

THE VARNER GROUP SUPPLIER REQUIREMENTS MANUAL

Part IV. CODE OF CONDUCT

Version 01.2014

Ethical trading is an integral part of the Varner Group's business strategy. Our aim is to combine healthy business operations with social and environmental responsibility and ensure the production of our goods does not impact negatively on neither the individuals working in our supply chain nor the environment.

Social and environmental responsibility is a fundamental value for the Varner Group. Our long-term success depends on our ability to balance profit-making objectives with societal needs and on our ability to meet our customers' requirements for good business practice.

The Varner Group has established a Code of Conduct defining ethical standards for our business practices. The Code of Conduct applies to every aspect of our work and is applicable to all our suppliers, their subcontractors, our own staff and other business partners that do business with the Varner Group.

The English version of the Code of Conduct is binding. Translations are to be considered for convenience only.



4.1 The Varner Group Business Strategy

The business relationship between the Varner Group and our suppliers and manufacturers shall be based on mutual respect, and all parties shall maintain an open and constructive dialogue throughout the process.

Our aim

We aim to achieve commercial success together with our suppliers and manufacturers in ways that respect ethical values, human and labour rights and the natural environment.

Selecting business partners

Social criteria will be emphasized when selecting suppliers, manufacturers and manufacturing countries. Compliance with human rights, labour rights, environmental legislation, and demonstrated will to work towards a sustainable supply chain, is considered as a competitive advantage and will be taken into consideration when choosing business partners.

Collaborative approach

If non-compliances to the Code of Conduct should occur the Varner Group shall find and implement effective solutions together with its suppliers and manufacturers. The Varner Group shall cooperate with its suppliers to address the underlying causes of non-compliances through continuous improvements. Terminating business with existing suppliers shall only take place after repeated failure or unwillingness to carry out corrective actions.

Boycotts of individual countries

The Varner Group will avoid buying from countries subject to international consensus on trade sanctions.

Continuous evaluation and improvement of internal policies and practices

The Varner Group will continuously evaluate and improve own social and environmental policies and purchasing practices in order to facilitate suppliers and subcontractors compliance with this present Code of Conduct.

4.2 Social & Environmental Standards

1. Laws & Regulations

- 1.1 Suppliers and manufacturers must comply with national laws and regulations related to their industries and with international conventions concerning social and working conditions, child labour and the protection of the environment.
- 1.2 In case of disparity between valid laws and regulations and the Varner Group Code of Conduct, the strictest rule shall prevail. It is the duty of the supplier to inform the Varner Group should such a disparity arise.

2. Discrimination

ILO Conventions N° 100 and N° 111 and the UN Convention on Discrimination against Women

- 2.1 There shall be no discrimination at the work place in hiring, compensation, access to training, promotion, termination or retirement based on ethnic background, skin colour, caste, nationality, religion, age, health-related issues, disability, gender, marital status, sexual orientation, union membership or political affiliation.
- 2.2 Measures shall be established to protect workers from sexually intrusive, threatening, insulting or exploitative behaviour, and from discrimination or termination of employment on unjustifiable grounds, e.g. marriage, pregnancy, parenthood or HIV status.

3. Forced and compulsory labour

ILO Conventions N° 29 and N° 105

- 3.1 There shall be no forced, bonded or involuntary prison labour.
- 3.2 The employer shall not keep workers in employment against their will and the workers shall be free to terminate the working relation with a reasonable period of notice.
- 3.3 Workers shall not be required to leave a deposit, hand over original identity papers or the original copy of their work permit to their employer.
- 3.4 Workers shall be free to vacate the workplace premises at the end of the workday.

4. Child Labour

UN Convention on the Rights of the Child, ILO Conventions N° 138, N° 182 and N°79 and ILO Recommendation N° 146

- 4.1 The minimum age for workers shall not be less than 15 and comply with (i) the national minimum age for employment or (ii) the age for completion of compulsory education, whichever of these is the higher. If local minimum age is set at 14 years in accordance with developing country exceptions under ILO Convention N° 138, this lower age may apply.
- 4.2 There shall be no recruitment of child labour defined as any work performed by a child younger than the age(s) specified above. The manufacturer must have a certified copy of an official document indicating the worker's date of birth. In countries where this is not possible, the factory shall implement an appropriate method to confirm the age of its workers.
- 4.3 No person under the age of 18 shall be engaged in labour that is hazardous to their health or safety, including night work, or that is damaging to their education.

