

Responsible Manufacturing

Version 1

4. July 2016

INTRODUCTION

Responsible as a Core Value

Varner is a value driven company. Responsible is one of our core values.

We work out of a Product Life-Cycle Approach. We keep the highest focus on ensuring the products we sell are of good quality and does not pose any risk for the consumer. We strive to ensure the production of our goods does not negatively affect neither individuals working in our supply chain nor the environment and make great effort in acting responsible in all areas touched by our business.

The Sustainability department is responsible for setting and developing the Sustainability Policies. This manual presents all policies and requirements we expect our suppliers to follow. It applies to all supplier and factories producing goods for any Varner Brands. We request suppliers to go through this manual before starting up with any sampling or quotations with our buyers to ensure the standards we have set are understood and will be met.

An important key to our success is building strong and long-term relationships with our suppliers founded on mutual respect and dialog.

We expect suppliers to be self-reliant and believe traceability, transparency and openness throughout the entire value chain is important.

Legal compliance

A product produced for Varner shall always be in compliance with all directives, regulations, laws and standards. Therefore we expect all suppliers to be well informed on the legal requirement for Europe when trading with Varner brands. Compliance to REACH and the Product Safety Directive, together with product specific directives/regulations are regarded as an inevitable part of knowledge when supplying goods to Varner.

Good Practice

Corruption in any form is unacceptable, including bribery, extortion, kickbacks and improper private or professional benefits, gifts, loans, fees or reward to customers, agents, contractors, laboratories, suppliers in all tiers, Varner Production Offices, or employees of any such party or government officials.

Management Systems

Suppliers shall take positive actions to implement the requirements of this Sustainability Manual, to incorporate the standard into all of its operations. This also includes Test Programs and Follow-up Routines in collaboration with Varner Production Offices.

We require suppliers to communicate and uphold the requirements in this manual with their employees. Suppliers shall assign responsibility for all matters pertaining to this manual to a manager within its organisation. Suppliers accepts responsibility for observing the requirements of this standard with respect to all employees and workers that it supervises

Supplier will make observance of this manual a condition of all agreements that it enters into with manufacturing tiers (i.e. suppliers, contractors and subcontractors). These agreements shall oblige all factories used for Varner production to conform to all requirements of this standard and participate in the supplier's monitoring activities as requested.

Suppliers shall maintain appropriate records to demonstrate conformance to the requirements of this manual, and shall be able to provide necessary information and access to parties approved by Varner seeking to verify conformance.

Factory Approval

Suppliers must register all factories / manufacturing units intended for Varner production. Varner must approve all units before any sampling starts. No orders can be placed unless the factory has been assessed and accepted for our production. Unauthorized sub-contracting (outsourcing) is as a severe breach of our Sustainability Manual. The contact information of all factories, including second and third tier, shall be provided.

Quality Assurance & Control

We expect all suppliers to have an implemented quality management system in all parts of their production. These shall be written down and available upon request at all times.

I. Code of Conduct

Compliance with Laws & Regulations

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.

In case of disparity between valid laws and regulations and Varner Supplier Manual, the strictest rule shall prevail. It is the duty of suppliers to inform Varner should such a disparity arise.

Labour

1. Freely chosen & Regular Employment

ILO Conventions N° 29 and N° 105

- 1.1. There shall be no use of forced, bonded (including debt bondage) or involuntary prison labour, slavery or trafficking of people in any form.
- 1.2. All work shall be voluntary. No workers shall be kept in employment against their will and all workers must be free to leave work or terminate their employment without reprisal.
- 1.3. Workers shall not be required to leave deposits, identification papers or the original copy of their work permit to the employer.
- 1.4. Workers shall be free to vacate the workplace premises at the end of a regular workday of 8 hours.
- 1.5. To every extent possible work performed must be on the basis of recognized employment relationship established through national law and practice.
- 1.6. 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-contracting or other labour relationships.
- 1.7. All workers are entitled to a written contract of employment in a language they understand.
- 1.8. The duration and content of apprenticeship programmes must be clearly defined.

2. Humane Treatment

- 2.1. All employees shall be treated with respect and dignity. Physical abuse or discipline, harsh or inhumane treatment, sexual or other harassment, verbal or mental abuse of workers, including the treat of such treatment, as well as other forms of intimidation, is strictly prohibited. Disciplinary policies and procedures in support of these requirements must clearly defined and communicated to all workers.

3. Non-Discrimination

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

- 3.1. 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, or any other condition that could give rise to discrimination.
- 3.2. Measures must 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.
- 3.3. A record of all terminated contracts should be kept. The reason for termination of contract should be clearly stated in the records.

4. Child Labor Prevention

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. Exceptions may be considered where ILO Convention N° 138 is applicable.
- 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. Children visiting their parents at the workplace must be registered and there shall be a designated and appropriate meeting place.
- 4.4. 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 impacted children to attend and complete compulsory education.
- 4.5. 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.
- 4.6. Young workers shall be given the opportunity to participate in education and training programmes.

5. Freedom of Association and the Right to Collective Bargaining

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

- 5.1. 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.

- 5.2. There shall be no discrimination, threats, intimidation or harassment of workers representatives. The worker representatives shall have access to carry out their representative functions in the workplace without any obstruction.
- 5.3. 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.
- 5.4. Employer 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 Varner.

6. Wages & Benefits

ILO Convention N^o 131

- 6.1. Wages and benefits paid for a standard working week shall at minimum meet national legal standards or industry benchmark standards, whichever is higher. Wages should be enough to meet basic needs, including some discretionary income.
- 6.2. All workers shall be provided with a written and comprehensible contract outlining their wage conditions and method of payments before entering employment.
- 6.3. Wages shall be paid directly to the worker in cash payments or by bank transfer, in a timely fashion and in full. Workers must sign for payments received in cash.
- 6.4. Piece rate shall be calculated so that those producing the lowest amount receive *at least* minimum wage within regular working hours.
- 6.5. At each payment workers shall be provided with understandable information for concerned pay period in writing, including but not limited to: number of working days, wage/piece rate calculation, overtime hours and overtime pay, bonuses.
- 6.6. Holiday pay, sickness allowance, maternity leave compensation, as well as other compensated absences or fringe benefits established by law shall be covered by the manufacturer pursuant to the particular country's laws and regulations.
- 6.7. Deductions as a disciplinary measure is not permitted.

7. Working Hours

ILO Conventions N^o 1 and N^o 14

- 7.1. Working hours shall comply with national laws, benchmark industry standards, collective agreements, whichever affords greater protection. Standard weekly working hours should be no more than 48 hours (8 hours per day).
- 7.2. Workers shall be provided with at least one day off for every 7 day period.
- 7.3. All overtime shall be limited and voluntary. Overtime shall be used responsibly, taking into account the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment.
- 7.4. 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 may be accepted when regulated by a collective bargaining agreement that is negotiated with an organisation representing the

majority of the workers; appropriate safeguards are taken to protect the workers' health and safety; and it can be demonstrated circumstances such as unexpected production peaks, accidents or emergencies.

- 7.5. Workers shall always receive overtime pay for all hours worked over and above the normal working hours (see above). As a minimum, overtime shall be compensated in accordance with relevant national legislation.

Working Conditions

8. Occupational Health & Safety

ILO Convention N° 155 and ILO Recommendation N° 164

- 8.1. The working environment must be safe and hygienic. 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 the causes of hazards inherent in the working environment.
- 8.2. Working conditions shall at a minimum comply with national occupational health and safety regulations, and with international standards where domestic regulation is insufficient or unspecified.
- 8.3. Responsibility for health and safety shall be assigned to a management representative.
- 8.4. 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.
- 8.5. Active cooperation between management and workers, and/or their representatives, is essential in order to develop and implement systems for ensuring a safe and healthy work environment. This may be achieved through the establishment of Occupational Health and Safety Committees.
- 8.6. All workers shall receive regular health and safety training in a language they understand, and such training shall be repeated for new or reassigned workers. Training must be documented.
- 8.7. Machines shall have appropriate and functional safety devices which shall be maintained on a regular basis. Safety instructions relevant to the machinery shall be available.
- 8.8. Workers shall be equipped with appropriate personal safety equipment (PPE) free of charge. Training shall be provided on proper use of such equipment.
- 8.9. Risk areas and potential hazards are clearly marked by warning signs in appropriate languages with pictograms if possible.
- 8.10. There shall be access to clean toilet facilities in sufficient number and to potable water. Workers shall be allowed reasonable time to use the facilities.
- 8.11. In each factory location there must be sufficient first aid equipment and a persons trained in basic first aid. There shall be routines for handling serious injuries requiring outside medical attention.
- 8.12. Hazardous chemicals and other substances shall be carefully managed. Requirements related to use and handling of chemicals in production is elaborated in the Restricted Substances List (RSL) in Chapter 2, part II.
- 8.13. There shall be proper ventilation, windows, fans, air conditioning and /or heating in at workplaces, so that circulation, ventilation and temperature requirements are met.

- 8.14. The factory shall ensure that the noise level is acceptable.
- 8.15. The lighting must be sufficient to ensure a safe working environment.
- 8.16. 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.

9. Building & Fire Safety¹

- 9.1. The factory must be able to display, with relevant permits, that production buildings and installations in such buildings are of appropriate standard for how they are being utilized.
- 9.2. There must be a management system to ensure that operational loads do not at any time exceed the factory floor loading limits.
- 9.3. There shall be an automatic fire alarm system. Fire drills and testing of emergency systems shall be conducted on a regular basis.
- 9.4. Firefighting equipment shall be maintained in sufficient number and in proper working order. It shall be easily visible and accessible to all workers.
- 9.5. Buildings shall be provided with a means of egress system for all occupants to safely evacuate, that includes (but is not limited to) a sufficient number of clearly marked, unlocked and unblocked exits, and safe and unobstructed exit pathways leading out of the premises. Evacuation plans shall be in place and shall be posted at the entrance to each exit stair.
- 9.6. Electrical systems, equipment, panels, outlets and wiring must be installed by a certified electrician, and must be properly placed, grounded and documented. All electrical features must be maintained in good working order and must be inspected on a regular basis.

¹ These requirements are also applicable to dormitories and housing where provided to workers and employees. See section 10. Accommodation Requirements for specification for housing requirements.

10. Accommodation Requirements

Please note the requirements under section 9 “Building & Fire Safety” are also applicable to dormitories and housing where provided in a direct or indirect manner to workers and employees.

- a) The standard of the accommodation shall be with reasonable levels of decency, privacy, security and hygiene with regular upkeep and improvement meet basic needs.
- b) Dormitories shall be located separate from production buildings, storage areas or warehouses.
- c) Dormitories shall be single sex.
- d) The space for each worker must be in compliance with local laws.
- e) Everyone shall have their own, individual ground pads or beds.
- f) All workers are to have their own lockable storage spaces for clothes and personal belongings.
- g) There shall be access to potable water.
- h) 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.
- i) The dormitories shall have adequate lighting.
- j) There must be a sufficient number of toilets and showers (single sex). These must be maintained, easily accessible, safe, and hygienic.
- k) Washing facilities shall be available for workers who live on the premises.
- l) If available, the canteen and the food which is prepared and stored there must be kept clean and in good condition.
- m) 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.
- n) The use of provided accommodation facilities must be optional.
- o) If the workers must pay for their housing, the cost should be commensurate with the standard of their accommodation, not exceed local average, and reasonable in comparison with provided wage levels.

For more on housing conditions refer to the ILO Factsheet No. 6 on workers housing.

II. Chemical Handling

Chemical Knowledge

Chemicals can be hazardous for people wearing the garments, people living close to the factories, those working in the factories and for the environment. Knowledge regarding the chemicals in production is therefore crucial.

A list of all involved units in the production chain of Varner products shall be available upon request. Together with this we expect that a chemical inventory for a requested product is available upon request for all units involved in the processing of that specific products.

We expect the chemical handling units involved with Varner products to only use and purchase chemicals in compliance to the CLP regulation 1272/2008.

