an honest and ethical manner. Employees must conduct themselves in a manner consistent with current community and company standards and in compliance with all legislation.

Fraud and corruption are incompatible with Pacific Brands’ values and present significant risks to its aspirations. This policy articulates the standards expected of all employees and provides guidance as to how Pacific Brands will manage the risks of fraud and corruption.

We will uphold all laws relevant to countering fraud, bribery and corruption in all the jurisdictions in which we operate.

Purpose

The purpose of this policy is to protect Pacific Brands assets and reputation by:

- reinforcing Board and senior management commitment and responsibility for identifying fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities
- reinforcing the requirement for all employees and others to refrain from corrupt and fraudulent conduct and encourage the reporting of any instance of fraud or corrupt conduct
- providing a framework for conduct of investigations to ensure all suspected fraudulent and corrupt activity is dealt with appropriately
- assigning responsibility for the development of controls to prevent and detect fraud

Scope

This policy applies to all employees (whether permanent, fixed or temporary and including directors, executives and managers) and contractors of Pacific Brands and its subsidiary companies.

Any irregularity or suspected irregularity, involving a shareholder, vendor, consultants or any other third party agencies doing business with Pacific Brands or its employees or contractors, is included in the scope of this policy.

The policy does not have regard to the employees’ or contractors length of service, title or relationship to the company.

Related Policies and Processes

The Fraud and Corruption Policy is supported by the:

- Code of Conduct
- Fraud and Corruption Risk Assessment
- Employee Misconduct and Disciplinary Policy
- Recruitment and Selection Policy
- Supplier and Manufacturer Code of Conduct
- Risk Team - Investigation Protocols
Definition of Fraud and Corruption

Corruption is defined as a dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the company and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

Examples of corrupt conduct include but are not limited to:

- payment of secret commissions (bribes or gratuities) in money, or some other value, to other businesses, individuals or public officials
- receipt of bribes or gratuities from other businesses, individuals or public officials
- release of confidential information, for other than a proper business purpose, sometimes in exchange for either a financial or non-financial advantage
- a staff member manipulating a tendering process to achieve a desired outcome
- a conflict of interest involving a staff member acting in his or her own self-interest rather than the interests of Pacific Brands

Fraud is defined as an intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage.

A fraud can typically result in actual or potential financial loss to any person or entity however this is not always the case.

Examples of fraud could include, but are not limited to:

- misappropriation of funds, securities, stock, supplies or other assets including use of assets for private purposes
- causing a loss to Pacific Brands or creating a liability for Pacific Brands by deception
- impropriety in the handling or reporting of money or financial records
- profiting from insider knowledge of Pacific Brands activities
- accepting or seeking anything of value from contractors, vendors or persons providing services or goods to Pacific Brands
- false invoicing for goods or services never rendered or backdating agreements
- submission of exaggerated or wholly fictitious accident, harassment or injury claims
- misuse of sick or family leave

Policy

Pacific Brands requires all employees at all times to act honestly and with integrity and to safeguard the company resources for which they are responsible. Pacific Brands is committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits.

Any fraud or corruption committed against Pacific Brands is a major concern and as a consequence all cases will be thoroughly investigated and appropriate disciplinary action will be taken against any staff member who is found guilty of corrupt or fraudulent conduct. This may include termination of your employment and/or referral of the matter to the appropriate law enforcement or regulatory agencies for independent investigation.
Code of Conduct

The Code of Conduct assists in preventing fraud and corruption within Pacific Brands and it specifically requires employees to comply with this policy.

Facilitation payments and kickbacks

We do not make, and will not accept, facilitation payments or "kickbacks" of any kind. Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official; however they may also be payments to or from a private citizen.

If you are asked to make a payment on the Company's behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. You should always ask for a receipt which details the reason for the payment. If you have any suspicions, concerns or queries regarding a payment, you should raise these in accordance with the procedures set out below.

Gifts and Hospitality

This policy does not prohibit normal and appropriate hospitality (given or received in accordance with company policy) to or from third parties. However you should be careful when you give gifts or pay for entertainment or other business courtesies on behalf of Pacific Brands.

You must avoid the possibility that the gift, entertainment or other business courtesy could constitute or be perceived as, a bribe, so it's always best to provide such business courtesies infrequently and, when you do, to keep their value modest.

Please review the Code of Conduct for detailed guidance about gifts and hospitality.