- 4.4 Young workers shall be given the opportunity to participate in education and training programmes.
- 4.5 Children visiting their parents at the workplace shall be registered.
- 4.6 Policies and procedures for remediation of child labour prohibited by ILO conventions N° 138 and N° 182, shall be established, documented, and communicated to personnel and other interested parties. Adequate support shall be provided to enable such children to attend and complete compulsory education.

5. Apprentice contracts

- 5.1 In countries where local laws permit the use of apprentice programmes for children between the ages of 12-15 years, the Varner Group will accept that children in that age group work a few hours per day as apprentices provided the work does not affect school attendance, that it is limited to a few hours per day (the total number of hours spent at work and attending school shall never exceed 7 hours per day), is not hazardous to the child's health or safety, is simple and clearly related to the training/practice and that the child is suitably compensated.
- 5.2 The supplier must be able to prove all above stipulations are being met. If the Varner Group have reason to believe that these stipulations are not being met, the Varner group will not accept such apprentice programmes.

6. Freedom of Association and the Right to Collective Bargaining

ILO Conventions N° 87, N° 98, N° 135 and N° 154

- 6.1 Without exception, workers shall have the right to join or establish unions of their own choosing, and to bargain collectively. The employer shall not interfere with, or obstruct, the formation of unions or collective bargaining.
- 6.2 Workers representatives shall not be discriminated or threatened and shall have access to carry out their representative functions in the workplace.
- 6.3 Where the right to freedom of association and collective bargaining is restricted under law, the employer shall facilitate, and not hinder, the development of independent and free workers representation and negotiations.

7. Wages

ILO Convention N° 131

- 7.1 Wages and benefits paid for a standard working week shall at minimum meet national legal standards. Wages should always be enough to meet basic needs, including some discretionary income. If this requirement is not yet met, the factory shall work towards its fulfilment.
- 7.2 Working hours, wages and overtime wages shall be set in accordance with relevant laws.
- 7.3 Wages shall be paid directly to the worker, in a timely fashion and in full.
- 7.4 All workers shall be provided with a written and comprehensible contract outlining their wage conditions and method of payments before entering employment.
- 7.5 The employer shall provide the worker with a payslip indicating the number of working days, wages/piece rate per day, overtime hours and overtime pay, bonuses, etc.
- 7.6 Holiday pay, sickness allowance, maternity leave compensation, as well as other compensated absences established by law shall be covered by the manufacturer pursuant to the particular country's laws and regulations.
- 7.7 Deductions from wages as a disciplinary measure shall not be permitted.

- 7.8 The piece rate shall be calculated so that those producing the least amount always receive minimum wage within normal working hours.

8. Working Hours

ILO Conventions N° 1 and N° 14

- 8.1 Working hours shall comply with national laws and benchmark industry standards, whichever affords greater protection. Standard weekly working hours should be no more than 48 hours (8 hours per day).
- 8.2 Workers shall be provided with at least one day off for every 7 day period.
- 8.3 Overtime shall be limited and voluntary. Recommended maximum overtime is 12 hours per week i.e. that the total working week including overtime shall not exceed 60 hours. Exceptions to this are accepted when regulated by a collective bargaining agreement.
- 8.4 Workers shall always receive overtime pay for all hours worked over and above the normal working hours (see. 8.1 above). As a minimum, overtime shall be compensated in accordance with relevant legislation.

