



Ethical Sourcing Code



Contents

Introduction	3
Compliance with our ESC	3
Reporting Violations	3
Part 1: Ethical Sourcing Principles	4
Part 2: Supporting Standards	6
1. Legal Compliance	7
2. Child Labour	8
3. Forced and Bonded Labour	9
4. Wages, Benefits and Working Hours	10
5. Discrimination	12
6. Harassment and Abuse	13
7. Freedom of Association and Collective Bargaining	14
8. Health and Safety	15
9. Migrant Workers	17
10. Hiring and Regular Employment	18
11. Environment	19
12. Consumer Protection	20
13. Animal Welfare	21
14. Business Integrity and Anti-corruption	22
15. Subcontracting	23
16. Compliance Management System	24
Appendix A: Definitions	25

Introduction

As businesses within the Wesfarmers' Kmart Group¹, Kmart Australia, Target Australia and Catch are committed to conducting business with the highest standards of integrity, in accordance with our international obligations and in compliance with all applicable laws. We work with suppliers who share and follow our high standards of conduct in whichever country they operate.

Our Ethical Sourcing Code (ESC) includes minimum requirements and expectations that all suppliers must meet as a condition of doing business with any business within the Kmart Group. The ESC is based on our commitment to: respect the core labour standards established by the International Labour Organization (ILO); protect and respect human rights as set out in the United Nations Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights; and promote environmental sustainability.

Compliance with our ESC

The ESC applies to all vendors, factories or authorised sub-contractors ("Suppliers") of the Kmart Group. This includes Suppliers of:

- retail merchandise;
- goods not for resale (GNFR); and
- services

The ESC is divided in two parts. Part 1 contains the core Ethical Sourcing Principles that form the basis of our ESC and is applicable to all Suppliers (goods and services). Part 2 includes more detailed supporting standards that Suppliers of goods (including retail merchandise and GNFR) must follow in their factories.

The ESC forms part of the contract with our Suppliers. Accordingly, Suppliers must review the ESC and be familiar with its requirements. Suppliers must also ensure their own Suppliers, or any third party providing raw materials, components, labour or services to the Supplier, also comply with the standards of conduct outlined in this ESC.

The ESC is supported by a rigorous compliance program, which is outlined in the Kmart Group Supplier Manual. The Manual includes, among other things, details on the processes for factory registration, disclosure, audits and training, as well as a designation process for High Risk activities.

We expect our Suppliers to be honest and transparent in their dealings with us and to commit to making continual improvements in their operations. In the event of a non-compliance with the ESC, we expect the Supplier to develop an action plan to address and remediate it. We also reserve the right to discontinue business with the Supplier.

The ESC does not replace the local laws of the countries in which our Suppliers operate. At a minimum, Suppliers should always be familiar with and comply with all relevant laws and

regulations. In the event of a conflict between the ESC and a local law, the stricter requirement will apply.

All businesses within the Kmart Group are committed to working with Suppliers so that they can effectively implement our ESC and continuously improve their practices. We do this by providing ongoing training, education and support, along with regular Supplier forums at which case studies and best practices are shared. Having a local presence is also critical. Kmart Group have office representatives on the ground in most of the countries where our Suppliers operate and third-party representatives in the remaining countries.

Reporting Violations

Any actual or suspected breach of the ESC can be reported on the Kmart Group *SpeakUp* channel. *SpeakUp* is a confidential hotline and reporting service provided by, Navex Global, an independent service provider for Kmart Group team members, suppliers and contractors to report incidents of misconduct. The service is available 24 hours a day, seven days a week, with multiple reporting options.

Report by phone (toll free numbers)

Australia – 1800 518 230
China – 400 120 3569
India – 000 800 919 1304
Hong Kong – 800 931 606
Indonesia – 0800 1503240

Reports in other countries can be made using the Online or Mobile reporting options available in all countries.

Online: <https://kmart.com.au/speakup>

By Mobile (QR Scan)



Mobile access

Kmart Group will maintain the confidentiality of reports and the identity of the reporter (if provided) except where it is required to be disclosed by law. In some circumstances the identity of the caller and the information disclosed may need to be disclosed for a full and fair investigation of the report to proceed. In these cases, the reporter's consent will be sought before any disclosure.

¹ For the purposes of this Code, the Kmart Group refers collectively to the businesses trading as Kmart Australia Limited, Target Australia Pty Ltd, Catch.com.au Pty Ltd and their respective sourcing entities, including KAS Group Asia.

Part 1: Ethical Sourcing Principles

1. Legal Compliance

Suppliers must fully comply with the legal requirements of the countries in which they operate. All requirements in this Ethical Sourcing Code are in addition to compliance with applicable local laws.

2. Child Labour

Suppliers must not engage in or support the use of child labour. This applies to workers directly employed by the Supplier or any third party providing raw materials, components, labour or services to the Supplier. Suppliers must comply with the minimum employment age limit defined by national law or by International Labour Organization (ILO) conventions, whichever is higher. Suppliers must also be able to verify the age of all workers to ensure compliance. Furthermore, young workers (under the age of 18) must not undertake work which is hazardous or unsafe to their physical and mental health.

3. Forced and Bonded Labour

Suppliers must not engage in or support the use of any type of forced labour, bonded labour or indentured labour. This applies to workers directly employed by the Supplier or any third party providing raw materials, components, labour or services to the Supplier. Further, Suppliers shall respect the freedom of movement of their workers and not restrict their movement by controlling identity papers, holding money deposits or taking any other action to prevent workers from terminating their employment.

