

Ethical Sourcing Policy

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1. INTRODUCTION

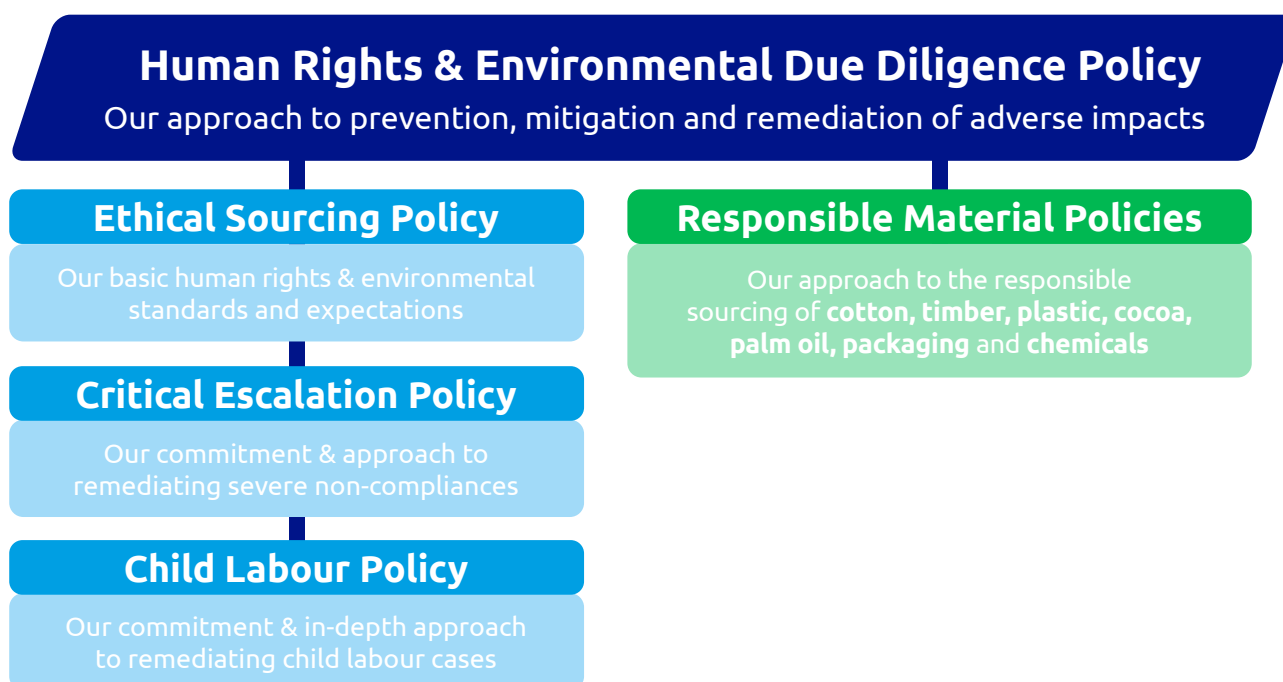
Social responsibility at Action means doing business while respecting human rights, trading ethically and safeguarding the environment. As a rapidly expanding company with a global value chain, our impact on society and the environment is increasing. We wish to ensure good ethical and environmental practices both in our direct operations, throughout our value chain and the communities in which we operate.

This Ethical Sourcing Policy outlines the minimum standards we require our suppliers to comply with. It is based on core *International Labour Organisation (ILO)* conventions which present the backbone of international labour law. We further acknowledge our responsibility in line with the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises* as globally recognized frameworks.

2. SCOPE

The Ethical Sourcing Policy is applicable to all Action's suppliers and products. Our suppliers shall proactively share this policy with and commit their respective suppliers that source from one or more risk countries, as defined by the *amfori BSCI Country Risk Classification*, with the aim of cascading the principles down the value chain.

Action expects all its Suppliers and Producers to comply with its Responsible and Ethical sourcing policies.



3. REQUIREMENTS

BSCI (Business Social Compliance Initiative) Membership

As *amfori BSCI* members we seek close alignment with its principles, outlined in the *amfori BSCI Code of Conduct*. Our suppliers that source from one or more risk countries are members of *amfori BSCI* in order to demonstrate their commitment to social compliance and transparency in value chains.

