

Ethical Sourcing Code and Ethical Sourcing Policies

August 2018



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1. Ethical Sourcing Code

Ethical Sourcing Code Policy Statement

Designworks' Ethical Sourcing Code (ESC) is guided by The Ethical Trading Initiative's Base Code, and is considered to be the minimum requirements to be followed by Supplier, as a condition of doing business with Designworks. We see the Designworks' ESC as the foundation of our ethical sourcing, which ensures that ethical practices and conditions are not only met but over time, able to be built upon. It is expected that our Suppliers provide the highest standards in the areas of labour, business practices, environment, product safety, and animal welfare. The ESC must be implemented in conjunction with local applicable laws, and will be regularly audited against during inspections.

Labour:

- Child Labour must not be used in any form.
- Employment must be freely chosen; forced, bonded or involuntary labour is strictly prohibited.
 - No cotton is to be knowingly sourced from Uzbekistan and Turkmenistan for their use of forced labour and child labour.
- A zero tolerance policy on unauthorised sub-contracting is upheld
- Workplaces and sponsored accommodation must be safe and hygienic for workers.
 - All Bangladesh factories to be signatories to the ACCORD
- Workers must not be forced to work excessive hours or excessive overtime.
- Harassment or abuse in any form within a workplace is strictly prohibited.
- Discrimination on the basis of personal characteristics is prohibited.
- Workers must be paid fair wages and benefits which satisfy all applicable laws.
- Freedom of association and the right to collective bargaining are to be respected, to the extent permitted by applicable law.
- Regular employment is provided

Business Practices:

- Management systems are enacted to ensure integrity and anti-corruption methods to stamp out bribery and corruption.
- All national and local laws are met, through legal compliance and management standards.
- Brand and customer confidentiality and integrity are upheld.

Customer Safety:

- Suppliers must take all reasonable steps to ensure their products are safe and not harmful to consumers or the environment.

Environment:

- At a minimum, all environmental protection laws and standards within the manufacturing country must be met.

Animal Welfare

- Angora, real animal fur and mulesed wool must not be used in any Designworks product.
- Any leather used must be sourced in accordance with world best practice on animal welfare.

2. Sourcing Policies

2.1 Labour Policy

Child Labour

International Labour Organisation (“ILO”) Convention No.138 states that a child is a person under the age of 15. Following these conventions, no child under the age of 15 is permitted to work in the Designworks supply chain, unless there is a concession in their local/national law. If there is a concession in the local/national law which permits a child to be employed below the age of 15, that age *can* be followed, and if the law states an age above the age of 15, that *must* be followed.

The minimum working age in **China** is 16 years of age.

The minimum working age in **Bangladesh** is 14 years of age.

Hazardous work

ILO Convention No.182 specifies the elimination of the worst forms of child labour. These worst forms include slavery or slavery practices (see forced labour) and any work which is, by its nature or circumstances, likely to harm the health, safety and morals of children.

It is through this convention that any person under 18 years should not be subjected to any form of hazardous work including being subjected to hazardous chemicals, operating hazardous machinery, physical or bodily hazards or strain, or night work.

Verification

The Supplier must verify all workers’ date of birth, and maintain a copy for checking. If the worker does not have an official document, then the Supplier must use appropriate methods used in local practice and law to obtain the workers’ age.

Remediation Procedure

If any child is found to be working illegally, the child must be removed from their employment and sent to school. They must have their schooling and salary paid for until they are no longer considered a child and the remediation programme has ended. The salary should be equivalent to the amount the child was earning whilst employed, or at least local minimum wage standard, whichever is higher.

Implementation

If there is any child labour found in the factory, then a corrective action plan needs to be implemented. This corrective action plan needs to be quickly completed, and if not completed or if further child labour is found, Designworks will immediately terminate its contracts with the Supplier. Designworks’ Child Labour policy must be implemented throughout its entire supply chain, and any authorised subcontractors must adhere to this policy.

The above policy applies equally to both boys and girls, as both genders have an equal right to their education. Equal education will pave the way for gender equality in the work place.

This policy applies throughout the entire Designworks supply chain through to raw materials, and no cotton is to be knowingly sourced from Uzbekistan and Turkmenistan due to their use of both forced labour and child labour.