Fraud and Corruption Control

Board and senior management responsibility

The Board and senior management are ultimately responsible for setting the tone at the top and have a responsibility to:

- ensure there is effective fraud and corruption risk management framework in place
- understand the fraud and corruption risks that Pacific Brands is exposed to
- maintain oversight of the fraud risk assessment and the controls in place to mitigate the risks identified
- monitor reports on fraud risks, policies and control activities which include obtaining assurance that the controls are effective

Business unit responsibilities

All business unit managers are responsible for:

- fostering an environment within their businesses that makes active fraud and corruption control a responsibility of all employees
- articulating clear standards and procedures to encourage the deterrence of fraud and corruption
- appropriate screening of all suppliers and customers
- the detection and reporting of offences should they occur
All employees are responsible for complying with company policies and procedures, codes of personal conduct and ethics, avoidance of conflict of interest and maintaining vigilance in early detection, reporting and prevention of fraud and corruption.

Managers and supervisors are responsible for communicating and raising awareness of the risks relating to fraud and corruption with their employees and for ensuring compliance with company policies and procedures, adequate rotation of employees and levels of staffing are in place.

Most importantly they should establish and maintain adequate internal controls that provide for the security and accountability of company resources and prevent/reduce the opportunity for fraud and corruption to occur.

Risk team
The risk team (with the support of internal audit and the asset protection team) has the primary responsibility for:

- investigating internal and external fraud and corruption matters, including using external parties where required and notifying law enforcement or regulatory agencies as necessary
- conducting an annual fraud and corruption risk assessment via workshops with the businesses to assess the adequacy and effectiveness of Pacific Brands fraud risk management processes
- reviewing fraud and corruption risks to identify if they are being appropriately managed and controlled by business units
- analysing loss trends arising from fraud
- advising and assisting relevant business units in the implementation and maintenance of best practice techniques and controls to prevent and detect fraud and corruption

Asset protection team
In conjunction with the retail governance framework, Pacific Brands Asset Protection team are responsible for the store audit function, which undertakes store level audits within a defined risk assessed framework and structured audit program. The main focus of these audits will be on heightened risk areas such as cash and point of sale procedures, inventory and shrinkage management, physical security and other store level processes.

Internal audit
Internal audit, as part of its audit activity is required to:

- assess the adequacy and effectiveness of Pacific Brands fraud and corruption risk management processes, in line with Pacific Brands risk management policies
- support the risk team with investigation of any suspected fraud or corrupt activity
- ensure that fraud and corruption risk is being appropriately managed and controlled by business units when auditing business units including compliance with this policy
- analyse loss trends arising from fraud and advise/assist relevant units, process owners and employees in the implementation and maintenance of best practice techniques and controls to prevent and detect fraud and corruption

Additionally, any specific fraud risks (with high or moderate risk rating) flagged by the annual fraud risk assessment will form part of the annual internal audit program.
External Audit

External Audit is responsible for:

- Conducting financial audit work in accordance with audit procedures that are designed to consider fraud
- Carrying out testing that may identify and assess fraud risk, and raise awareness of any control and system weaknesses
- Considering regularity of expenditure with specific attention to risk of fraud

Human resources

The human resources function is responsible for ensuring adequate procedures are in place that address:

- employment contracts that include relevant conditions of employment relating to fraudulent and corrupt conduct
- appropriate security screening and selection of employees, including verification of identity, entitlement to work status check, referee checks and in some instances a criminal history check and verification of qualifications
- disciplinary / dismissal procedures
- monitoring of annual leave entitlements to ensure that employees do not accumulate excessive annual leave entitlements i.e. four weeks over and above their yearly entitlement
- clarification and formalisation of responsibilities / segregation of duties (where possible, these should be included in relevant position descriptions)
- investigation of “Fair Call” reports and escalation of matters as appropriate

Insurance

The Pacific Brands insurance committee is responsible for making recommendations regarding the placement and maintenance of insurance cover for crime, fraud and fidelity risk for Pacific Brands.

Finance

Finance must implement robust processes and controls in relation to expenditure, investments and transfers of money. Provisions, losses and write offs in relation to fraud must be made in accordance with the Pacific Brands Group Accounting Policies and Procedures.

Legal

Legal will provide advice and requisite management assistance regarding any prospective investigation or litigation linked to a fraud or corruption event.

Speaking up

Any employee or contractor who suspects fraudulent or corrupt activity has the responsibility to report it either by notifying their immediate manager or their HR manager or directly notifying the Risk Team (led by the GM, Risk and SH&E).

