

Supplier Manual

Responsible Chemicals Policy

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1. Introduction

It must be recognized that Action products cannot be manufactured without the use of chemicals, but it is also important that chemicals are managed responsibly so that negative effects on workers, the environment and consumers are minimized. Action has a complex mix of products, some of which themselves are chemical formulations which bring useful benefits to our customers, so it is impossible to avoid the use of and exposure to certain chemicals. It is recognized that, although some chemicals are relatively benign, some are harmful and particular care must be exercised to either avoid their use or to handle them carefully in order to protect people and the environment. There have been great advances in legislation to restrict the most harmful chemicals in many geographical territories, but the legislative picture is fragmented and incomplete when viewed globally. Action is therefore committed to continuously review legislation and credible scientific evidence to ensure all products are safe and legal in the territories where we trade. This policy document sets out details of Action's responsible chemical management program.

2. Action Policy

Action requires that all products are manufactured with due care and attention for workers and the environment, and in accordance with all relevant local legislation. Action requires that all products, all formulations and all components in formulations are, where required, appropriately registered with the relevant authorities (e.g., REACH, Biocidal Products Regulations in the EU). Action requires that all products meet legal requirements in terms of restricted substances in the territories where we trade. Where Action believes credible scientific evidence or established industry practice clearly indicates the need for business standards to exceed legislation, suppliers will be expected to meet the more stringent business standards. Action will constantly review industry best practice across all product areas and support and promote the introduction of lower impact chemicals and processes where appropriate.

3. Scope

This policy applies to all products that are sold by Action. It is important that the scope of this policy is realistic and achievable. Therefore, this policy is focused on all of Action's private label and non-private label merchandise that is supplied to us through our Direct import supply base and our import partners. Only internationally recognized A- brands fall out of scope of this policy.

4. Legal Compliance and Business Restricted Substances Standards

It is a basic requirement that all products sold by Action must be legal. Legislation that applies to chemicals is complex, fragmented and in some instances overlapping, so it can be challenging to establish exactly what laws are applicable to specific products.

Legislation is broadly split into two areas:

i. Registration and Labelling

It is the responsibility of the manufacturer or supplier to have full knowledge of registration obligations and ensure that all products, formulations, and components of formulations are appropriately registered unless it has been agreed at contract stage that Action will take on responsibility for registration.

Note: In Europe all components in all chemical formulations have to be registered as part of REACH obligations but there may also be additional registration requirements for specific product types to be aware of (e.g., Biocidal Products). There are strict requirements for labelling of certain product types, and it is the supplier's responsibility to fully understand these requirements and ensure they are labelled appropriately for transport and point of sale.

ii. Compliance with maximum allowable limits for restricted substances

Action products broadly fall into two categories:

- a) Product categories where there is comprehensive, specifically developed chemical legislation (e.g., Toys, Cosmetics, Biocides, Food contact items)

In these instances, Action rarely replaces or duplicates the chemical detail listed in the legislation with in-house business restricted substances standards.

- b) Product categories where general legislation applies (such as REACH) but where specific legislation is incomplete.

In these instances, Action recognizes that greater clarity may be required by our supply partners. As such, Action will strive to create this clarity once further understanding of the challenges are known.

5. The Approach to Responsible Chemical Management

5.1 Transparency

Transparency of supply chains is the fundamental foundation of chemical management as it enables communication of standards and expectations to those who have direct influence over what chemicals are to produce, or are used in, the products that Action sells. Action will strive to push greater chemical / supply chain transparency into its buying process. As such, Action expects that suppliers and manufacturers are driving transparency into their daily business and holds suitable files, which can be made easily available.

5.2 Policies and Standards

Action commits to have practical, robust standards and policies related to chemical management in place. Core documentation will include items such as the restricted substances standards but there may be specific documents relating to specific product types or specific chemicals developed as appropriate. To ensure that chemical inputs are likely to result in products that meet the standards for restricted substances and/or the legal requirements at the point of sale, Action is working on a process to create an RSL (Restricted Substances List) and deployment plan within the company. Action is working to:

- Identify relevant RSL product groups – complete by January 2019
- Develop RSLs for these groups – complete by July 2019
- Conduct risk assessments by product & country of origin – complete by December 2019
- Implement spot check testing programme to assess compliance – complete by June 2020

All further steps and processes will then be created and communicated.

5.3 Communication

The key to successful chemical management is communicating standards and expectations throughout the supply chain to manufacturers and formulators who have direct influence over the chemicals used in the products Action sells. For private label and non-private label branded products the responsibility for communicating standards and expectations lies with the supplier with whom Action has the direct relationship. Moving forwards, Action will seek greater insights into chemical usage and compliance of our Private Labels regardless of whether bought through our direct routes or domestic import partners.

5.4 Provision of Information

All suppliers, manufacturers and formulators should collate full information on upstream suppliers and chemical information relating to every component used in every product. This information must be collated and kept on file – and provided on request.

5.5 Risk-based Testing Programmes

Action recognizes that there is a need to demonstrate compliance to legal and business standards on an on-going basis. For some product types there may be a legally mandatory requirement to test products and provide test certificates before placing items on sale (e.g., demonstrating that a product with anti-microbial properties passes specific tests) and it is the supplier's responsibility to understand the exact test requirements and ensure appropriate tests are conducted. For items where mandatory testing is not required, Action teams will conduct risk assessments and request specific tests on items that they consider higher risk.

The risk assessment will take into account factors such as:

- The product category
- The materials used in a component / product
- The chemicals used in a formulation
- The geographical source of a component, product, or formulation
- Known / unknown manufacturers or suppliers
- The knowledge, experience, and compliance history of a supplier
- The level of co-operation a supplier is demonstrating with efforts to improve transparency and provision of information
- The legal and policing landscape

Suppliers are encouraged to provide any pre-existing test data for a given component, product, or formulations to assist with risk assessments. Testing is expensive and the approach taken by Action is "the more you know the less you test".

5.6 Partnerships

Action recognises that the subject of chemical management is complex and dynamic. In such a complex business with such a wide variety of products it is essential that everyone works together to understand legal requirements and industry norms and Action recognises the vitally important role suppliers will play in developing and updating the standards required to keep our products safe and legal. Where appropriate Action will also work with key contacts in the retail, chemical, formulation, and manufacturing industries to further understand and improve chemical management. Action will also encourage and share best practice regarding chemical management in the upstream supply base.

5.7 Benchmarking

Action will monitor progress with respect to transparency, provision of information and chemical test compliance on an on-going basis. Action will review policies and standards to ensure they are aligned with current good practice across the product sectors.

5.8 Beyond Compliance

Much of this Action policy and standards is based on legal compliance of product that is put on sale and the legal standards are supplemented by some business standards that are essentially already standard industry practice in certain sectors. Periodically Action may take a decision to place a new restriction on a particular substance or introduce a new technology in the absence of legal restrictions because it is considered that it is appropriate to introduce safer alternatives. Such 'beyond compliance' initiatives require the support of partner suppliers and co-operation is expected.

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