Forced Labour

Under the ILO Convention No.29, forced labour is considered to be all work that is not offered voluntarily by the worker and is often demanded under the threat of a penalty. Examples of these threats of a penalty include, but are not limited to, violence, intimidation, retention of identity papers, threats of deportation or accumulated debt.

Debt bondage is when a person guarantees their services as a security for a debt, but those services are not applied to repay the debt, or if the length and nature of the services is not defined at the time of creating the debt. Debt bondage can include the use of recruitment fees to hire workers, in particular migrant workers.

- The use of labour brokers or recruitment fees to attract migrant or other workers is strictly forbidden for the increased risk of debt bondage.
- Workers should only to be employed if they have a legal right to work.

Human Trafficking is exploiting a person who has been transferred to another place against their will. This can occur by a person having control over another person, through use of threats or force or by other forms of coercion, deception, abuse of power or abuse of a position of vulnerability.

- It is strictly forbidden to employ workers who have, or may have been trafficked.

Workers should be able to freely choose their employment, and should be free to cease employment whenever they see fit.

- Employers taking deposits or holding identity documents of workers is strictly forbidden. If workers choose to have their identity documents held by management for safety reasons, they must be able to access their identity documents whenever they please.
- ILO Convention No.105 also prohibits the use of forced labour as a means of political coercion, as a punishment for holding or expressing political views, as a means of labour discipline, as a punishment for having participated in strikes or as a means of racial, social, national or religious discrimination.

No cotton is to be knowingly sourced from Uzbekistan and Turkmenistan for their use of forced labour and child labour.

Excessive Overtime

Workers must not be forced to work excessive over time, and all working hours must comply with local and national laws, collective agreements, and national legal agreements.

A regular working week must not exceed 48 hours per week (excluding overtime) for all employees. Employees must be provided with at least one day off in a 7 day working period; unless there are exceptional circumstances which it is allowed by national law and complies with other protections under international labour laws.

Overtime must only be voluntary, and cannot substitute regular employment. Any overtime completed by workers must be rewarded at a higher rate, no less than 150% of regular pay.

At a minimum, overtime must comply with the legal laws as stated below, or in accordance to any collective bargaining agreements.

- China: Overtime cannot exceed 36 hours per month following Chinese law.
- Bangladesh: Overtime must never exceed 12 hours per week.

Zero Tolerance to Unauthorised Subcontracting

A subcontractor is an individual or a business which agrees to perform part or all of the requirements of another person's contract. Some examples of a subcontractor are a supplier providing materials to a cut, make trim factory (CMT), or an agent supplying bailed cotton to a textile mill.

An agent and the relevant CMT factory will always be listed on all orders from Designworks. If there is no specification within the contract as to where materials can be purchased from or dying/printing can occur, then it is up to the factory/agent to decide where the materials are purchased, dyed or printed. HOWEVER if Designworks has stipulated where product is to be made, dyed, printed or where the raw materials have to come from, and the factory/ agent does not follow these directions, then this is considered unauthorised subcontracting.

In the extraordinary event the Supplier does engage in unauthorised subcontracting, it is encouraged that the Supplier notifies Designworks, and discloses how this event has occurred. If the Supplier voluntarily discloses the use of unauthorised subcontracting, it will be met with no consequences, and together Designworks and the Supplier will work though to ensure that unauthorised subcontracting does not occur again.

But, if unauthorised subcontracting occurs, and it is not disclosed, it will result in immediate cancelation of the order, and a 12 month freeze on any order placements. Unauthorised subcontracting is a serious breach of business integrity and is a violation of the business agreement with Designworks.

Home work and piece work is considered sub-contracting and therefore is forbidden.

Regular Employment

At a minimum, suppliers must comply with local and national minimum wage levels, without workers having to work over the recommended 48 hour week.

Work provided to all employees in the Designworks supply chain, should be regular and ongoing as an employment relationship, which is subject to all local and national employment laws.

Freedom of Association

Where local laws permit, suppliers must allow their workers to freedom of association and collective bargaining. Any anti-worker policies and actions within any Designworks supplier are strictly forbidden. All workers have the right to form and join trade unions and associations without harassment, interference or retaliation.