Alternatively, if you feel unable to raise an issue in this way, you can make a confidential, anonymous call to the FairCall line.
FairCall

Pacific Brands has established a confidential line known as "FairCall". This service is operated by an independent 3rd party and can be used by employees to report any conduct or behaviour which contravenes the Pacific Brands code of conduct, corporate values or this policy. Details of how employees can access the FairCall service are provided below.

1. **Hotline** - The contact numbers for FairCall are:
   - Australia: 1800 500 965
   - New Zealand: 0800 777 720
   - Indonesia: 001 8 0365 7094
   - North China: 1080 0650 0620
   - South China: 1080 0265 2593
   - Hong Kong: 8009 05509
   - United Kingdom: 0808 234 7091

2. **Email** - The email address for employees to report matters confidentially is faircall@kpmg.com.au.


4. **Mailing service** – The address to mail reports or additional call information is:
   The FairCall Manager
   KPMG Forensic
   PO Box H67
   Australia Square
   Sydney NSW 1213

5. **Fax service** - The number for employees to securely fax information to is +61 2 9335 7466.

All publications relating to FairCall are translated into the local language.

All information received is treated confidentially by FairCall or any member of the risk team and its relevant supporting functions (asset protection, human resources, and internal audit).

All matters reported to FairCall will be investigated discreetly by KPMG, the Pacific Brands’ risk or legal team. Only those persons who need to know the fact, and the details, of a report, will be informed of it. This may include the board of directors or the Chief Executive Officer in serious cases. Where necessary, we might engage external resources to assist with an investigation.

**Protection**

Employees who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken. No employee will suffer demotion, penalty or other adverse consequences for refusing to pay bribes or for reporting conduct which may be in breach of this policy.
Investigation of fraudulent or corrupt conduct

All reports of fraudulent or corrupt conduct will be investigated. Upon receiving information about suspected fraudulent or corrupt conduct the GM, Risk and SH&E (and where relevant, the General Counsel) will assess the matter, decide on the next steps.

All investigations will be conducted in accordance with documented investigation protocols. In the event of an investigation, members of the investigating team will have free and unrestricted access to all Pacific Brands records and premises. They will have the authority to examine, copy and remove any information within the scope of the investigation.

Escalation and reporting

If an investigation identifies that fraud or corruption has occurred, the risk team will escalate the matter in accordance with the table below.

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<tr>
<th>Size and nature of report</th>
<th>Escalation</th>
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<tr>
<td>Any report of suspected fraud or corruption</td>
<td>GM, Risk and SH&amp;E (GM, Risk and SH&amp;E will notify the GM, Group HR where appropriate).</td>
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| Where the incident meets the definition of corruption (regardless of the financial impact) | GM, Risk and SH&E will escalate to:  
  - General Counsel (GC)  
  - Chief Financial and Operating Officer (CF&OO)  
  - GM, Group HR  
  - Chief Executive Officer (CEO)  
  The CF&OO will discuss the matter, including any legal action or required disclosure, with the GM, Risk and SH&E, the Board and the Audit Committee as appropriate. |
| Where the incident is fraudulent in nature and the financial impact is greater than $20k | The GM, Risk and SH&E will prepare an immediate report for the GC, CEO and the CF&OO. The CF&OO will discuss the matter, including any legal action or required disclosure, with the GM, Risk and SH&E, the Board and the Audit Committee as appropriate. |
| Where the incident has a financial impact of less than $20k and the matter can be immediately contained | The GM, Risk and SH&E will ensure the event is reported in the monthly risk report to senior management. |

External Reporting or referral

Decisions to prosecute or refer the investigation results to the appropriate law enforcement or regulatory agency will be made in conjunction with legal counsel and senior management. Any referrals will be appropriately escalated and reported to the Board, CEO and CF&OO.

Disciplinary procedures

Where there is proven evidence of fraud, appropriate disciplinary measures will be taken in accordance with the Employee Misconduct and Disciplinary Policy.
Recovery of the proceeds of fraudulent or corrupt activity

Pacific Brands will vigorously pursue those who have committed fraudulent or corrupt acts against the company with the aim of recovering all losses incurred. Pacific Brands will seek compensation through legal proceedings where appropriate.

Training and communication

Training on this policy forms part of the induction process for all new employees. All existing employees will receive relevant training on how to implement and adhere to this policy.

Our approach to bribery and corruption will be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.

Policy review

At least annually the GM, Risk and SH&E will initiate a review of this policy. Any proposed changes to this policy must be approved by the Board of Directors.
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<th>Document description</th>
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<td>Document applies to</td>
<td>Pacific Brands Limited</td>
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<tr>
<td>Document owner</td>
<td>David Bortolussi</td>
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