9. Health & Safety

ILO Convention N° 155 and ILO Recommendation N° 164

- 9.1 The working environment shall be safe and hygienic, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Hazardous chemicals and other substances shall be carefully managed and the use of chemicals in the production of goods is regulated by the Varner Group Chemical Requirements (Please refer to additional requirements in section 4.4 and to part III of the Supplier Manual related to Chemical requirements). Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in, the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment (please refer to additional requirements I, section 4.4).
- 9.2 Workers shall receive regular and documented health and safety training, and such training shall be repeated for new or reassigned workers.
- 9.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 9.4 Accommodation, where provided, shall be clean, safe and adequately ventilated, and shall have access to clean toilet facilities and potable water (please refer to the additional requirements in section 4.4).

10. Regular Employment & Working Conditions

- 10.1 Obligations to employees under international conventions, national law and regulations concerning regular employment and social security laws shall not be avoided through the use of short term contracting (such a contract labour, casual labour or day labour) sub-contractors or other labour relationships.
- 10.2 All workers are entitled to a contract of employment that is written in a language they understand.
- 10.3 The duration and content of apprenticeship programmes shall be clearly defined.
- 10.4 Physical abuse or punishment, threats of physical abuse, sexual or other harassment and verbal abuse, as well as other forms of intimidation, shall be prohibited.

11. Consideration for Marginalized Populations

- 11.1 Production and the use of raw materials for production shall not contribute to the destruction of the resources and income base for marginalized populations, such as in claiming large land areas, use of water or other natural resources on which these populations are dependent.

12. Environmental Protection

Ref. Business for Social Responsibility (BSR) Cross-Industry Environmental Code

- 12.1. The supplier and manufacturer shall respect national and international environmental legislation and regulations.
- 12.2 Suppliers shall use management systems to ensure continual improvement and compliance with environmentally beneficial policies and practices, and encourage own suppliers to implement and adhere to the same standards.
- 12.3 Suppliers shall seek to reduce negative impacts on resource consumption (e.g. energy and water), emissions and waste.
- 12.4 Environmental measures shall be taken into consideration throughout the production and distribution chain ranging from the production and supply of raw material to the consumer sale. Local, regional and global environmental aspects shall be considered. The local environment at the production site shall not be exploited or degraded by pollution.
- 12.5 Relevant discharge permits shall be obtained where required.
- 12.6 Hazardous chemicals and other substances shall be carefully managed and the use of chemicals in the production of goods is regulated by the Varner Group Chemical Requirements (please refer to the Varner Group Restricted Substances List in part III of the Supplier Manual)

13. Ethical Conduct in the care and use of Animals

- 13.1 Ethical aspects shall always be taken into account when choosing suppliers of animal fibres. This includes aspects such as traceability, sustainability, safety, animal welfare, and labour and farm conditions. The origin of animal fibres shall always be authenticated.
- 13.2 Only synthetic fur is to be used in the production of goods supplied to the Varner Group.
- 13.3 Leather products shall be manufactured using only the skins of utility animals such as pigs, sheep and cows, where the animals having been originally slaughtered for the meat market.
- 13.4 The Varner Group shall not purchase leather, skins or animal fibres from areas known for bad farming practices or for transporting animals under inhumane conditions. The use of unethical and inhumane production processes is not in accordance with the Varner Group's animal welfare policy.
- 13.5 The Varner Group does not accept the practice of animal testing. All suppliers are required to respect and follow *EU Directive 2010/63/EU on the protection of animals used for scientific purposes*.

14. Management System & Implementation

- 14.1 Suppliers to the Varner Group shall take positive actions to implement the requirements of the Code of Conduct, to incorporate the standard into all of its operations and to make the standard an integral part of its overall philosophy.

- 14.2 The supplier shall assign responsibility for all matters pertaining to this Code of Conduct to a manager within its organisation. The supplier accepts responsibility for observing the requirements of this standard with respect to all employees and workers that it supervises.
- 14.3 The supplier shall see to it that a worker representative, preferably a union representative, is selected to establish communication with management on matters relating to ethical guidelines. The identity and contact details of the representative shall be communicated to the Varner Group.
- 14.4 The supplier shall maintain appropriate records to demonstrate conformance to the requirements of this standard, and shall be able to provide necessary information and access to parties approved by the Varner Group seeking to verify conformance.
- 14.5 The supplier will make observance of this Code of Conduct a condition of all agreements that it enters into with subcontractors. These agreements shall oblige these subcontractors to conform to all requirements of this standard and participate in the supplier's monitoring activities as requested.
- 14.6 Regarding the use of agents, or several factories or suppliers that have subcontractors, all links shall be traceable concerning manufacturing location with respect to the manufactured goods delivered to the Varner Group. Any subcontracting shall be agreed upon by the Varner Group prior to any production.

15. Bribery & Corruption

- 15.1 Corruption in any form is not accepted, including bribery, extortion, kickbacks and improper private or professional benefits, gifts, loans, fees or reward to customers, agents, contractors, suppliers or employees of any such party or government officials.

4.3 Support & Monitoring

Before any production may start, suppliers shall provide accurate information both regarding production sites of each and every order, and social and environmental features related to the production chain in order to facilitate support and monitoring. Suppliers are not allowed to subcontract any part of the order /production without prior notification to the CSR department. A breach of these requirements may lead to cancellation of orders and termination of the business cooperation.

To evaluate and monitor the compliance of this Code of Conduct, the Varner Group will make use of self-assessment questionnaires, factory visits, systematic unannounced or announced inspections / audits conducted either by own personnel or by approved third parties, and improvement plans and corrective action plans based on audit results.

The Varner Group or group representatives shall have unfettered access to the manufacturing sites for goods intended for supply to the Varner Group, including subcontractors, without prior notification.

The Varner Group seeks to improve performance by constantly encouraging dialog and co-operation with its supplier in order to achieve positive social change in its supply chain.

4.4 Additional Requirements

I - Health & Safety Requirements for the Production Facility

- (a) The factory shall have a health and safety officer within the management.
- (b) The factory shall have a system for executing and tracing initiatives to prevent conditions that are or could be hazardous to the health and safety of the workers.
- (c) All workers shall have health and safety training on a regular basis, to be conducted in a language they understand. The training shall be documented.
- (d) All new workers shall have health and safety training immediately upon starting work.
- (e) In each factory location there shall be a first aid kit and a person trained in basic first aid. The factory shall have routines for handling serious injuries requiring outside medical attention.
- (f) The factory shall have a sufficient number of exits for an emergency, and these shall remain unlocked and free from obstruction in case of a fire or other emergency situation.
- (g) Fire extinguishers and fire hoses shall be maintained and in proper working order. They shall be easily visible and accessible to all workers.
- (h) Machines shall have satisfactory and functional safety devices which shall be maintained on a regular basis.
- (i) Workers shall be equipped with personal safety gear at no personal cost.
- (j) The lighting must be sufficient so as to ensure a safe working environment.
- (k) Factories shall have proper ventilation, windows, fans, air conditioning and /or heating in all workplaces, so that circulation, ventilation and temperature requirements are met.
- (l) The factory shall ensure that the noise level is acceptable.
- (m) The factory shall store and secure hazardous materials in secure and ventilated locations, as well as ensuring their safe and legal removal.
- (n) The factory shall have clean and sanitary toilet facilities for the workers in a sufficient number in relation to the number of workers. Workers shall be allowed reasonable time to use the toilet facilities.
- (o) Potable water shall be made available for workers, and reasonable time shall be allocated for them to drink.
- (p) If the factory provides food for its workers, the canteen, in which food is stored and prepared, must be located separately from the production area and also be clean and in a good condition.

II – Accommodation Requirements

- (a) Dormitories shall be single sex.
- (b) The space for each worker must be in compliance with local laws.
- (c) Everyone shall have their own, individual ground pads or beds.
- (d) All workers are to have their own lockable storage spaces for clothes and personal belongings.
- (e) There shall be proper ventilation, windows, fans and/or air conditioning/heating apparatus in all dormitories so as to ensure proper circulation, ventilation and temperature.
- (f) There shall be a sufficient number of exits, and these shall remain unlocked and free from obstruction in case of a fire or other emergency situation.
- (g) Fire extinguishers shall be in proper working condition (maintained). They shall be easily visible and accessible for all workers.
- (h) The dormitories shall have adequate lighting.
- (i) There must be a sufficient number of toilets and showers (single sex). These must be maintained, easily accessible, safe, hygienic and located separately from the dormitories.
- (j) Washing facilities shall be available for workers who live on the premises.
- (k) The canteen and the food which is prepared and stored there must be kept clean and in good condition.
- (l) Those living on the premises must be able to come and go as they please in their own time, within reasonable limits due to security and comfort.
- (m) If the workers must pay for their housing, the cost should be commensurate with the standard of their accommodation and reasonable in comparison with their wage level.

