Social Compliance Policy
INTRODUCTION

This manual describes ASO’s Social Compliance Policy.

The information in this document is confidential. It should not be shared with any outside source other than the vendor and/or the facility producing ASO products or materials, unless ASO LLC gives written consent.

ASO Social Compliance Vendor Contact

Please contact ASO’s Social Compliance Team regarding any of the compliance programs in this manual.

ASO Corporate Office
300 Sarasota Center Boulevard, Sarasota, Florida  34240
Email: socialcompliance@asocorp.com

The Social Compliance Team has complete authority over requirements, standards, and programs. Therefore, please do not contact ASO’s Procurement staff regarding these matters.

This manual has been produced in English and a Chinese version. For purposes of legal interpretation, the English language version shall govern.

Terminology

| ASL       | Approved Supplier List |
| CAPA      | Corrective Action Plan |
| SCO       | Social Compliance Officer |
ASO Social Compliance Program:
ASO, LLC and Affiliated Companies

STANDARDS
ASO, LLC ("ASO") and its Affiliated Companies (the "ASO Companies") have each adopted the standards set out below.

1. Compliance with Law
2. Supplier Approval Process
3. Audit Requirements
4. Supplier Annual Self-Assessment
5. Materials Certification
6. Consequences of Failure to Comply
7. Training of ASO Personnel

These standards, when taken together, are intended to ensure that the ASO Companies act in a socially responsible manner in all aspects of their respective procurement functions.

1. **Compliance with Law**

All suppliers to the ASO Companies and all facilities utilized to produce product for the ASO Companies must comply fully with all applicable national and local laws and regulations, including, but not limited to laws and regulations relating to:

- Labor
- Immigration
- Health
- Worker safety

2. **Supplier Approval Process**

All ASO Companies have established a process for approving suppliers. This process exists to ensure that any suppliers added to the Approved Supplier List do not engage in human trafficking or slavery.

No supplier may be utilized by any of the ASO Companies unless that supplier is on the Approved Supplier List or unless a special exception is authorized by ASO’s Chief
Financial Officer. The approval process will be administered by a third party specifically engaged to evaluate the potential suppliers’ compliance status in respect to this standard. Employees of ASO Companies may be utilized to evaluate suppliers.

Only those suppliers that are deemed to comply in all respects with this standard will be added to the Approved Supplier List. See Appendix A, which sets out the approving criteria.

3. Audit Requirements

After a company is added to the Approved Supplier List, then ASO will audit, or cause to have audited at intervals of eighteen (18) months to three (3) years, to ensure continued compliance with the requirements of this program. If an ASO Company utilizes a third-party auditor to perform a thorough audit that covers all the program requirements detailed herein, then ASO may rely upon such audit to meet the audit requirement set out in this Paragraph 3. See Appendix C, which sets out the Audit procedures, requirements and follow-up action requirements.

4. Supplier Annual Self-Assessment

Annually, all suppliers on the Approved Supplier list will be required to perform a Social Compliance Self-assessment to certify that they are in compliance with the criteria set out in Appendix A.

5. Materials Certification

In conjunction with the annual self-assessment certification all suppliers added to the ASO Approved Supplier List must certify annually that all the materials used in fabricating products for the ASO Companies were produced in accordance with all applicable laws prohibiting slavery and human trafficking.

6. Consequences of Failure to Comply

All Approved Suppliers will be made aware of the severe consequences for failure to adhere to the ASO Social Compliance Program. Such consequences include but are not limited to, a temporary or permanent ban on supplying products to the ASO Companies.
7. Training of ASO Personnel

At least once annually, all ASO Companies’ employees and third-party contractors involved in any way with procurement activity will receive training in the following:

- The worldwide problem of human trafficking and slavery;
- Methods and techniques employed to reduce the risk that human trafficking or slavery is being utilized anywhere within the supply chain.
- Consequences to ASO employees, or third party contractors for failing to insure compliance with the standards set out in this program.

See Appendix B, which lists the training objectives for the annual Social Compliance training program. All new employees who are to work in the procurement function and all new senior executives will receive training within the first three months of their employment.

SOCIAL COMPLIANCE/ FACTORY APPROVING PROCESS

The objective of the social compliance audit is to ensure that:

- Working conditions are in compliance with local country laws and ASO’s compliance standards
- No serious infractions are being committed by factories that produce ASO products or materials

In the event that local country laws are different from the ASO compliance standards, ASO expects all factories to meet whichever is more stringent.

PRIOR TO PLACING ORDERS AT A FACTORY

See Appendix E. Before ASO can place orders at a factory, the supplier or agent must sign a compliance statement and complete a Factory Evaluation Form that must be approved by ASO’s Social Compliance Team. These officially confirmed details provide ASO with the information necessary to:

- Be in possession of specific contact information for the factory/supplier/agent
- Determine whether products and materials are being produced in a factory that can handle the production needs.
- Ensure that proper quality control procedures are established. The address and contact information are also obtained for the social compliance audit shall be obtained.
PROGRAM OVERVIEW

The ASO Social Compliance Policy program is composed of three different types of Audits. You will be directed to complete the appropriate audits.