Gender Equality in the Supply Chain

Gender equality is a basic human right that ensures females and males have the same access to rights, resources, opportunities and protections. We wish that all workers within Designworks supply chain to have the same opportunities, rights and respect, regardless of their gender. We also wish to educate and work with our Suppliers on our ongoing commitment to awareness, education and development of gender equality initiatives.

Employment Conditions

Employment conditions encompass all benefits provided by an employer such as, but not limited to, job responsibilities, pay, sick days, breaks and hours. Designworks' Suppliers must offer equal conditions to both women and men, particularly focusing on job responsibilities and pay.

It is important that women who are employed within the Designworks supply chain and are pregnant or have had children are not treated unfavourably to other employees. Female workers who take maternity leave must not face loss of job, job title, or a reduction in pay when they return to work.

Leadership, Management and Governance

Designworks is dedicated to gender equality in its business, and wishes to extend this into its supply chain. Designworks' Suppliers should work towards incorporating women into all levels of management within their business. All promotions and leadership positions available should be equally open to both genders, and women should not face demotion if they fall pregnant or go on maternity leave. Offering these promotions to both genders will help to improve female representation in the management and governance levels of a business.

Occupational Health and safety

Working places and sponsored accommodation must be safe for all workers, and comply with all local laws and regulations in regards to fire, electrical, mechanical and structural safety. All work places and sponsored accommodation must provide training around procedures to reduce dangers and hazards in these areas. Regular occupational health and safety training must occur for employees for both workplaces and sponsored accommodation.

The working places and any sponsored accommodation must be clean and offer facilities that meet the needs of those who use them, including access to clean drinking water and clean bathrooms.

Violence

Any form of violence including both physical and verbal, in the Designworks supply chain is strictly forbidden. Suppliers must focus on eliminating harassment and abuse from the workplace.

Verbal violence can include forms of harassment such as making inappropriate sexual comments, threatening comments or comments that can be psychologically damaging.

Physical violence can include but is not limited to; touching intended to cause harm, touching intending to have sexual implications, or requiring any form of sexual favour to secure or maintain employment.

It is very important to Designworks that its supply chain actively works to eradicate any form of gender based violence from its workplaces. Suppliers must have a mechanism where employees can report instances of harassment or abuse, and must work to reduce incidents of harassment in the workplace.

Discrimination

Discrimination is the unfavourable treatment against a person due to certain characteristics such as, but not limited to; race, gender, religion, sexual orientation, marital status, maternity status, disability or political beliefs. Discrimination of any form is strictly prohibited.

- Suppliers must not discriminate against female worker's rights,
 - o Female workers must receive equal treatment, pay, benefits and evaluation of quality of their work and have equal access to promotions as the male workers.
 - o Asking female workers about their pregnancy status, and forcing them to take pregnancy tests before commencing employment or pressured to take contraception is strictly prohibited.
 - o Female workers who take maternity leave cannot face dismissal, loss of seniority or deduction of wages, and will be allowed to return to their former position at the same pay and benefits.

Raw Materials

Uzbekistan and Turkmenistan Cotton

It has been reported that there is the systematic use of forced labour and child labour in the harvest of cotton in Uzbekistan and Turkmenistan. Due to Designworks' stance on the use of child labour and forced labour in any part of our supply chain, it is prohibited to knowingly source cotton from Uzbekistan and Turkmenistan for any of our products.

- Do not source fibre, yarn, fabric and or textiles manufactured from Uzbekistan and Turkmenistan cotton for any products produced for Designworks.
- Do not source from spinners and mills that use Uzbekistan and Turkmenistan cotton.
- To integrate these requirements into our procurement processes.
- Ensure the facility maintains complete and accurate documentation of cotton purchases to confirm compliance.

Designworks is also an endorser of the Responsible Sourcing Network's Y.E.S.S. initiative – Yarn Ethically & Sustainable Sourced.

2.2 Business Practice Policy

Business License

The company must hold a valid business license and comply with all local and national laws, for operating a business.

Intellectual Property and Confidentiality

Intellectual property relates to the ownership of intangible assets such as, but not limited to; designs, patents, trademarks, trade secrets, confidential information, and processes.