Restricted Substances & Chemical Use

Minimizing the use of chemicals is important and should be a top priority. This is an important measure to deliver safe products and to preserve the environment.

By using the best available technique (BAT) you will be able to reduce the use of harmful chemicals and also save costs. Any measuring equipment shall be calibrated to ensure correct dosing.

More information about BAT could be found here:

http://eippcb.jrc.ec.europa.eu/reference/BREF/txt_bref_0703.pdf

Material Safety Data Sheets (MSDS / SDS)

The European European Union's CLP Regulation (EC No 1272/2008) concerns the the classification, labelling and packaging of substances and mixtures.

Manufacturers, importers, distributors, and downstream users must make sure their current and future safety data sheets for substances, preparations, and mixtures comply with the CLP Regulation and REACH Regulation (1907/2006/EC) SDS requirements to keep their products on the EU market.

Therefore all chemicals must be purchased from companies that provide an MSDS in English. There must be an easy access for updated MSDS / SDS for all chemicals used and stored. Always check that the chemicals being purchased are allowed in our production.

Only when the below list in complete is a MSDS (SDS) regarded as adequate:

1. Identification of the substance CAS number / preparation and of the company / undertaking
2. Hazards identification
3. Composition / information on ingredients
4. First aid measures
5. Fire- fighting measures
6. Accidental release measures
7. Handling and storage
8. Exposure controls / personal protection
9. Physical & chemical properties
10. Stability and reactivity
11. Toxicological information
12. Ecological information
13. Disposal consideration
14. Transport information
15. Regulatory information
16. Other inform

Competence & Training

Employees that procure, store, handle and use chemicals must have the right knowledge and be sufficiently trained for this task. This is of the responsibility of supplier and records from training shall be kept.

All employees shall receive training in Chemical Handling. The training should include the following:

- How to read and understand Material Safety Data Sheets (MSDS)
- How to use Personal Protection Equipment (PPE) and health risk of not using PPE.
- How to handle chemical with specific emphasis on hazardous chemicals.
- Emergency plans

Chemical Storage

Suppliers shall have a written procedure for the procurement, storage, handling and use of chemicals.

- A qualified person in the company shall be responsible for chemicals, contact details shall be sent to Quality@varner.com and local QA-contact at the Varner Production Offices.
- Supplier must keep a register of all chemicals they have purchased, used and disposed of.
- All chemicals shall be handled, stored and transported as instructed in MSDS / SDS.
- Chemical storage areas shall be separated and have functional equipment such as lighting, ventilation and fire extinguishers. Storage area must have first aid kits and eyewash equipment.
- Supplier shall prevent chemicals from leaking to air, ground and water.
- All chemical containers must be labeled with the chemical name and appropriate danger symbol to minimize the potential risk. The responsible person shall control the containers for leakage of chemicals during storage and use.
- Chemicals that are hazardous shall be separated and handled with extra care.

Chemical Waste

Supplier need to have routines for disposing hazardous chemical waste and shall comply with national laws and as informed in MSDS.

Do not reuse empty hazardous chemical containers for water or food storage. Empty containers are triple rinsed and the rinse water is used in the mix of pesticides to be applied. Once triple rinsed, empty containers are punctured and stored while awaiting disposal.

Hazardous waste must not be allowed to accumulate in nature. The disposal of hazardous waste must be arranged through certified firms. Suppliers shall keep a record of all waste collections.

Personal Protection Equipment (PPE)

PPE shall be used when working with chemicals. PPE include gloves, masks, aprons, safety goggles and rubber boots. The factory shall provide necessary PPE and must be available at all times, for each employee in the factory. The PPE must be free of charge and must at all times be in proper condition.

Use appropriate PPE depending on the risk of a specific chemical which can be found in MSDS. While working with chemicals, first aid kit and emergency eye wash must be in place.

Responsible Dyeing

Dyestuff with High Affinity

Use dyestuff with high affinity to the fiber, which will lead to less rinsing and not as much dyes need to be treated in the wastewater treatment plant.

High Temperature Dyeing of Polyester

Use high temperature dyeing of polyester to reduce the use of carrier.

Dye synthetic and natural fibers in the same bath

Dye synthetic and natural fibers in the same bath by changing e.g. pH.

Schedule the Dyeing

Optimizing scheduling in production, e.g. dyeing dark shades after pale shades reduces water and chemicals consumption for machine cleaning.

Avoiding or minimizing the use of Chemicals

Avoiding or minimizing any kind of surplus of applied chemicals and auxiliaries, e.g. by automated dosing and dispensing of chemicals

Responsible Printing/Coating/Laminating

- Do not use preparations, softening agents or solvents classified to the CLP regulations.
- VOC emission to air during coating and laminating cannot exceed 10g C/kg.
- VOC in print pastes cannot exceed 5%.
- Documentation showing fulfilled requirement are expected to be available upon request.

Responsible Finishing/Treatments

Surfactants in detergents and fabric softeners at each wet processing site shall be completely aerobically biodegradable.

Fabric softeners, complexing agents and detergents at each wet processing site shall be sufficiently biodegradable, or able to be eliminated in the waste water treatment plant.

Additional treatments such as anti-wrinkle, super-dry, crease-free, easy-iron must be in compliance with Varner RSL, and always be supplied with MSDS (SDS).

An inventory list, MSDS and test reports shall be available upon request.

III. Environmental Requirements

All manufacturing processes shall be controlled by clear regulations and internal systems to ensure the environmental impact is limited as much as possible. Always strive to follow Best Available Technology (BAT) and Best Environmental Technology (BET) according to the EU's guidelines (BREFs): http://eippcb.jrc.ec.europa.eu/reference/BREF/txt_bref_0703.pdf

General Environmental Requirements in the manufacturing units

- Supplier and manufacturer shall respect national and international environmental legislation and regulations.
- Supplier 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.
- Supplier shall seek to reduce negative impacts on resource consumption (e.g. energy and water), emissions and waste.
- 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.
- Relevant discharge permits shall be obtained where required.
- Hazardous chemicals and other substances shall be carefully managed and the use of chemicals in the production of goods is regulated by Varner Restricted Substances List.

Water

Considerable amounts of water is used in the production of textiles, and proper treatment of discharged water it is essential. If your company uses wet processing (e. g., desizing, bleaching, mercerizing, dyeing, printing and other specific treatments where waste water occurs) you must treat the waste water to prevent ground water pollution and for pollution control according to national legislation. You must also develop measures for reduction of water consumption and/or water reuse and document achieved impact. Water follow meter must be in place for inlet and outlet.

The annual average water consumption in litres for each treatment and finishing shall be available upon request. State the amount of fibre/textile treated in kg.

COD emissions (Chemical Oxygen Demand) in effluent from wet processes that do not go to municipal or other external purification plants, may be a total of 20g/kg fibre.

COD content shall be tested in accordance to ISO 6060. The report shall contain a calculation which shows the COD emissions in g per kg textile. The requirement can be documented by COD emissions on an annual basis. Measuring of PCOD, TOC or BOD can also be used if a correlation to COD is shown.

The pH value of the waste water released into surface water shall be 6-9 (unless the pH value of the recipient is outside this range), and the temperature shall be below 40°C (unless the temperature of the recipient is higher).

Energy

Factories must have a program dedicated to reduce emissions and strive to optimize the use of resources. Progress should be documented and a system for measuring achievements must be in place.

Details on the consumption of electricity (in kWh), procurement of fuel and a conformation from the factories – together with a copy of an invoice showing consumption and procurement shall be available upon request. State the amount of fibre/textile/leather in kg.

Emissions to air

Factories must apply appropriate emissions control techniques for any of the manufacturing operations that generate air pollutants. Control techniques include: ventilation, absorption, physical and chemical scrubbing, closed-loop-systems for recovery of solvents, noise/odour and vibration reduction equipment. Significant sources of air pollutants are:

- Coating and dyeing operations
- Printing
- Drying (fabric, yarns and print)
- Fibre processing generating dust (bale breakers, automatic feeders, separators and openers, mechanical conveyors, pickers, cards) and spinning
- Combustion sources for power generation and process heating
- Weaving