Valid Social Audit

All *producers and subcontractors* in risk countries are required to have a valid social audit that complies with our Social Compliance Guidance for Suppliers. All subcontractors need to be authorized by Action prior to production.

Value Chain Transparency

To facilitate monitoring of social and environmental compliance Action requires full value chain and product transparency. Upon request, suppliers shall inform Action of all relevant information concerning entities involved in the production and supply of goods, including their name, address, social audits and required certificates.

Restricted Sourcing

Suppliers do not – directly or indirectly – engage in sourcing or production of articles and/or raw materials from persons, entities and countries that are sanctioned through export trade restrictions by the European Union, United Nations or United States or including any specific regions or countries mentioned in our sustainable material policies.

Continuous Improvement

We recognise that integral adherence to the Ethical Sourcing Policy is a dynamic process and may not always be achievable instantly. We do however expect our suppliers to continually improve their operations and are committed to working collaboratively with them in the spirit of mutual benefit.

Therefore, our suppliers shall build capacities to demonstrate their commitment and compliance with this Code. Specifically, this includes the implementation of management systems, a designated member of staff to ensure compliance, and record keeping to document progress. Where necessary we will support our suppliers to monitor and improve their ethical sourcing performance and to implement this policy throughout their own value chains, in line with the ultimate objective to achieve full compliance.

Where assessments or audits uncover issues of *non-compliance*, our suppliers shall actively support their producers in agreeing to and effectively implementing appropriate corrective action plans with

focus on improving the situation and providing access to remedy. Any critical issues shall be followed-up on immediately and the Critical Escalation Policy applies. If needed, we will provide support to our suppliers to realise the needed improvement measures. We require all agents and suppliers to be open and honest about their performance and challenges where they may occur, so that we can make tangible improvements.

Action believes in continuous improvement and we only consider terminating business relations with an agent or supplier as a last resort measure. Action may terminate its business relationship with a Producer in accordance with Chapter 5 of the Critical Escalation Policy ("Reoccurrence and disengagement").

With Action's evolving process on Ethical Sourcing, this policy will be regularly reviewed and updated.

4. PRINCIPLES

For all below principles, suppliers shall comply with applicable (inter)national legislation, industry standards and binding collective agreements. Whenever international standards, Action policies and national or international legislation provisions conflict, suppliers shall adhere to the provision that provides the highest level of protection for workers and the environment.

Child Labour (Applicable ILO Conventions: 138 and 182)

The use of *child labour* is strictly prohibited. The fundamental Minimum Age Convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18. It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed. Suppliers shall establish robust age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the worker. If child labour is identified, this is considered a critical issue and the [Child Labour Policy](#) shall apply.

Young Workers (Applicable ILO Conventions: 138 and 182)

Suppliers shall ensure that Young Workers shall not work at night, and they shall not be exposed to hazardous conditions and/or physical risk. Where Young Workers are employed, suppliers must comply with all legal requirements, ensuring that Young Workers do not engage in Hazardous Work that is likely to be harmful to their health, safety and morals. In particular, Young Workers shall not engage in Hazardous Work as defined in national legislation and in Article 3 of ILO Worst Forms of Child Labour Recommendation, 1999. If Young Workers are found working in hazardous conditions, the Action [Child Labour Policy](#) shall apply.

Forced Labour (Applicable ILO Conventions: 29 and 105)

Suppliers shall under no circumstances use or benefit from *forced labour*, i.e. work that is performed involuntarily or under the menace of any penalty, such as physical punishment, bondage, violence as a method of discipline or control, threats, withholding personal documents (passports, work permits or deposits) and confinement. Prison labour may be used in EU countries, but only when performed voluntarily and in accordance with national legislation. Any engagement in forced labour, human trafficking, slave labour, prison labour in non-EU countries and/or withholding of personal documents is considered a critical issue.

Freedom of Association and Collective Bargaining (Applicable ILO Conventions: 87, 98, 135 and 154)

Suppliers shall respect workers' rights to join or form trade unions and to bargain collectively in a free and democratic way. In countries where trade union activity is unlawful or where free and democratic trade union activity is restricted, suppliers shall respect this principle by allowing workers to freely elect their own representatives with whom the company can enter into dialogue about workplace issues. Suppliers shall adopt an open attitude towards the (organisational) activities of trade unions and worker representatives.

Health & Safety (Applicable ILO Conventions: 155)

Suppliers shall provide their workers with a *safe and adequate working environment* which meets the basic needs for workers and with (access to) clean toilet facilities, potable drinking water, sanitary facilities for food storage, adequate lightning, ventilation and reasonable temperature. The same requirements apply to dormitory facilities, if provided, and should be equipped with reasonable personal space, clean showers and bathrooms. Dormitory facilities shall be separated from the factory and production area. Workers shall be permitted to leave the dormitory facilities freely at any time. All form of *Personal Protective Equipment* (PPE) shall be provided to workers free of charge and adequate health and safety instructions shall be given. Facilities shall undergo an environmental and safety risk assessment and suppliers shall provide all required documentation and permits regarding structural, electrical and fire safety upon request. Severe electrical safety concerns, non-functioning fire extinguishers, hazardous chemical malpractice and blocked emergency exits are considered critical issues. Suppliers shall implement robust *Health & Safety management systems*. Further, they shall be well prepared for *emergency situations*, which includes workers notification, evacuation procedures, exit facilities, emergency training and drills, appropriate first-aid supplies, appropriate fire detection and suppression equipment. Workers shall be regularly trained in emergency planning, responsiveness and medical care. Suppliers shall keep records thereof for inspection. A senior management representative, responsible for health and safety issues, shall be assigned by the supplier.

Fair Remuneration (Applicable ILO Conventions: 95 and 131)

Suppliers shall ensure that workers are provided with *wages* and *benefits* that, at a minimum comply with applicable legal standards, industry benchmark standards and/or binding collective agreements, including those pertaining to *overtime work*. In any event wages should always enable workers to meet basic needs and to provide some discretionary income. All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment, as well as wage slips. Wages shall be paid in a timely manner, regularly and in fully legal tender. Deductions from wages as a disciplinary measure is not permitted.

Working Hours (Applicable ILO Conventions: 1 and 14)

Suppliers shall respect workers' rights in relation to *working hours*, *overtime work*, *maternity leave*, *holidays*, *breaks*, *rest periods* and *paternity leave* and provide the associated information in writing and in clear and understandable terms to the workers before entering employment. The use of overtime is meant to be exceptional, voluntary, paid at a premium rate of not less than 125% of the regular rate and shall not represent a significantly higher likelihood of occupational hazards. Workers shall be allowed at least one day off in every 7-day period and reasonable annual leave at least as required by applicable law shall be afforded to every worker based on a clear, formal policy.

No Discrimination (Applicable ILO Conventions: 100 and 111)

Suppliers shall not engage in *discrimination* in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, birth, national or ethnic origin, nationality, religion, age, disability, gender, marital status, family responsibilities, sexual orientation, social background, diseases, union membership, political affiliation or any other condition that could give rise to discrimination.

Privacy

Suppliers shall respect the privacy of their workers. The collection, use and other processing of personal information shall at all times comply with privacy and information security laws and regulatory requirements.

Employment Practices (Applicable ILO Convention: 181)

Suppliers shall only employ workers who are legally authorised to work in their facilities and are responsible for validating workers' eligibility to work through appropriate documentation. To every extent possible, work performed shall be on the basis of a recognised employment relationship established through national law and practice. Obligations under labour or social security laws and regulations arising from the regular employment relationship shall not be deliberately avoided through the use of *labour-only contracting*, *subcontracting*, *home-working arrangements*, excessive use of fixed-term contracts of employment or through apprenticeship schemes, where there is no real intent to impart skills or provide regular employment.

No harsh or inhumane treatment

Suppliers shall operate with respect, integrity and dignity towards their workers. Any form of physical, sexual or verbal abuse and/or intimidation, threat and harassment is prohibited. All disciplinary procedures must be fully compliant with local laws, established in writing, and are to be explained to workers in clear and understandable terms. All disciplinary actions must be recorded. We encourage our suppliers to have a *whistle-blowing policy and process* for workers.

Ethical Business Behaviour

Suppliers shall not, without prejudice to the goals and expectations set out in this policy, directly or indirectly be involved in any act of *corruption, extortion or embezzlement*, nor in any form of *bribery* – including but not limited to – the promising, offering, giving or accepting of any improper monetary or other incentive or advantage. Bribery and the forging or falsifying of social compliance audits and corrective action plans are considered critical issues. Suppliers shall not violate any applicable anti-bribery laws and regulations. Suppliers are obliged to maintain accurate information regarding their activities, structure, performance and to disclose these in accordance with applicable regulations and industry benchmark practices.

Protection of the Environment

Suppliers shall comply with all applicable environmental requirements and ensure that they obtain, keep, update, and follow the reporting guidelines of all the required environmental permits and registrations to be at any time legally compliant. Suppliers shall demonstrate continuous improvements of their *environmental performance* and be able to provide evidence upon request. Suppliers are required to conduct an environmental risk assessment at facility level to assess environmental impact of operations and establish effective policies and procedures that reflect environmental responsibility. Suppliers shall take all necessary measures to mitigate environmental risks and to optimise their consumption of natural resources, including energy and water. Suppliers shall, as appropriate to the size and complexity of their business, implement adequate measures to prevent pollution and minimize adverse effects on the community, natural resources, biodiversity, generation of solid waste, wastewater, air emissions and the overall environment. Suppliers shall comply with all applicable laws with regards to *hazardous materials*, chemicals and substances and shall ensure their safe handling, movement, storage, recycling, reuse and disposal.

5. GLOSSARY

<i>Amfori BSCI</i>	Established in 2003 by the European industry body the Foreign Trade Association, the amfori Business Social Compliance Initiative (BSCI) aims to establish a common, cross-industry platform for monitoring social compliance in global value chains. Amfori BSCI has a large membership base, especially among European retailers. Each amfori BSCI participant endorses the Code of Conduct when joining the initiative. The amfori BSCI Code of Conduct aims at setting out the values and principles that participants strive to implement with their business partners along their value chains.
<i>Amfori BSCI Country Risk Classification</i>	The amfori BSCI (Business Social Compliance Initiative) Country Risk Classification depicts the levels of risks related to governance in sourcing countries and is based on the six Worldwide Governance Indicators published by the World Bank.
<i>Benefits</i>	Various types of non-wage compensation provided to employees in addition to their normal wages or salaries. Depending on geography and occupation, these may be mandated by law, or they may be voluntary. Typical examples include health care insurance, retirement benefits, vacation policies, flexible working time, childcare support, gym membership.
<i>Breaks</i>	A period during working hours or during a shift, in which an employee is permitted time off from working. Breaks organised during the working day can be for the purpose of resting, eating or other needs. Depending on the organisation and country in question, breaks can be paid or unpaid. In some countries and in some sectors, breaks are mandated by law.
<i>Bribery</i>	Giving or receiving a financial or other advantage in connection with the “improper performance” of a position of trust, or a function that is expected to be performed impartially or in good faith.
<i>Child labour</i>	As defined by the ILO, child labour is considered work that deprives children of their childhood, potential and dignity, and that is harmful to their physical and mental development. It refers to work that: <ul style="list-style-type: none"> • is mentally, physically, socially or morally dangerous and harmful to children. • interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work.
<i>Corrective and improvement action plans</i>	Corrective action plans range from simple mitigation measures to resolving a non-compliance to detailed management plans with actions that can be measured quantitatively or qualitatively. A corrective action plan should typically include a description of the specific actions being taken, a timeframe for implementation and a reporting requirement to detail the status of resolution.
<i>Corruption</i>	Dishonest or fraudulent conduct by those in power, typically involving bribery; “the abuse of entrusted power for private gain”. A corrupt practice is offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
<i>Discrimination</i>	The unjust or prejudicial treatment of individuals or different categories of people, most commonly on the grounds of race, age, disability, religion or sex.
<i>Embezzlement</i>	The misappropriation of funds that have been entrusted to an individual for care or management.
<i>Emergency situations</i>	A sudden, unexpected, or impending situation that may cause injury, loss of life, damage to the property, and/or interference with the normal activities of a person or firm and which, therefore, requires immediate attention and remedial action.

Environmental performance	<p>Environmental Performance is the relationship between the organisation and the environment. It includes:</p> <ul style="list-style-type: none"> • the environmental effects of resources consumed • the environmental impacts of the organisational process • the environmental implications of its products and services <p>Environmental</p> <p>Performance has two definitions according to the International Standards Organisation:</p> <ul style="list-style-type: none"> • Measurable results of the environmental management system, related to an organisation's control of its environmental aspects, based on its environmental policy, objectives, and targets (ISO 14001) • Results of an organisation's management of its environmental impacts (ISO 14031) <p>Environmental performance typically relates to themes such as water use, waste production and management, and GHG emissions.</p>
Extortion	The crime of obtaining money, favours, or services from an individual by wrongful use of actual or threatened force, violence or fear.
Forced labour	Forced labour refers to all work or service which is exacted from any person under threat of a penalty and for which the person has not offered himself or herself voluntarily. Forced labour, contemporary forms of slavery, debt bondage and human trafficking are closely related terms though not identical in a legal sense. Most situations of slavery or human trafficking are however covered by ILO's definition of forced labour.
Freedom of association and collective bargaining	<p>Freedom of association: Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation, and without interference from public authorities which would restrict or impede this right.</p> <p>Collective bargaining: "Extends to all negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more workers' organisations, on the other, for:</p> <ul style="list-style-type: none"> a) determining working conditions and terms of employment; and/or b) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations".
Hazardous material	Any item or agent (biological, chemical, radiological, and/or physical), which has the potential to cause harm to humans, animals, or the environment, either by itself or through interaction with other factors.
Health & Safety management systems	<p>A formal management framework typically put in place by an employer to minimise risk of injury and illness in a coordinated and systematic manner. The main components include both policy – a 'mission statement' for health and safety that provides a mechanism for management control and accountability – and arrangements for implementation, monitoring (including audit) and continual improvement. Examples include:</p> <ul style="list-style-type: none"> • National and international standards such as: <ul style="list-style-type: none"> - BS OHSAS 18001: Occupational Health and Safety Management Systems - BS EN ISO 9001: Quality Management System • In-house standards, procedures or codes • Sector-specific frameworks such as the: <ul style="list-style-type: none"> - Energy Institute's Framework for High-Level Process Safety Management - The European Chemical Industry Council's (Cefic) Responsible Care Framework

Holidays	Days set aside by custom or by law on which normal business and work activities are suspended or reduced.
Home-working arrangements	<p>Arrangement whereby an individual works from home or in other premises of his or her choice, for remuneration to produce a product or deliver a service as specified by the employer. People work within their own homes under various types of employment relationships. This includes:</p> <ul style="list-style-type: none"> • Homeworkers who are working on contract for others – also known as ‘dependent’ workers or ‘industrial outworkers’: they carry out paid work for companies or intermediaries/ contractors/ agents, typically on a piece-rate basis. • Self-employed home-based workers – also known as ‘own-account’ workers: they work for themselves, producing goods and services in their own homes which they then sell to others, for example in the local market. • Direct employees of a company: they may be working from home, but they have an employment contract with an employer.
International Labour Organisation (ILO)	<p>The Governing Body of the International Labour Office has identified eight Conventions as fundamental to the rights of human beings at work, irrespective of the level of development of individual member States. These rights are a precondition for all other conventions and are binding upon every member country of the International Labour Organisation from the fact of membership. They are:</p> <ul style="list-style-type: none"> • Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) • Right to Organise and Collective Bargaining Convention, 1949 (No. 98) • Forced Labour Convention, 1930 (No. 29) • Abolition of Forced Labour Convention, 1957 (No. 105) • Minimum Age Convention, 1973 (No. 138) • Worst Forms of Child Labour Convention, 1999 (No. 182) • Equal Remuneration Convention, 1951 (No. 100) • Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
Labour-only contracting	Labour-only contracting is an arrangement through which a labour supplier recruits and supplies workers only. The workers recruited then perform activities that are directly related to the main business of the principal.
Maternity leave	A period of approved absence from work granted to a female employee before and after childbirth. Often this absence is a statutory requirement, though in some countries it is at the discretion of the employer. Maternity leave may last anywhere from several weeks to a period of several months depending on the organisation and geography and may be paid or unpaid.
Non-compliance	Failure to act in accordance with a particular regulation or standard, such as a Code of Conduct.
OECD Guidelines for Multinational Enterprises	The OECD Guidelines for Multinational Enterprises are recommendations from governments to business on how to engage in responsible business conduct, with the overall goal of economic, environmental, and social progress. The Guidelines provide voluntary principles and standards for responsible business conduct in a global context that are consistent with applicable laws and internationally recognised standards.
Overtime work	Work performed by an employee or worker more than a basic workday (typically eight hours a day, five days a week) as defined by company rules, job contract, statute, or union (collective) agreement.
Paternity leave	A period of absence from work granted to male employees shortly before or after the birth of a child. The period of permitted absence varies by country and by organisation and may be paid or unpaid. In some countries it is a legal entitlement.

Personal Protective Equipment (PPE)	All equipment which is intended to be worn or held by a person at work which protects them against one or more risks to their health and safety. PPE includes equipment such as safety footwear, hard hats, high visibility waistcoats, goggles, life jackets, respirators, and safety harnesses. It further includes clothing affording protection against the weather.
Producer	Any actor in the value chain providing raw materials or producing (semi-)finished goods.
Rest periods	<p>According to the ILO, rest periods constitute the different forms of rest which are important to a workers' physical and mental well-being. Included within the ILO's different examples of rest periods are:</p> <ul style="list-style-type: none"> • Workday breaks: breaks organised during the working day by pausing the work for the purpose of resting, eating or other needs (see breaks, above) • Daily rest: rest which is provided after the end of the working day. This is the uninterrupted rest period between two shifts within a 24-hour period. • Weekly rest: this refers to a minimum break of 24 consecutive hours (one day) from work within a seven-day period. • Annual leave: a yearly vacation or holiday, consisting of consecutive days or weeks off work, which may be paid.
Safe and adequate working environment	A working environment which does not put workers at risk physically (and according to some definitions, psychologically or emotionally) and which provides adequate welfare arrangements.
Authorized Subcontractor	The Producer that takes over (part of) the last stage of production, assembly, processing and/or finishing of the finished good from the PO factory with prior authorization from Action.
UN Guiding Principles on Business and Human Rights	<p>Published in 2011, the United Nations Guiding Principles on Business and Human Rights (UNGPs) are a standard for 'preventing and addressing the risk of adverse human rights impacts linked to business activity'. In this way, the UNGPs are regarded as the global authoritative standard on corporate responsibility to respect human rights. The UNGPs encompass three pillars outlining how states and businesses should implement the framework:</p> <ol style="list-style-type: none"> 1. The state duty to protect human rights 2. The corporate responsibility to respect human rights 3. Access to remedy for victims
Wages	All remuneration, earnings, allowances, tips, and service charges, however designated or calculated, payable to an employee in respect of work done or work to be done. Wages are always paid based on a certain amount of time, usually an hourly basis. Other forms of compensation include salary and commissions.
Whistle-blowing policy and process	Details an organisation's position on whistleblowing (such as the protection and confidentiality afforded to whistle-blowers), and the procedure an employee should follow, including who to contact. Whistleblowing is the process through which a worker reports certain types of wrongdoing, though the disclosure made must be in the public interest.
Working hours	The period which an individual spends at paid labour. Many countries regulate the working week by law, such as by stipulating minimum daily rest periods, annual holidays, and a maximum number of working hours per week.
Young workers	A young worker is an adolescent working who is at least the minimum working age but is younger than 18 years.