III – Safe Handling of Chemical Substances

Environmental measures shall be taken throughout the production chain. Chemical substances and preparations shall be carefully managed and the use of chemicals in the production of goods to the Varner Group is clearly regulated.

List of all chemicals used in the production

All suppliers to the Varner Group shall establish and maintain a list of all chemical substances used in the production process and maintenance. Upon request, suppliers shall submit the list to the CSR department and/or to auditors performing a social audit according to the Varner Group Code of Conduct. The list shall include the name of the chemical product, the purpose/area of use and a reference to a Material Safety Data Sheet (MSDS).

Written policy

Suppliers shall have a written procedure for the procurement, storage, handling and use of chemicals include guidelines on safe handling and use of different chemicals, with specific emphasis on hazardous chemicals. Suppliers shall in addition appoint a responsible person in charge of implementing measures in accordance with these regulations.

Competence and Training

Suppliers must ensure that the risk associated with each chemical substance is assessed, understood and communicated to all employees. Employees that procure, store, handle and use chemicals must have the right competence and be sufficiently trained; records from training shall be kept.

Storage

Supplier shall prevent chemicals from leaking to air, ground and water. Chemical storage areas require specific design and equipment such as construction materials, lighting, ventilation and fire extinguishers. It shall include first aid and eyewash equipment. Additional requirements apply to chemicals that are classified as flammable or combustible liquids. Storage of liquid chemicals shall be free of drainage holes and protected by sills.

Hazardous Waste Disposal

Supplier shall have a policy for disposing hazardous waste materials. Hazardous waste must not be allowed to accumulate and hazardous waste collection must be arranged through certified firms. The frequency of collection is dependent upon the type and amount of waste generated. Supplier shall keep a record of all waste collections.

4.5 Additional CSR Policies

Ban on Sandblasting

Sandblasting is one of several techniques used to create the worn denim look. When sandblasting is used, rigorous work practices must be in place to protect factory workers from potentially serious harm resulting from exposure to silica, a compound found in sand. However, reports and studies show that even if appropriate health and safety measures are taken, sandblasting still represents a high risk for workers. The threat of respiratory diseases like silicosis and other health related threats are very high.

The use of sandblasting is therefore banned in all our product lines across all brands. This ban is effective of 2. November 2010.

There are several alternative methods to sandblasting. For the Varner Group is very important that these are in line with our ethical guidelines and do not represent a risk to the workers in the production lines. If chemicals are used they shall be "silicate free" and in accordance with the company's strict Chemical Requirements. The use of appropriate protective equipment, regular and documented health and safety training are also requirements all our suppliers need to follow.

Ban on Uzbekistan Cotton

The Varner Group strongly oppose the use of child labour and forced labour. The Varner Group is aware of reports documenting systemic use of forced child or adult labour in the harvest of cotton in Uzbekistan.

Due to the current situation the use of cotton of Uzbekistan origin is prohibited in the manufacturing of all products to the Varner Group.

This policy will persist until the Government of Uzbekistan ends the practice of forced child and adult labour in its cotton sector and the elimination of this practice is independently verified by the International Labour Organization.

Ban on Leather from Tanneries in Bangladesh

A safe and hygienic working environment is required throughout the supply chain used for products to the Varner Group. The Varner Group is aware of reports documenting severe breaches to general requirements for working conditions at tanneries in Bangladesh - especially concerning the handling and discharge of hazardous chemicals.

Due to the current situation the use of leather from tanneries in Bangladesh is prohibited in the manufacturing of all products to the Varner Group. This ban includes leather that at any stage of the tanning process has been treated in Bangladesh.