4. Wages, Benefits and Working Hours

Suppliers must comply with all laws regulating local wages, overtime compensation, and legally mandated benefits. In any event, wages should always be enough to meet a worker's basic needs and to provide some discretionary income. Under ordinary business circumstances, workers must not be required to work excessive working hours per week, including overtime, and have the option of adequate days off.

5. Discrimination

Suppliers must provide a working environment where workers are treated fairly and without discrimination. All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics, such as age, race, ethnicity, colour, nationality, gender, religion, marital or maternity status, sexual orientation, disability, union membership or political beliefs.

6. Harassment and Abuse

Suppliers must treat workers with dignity and respect. In particular, suppliers must provide a workplace free from harassment or abuse of any form, including physical, sexual, verbal or visual behaviour that creates an offensive, hostile or intimidating environment.

7. Freedom of Association and Collective Bargaining

Suppliers, to the extent permitted by local laws, must respect the right of their workers to freedom of association and collective bargaining. This includes the right to form and join trade unions or other worker associations of their own choosing without harassment, interference or retaliation.

8. Health and Safety

Suppliers must ensure all operations are safe, clean and consistent with all applicable laws and regulations and/or industry best practices, whichever is higher, in order to avoid preventable work-related accidents and injuries.

9. Migrant Workers

Suppliers must ensure that migrant workers have the same entitlement as local workers stipulated by local law and under this Ethical Sourcing Code.

10. Hiring and Regular Employment

Suppliers must provide each worker with a clear, understandable labour contract containing all legally required employment terms, entitlements and conditions. In addition, obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, consecutive short-term contracts, excessive piece rate work or false apprenticeship schemes.

11. Environment

Suppliers must meet all relevant local and national environmental protection laws, and strive to comply with international environment protection standards.

12. Consumer Protection

Suppliers must take all reasonable steps to ensure the goods they produce are safe and are not harmful to consumers.

13. Animal Welfare

Suppliers must ensure animals are treated humanely and with respect.

14. Business Integrity and Anti-corruption

Suppliers must act with integrity and honesty. Bribes, favours, benefits or other similar unlawful or improper payments, in cash or in kind, are strictly prohibited. All record keeping must be accurate and transparent at all times.

15. Subcontracting

Suppliers must not sub-contract without prior authorisation. Where sub-contracting has been authorised, Suppliers must ensure sub-contractors also comply with this Ethical Sourcing Code.

16. Compliance Management System

Suppliers must have in place a compliance management system to ensure (a) compliance with applicable laws and regulations; (b) conformance with this Ethical Sourcing Code; (c) identification and mitigation of compliance risks related to this Ethical Sourcing Code; and (d) continual improvement.

Part 2: Supporting Standards

1. Legal Compliance

Principle: Suppliers must fully comply with the legal requirements of the countries in which they operate. All requirements in this Ethical Sourcing Code are in addition to compliance with applicable local laws

Supporting Standards: Legal Compliance

- 1.1 At a minimum, factories must comply with local laws and regulations of the country of manufacture.
- 1.2 Factories must have written procedures in place to ensure they are aware of and understand changes that are made to the local laws.
- 1.3 Factories must designate a responsible and qualified person to communicate internally within the factory changes to local laws and to work with factory staff to ensure compliance with the law.
- 1.4 Business licenses and other documents must be in order and up-to-date.
- 1.5 See also supporting standards for Compliance Management System (See section 16).

2. Child Labour

Principle: Suppliers must not engage in or support the use of child labour. This applies to workers directly employed by the Supplier or any third party providing raw materials, components, labour or services to the Supplier. Suppliers must comply with the minimum employment age limit defined by national law or by International Labour Organization (ILO) conventions, whichever is higher. Suppliers must also be able to verify the age of all workers to ensure compliance. Furthermore, young workers (under the age of 18) must not undertake work which is hazardous or unsafe to their physical and mental health.

Supporting Standards: Child Labour

- 2.1 Factories must not engage in or support the use of child labour. This applies to workers directly employed by the factory or any third party providing raw materials, components, labour or services to the factory. Factories must have a written policy to this effect, which shall be effectively communicated to all workers.
- 2.2 Factories must comply with all applicable laws governing minimum working age:
 - If set below 15, then no one under the age of 15 is permitted to work other than in accordance with the exceptions allowed by the ILO and national law;
 - If set at 15, then no one under 15 is permitted to work; and
 - If set above 15, then no one under the age established by law may work in the factory.
- 2.3 Factories must comply with all laws and regulations applicable to young workers (under the age of 18 but above minimum working age). This includes the number of overtime hours, hazardous and/or night work, annual medical checkups, apprentice or vocational training, and taking all necessary precautions to ensure young workers are protected from working conditions likely to endanger their health, safety or welfare.
- 2.4 Required documentation must be maintained for young workers, as required by law, including registration, school completion certificates, doctor certificates, and permission from parents.
- 2.5 Where required by law, factories must pay any expenses associated with registering young workers with the local authorities.
- 2.6 A system must be in place for identifying work stations and operations that are inappropriate for young workers.
- 2.7 No children are allowed in any work areas (including production, merchandising and offices) of a factory, even if they are not working.
- 2.8 Hiring procedures must be in place to verify proof of age documentation prior to a worker's start date.
- 2.9 To verify age and thereby compliance with legal age limitations, proof of age documentation must be maintained in personnel files for all workers in the form of birth certificates, government identification cards, or other official documents.
- 2.10 In the event child labour is discovered, factories must establish and implement appropriate remediation for such workers (e.g. a program enabling children and under age workers to return to quality education) and introduce effective systems to prevent the use of child labour in the future.