Due to the creative nature of the Designworks business, it is imperative that all Designworks product and licensed product is kept confidential. The designs, artwork and trademarks used on garments produced in our supply chain are the intellectual property of Designworks; and must not be shown in showrooms of factories or agents, or produced for any other purpose other than to fulfil Designworks orders. Selling Designworks' designed product into any other market is strictly forbidden, and if it is found, it will be met with serious consequences.

Breaching this policy risks the integrity of our business relationship, and may cause liability to Designworks with regards to its licensors and retailers.

Sanctioned Country

A sanctioned country is one where restrictions are placed on a country or group of countries in relation to trade, economic benefit, travel or other aspects, in the interest of protecting or defending, international peace or security.

As Designworks is an Australian company, it must legally comply with Australia's and the relevant United Nations sanctions.

No part of any Designworks product or supply chain can be produced in any of Australia's sanctioned countries. These countries are listed as below:

<http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/pages/sanctions-regimes.aspx>

Integrity and Anti-Corruption

Bribery can be considered as the offer, payment or provision of a benefit to someone who can influence a person's performance or encourage the misuse of their authority. At Designworks we expect our Suppliers to comply with all applicable laws regarding bribery and corruption including, but not limited to, the Australian Criminal Code Act, the US Foreign Corrupt Practices Act, and the UK Bribery Act.

In particular, we draw your attention to the following:

- The offering, paying, soliciting or accepting of bribes or kick-backs, including facilitation payments, is strictly prohibited.
- A bribe may involve giving or offering ANY form of gift, consideration, reward or advantage to someone in business or government in order to obtain or retain commercial advantage or to induct or reward the recipient for acting improperly or where it would be improper for the recipient to accept the benefit.
- Bribery can also take place where the offer or giving of a bribe is made by or through a third party e.g an agent, representative or intermediary.
- Suppliers must not send gifts to Designworks' staff members in an attempt to sway decision making.

At Designworks, we expect all parties that we work with to have a written anti-corruption and bribery policy and procedure in place to prevent employees or persons associated with its business from committing these offences.

As a Supplier of Designworks, it is expected that there is a high level of integrity and honesty within the business relationship. Designworks encourages openness and will support anyone who raises genuine concerns under this policy. We ask that you notify us of the incident immediately so that we can work together to find a legally compliant solution.

2.3 Customer Safety

2.3.1 AZO Colourants

AZO dyes are found to contain, or can break down to create, aromatic amines which are suspected carcinogens. These aromatic amines are able to be absorbed into the skin and body through prolonged contact. It is due to this carcinogenic nature that all AZO dyes are strictly forbidden from any Designworks product which may have contact with the skin, including apparel, footwear, and toys. All products that may use AZO dyes will be tested for compliance. Any non-compliance will be met with serious consequences.

2.3.2 Hazardous Chemicals and Materials

Designworks prohibits the use of dangerous chemicals as a matter of safety to our customers and our supply chain. The following dangerous chemicals are banned in all Designworks products:

Formaldehyde is commonly used in textiles for its anti shrinkage, crease resistant, smooth dry and easy care properties. Formaldehyde is harmful to the wearer's health, as it can cause irritation of the respiratory tracts and mucous membranes.

Pentachlorophenol (PCP), Tetrachlorophenol (TeCP) & Trichlorophenol (TriCP) is commonly used to prevent mould spots on textiles, leather and wood caused by fungi. PCP's contain cancer inducing agents.

Pesticides and herbicides can be used in the growing of natural fibres to reduce pests and weeds, but can also be used to protect against insects and moths during storage. While most of the pesticides are washed off during the wet processing, some can be absorbed and remain in the final product and these residues can be rated from slightly toxic to highly toxic, and some are easily absorbed through the skin.

Phthalates are often used to soften PVC, and can also be found in printing inks and PU. These phthalates may have a serious hazardous effect on young children.

TBT, DBT, and other Organotin Compounds stop bacteria in sweat from causing odour and corroding socks and shoes. Absorption of these compounds through the skin, and can be toxic to humans.

Chlorinated Organic Carriers aid in the dyeing of polyester and manmade fibres. Exposure can lead to an effect on the central nervous system and malfunction in the kidney and liver.