SOCIAL COMPLIANCE QUESTIONNAIRE/FACTORY EVALUATION REPORT

All new suppliers are required to complete the Factory Evaluation Report in Appendix E.

SELF-AUDIT

You will be directed to complete the self-audit if needed. If you are requested to perform a self-audit, please see the Self-Audit workbook referenced in Appendix F.

ANNUAL OR UNANNOUNCED THIRD-PARTY AUDIT

A third party, an annual or unannounced social compliance audit may be performed as determined by ASO.

The steps for conducting and finalizing a third-party audit are shown below. Following those steps are topics describing:

- The scale by which ASO rates a factory’s performance
- The degrees (severity) of nonconformance, and ASO’s follow-up actions

For information on audit criteria, please see the Audit Criteria categories listed in Appendix D.

Third-Party Audit Steps

1. Prior to factory approval, ASO’s Social Compliance Team will notify ACCORDIA via email, authorizing them to conduct the social compliance audit 30 days in advance of the desired factory audit. The email will contain:

- Type of Audit Requested
- (Unannounced or re-audit)
- Factory to be audited, including audit/vendor name
- The month/year that the audit is to take place
2. ACCORDIA field offices will have the permission of ASO to make contact with facilities or suppliers directly via phone, fax or e-mail in order to verify incomplete address information or to obtain directions to the factory. ACCORDIA representatives may explain the reason for requesting such information but may NOT notify the vendor or factory in advance that an audit will take place on a specific date or within a specific window of time. ACCORDIA will contact the factory or vendor prior to the audit to obtain prepayment for the social audit.

3. Upon arrival at the facility, ACCORDIA’s Social Compliance Officer(s) (SCO) will meet with the management team to explain the objective of the audit, provide them with a copy of ASO’s Social COMPLIANCE Standards as references and an introductory letter authorizing ACCORDIA to perform factory audits on behalf of ASO.

4. The SCO will then proceed with the audit, which includes the following aspects:
   - Interviews
   - Factory Tour
   - Factory Documents
   - Individual Employee Records
   - Overall Document Review and Preparation of Followup Documents

   **Interviews:** At the onset of the social compliance audit, the SCO confidentially interviews a representative sampling of workers by factory section.

   **Factory Tour:** The SCO evaluates the working and residential conditions of employees, including a tour of the employees’ dormitory (if applicable). Standards include (but are not limited to):

   A. **Management Systems**
      - Is the factory management committed to ensuring the social COMPLIANCE standards and all applicable laws are met?

   B. **Child Labor**
      - Is factory complying with all applicable child labor laws and the minimum working age requirement?

   C. **Forced Labor**
      - Is factory ensuring non-support of forced labor?
- Are factory personnel required to give up identification, papers/passports as conditions of employment?

**D. Discrimination**

- Is hiring, access to training, promotion or termination based on: race, caste, color, gender, nationality, religion, age, maternity or marital status?

**E. Disciplinary Actions**

- Is there sexual harassment?
- - Are employees ever physically harmed as a means of discipline?

**F. Health and Safety: Workplace and Dormitory**

- Are both the factory and dormitory safe?
- Are there any serious physical hazards?
- Are the following observances in compliance with social standards?
  a) **Basic Health and Hygiene Factors Present and Maintained**
     - First aid kit/station, fire safety: signs, exits, extinguishers, etc.
     - Chemicals kept in well ventilated areas
     - Electrical cords kept in good condition, power cords grounded?
     - Sanitation: sufficient numbers of toilets, clean bathrooms, running water, etc.
  b) **Freedom of Association and Right to Collective Bargaining**
     - Are employees free to associate with whomever they like?
  c) **Wages and Hours of Work (Regular and Overtime)**
     - Does the employer maintain reliable and complete employment records?
     - Is overtime paid when it is worked?
     - Is any work done that is not paid for?
  d) **Home Work/ Subcontracting**
     - Is any work done at home?
     - Is this factory subcontracting other factories to complete their work?
  e) **For US Factories ONLY (in addition to standards listed above)**
- Does the factory have required state registration?
- Does the employer offer Worker’s Compensation?
- Does the employer maintain Liability Insurance?
- Are wages paid in cash?
- Are State and Federal posters visible to employees?

Factory Documents: Factory Management is to assemble the following documents while the SCO tours the facility:

A. Factory Floor Plans
B. Labor Contracts
C. Employee Handbook (terms and conditions of employees)
D. Wage and hours policies
E. Collective Bargaining Agreements
F. A list of all chemicals and solvents on site
G. Permits, Certificates of Operations
H. Government Inspection Reports (i.e. sanitation, fire safety, structural safety, environmental compliance, etc.)
I. Machinery inspection, service logs
J. Policies and procedures on use of personal protective equipment
K. Accident, injury log
L. Emergency medical procedures
M. Evacuation Plan
N. Timecard or other work hour support
O. Payroll records for the last six months (i.e. piece rate records)
P. Support for overtime calculations

Individual Employee Records: Employee records are to be reviewed on the day of the audit and are to be pulled by the auditor — NOT the factory management.

The SCO will select documents from different work stations and employee levels within the factory (i.e. trimming, packing and other selections that demand less skill).

Documents considered acceptable for age verification include

- National or Regional IDs
• Educational Certificate
• Certificate of Good Health
• Resident document indicating the name and age of members of the household.

**Overall Document Review and Preparation of Followup Documents:**
After reviewing the above documents and records, the SCO will complete and/or prepare the following additional documents:

• Country Guideline Sheet
• Regional Report (if applicable)
• Audit worksheet
• Document and Payroll Review
• Employee Interview Questionnaires
• Audit Summary Report
• Alert Notification (if applicable)
• Corrective and Preventative Action (if applicable)
• Follow-up Visit Documentation (if applicable)

**FINALIZING THE THIRD-PARTY AUDIT**

A. At the conclusion of the audit and document completion, the SCO will meet with factory management to verbally explain the results of interviews, documents and factory tour and request clarification as needed.

B. The Corrective Action Plan (CAPA) must be signed by a senior factory management representative. The draft copy of the CAPA will be left at the factory for review by the factory management.

C. Upon completion of the audit, ACCORDIA will forward (via e-mail) the Audit Summary Report and finalized CAPA to ASO within five (5) working days.

D. The vendor/agent will receive a copy of the report, via e-mail, from ASO. Once the vendor has received the final CAPA and cover letter from ASO, they will have seven (7) working days to work with the factory to indicate if they cannot meet the required corrective action steps outlined in the CAPA or cannot meet the expected completion dates. All factory Audit communication is to be directed to ASO’s Vendor Compliance Team.
E. Each vendor/agent is responsible for all social compliance audit costs and denied access charges, including travel expenses for each of their factories that get audited. Payment is required regardless of the results of the audit. ACCORDIA will directly contact the primary vendor/agent, not the individual factories, unless arrangements for prepayment have been established beforehand. Each audit will take approximately 1-3 days to complete, depending on the size of the facility being audited.

F. Full audit costs will apply and will be billed to vendor/agent if:
   - the auditor is denied access to the facility, or
   - address information provided by the vendor or facility is inadequate in finding the facility

An SCO who has not been given access to the facilities will immediately (within 24 hours) report this to ASO with an Alert Notification Form.

**SOCIAL AUDIT RATINGS AND FREQUENCY**

A. **Performance Scale.** Based on the severity and number of non-conformances that are discovered and reported throughout the course of the audit, the factory will be rated according to the following scale:

<table>
<thead>
<tr>
<th>Performance Scale</th>
<th>Performance</th>
<th>Score</th>
<th>Color Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>85-100</td>
<td>Green</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>71-84</td>
<td>Yellow</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>51-70</td>
<td>Orange</td>
<td></td>
</tr>
<tr>
<td>Very Low</td>
<td>&lt;50</td>
<td>Red</td>
<td></td>
</tr>
<tr>
<td>Zero Tolerance Issues Found</td>
<td>Audit Failed- Factory disengaged</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

B. **Frequency of Audits.** Factories will require social compliance audits a minimum of every 18-24 months, unless specifically determined otherwise by ASO. ASO reserves the right to audit factories more frequently based on the results of previous social audits.
C. **Decision-Making.** ASO will make final decisions on all factory audits and whether re-audit or other evidence of compliance is necessary (such as photographs or documentation).

D. **Audit Scoring.** Audits will be scored using Appendix F Audit Report.

E. **Follow-up.** Based on this performance scale, ASO will determine the immediacy and degree of follow-up action required in the wake of an audit.

<table>
<thead>
<tr>
<th>Performance Rating</th>
<th>Timeframes for Follow-Up*</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>The timeframes below apply unless information is discovered that suggests possible infractions. In such cases, it may be necessary to conduct an audit sooner.</em></td>
<td></td>
</tr>
<tr>
<td>Green</td>
<td>A re-audit will NOT occur for 24 months, which is the minimum requirement.</td>
</tr>
<tr>
<td>Yellow</td>
<td>A re-audit may or may not need to be conducted sooner than 24 months. If an audit is determined necessary, the audit schedule will be based on CAPA dates.</td>
</tr>
<tr>
<td>Orange</td>
<td>A re-audit will be performed based on CAPA dates to ensure that the appropriate measures are taken to address issues and nonconformances.</td>
</tr>
<tr>
<td>Red</td>
<td>A re-audit will be conducted within 3 months.</td>
</tr>
<tr>
<td>Zero-Tolerance Issues discovered</td>
<td>The Factory will be discontinued immediately.</td>
</tr>
</tbody>
</table>

**DEGREES OF NONCONFORMANCE**

Conformance to ASO Social Compliance standards are acted upon based on severity, the most severe requiring the most immediate and far-reaching action.

- Zero-Tolerance Nonconformance
- Critical Nonconformance
• Major Nonconformance
• Minor Nonconformance
• Conformance

Depending on the number and severity of non-conformances discovered through the course of the audit, ASO may determine that a re-audit is necessary.

Re-audits will be conducted no less than three months after the original audit and will be conducted entirely at the Vendor’s expense. See the topic Re-Audit on a subsequent page.

A. ZERO-TOLERANCE Nonconformance

Examples of Zero Tolerance Issues include (but are not limited to):

• Use of child labor
• Involuntary or prison labor
• Physical or sexual abuse, coercion and harassment
• Severe health and safety violation
• Access to facilities denied

If, during the audit, the SCO discovers “Zero Tolerance” issues and/or conditions, he or she will immediately fax an Alert Notification Form to ASO.

An Alert Notification will result in the factory being disengaged by ASO for a minimum (1) one-year period.

Should there be any ASO production running at the time a “zero tolerance” violation is found, ASO reserves the right to cancel all orders. These orders will be cancelled at the supplier’s expense — meaning that ASO shall have no obligation to compensate or reimburse supplier for finished goods inventory, work in progress inventory or raw materials.

ASO will inform the supplier if order cancellation is needed.

After the one year period has passed, the factory may apply to ASO to be considered for production, but only after previously-found violations have been addressed. Whether the factory has adequately addressed all previously found violations shall be determined by ACCORDIA’s findings through the audit process, but will ultimately be determined by ASO.
Note: ACCORDIA cannot physically halt production on ASO’s behalf unless specific written consent from ASO authorizes such actions. ASO will make the final decision on all factory audits.

B. CRITICAL Nonconformance

Examples of Critical Issues include (but are not limited to):
- No fire alarm
- Incorrect wages paid for hours worked

ASO defines “Critical” issues as “significant failings in the process being audited which indicate severe failings in the system and must be addressed immediately in order to maintain compliance”. If during the audit, the auditor discovers “Critical” issues and/or conditions, the auditor will report findings in the Audit Summary Report as well as in the Corrective Action Plan. The CAPA will be communicated to the supplier by ASO and a timeframe for taking the necessary corrective action steps will need to be established at that time by the vendor/factory. A re-audit will be necessary based on the infractions.

C. MAJOR Nonconformance

Examples of Major Issues include (but are not limited to):
- Hours of Work
- Exceeding overtime per local laws
- Access to sections of facilities or documents denied

If during the audit, the auditor discovers “Major” issues and/or conditions, the auditor will report findings in the Audit Summary Report as well as in the Corrective Action Plan. The CAPA will be communicated to the vendor by ASO and a timeframe for taking the necessary corrective action steps will need to be established at that time by the vendor/factory.

D. MINOR Noncomformance

Examples of Minor Issues include (but are not limited to):
- Lack of written emergency procedures
• Inadequate stock of first aid supplies

ASO defines a “Minor” nonconformance as “an issue or condition which does not indicate a failing of the system as a whole, but rather a gap in the factory or facility’s social compliance”. If, during the audit, the SCO discovers Minor issues and/or conditions, the auditor will report the findings in the audit Summary Report, along with the Corrective Action Plan (CAPA). The CAPA will be communicated to the supplier by ASO and a timeframe for taking the necessary corrective action steps will need to be established at that time by the supplier/factory.

E. CONFORMANCE

An audit resulting in a GREEN rating denotes that all aspects of the social audit on the day of the actual audit are satisfactory, and no improvements are required at that time. However ASO’s expectations for vendors who receive a Pass rating on the day of the audit is that the factory will continue to comply on a daily basis.

RE-AUDIT

ASO has the final decision on the necessity of a re-audit and will advise ACCORDIA if re-audit is necessary. The purpose of the re-audit is to verify that the agreed upon compliance target dates have been successfully completed by the factory within specified target dates and that no other new violations are present.

SUPPLIER/AGENT RESPONSIBILITY

A. Supplier/Agent must ensure all factories presented to ASO or ASO affiliates for potential future business fully understand and are in compliance with ASO’s social compliance standards and all local laws. In addition, the supplier/agent must:

1. Review and analyze all non-compliance issues

2. Find the cause of any issues, a solution to the cause and eliminate the cause before introducing the factory to ASO.

3. Provide training and assistance to factory in the implementation of preventative and corrective actions.
4. Maintain documentation of all preventative and corrective action for each factory and make this information available to ASO on request.

B. Supplier/Agents must prepare the factory regarding ASO’s audit process. In doing so, the supplier/agent must:

1. Ensure the factory is aware that randomly scheduled unannounced audits will be conducted by either ASO or an independent auditing firm on ASO’s behalf.

2. Ensure that the factory is aware that full cooperation of the audit process is expected and lack of cooperation, including denying access to any or all of the facility will impact future business with factory.

C. Supplier/Agent is responsible for monitoring each factory on an ongoing basis to ensure continuous compliance with ASO’s terms of compliance.

D. Vendor/Agent must ensure that all changes to the factory name/address are reported to ASO immediately as they occur. Additionally, prior to the audit, ACCORDIA or a representative of ASO may request confirmation of factory address.

Supplier/Agent must notify ASO immediately if a previously used factory is no longer being utilized for ASO production and the reason. Unless ASO is notified of this information, the factory will continue to be audited and the supplier will be responsible for the audit costs.

EXISTING SOCIAL AUDIT REPORTS

ASO understands the costs of social audits are very expensive. As a means of partnering with our supplier community, please send the Social Compliance Team any existing social audit reports your factory may have on file. The audit reports should be dated within the last six months and the full audit report must be available for review. Upon receipt, the Social Compliance Team will review the audit report to determine possible acceptance. If the audit report is acceptable, the Social Compliance Team will waive an unannounced audit for a period of time.
Social Compliance Standards

ASO requires the factories we do business with to treat workers fairly and to provide them with safe working conditions. ASO endorses the following social compliance standards: See Appendix F Audit Report for further social compliance standards.

I. General Tenet

Any supplier that produces or manufactures goods for ASO or any of its subsidiaries, affiliates, divisions, or agents shall comply with all applicable laws, rules and regulations of the United States and any country in which supplier is doing business.

A. Supplier shall comply with all applicable laws, including, without limitation, those relating to labor/child labor, worker health and safety and the environment.

B. It is the responsibility of the supplier to advise ASO if subcontract work is being employed. Supplier will be held accountable for the operations of their subcontractors and will be required to implement a monitoring program to ensure that all contractors are in compliance. This monitoring program should include periodic inspections of all production facilities. Any violation of the standards and principles set forth herein shall be promptly reported to ASO. The absence of a report shall be construed as your affirmative certification that all facilities are in compliance. Supplier’s subcontracts with other manufacturers shall require compliance with the Code of Supplier Ethics.

C. ASO and/or any of it representatives or agents will be allowed unrestricted access to Supplier’s facilities and to all relevant records at all times, with or without advance notice.

II. Wage and Hours

Suppliers shall comply with all applicable laws regarding wages, overtime pay and working hours of the countries in which they are doing business. Suppliers shall grant time off to workers in accordance with applicable laws to ensure the health and safety of the workers.
A. Suppliers shall pay workers at least the applicable minimum legal wage established by the country within which the workers perform services.

B. Suppliers shall pay workers overtime or any other legally required pay (e.g., incentive, piece rate, and holiday). Overtime pay rates shall be calculated pursuant to law and will be higher than rates established for a regular shift.

C. Overtime must be voluntary and may not exceed a maximum of 12 hours a week.

D. Worker wages should be enough to meet basic needs and provide some discretionary income.

E. Workers shall not be required to work in an excess of 48 hours a week on a regular basis.

F. Workers may not be forced to work an excess of 12 hours in any 24 hour period.

G. Workers shall be allowed a minimum of 24 consecutive hours of rest each calendar week.

H. Suppliers shall maintain accurate payroll records in accordance with applicable laws for every worker and for each pay period which reflects, at minimum, amount paid, days and hours worked, wage or rate earned per day, hours of overtime, other types of income, and any legal or contractual deductions from pay. Such records shall be retained and kept available for audit for a period of at least three years after the work has been performed.

I. Suppliers shall provide every worker with a wage statement in accordance with applicable laws which includes, at minimum, the requirements set forth in Section E above. If no such law exists, vendor shall nevertheless provide access to such payroll records at the worker’s request.

III. Regular Employment, Sub-Contracting and Homeworking

Work should be performed based on recognized employment relationships established through national law and practice.
A. Labor-only contracting, sub-contracting, homeworking arrangements, excessive use of fixed term contracts and/or apprenticeships with no real intent to impart skills or regular employment shall not be used to avoid obligations to employees under labor or social security laws and regulations.

B. Sub-contracting must be previously agreed upon with the main client.

C. Homeworking must be properly managed.

IV. Freedom of Association/ Right to Collective bargaining

Unless restricted by law, workers must have the right to join or form trade unions of their own choosing and bargain collectively. If freedom of association and right to collective bargaining are restricted by late, the employee should facilitate the development of parallel means for independent and free association.

A. The employer should have an open attitude towards the activities of trade unions and their organizational activities.

B. Workers’ representatives shall not be discriminated against and must have access to carry out their representative functions in the workplace.

V. Child Labor

Supplier shall not employ workers who are under the applicable minimum legal age requirement. If the laws of the country within which the Supplier is doing business do not state a minimum legal working age or if the minimum legal working age is below the age of 14, ASO will set its own minimum age standard of 14 years, Vendors must also adhere to any and all other child labor laws.

A. Every worker employed by the Supplier shall meet the minimum legal working age requirement or be at least 14 years of age, whichever is greater.

B. Children under the age of 18 shall not be employed at night or under hazardous conditions.
C. Supplier shall comply with all applicable child labor laws, including those related to hiring, wages, hours worked, overtime and working conditions.

D. Supplier shall keep accurate employment records of every worker which includes official documentation of the worker’s date of birth. If no such official document is available in the worker’s country, age must be confirmed by using another reliable method, which must be disclosed in the worker’s employment record. Such records shall be retained and kept available for audit for a period of at least three years after work is performed.

E. Factory policies and procedures should conform to the standards of the relevant International Labour Organization (ILO).

VI. Forced Labor

Supplier and factory shall hire only those workers who seek employment on a voluntary basis. Suppliers and factories shall not hire contract or use any forced, prison or indentured labor. No worker will be required to remain in Supplier’s and factory’s employ for any period of time against his or her will.

A. Supplier and factory shall not utilize any involuntary labor, including prison labor, debt bondage or forced labor in production or manufacture or in its contracting, subcontracting or other relationships for the manufacture of its products.

VII. Disciplinary Practices

Suppliers and factories shall not use corporal punishment of any other form of mental or physical coercion against its workers.

A. Supplier and factory shall not engage in or permit physical acts to punish, discipline or coerce workers.

B. Supplier and factory shall not engage in or permit mental coercion or other nonphysical abuse against workers. Such mental coercion may include, but is not limited to, verbal threats and harassment.
VIII. Discrimination

Supplier’s and factory’s employment practices shall provide workers and job applicants with equal opportunity. Employment decisions and practices will be based in the worker’s/applicant’s ability to do the job, rather than on non-job related characteristics or beliefs.

A. Employment practices shall include, without limitation, recruiting, hiring, wages and other forms of compensation, promotions, demotions, transfers, layoffs, terminations, training and worker facilities.

B. Supplier’s and factory’s employment practices shall be made without regard to race, color, national origin, gender, religion, age, marital status and other unlawful basis.

IX. Worker Safety and Health

Supplier and factory shall comply with all the applicable laws regarding working conditions and shall furnish all workers with a safe and healthy working environment. Suppliers and factories shall furnish workers with safe, healthy and adequate housing, where and when applicable.

A. Supplier and factory shall comply with all applicable laws and regulations regarding working conditions, including, without limitation, worker safety and health, sanitation, fire safety, worker protection and electrical, mechanical and structural safety.

B. All reasonable steps should be taken to prevent accidents or injury to health associated with work activities and facilities.

C. All work areas shall be well lit and adequate for the safe production of merchandise.

D. All work areas shall have sufficient, fans, windows, air conditioners or heaters for adequate circulation, ventilation and temperature control.

E. All work area shall have sufficient exits for emergency evacuations of workers. Each exit shall be clearly marked and emergency lights shall be placed above all exits and stairwells. Emergency exit routes should be conspicuously posted in all work areas.
F. Aisles, exits, stairwells and restrooms shall be kept clear of any and all items that could restrict and/or obstruct access.

G. Doors and exits shall be kept unlocked during all working hours.

H. Fire extinguishers shall be appropriately maintained, highly visible and readily accessible to all workers.

I. Fire alarms shall be installed and maintained on each floor.

J. Evacuation procedures shall be effectively communicated to all workers at least annually.

K. Workers shall receive appropriate protective gear and equipment (e.g. masks, gloves, goggles, ear plugs, and rubber boots) and instructions for use.

L. Machinery and equipment shall have the appropriate safety devices installed, shall be inspected regularly and shall be serviced as needed.

M. Workers shall have reasonable access to safe drinking water throughout the course of the working day.

N. Supplier and factory shall maintain adequate medical facilities or, at minimum, one well-stocked first-aid kit on every floor. Supplier and factory shall have trained staff to deal with basic medical emergencies and shall have procedures for dealing with serious injuries that require outside medical treatment.

O. Supplier and factory shall maintain sufficient clean and sanitary restrooms and shall provide reasonable access to workers throughout the day.

P. Hazardous and combustible materials shall be stored and disposed in accordance with applicable laws. In the absence of such laws, all materials which pose a threat to health risk shall be stored in secure receptacles and in ventilated areas and will be disposed of in a safe manner.
Housing (if applicable)

Q. Supplier and factory shall comply with all applicable laws and regulations regarding safe and healthy housing facilities, including, without limitation, fire safety, sanitations and electrical, mechanical and structural safety.

R. The housing facility shall have sufficient, fans, windows, air conditioners or heaters in all sleeping areas for adequate circulation, ventilation and temperature control.

S. The housing area shall have sufficient exits for emergency evacuations of workers. Each exit shall be clearly marked and emergency lights shall be placed above all exits and stairwells. Emergency exit routes should be conspicuously posted in appropriate areas (e.g. common areas, sleeping areas).

T. All exits stairwells and public restrooms shall be kept clear of any and all items that could restrict and/or obstruct access.

U. Fire extinguishers shall be appropriately maintained, highly visible and readily accessible to all sleeping areas.

V. Fire alarms shall be installed and maintained on each floor.

W. Supplier and factory shall provide residents with access to their housing facility at all times during the day with the exception of reasonable limitations imposed for safety.

X. All applicable laws relating to living space, sleeping space, beds/mats and storage space shall be adhered to.

Y. Residents shall have reasonable access to safe drinking water throughout the day.

Z. Sufficient restroom facilities shall be sanitary, well-maintained and adequately stocked at all times.

AA. Supplier and factory shall maintain sufficient clean and sanitary restrooms and provide reasonable access to residents.

X. Environment
Supplier and factory shall comply with all applicable environmental laws and regulations.

XI. Documentation and Inspection

ASO intends to monitor compliance of the Social COMPLIANCE Standards and to undertake on-site inspections of our Supplier’s facilities. ASO will review and may terminate its relationship with any Supplier factory found to be in violation of the standards.
Social Compliance Program

FREQUENTLY ASKED QUESTIONS

Q. Why are my factories subject to ASO’s Social Compliance Program?
A. We have not profiled any specific type of factory. All factories that are producing ASO merchandise are subject to social audits.

Q. We have our own set of standards for factories to follow—now we have to follow two different standards?
A. You only need to make sure you are following the standards that each supplier signed off in ASO’s Code of Supplier Ethics (this is a condition of doing business) and the laws of the land.

Q. What are the costs involved?
A. Please see Appendix C.

Q. Why are the audits unannounced? I would like to prepare my factories in advance.
A. We want you to prepare your factories using this Social Compliance Standards manual. This manual gives all the necessary information for the factory to follow what ACCORDIA will be looking for during each audit. We insist the audits are unannounced to ensure the factory is following ASO’s standards on a daily basis—not just on the day of a scheduled audit.

Q. How often will my factories be audited?
A. All factories will eventually be audited. However, depending on the results of an audit we may require a re-audit to ensure all violations have been corrected. The audit cycle will be approximately 18-24 months.
Q. **What happens if my factory fails a social compliance audit?**

A. You will be required to complete a Corrective Action Plan (CAPA) to include target dates when the violations will be corrected (sent via e-mail with a cover letter to the ASO primary supplier). Once a CAPA is completed, send to the attention of the Social Compliance Team at ASO by the date indicated on the cover letter. Most factories that fail a social compliance audit will be re-audited. If the factory fails for a “zero tolerance” violation, they are removed from the approved supplier list and only after one (1) year can it request to be reconsidered.

Q. **When will the re-audit take place?**

A. The re-audit will also be unannounced. However, we will ensure to schedule the re-audit with ACCORDIA after the factory’s target dates listed in the CAPA.

Q. **Who should I contact if I have a question regarding the bill?**

A. Vendors should contact ASO’s Social Compliance Team at: socialcompliance@asocorp.com

Q. **Why does a Factory Evaluation Form need to be completed?**

A. A Factory Evaluation Form is needed for our files as a “library” of information where ASO products are being manufactured and in what types of facilities. Each factory is required to complete a Factory Evaluation without fail. Ongoing factories must update their Factory Evaluations every two years. We will also use the address information provided therein for Social Compliance purposes.

Q. **If a Factory Evaluation is approved, will the factory still be subject to a Social Compliance Audit?**

A. Yes.

Q. **I submitted a Factory Evaluation but we still have not decided if we’re going to use this factory for ASO production. Will this factory be audited?**

A. When a factory evaluation is submitted to ASO for approval, it is automatically added to the Social Compliance Supplier matrix for future audit. Unless ASO is notified that a factory is not currently being used by the supplier then the factory listed on the submitted factory evaluation will be subject to a social compliance audit. *(If you have chosen to discontinue any specific factory for which ASO has a Factory*
Evaluation, it is your responsibility to notify ASO. Otherwise, the factory stays active on our listing and is subject to continued auditing at the vendor’s expense.)

Q. I only produce one or two seasonal items per year for ASO. Will I still get audited?

A. Yes. The amount of goods a factory produces for ASO is irrelevant. Labor laws and ASO standards can still be violated in a factory of any size producing any number of goods.

Q. I just had an ASO Social Compliance Audit done on one of my factories but we decided not to use them anymore based on the social compliance audit results. Is that OK?

A. Yes, but the vendor is required to notify ASO that that factory will no longer be used for any ASO production. It is not necessary to submit a CAPA, however if there is any chance that the factory will be used again in the future the CAPA needs to be completed and followed through.

Q. I just had my factory audited by a service other than ACCORDIA- do I still need to comply with ASO’s Social Compliance Program?

A. Yes, however, if allowable, a copy of the report should be sent to ASO’s Social Compliance Team. Upon receipt, the report will be reviewed to see if it can be accepted for a period of time in lieu of an ACCORDIA unannounced audit.
Appendix A

CRITERIA FOR ADMITTING A COMPANY TO THE APPROVED SUPPLIER LIST (ASL)

1. Verify that there are no unresolved, material government actions based on the supplier and/or factory failing to follow local labor law, immigration, health or safety laws and/or regulations.

2. Supplier and factory must certify that they have implemented procedures to manage materials, including all labor-related processes, incorporated into their products to ensure they comply with laws on slavery and human trafficking.

3. Verify that workers are allowed to maintain control over their identity documents.

4. Verify that supplier and factory does not employ workers under the age of fourteen (even if permitted under local labor laws) and has effective age-verification processes.

5. Determine whether workers are able to voluntarily end their employment without restrictions. Excessive-notice requirements (more than thirty days) or financial penalties for terminating their employment contract would be “restrictions”.

6. Determine through any means possible whether supplier and factory have a pattern of behavior that resulted in preventing or delaying workers form leaving the work facility or its grounds for any other reasons than employee safety.

7. Evaluate whether any employee has incurred a debt (for example by virtue of fees paid by employer for transportation and immigration services) owed to the supplier which is used as a mechanism to prevent the employee from leaving the employment of the supplier.

8. Verify that supplier and factory comply with local law governing total hours worked and overtime work, in terms of both time restrictions and pay rates.
Appendix B

SOCIAL COMPLIANCE TRAINING

Social Compliance Training for all ASO employees shall cover the following:

1. Social Compliance Basics
2. ASO Policy related to Social Compliance
3. Approved Supplier List (ASL) Process
ASO’s basic Social Compliance audience consists of:

1. Annual Scheduled Audit
2. Annual Un-announced Audit
3. Remedial Action Process

ASO and/or outside agencies conduct **unannounced audits** to verify compliance to country, regional and/or local regulations and ASO standards.

The TOTAL cost of each social compliance audit is approximately US$1350 plus travel expenses and is subject to change annually by notice.

- **US$1350** is NOT the daily rate.
- It is the TOTAL cost of the audit regardless of the length of the audit.
- Travel expenses are added to this audit total cost.

Payment for the re-audit will be the responsibility of the supplier, who will be contacted directly by ACCORDIA for pre-payment prior to the re-audit. The TOTAL cost of the re-audit is US$500 plus travel expenses.
Appendix D

AUDIT CRITERIA

The ASO Social Compliance Audit Report provides for vendor verification of a total of approximately four dozen social compliance audit criteria in the following categories:

- General
- Management System and Social Compliance Implementation
- Employment Freely Chosen
- Freedom of Association/Right to Collective Bargaining
- Safety and Hygiene Conditions
- Child Labor
- Wages and Benefits
- Working Hours
- Discrimination
- Regular Employment
- Sub-Contracting and Home Working
- Harsh or Inhumane Treatment
- Entitlement to Work
- Environment
- Records/Recordkeeping

The report also references International Labor Organization Standards.
Appendix E

SOCIAL COMPLIANCE QUESTIONNAIRE / FACTORY EVALUATION REPORT

Supplier/Agent: After review of the ASO social compliance policy, please complete the questionnaire / factory evaluation report and email to: socialcompliance@asocorp.com

SOCIAL COMPLIANCE STATEMENT
TO BE COMPLETED BY PRIMARY ASO SUPPLIER:

I understand the objectives and goals of the ASO Social Compliance Policy and will ensure that the facilities I am utilizing will cooperate as needed. I also understand that this is 100% supplier-paid regardless of the outcome.

I understand that I must notify ASO’s Social Compliance Team if a factory is no longer being utilized, so that social compliance audits can be suspended. Failure to notify will result in liability for social compliance audit charges should an audit occur.

I also understand that upon receipt of these ASO Social Compliance Policy and information packet, it is my (primary supplier) responsibility to ensure that this information, including ASO’s Compliance Standards, is communicated to all my factories producing ASO products.

DATE: ______________________
SIGNATURE: ____________________________
PLEASE PRINT NAME: ____________________________
SUPPLIER/AGENT NAME: ________________________________
CONTACT PERSON: ______________________________________
TITLE: _____________________________________________
ADDRESS: ___________________________________________
PHONE: _______________ FAX: _______________________
E-MAIL ADDRESS: ___________________________________
FACTORY EVALUATION REPORT

This form must be completed and approved prior to placing goods at factory.
All sections must be completed and legible or form will be returned as not approved.

Upon completion return to:

1.A SUPPLIER INFORMATION

<table>
<thead>
<tr>
<th>PREPARED BY:</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPLIER/AGENT NAME</td>
<td></td>
</tr>
<tr>
<td>FACTORY NAME</td>
<td></td>
</tr>
<tr>
<td>ADDRESS</td>
<td></td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>FAX</td>
</tr>
<tr>
<td>COUNTRY</td>
<td>YEARS IN OPERATION AT THIS LOCATION:_____</td>
</tr>
<tr>
<td>FACTORY CONTACT</td>
<td></td>
</tr>
<tr>
<td>POSITION</td>
<td>TYPE OF PRODUCT PRODUCED</td>
</tr>
<tr>
<td>PRODUCT LIABILITY INSURANCE (circle one) – Add Amount</td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>TRAVEL TIME FROM THE NEAREST AIRPORT/OFFICE:</td>
<td></td>
</tr>
<tr>
<td>LOCAL LANGUAGE(S) SPOKEN:</td>
<td></td>
</tr>
</tbody>
</table>

How many Skus is the factory producing for ASO? _________________

1.B MANAGEMENT PERSONNEL

| DIRECTOR | QUALITY CONTROL |
| PRODUCTION CONTROL | PRODUCT ENGINEER |
### 1.C PHYSICAL FACILITIES

<table>
<thead>
<tr>
<th>TOTAL AREA</th>
<th>OFFICE AREA</th>
<th>WAREHOUSE AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIGHTING TYPE</td>
<td>NUMBER of FLOORS (including ground)</td>
<td></td>
</tr>
</tbody>
</table>

**MANUFACTURING AREA:**
- Piece goods
- Cutting
- Packing
- Elec. Generator

### 2. SOCIAL COMPLIANCE

1) Do you have a Social Compliance program at this facility? [YES] [NO]

2) If yes, how often is this factory audited for social compliance?

3) Who performs the Social Compliance Audit? [INSIDE] [OUTSIDE SOURCE]

4) If outside auditors are used, please provide company name.

5) Can ASO receive a copy of your latest Social Compliance Audit, if requested? (Please note that by supplying a copy of a factory evaluation does not exempt any vendor from ASO’s social compliance auditing program.) [YES] [NO]

**ADDITIONAL COMMENTS OR INFORMATION:**

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
Appendix F

SOCIAL COMPLIANCE SELF AUDIT REPORT

(Please use the attached Excel Workbook for recording actual Self-Audit Results.)
APPENDIX G
SOCIAL COMPLIANCE
THIRD PARTY AUDIT REPORT

(Please use the attached Excel Workbook for recording actual Audit Results.)