3 Forced and Bonded Labour

Principle: Suppliers must not engage in or support the use of any type of forced labour, bonded labour or indentured labour. This applies to workers directly employed by the Supplier or any third party providing raw materials, components, labour or services to the Supplier. Further, Suppliers shall respect the freedom of movement of their workers and not restrict their movement by controlling identity papers, holding money deposits or taking any other action to prevent workers from terminating their employment.

Supporting Standards Forced and Bonded Labour

- 3.1 Factories must not engage in or support the use of forced labour, bonded labour, or indentured labour. This applies to workers directly employed by the factory or any third party providing raw materials, components, labour or services to the factory. Factories must have a written policy to this effect, which shall be effectively communicated to all workers.
- 3.2 Prison labour is prohibited.
- 3.3 Workers must not be forced to work against their will, ability, or in a manner outside the provisions of their labour contract, where applicable.
- 3.4 Workers must be allowed to freely move within the workplace to use the toilets, take designated breaks and leave the workplace at the end of their shift or after giving their employer reasonable notice.
- 3.5 Workers must be able to leave before the end of their shift under extenuating circumstances, such as personal or family emergencies or illness, without fear of disciplinary action, discrimination, or termination.
- 3.6 Workers shall not be coerced by personnel of the factory, including supervisors and security personnel.
- 3.7 The movement of workers must not be restricted by controlling identity papers (such as identification cards or passports) or withholding money deposits, or requiring excessive fees.
- 3.8 Workers shall retain possession or control of original identity documents such as passports, travel documents, government issued identification, work permits, or other personal identification. These documents can only be retained by a factory with the worker's written permission and shall be returned at the worker's request.
- 3.9 Workers must be able to end their employment, as outlined in legally compliant contracts. Factories must pay all wages fully and promptly and not employ other tactics to prevent workers from leaving at will, such as withholding salary as a "year-end bonus" or charging a penalty when workers terminate their contract.
- 3.10 Workers must not be bound to employment as a condition of fulfilling terms of a debt to the factory or a third party. Personal loans to workers or job seekers are prohibited under circumstances where repayment terms could be construed as debt bondage or forced labour.
- 3.11 Workers must not be forcibly required to live in factory owned or controlled housing.
- 3.12 Workers must not be obligated or forced to work for a third party connected with a supplier (e.g. friend, family member, business associate).
- 3.13 Workers have the right to refuse to perform certain tasks that the worker believes to be hazardous without penalty of termination.
- 3.14 All overtime shall be voluntary and agreed to by the workers. Workers are educated on the normal work week. For workers not interested in working overtime, there will be no retaliation against the worker by the factory.

4 Wages, Benefits and Working Hours

Principle: Suppliers must comply with all laws regulating local wages, overtime compensation, and legally mandated benefits. In any event, wages should always be enough to meet a worker's basic needs and to provide some discretionary income. Under ordinary business circumstances, workers must not be required to work excessive working hours per week, including overtime, and have the option of adequate days off.

Supporting Standards Wages and Benefits

- 4.1 Factories must ensure that wages paid for regular worked hours are at least the legal minimum wage or the industry wage agreed within a collective bargaining agreement (CBA), whichever is higher.
- 4.2 In countries where it is legal to pay a worker by piece rate instead of by hour, the worker must receive a wage equal to or above minimum wage or the CBA agreed wage, whichever is higher. An agreed overtime premium must be added to the regular piece rate if any work is done after regular working hours.
- 4.3 Probationary periods must be outlined in employment contracts and must be in compliance with local laws.
- 4.4 Wages for probationary workers must not be less than the lowest wage paid for the equivalent job within the factory. Probationary wages must not be lower than legal minimum wage.
- 4.5 All workers must be compensated for overtime hours at the legally or contractually mandated rates.
- 4.6 Workers must be trained on legal wages and benefits, and procedures must be in place for workers to question wages paid and request adjustments.
- 4.7 Legally required notices relating to wages, benefits and working hours must be posted in the factory in visible and accessible locations.
- 4.8 Factories must maintain current and accurate payroll, wage and hour, and personnel files for all employees dating back at least 12 months, or as required by law if longer.
- 4.9 Workers must be paid on time, in accordance with the law, and in the form of the local currency. When no time limits are legally stipulated, payment must be made within 30 days.
- 4.10 Factories must have a written policy on wage and compensation awards, based on legal requirements. The policy shall be effectively communicated to all workers.
- 4.11 Legal minimum wage rates must be posted or are made known to workers.
- 4.12 Workers must be notified of wages, withholdings and other legal deductions prior to commencement of employment via a labour contract (if required by law) or other means (e.g. a written summary or a company handbook of key terms and conditions of employment).
- 4.13 The use of fines/deductions not permitted by law are prohibited. Fines/deductions as a form of disciplinary measure are not permitted.
- 4.14 Legal deductions for food, housing and other factory provided goods/services must be disclosed to workers in advance and should not exceed the actual cost to the factory. Workers must not be forced to use goods/services provided by the factory, unless required by law.
- 4.15 The use of personal protective equipment, factory uniforms, working tools, etc. must not require monetary deposits for use, nor should the worker be required to pay excessive fees or penalties when these items are returned.
- 4.16 All legally required benefits, such as vacation, public holidays and social insurance, must be paid and/or provided.
- 4.17 Worker severance pay must be paid correctly and on time as required by law.
- 4.18 Pay slips/wage statements must be provided and include workers' personal information (e.g. name, address) and a detailed explanation of payment, including days worked, wage or piece rate earned per

day, hours of overtime, bonuses, allowances and a description of any and all deductions. This same information should be available for contractors who work on-site.

- 4.19 Factories must ensure all legal withholdings from worker remuneration (e.g. taxes, social security, pension, healthcare) are correct, accurate and made in compliance with the law. Legal withholding must be forwarded to the appropriate government authority in a timely manner as required by law.
- 4.20 Payment receipts for mandatory social insurance payments must be valid and correct.

Supporting Standards

Working Hours

- 4.21 Factories must have a written policy for working hours and overtime in accordance with local legal requirements. The policy shall be effectively communicated to all workers.
- 4.22 All legal requirements and limitations on regular hours and overtime must be complied with.
- 4.23 A normal working week (not including overtime) shall be defined by local legal requirements but shall not exceed 48 hours.
- 4.24 All overtime is voluntary and agreed to by the workers. Workers are educated on the normal work week. Factories must not retaliate against workers who do not want to work overtime.
- 4.25 Where the law permits working hours beyond 60 hours in a week (including overtime), workers shall work no more than 60 hours per week on a regularly-scheduled basis.
- 4.26 Workers must be given at least one day off in every seven-day period or as required by law, whichever is stricter.
- 4.27 All hours must be tracked and time records accurately reflect the real working hour situation in the factory. Absence of an adequate system of tracking hours worked means that correct pay for hours worked cannot be verified.
- 4.28 Workers shall be able to record their own hours for themselves (e.g. through punching or swiping their time cards/ID cards) and have access to their own attendance records upon request.
- 4.29 Legal working hours and the working hours of the factory must be communicated to all workers.
- 4.30 Workers must be given the legally required rest, meal or break time during working hours.
- 4.31 One complete set of working-hour and payroll records, covering all workers, must be kept on site at each factory. Such records and documents must: cover at least 12 months, or longer if required by law; be accurate and represent true work conditions; and be available to the Kmart Group or their representatives if requested.

5 Discrimination

Principle: Suppliers must provide a working environment where workers are treated fairly and without discrimination. All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics, such as age, race, ethnicity, colour, nationality, gender, religion, marital or maternity status, sexual orientation, disability, union membership or political beliefs.

Supporting Standards Discrimination

- 5.1 Factories must have a written policy against discrimination in the workplace. The policy shall be effectively communicated to all workers.
- 5.2 Different treatment must not be given to workers based on personal characteristics or beliefs, such as age, race, ethnicity, colour, nationality, gender, religion, marital or maternity status, sexual orientation, disability, union membership, political beliefs. This includes denial of work and promotions, and differing pay rates, benefits and disciplinary practices.
- 5.3 Discrimination based on workers' associations is prohibited. This includes refusing to hire workers because of their associations, as well as threatening, disciplining, punishing or firing workers because they exercise this right.
- 5.4 The use of medical examinations to prevent a worker from being hired or firing a worker who becomes ill or injured is not allowed.
- 5.5 Religious observance, prayer breaks and religious holidays should not be unreasonably prohibited.
- 5.6 Factory policies must not favour one group of workers over another based on their personal characteristics or beliefs (see Section 5.2).
- 5.7 Hiring notices must not specify discriminatory factors.
- 5.8 Contracted agencies must be reviewed to ensure they do not have discriminatory practices and, if found, immediately ceased.
- 5.9 Female workers must not be discriminated against. They must receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male workers.
- 5.10 Female workers must not be questioned about their pregnancy status, and pregnancy tests must not be conducted before hiring or as a pre-condition to employment.
- 5.11 Female workers must not be forced or pressured to use contraception.
- 5.12 Female workers who take maternity leave (in accordance with the law) shall not face dismissal, loss of seniority or deduction of wages, and must be able to return to their former position at the same rate of pay and benefits.

6 Harassment and Abuse

Principle: Suppliers must treat workers with dignity and respect. In particular, suppliers must provide a workplace free from harassment or abuse of any form, including physical, sexual, verbal or visual behaviour that creates an offensive, hostile or intimidating environment.

Supporting Standards Harassment and Abuse

- 6.1 Factories must have a written policy prohibiting acts of harassment or abuse in connection with workers' employment. The policy shall be effectively communicated to all workers.
- 6.2 Factories shall provide their workers with a workplace free from harassment or abuse. This includes, but is not limited to:
- Physical contact intended to hurt or harm a worker;
 - Requiring any form of sexual favour in exchange for beneficial treatment in employment, or as a condition of maintaining employment;
 - Touching workers in any way that could be considered to have sexual implications;
 - Making inappropriate sexual comments to workers;
 - Threats of behaviour to harm a worker physically or psychologically; and
 - Comments or behaviour which is reasonably understood by the worker to be threatening, demeaning or coercive.
- 6.3 Illegal methods of discipline, as well as the withdrawal of basic physical comforts provided to other workers, are prohibited.
- 6.4 Body searches, where allowed by law, shall be conducted only when necessary and by the appropriate gender.

7 Freedom of Association and Collective Bargaining

Principle: Suppliers, to the extent permitted by local laws, must respect the right of their workers to freedom of association and collective bargaining. This includes the right to form and join trade unions or other worker associations of their own choosing without harassment, interference or retaliation.

Supporting Standards

Freedom of Association and Collective Bargaining

- 7.1 Factories must have a written policy on freedom of association and collective bargaining. The policy shall be effectively communicated to all workers to ensure they understand their rights.
- 7.2 Factories must not interfere with the rights of its workers with respect to freedom of association and collective bargaining. Workers shall have the right not to join worker associations if they so choose.
- 7.3 When operating in countries where trade union activity is unlawful or where free and democratic trade union activity is not allowed, factories shall allow workers to freely elect their own representatives with whom the factory can enter into dialogue about workplace issues.
- 7.4 No worker shall be the subject of harassment, intimidation or retaliation in their efforts to freely associate or bargain collectively.
- 7.5 Factories must not interfere with legal activities of trade unions or their representatives. There must be no discrimination towards workers who are members of trade unions or act as worker representatives.
- 7.6 Workers must have the ability to approach management on issues of concern, on their own or through worker representatives.
- 7.7 Worker representatives must be freely elected without interference from factory management.
- 7.8 Where a collective bargaining agreement is in place, the factory must adhere to the legal terms of the agreement. The collective bargaining agreement must be negotiated freely, voluntarily and in good faith.

8 Health and Safety

Principle: Suppliers must ensure all operations are safe, clean and consistent with all applicable laws and regulations and/or industry best practices, whichever is higher, in order to avoid preventable work-related accidents and injuries.

Supporting Standards

General Health and Safety

- 8.1 Factories must have knowledge of and comply with all local legal regulations on health and safety. Factories must be aware of industry best practices and have in place a policy and plan to achieve higher standards on a continuous improvement basis. The policy shall be effectively communicated to all workers.
- 8.2 Each factory must appoint a senior management representative to govern health and safety in the workplace. Representatives are responsible for monitoring hazards and regularly inspecting the workplace, participating and conducting trainings, informing on policy changes, communicating and responding to complaints, and implementing improvement plans.
- 8.3 In addition, the senior management representative should identify interested workers and managers as 'health and safety' champions to represent the broader factory team, meet quarterly as a minimum (monthly meetings are preferred), with minutes kept of all meetings outlining attendees, items discussed and actions to be completed.
- 8.4 Regular monitoring must be conducted to check that health and safety procedures are being followed.
- 8.5 Workers must be appropriately supervised and trained to perform their jobs safely and receive formal training on safety procedures in general.
- 8.6 Health checks are provided to employees in accordance with applicable laws.
- 8.7 Factories must be generally kept clean and hygienic in accordance with the law. This includes regular and systematic refuse collection.
- 8.8 Periodic testing must be conducted on all drinking water to ensure it is safe as per local regulatory standards.
- 8.9 There are a reasonable number of operating toilets that are clean, offer privacy (i.e. ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odours.
- 8.10 Risk areas, such as toxic substances and dangerous machinery, must be identified and effectively managed by providing the applicable training and ensuring chemicals are properly stored and labelled with Material Safety Data Sheets (MSDS) and available to workers in the local language.
- 8.11 Chemicals must be stored in a separate area which is equipped with the appropriate fire extinguishers, safety signs, ventilation, personal protective equipment (PPE) for workers and instructions on handling and disposal.
- 8.12 Sufficient secondary containment systems are used when transporting, using and storing chemicals.
- 8.13 Emergency eyewash stations and/or showers must be provided where corrosive chemicals or high volumes of solvents are handled and used.
- 8.14 Adequate ventilation must be provided where paints, chemicals, sprays (solvents, solder, dust) are used to prevent accumulation of flammable vapours.
- 8.15 Factories must provide workers with the appropriate PPE and ensure workers are trained on how to use it.
- 8.16 Injury records must be properly maintained and all significant accidents and near misses are investigated, reported and corrective action is performed to minimise any re-occurrence.
- 8.17 Machinery, equipment and fixtures must be checked regularly to ensure they are in safe working condition. Documentation is maintained to demonstrate compliance. Valid certifications are maintained for special machines/facilities operators (boiler operator, forklift operator, cargo lift operator and etc.).
- 8.18 Stairs, platforms, and elevated floors must have railings guards.
- 8.19 Confined spaces must be secured and identified with the proper signage.
- 8.20 "No smoking" signs are posted clearly and prominently throughout the factory.
- 8.21 Factories must not be located above market places or in shared premises with other businesses (Bangladesh only).
- 8.22 Factories must cooperate with any safety inspections conducted by Kmart Group or its representatives. Where corrective actions are identified by the safety inspector to bring a factory into compliance with building, fire and electrical safety standards, the supplier shall implement the corrective actions, according to a schedule that is

mandatory and time-bound, with sufficient time allotted for all major renovations.

- 8.23 Factories must maintain workers' employment relationship and regular income during any period that a factory (or portion of a factory) is closed for renovations necessary to complete such corrective actions for a period of no longer than six months.
- 8.24 In the event a factory becomes aware of a severe and/or imminent danger to worker safety, they must inform Kmart Group as soon as possible.
- 8.25 Factories shall respect the right of a worker to refuse work that he or she has reasonable justification to believe is unsafe, without suffering discrimination or loss of pay, including the right to refuse to enter or to remain inside a building that he or she has reasonable justification to believe is unsafe for occupation.
- 8.26 Supplier factories must comply with all applicable local legal regulations regarding the provision of child care.
- 8.27 Factories must provide access to their facilities for, and cooperate fully with, any training on health and safety related matters conducted by Kmart Group or its representatives.

Supporting Standards Emergency/Fire Preparedness

- 8.28 Factories must communicate fire and emergency evacuation plans and post the diagrams in the local language in various locations around the factory. The plan must illustrate critical information such as emergency evacuation routes, "you are here" mark, correct layout direction, location of fire extinguishers and hydrants, and instructions in the local language of what to do in the event of an evacuation.
- 8.29 Factories must conduct fire and emergency evacuation drills for all areas and shifts on an annual basis, with the presence of the people from the local fire service and/or the civil defence authority, or as required by law.
- 8.30 Exit routes must not be blocked, be free from any obstruction and regularly checked.
- 8.31 The number of emergency exits is in accordance with the local law and exits are unlocked, clearly marked, and lead to the outside of the building.
- 8.32 The installation and design of all emergency exit doors (designed to open outwards, proper width) is in compliance with local law.
- 8.33 Each factory must have in place a fire alarm system, which is audible throughout the entire factory, inspected regularly and tested in coordination with fire drills.
- 8.34 Smoke detectors are installed on each floor of the factory, or as required by law.
- 8.35 Fire sprinkler systems must be properly installed throughout the supplier factory and are regularly maintained, or as required by law.
- 8.36 Fire prevention and firefighting equipment, including fire extinguishers, must be easily accessible, clearly marked, and routinely inspected to ensure they remain operational.

- 8.37 Emergency lighting must be installed in all stairways and where needed on exit routes. The lighting is to be inspected periodically.
- 8.38 Flammable materials must be stored away from emergency evacuation routes (aisles, exit, stairways and assembly points), open flames, heated surfaces, sparks, and unprotected electrical wiring.
- 8.39 Designated factory personnel (workers and supervisors) must be trained at regular intervals in fire safety, the use of fire extinguishers, and how to administer the fire prevention procedures and emergency evacuation plan. Where firefighting training is legally required, training is provided in accordance with the law.
- 8.40 Sufficient first aid supplies must be maintained on work floors with adequate personnel trained in First Aid to assist in an emergency.
- 8.41 Floors must be kept clean from hazardous spills and materials.
- 8.42 Emergency and other hazardous signage is adequate.
- 8.43 Electrical equipment and wiring must be properly maintained, covered/insulated to prevent exposure of wires. Electrical cords and outlets are in a safe, working condition. Electrical control panels are clearly marked, are unblocked at all times and are easily accessible.
- 8.44 Gas cylinders must be properly marked, used, inspected, stored and secured.

Supporting Standards Accommodation and Food Serving Areas

- 8.45 All health and safety standards listed above must be implemented in supplier factory sponsored dormitory buildings.
- 8.46 Accommodation and food serving areas must be generally kept clean, provide a safe, hygienic living environment for workers, and comply with all legal regulations regarding residential facilities, where provided.
- 8.47 Dormitories must not be attached to any production or warehouse building.
- 8.48 Separate accommodation exists for males and females.
- 8.49 Workers' sleeping rooms must be of a reasonable size. In workers' sleeping rooms, the ILO recommends the floor area not be less than 7.5 square metres in rooms accommodating two persons; 11.5 square metres in rooms accommodating three persons; or 14.5 square metres in rooms accommodating four persons. If a room accommodates more than four persons, the floor area should be at least 3.6 square metres per person.
- 8.50 Residents must have their own bed, an area for personal items and the ability to secure belongings.
- 8.51 There must be a reasonable number of operating toilets and showers that are clean and separated by gender. The ILO recommends a minimum of one toilet, one wash basin and one bathtub or shower for every six persons. Toilets must offer privacy (i.e., ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odours.

9 Migrant Workers

Principle: Suppliers must ensure that migrant workers have the same entitlement as local workers stipulated by local law and under this Ethical Sourcing Code.

Supporting Standards Migrant Workers

- 9.1 Factories must act with diligence when engaging and recruiting migrant workers, both directly and indirectly, and ensure all foreign migrant workers are legally eligible to work in the country with valid work permits when required.
- 9.2 Factories must have valid documents from the relevant local authority for permission to employ migrant workers as required by law.
- 9.3 Any commissions and other fees in connection with employment of migrant workers must be paid by the factory upfront. Factories must not charge back or accept reimbursement from any migrant worker to recover any commissions or fees it has paid to hire migrant workers.
- 9.4 Upon a migrant worker's resignation, departure, or termination, the factory must pay to the worker any wages, benefits, or other items owed to the worker and ensure his/her return to their home country without penalty.
- 9.5 If required by law, the factory must pay for all travel costs for returning a migrant worker to their home country.
- 9.6 Factories must not require migrant workers to surrender their identification documents.
- 9.7 Factories must provide training for migrant workers on their rights and job responsibilities as required by law.

10 Hiring and Regular Employment

Principle: Suppliers must provide each worker with a clear, understandable labour contract containing all legally required employment terms, entitlements and conditions. In addition, obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, consecutive short-term contracts, excessive piece rate-work or false apprenticeship schemes.

Supporting Standards

Hiring and Regular Employment

- 10.1 Factories must provide a labour contract to each worker which stipulates all legally required employment terms and conditions. The contract should be provided before employment, be in writing and signed by workers in their native language.
- 10.2 Any probation period must be outlined in the contract in accordance with local laws.
- 10.3 Factories must not use labour-only contracting arrangements, consecutive short-term contracts, excessive piece-work or false apprenticeship schemes to avoid legal obligations of regular employment to workers.
- 10.4 Factories must not change or terminate contracts to avoid obligations of regular employment to workers.
- 10.5 Factories must not charge their workers recruitment or employment fees, or otherwise withhold wages. These fees are to be borne by the factory.
- 10.6 If recruitment agents or labour brokers are used, factories must ensure only legally registered/licensed recruitment agents or labour brokers are used and their engagement is subject to a written agreement which ensures compliance with applicable law and this Ethical Sourcing Code.

11 Environment

Principle: Suppliers must meet all relevant local and national environmental protection laws, and strive to comply with international environment protection standards.

Supporting Standards Environment

- 11.1 Factories must have in place a written environmental policy and an environmental management system designed as a minimum to achieve compliance with national environmental protection laws and, where appropriate, to manage environmental impacts associated with manufacturing activities, such as air emissions, water and waste management, energy use and biodiversity impacts. The management system should be developed with reference to internationally recognised standards or initiatives (e.g. HIGG, BEPI, ISO 14001).
- 11.2 An environmental-self assessment must be conducted at least annually.
- 11.3 Training must be provided to workers with responsibilities under the environmental policy and management system.
- 11.4 A person (with appropriate expertise) must be designated with responsibility for the management of environmental issues within the factory.
- 11.5 All legally required environmental permits, licenses, approvals, and / or other registrations must be obtained and kept current.
- 11.6 Factories must undertake remedial action to rectify breaches of environmental regulations which have been subject to any penalties/prosecutions.
- 11.7 Hazardous materials and chemicals must be separated from general waste and disposed according to the law so that these materials are not discharged and do not pollute the environment.
- 11.8 Air emissions must be identified, characterised, routinely monitored, controlled, treated prior to discharge, and meet the discharge limits for regulated constituents.
- 11.9 Wastewater must be properly treated to meet discharge standards / limits as legally required. If wastewater is produced but treated off-site, relevant manifests and records must be maintained.
- 11.10 A systematic approach must be developed to prevent contamination of storm water runoff. Illegal discharges and spills of wastewater in to storm drains are prohibited.
- 11.11 Energy and water consumption must be monitored, and reduction targets set.
- 11.12 Factories must have procedures in place to alert local environmental authorities in the event of accidental discharge of pollutants or for any other environmental emergency.
- 11.13 Environmental impacts must be conducted when legally mandated.
- 11.14 Factories must ensure compliance with the Kmart Group *Forest Protection Policy* in their own operations and supply chains.

12 Consumer Protection

Principle: Suppliers must take all reasonable steps to ensure the goods they produce are safe and are not harmful to consumers.

Supporting Standards Consumer Protection

- 12.1 Factories must ensure that the goods they produce meet all legal and agreed standards for consumer health and safety, including health warnings and product safety and information labels.

13 Animal Welfare

Principle: Suppliers must ensure animals are treated humanely and with respect.

Supporting Standards

Animal Welfare

- 13.1 Factories must comply with local and national laws related to animal welfare.
- 13.2 Factories must comply with the Kmart Group *Animal Welfare Policy*.

14 Business Integrity and Anti-corruption

Principle: Suppliers must act with integrity and honesty. Bribes, favours, benefits or other similar unlawful or improper payments, in cash or in kind, are strictly prohibited. All record keeping must be accurate and transparent at all times.

Supporting Standards

Business Integrity and Anti-corruption

- 14.1 Factories must have a written policy on ethical standards/business integrity that prohibits bribery and corruption in any form. The policy shall be effectively communicated to all workers.
- 14.2 It is strictly prohibited for a factory, or factory workers or agents, to give, offer, accept or request bribes, facilitation payments, secret commissions, or other improper payments or cause any of them to be given, offered, accepted or requested.
- 14.3 It is strictly prohibited to offer gifts, money or favours to any Kmart Group employee or representative.
- 14.4 Should a Kmart/Target employee or representative request gifts, money or favours this must be refused and immediately reported to Kmart Group. (See contacts for reporting code violations in the introduction)
- 14.5 Factories must act with integrity and honesty at all times in their interactions with Kmart Group. They must not engage in any dishonest behaviour by providing misleading or falsified information or records to Kmart Group representative or their appointed auditors and inspectors.
- 14.6 Factories must be cooperative and transparent during any Kmart Group related audit, or other form of inspection, and provide full access to workers, records and factory work areas as well as dormitories and other factory buildings.
- 14.7 Factory management shall not coach workers on how to respond during Kmart Group interviews, e.g. to provide false, misleading, or incomplete information.

15 Subcontracting

Principle: Suppliers must not sub-contract without prior authorisation. Where sub-contracting has been authorised, suppliers must ensure sub-contractors also comply with this Ethical Sourcing Code.

Supporting Standards

Sub-contracting

- 15.1 Factories must obtain prior authorisation from Kmart Group in writing before using a sub-contractor for any Major Production Process (see section 15.4) in producing a product which Kmart Group orders.
- 15.2 Prior authorisation will not be required for sub-contracting an Ancillary Production Process.
- 15.3 Kmart Group also reserves the right to specifically nominate (in writing to the factory) an Ancillary Production Process which requires prior authorisation before sub-contracting is permitted.
- 15.4 For the purposes of section 15.1, a Major Production Process includes any process involving the substantial transformation of a product from its individual components or materials to the final ordered product. For example:
- Cutting and sewing
 - Main componentry assembly
 - Processing ingredients into a product
 - Refining raw materials into a product
 - Finishing and packing
- 15.5 For the purposes of section 15.2, an Ancillary Process does not involve the substantial transformation of the product. For example:
- Mould making
 - Printing
 - Embroidery
 - Washing
 - Fabric/raw material procurement
- 15.6 Sub-contracting includes outsourcing to:
- a) factories or facilities owned by a third party;
 - b) factories or facilities owned by a Kmart Group supplier, which have not been registered with Kmart Group; and
 - c) use of homeworkers
- 15.7 Factories must ensure any authorised sub-contractors comply with this Ethical Sourcing Code.

16 Compliance Management System

Principle: Suppliers must have in place a compliance management system to ensure (a) compliance with applicable laws and regulations; (b) conformance with this Ethical Sourcing Code; (c) identification and mitigation of compliance risks related to this Ethical Sourcing Code; and (d) continual improvement.

Supporting Standards Compliance Management

- 16.1 Factories must have in place policies and procedures to ensure compliance with applicable laws and this Ethical Sourcing Code.
- 16.2 Factories must appoint a management representative to implement the factory's compliance policies, procedures and improvement objectives.
- 16.3 Factories must have in place a worker grievance system to raise concerns or incidents around breaches of labour standards or other issues concerning factory misconduct. Workers must be made aware and educated on how to use the system and be able to report a grievance in their spoken language. The system must allow for anonymity, confidentiality and ensure non-retaliation for workers who use the system in good faith. Grievances that are reported or raised must be followed up, appropriately and promptly investigated, and properly documented (including investigation outcomes) to demonstrate compliance.
- 16.4 Factories must conduct an internal audit on a regular basis (no less than once every two years) to ensure conformity to legal and regulatory requirements and the content of this Ethical Sourcing Code. Internal audit reports must be maintained and available for review by Kmart Group.
- 16.5 In the event of a non-compliance with this Ethical Sourcing Code, factories must develop an action plan to address and remediate it.
- 16.6 Managers, staff, supervisors and workers must be trained on the factory's own Code of Conduct and/or this Ethical Sourcing Code. The training is embedded in the orientation process and conducted in local languages.
- 16.7 Factories must display the Kmart Group Ethical Sourcing Code summary poster in a location that can be viewed by all factory workers.
- 16.8 Factories must comply with the factory registration, disclosure, audit and training requirements set out in the *Kmart Group ES Program Supplier Manual*.
- 16.9 Factories must comply with Kmart Group directions restricting or prohibiting sourcing activities designated as High Risk by Kmart Group. Further details of the High Risk designation and notification process are set out in the *Kmart Group ES Program Supplier Manual*.
- 16.10 Factories must comply with the supplier disclosure requirements set out in the *Kmart Group Ethical Sourcing Transparency Policy*.
- 16.11 Where applicable, Factories must comply with information requests that will enable Kmart Group to comply with reporting requirements arising under the *Australian Modern Slavery Act 2018 (Cth)* and similar legislation in other country jurisdictions.

Appendix A: Definitions

Bonded Labour

Work for an employer not for compensation received by the worker, but to pay off a debt, which is often incurred by another person offering the worker's labour in exchange.

Child Labour

Child labour is any work by a child or young person, which does not comply with the provisions of the relevant ILO standards, and any work that is likely to interfere with that person's education, or to be harmful to that person's health or mental, spiritual, moral or social development. 'Child (or Children)' is a person under the age of 15, or below the age at which school attendance is not compulsory under local law, whichever is older. 'Young Person' is a person under the age of 18 but not classified as a child.

Corrective Action

A corrective action is a change implemented to address a weakness or non-compliance identified in an audit. It is the action taken to correct any non-compliance which has been found in an assessment to an agreed standard.

Excessive Fees

Fees charged to a worker that is in excess of the amount legally permitted by any applicable law of the host or home country. Or, in the absence of such law, fees substantially above the prevailing market rate.

Employment Eligibility Fees

Fees and costs associated with employment, including recruitment agency/placement firm fees, visas, health checks, work permit and work registration fees.

Factory

Any facility used in the production of merchandise.

Freedom of Association

The right of all workers to join or form a trade union of their own choosing, which is legal in the country in which merchandise is manufactured, and carry out trade union activities without interference from their employer or from public authorities.

Forced Labour

Any work or service extracted from a person under the threat of any penalty and for which the person has not offered himself or herself voluntarily.

Grievance Procedure

A process or procedure for workers who may feel that they have been treated unfairly to voice their concerns without fear of repercussion.

Harassment

Any physical, verbal, sexual, or psychological nature, offensive conduct that threatens human dignity and morale.

Hazardous Work

Hazardous work includes working: with dangerous machinery/equipment (e.g. knives, saws); with chemicals or hazardous substances; in working conditions which may expose a worker to extreme noise, vibrations, cold or hot conditions; in dangerously confined spaces; and with heavy lifting.

Human Rights

A set of principles defined in the Universal Declaration of Human Rights (1948), based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family as the foundation of freedom, justice and peace in the world.

Indentured Labour

Work performed on behalf of an employer who forbids workers from leaving employment at the worker's discretion.

International Labour Organization (ILO)

The ILO is the international organisation responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. www.ilo.org

ILO Convention 138

This Convention, concerning Minimum Age for Admission to Employment, was adopted in 1973 by the International Labour Organization. It requires ratifying states to pursue a national policy designed to ensure

the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work.

ILO Core Labour standards

The ILO core labour standards consist of the following standards, laid out in eight conventions:

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
- The effective abolition of child labour (Convention No. 138 & No. 182)
- The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)

Material Safety Data Sheet (MSDS)

A material safety data sheet is a form that references the properties of a substance and proper handling instructions. A MSDS is not intended for general consumer use, but rather industrial/manufacturer users and safety personnel that may come in direct contact of the substance. MSDS forms may contain detailed information such as physical property data, health effects, first aid, storage recommendations, disposal requirements, necessary protective equipment for handling, and instructions on how to handle spills, etc.

Migrant Worker

A person who is to be engaged, is engaged or has been engaged as a worker in a Country of which he or she is not a national.

Piece Rate

A method of paying workers by the number of items they produce, rather than the number of hours they work.

Sub-contractor

A sub-contractor is an individual or a business that agrees to perform part or all of the obligations of a supplier's contract (whether in writing or not).

Supplier

A supplier includes Kmart Group vendors, factories or authorised sub-contractors.

Trade Union (or Union)

An organisation of workers that promotes and protects the interests of its members on issues such as wages and working conditions, especially through negotiations with employers.

Young Worker

Any worker above the age of a child as defined by local or national law and under the age of 18.

Worker

A worker is defined widely to include any person working for or on behalf of a supplier, including but not limited to, employees, contractors, managers, staff, apprentices, sub-contractors, agents, and consultants.