Flame Retardants commonly include TRIS, TEPA, PBB and PDBE. Ongoing exposure to these chemicals can cause harm to the immune system, memory loss and joint stiffness.

PH Value: fabrics with extreme PH value can damage the skin and cause harmful allergic reactions.

Dimethylfumarate (DMFU) is used to prevent mould on leather, and can also be found in water absorbing satchels. Through inhalation, contact or ingestion, DMFU's can agitate the skin, eyes, mucous membranes and upper respiratory tract.

Alkylphenols (AP) and Alkylphenol Ethoxylates (APEO) are used as detergents, emulsifiers, wetting agents and dispersing agents during wet processing. AP's and APEO's are toxic to aquatic life, as they can disturb the hormone regulating system.

Perflourooctane Sulfonates (PFOS) create a resistance to grease, water and oil in textiles. These PFOS are bio-accumulative within fish species.

Volatile Organic Compounds (VOC) are frequently found in a range of products such as paint, ink, glues and cleaning agents. Depending on the compounds used, some can be irritants while others are toxic and carcinogens.

Heavy Metals can be used as components for some dyes and pigments used in the dyeing, washing and finishing processes. Heavy metals can bio-accumulate which causes damage to internal organs, and at high enough concentrations it can affect the nervous system.

Heavy metals include:

- | | | |
|-----------------|--------------------------|-----------------------|
| - Antimony (Sb) | - Mercury (Hg) | - Total Chromium (Cr) |
| - Arsenic (As) | - Copper (Cu) | - Cobalt (Co) |
| - Lead (Pb) | - Chromium (VI) (Cr(VI)) | - Nickel (Ni) |
| - Cadmuim (Cd) | | |

Chromium (VI) is a consequence of using chrome in leather tanning. Chromium (VI) is considered to be carcinogenic to humans and quantity can increase during storage and transportation of goods.

Nickel can be one of several alloys in metal accessories and metal trims in products. Some people can have severe skin allergy to certain alloys such as nickel.

Sandblasting is a process used to distress denim, by shooting abrasive material such as sand at the garment. This can cause a form of lung disease, silicosis, in the workers from inhaling the super fine dust caused by the blasting.

Asbestos is a material which can damage a person's lungs and can cause a range of diseases, including lung cancer.

For the health and safety of our customers, workers in Designworks' supply chain and the environment, the use of hazardous chemicals and materials listed above are strictly forbidden to be used in Designworks products. Designworks will randomly conduct hazardous chemical and materials tests, to ensure the quality assurance process is met.

2.4 Environment and Animal Welfare Policy

Environment

All Suppliers should be aware of the impact their business has on the environment. At a minimum, all Suppliers must adhere to all local and national laws regarding the environment, waste, water and pollution.

- Suppliers must actively work towards reducing the waste of their business. Seeking recycling options to divert waste from landfill.
- All suppliers must have a water plan in place to reduce water usage, and aim for zero chemical run off into waterways.
- All suppliers must join in Designworks' goal in aiming to reduce their greenhouse emissions in line with global standards ratified by the Australian Government.

Suppliers must be actively working towards reducing packaging waste, and seeking recycled packaging options to aid Designworks' partnership with the Australian Packaging Covenant.

Animal Welfare

Angora, real animal fur and mulesed wool must not be used in any Designworks product. These materials are linked to animal cruelty and will not be tolerated within the Designworks supply chain. Random testing will be conducted to ensure that real fur has not been used in any products.

Any leather used in Designworks product must be sourced in accordance with the world best practice in animal welfare.

8. Policy Acknowledgement

8.1 Authorised Signatures

Agent Details

Agent name: _____

Agent address: _____

Name of person: _____

Title: _____

Factory Details:

Factory name: _____

Factory address: _____

Name of person: _____

Title: _____

Ethical Sourcing Code and Individual policies

I agree that any non-compliance with the Ethical Sourcing Code and Policies constitutes a material breach of the supply agreement with Designworks, entitling Designworks the right to termination.

Agent Signature

Signature: _____

Date: _____

Factory Signature

Signature: _____

Date: _____

Agent Company Chop:

Factory Company Chop: