

GLOBAL ETHICAL SOURCING

Meiya Group Global, Inc.

Standards for Suppliers Manual

A Complete Guide to help Suppliers understand the expectations and obligations of Meiya's Standards for Suppliers

Global Ethical
Sourcing
Meiya Group Global
1266 N..Hillview
Drive
Milpitas, CA
95035
USA

January 2014

Table of Contents

Introduction	3
<u>PART I</u>	
Section A: The Standards	6
Section B: Supplier's Obligation	23
<u>PART II</u>	
Section A: Vision, Program Overview & Audit Scope	25
Section B: Factory Disclosure	26
Section C: Monitoring Programs	28
Section D: Audits	29
Section E: Validation Audits	32
Section F: New Factory On-Boarding	32
Section G: Assessment Results and Consequences	33
Section H: Supplier Development Program.....	39
Appendix 1: Glossary	42
Appendix 2: Meiya's Approved 3 rd Party Audit Firms and Contacts	47

Introduction

Servicing Our Customers By Providing The Best Products At The Best Prices.

Servicing our customers by providing the best products at the best prices. This is our mission statement. It is what we stand for at Meiya Group Global (Meiya). And it is what guides each and every employee as we work to serve more than five thousand customers every week. Providing the world's best products at a price point that our clients can afford to consume is much more than merely having low prices, it also requires Meiya be a leader on how we treat our resources and how we source our products and select the manufacturers we work with. It also means that we work hard to do our share in taking care of our planet, the people that live on our planet and that we work hard to assure our suppliers operate in an environmentally and ethically sustainable manner wherever we do business. From sourcing operations to online stores, Meiya *can* and *will* work hard to do our share to create a more sustainable future.

We were taught, at a global Sustainability Summit in Beijing, that responsible sourcing and ethical global standards was the way of the future. We created goals and process around these commitments. These goals included requiring full factory disclosure for all direct import, private label and non-branded suppliers; ensuring that most of our volume comes from top-tier factories; reducing energy consumption; ensuring compliance with environmental and social laws; and virtually eliminating our defective return rate. We will continue to work hard on this until we have made significant progress on these goals and commit to continuing to work on this to achieve each within our timeline.

To make these commitments a reality for Meiya, we have developed a number of tools and requirements. First, our supplier agreements will be modified so it is clear any factory used by a supplier complies with all the laws of the jurisdiction in which it operates, specifically including laws related to environmental protection, worker safety and labor conditions. We also require all our direct import and certain domestic import suppliers to identify each and every factory used to manufacture our merchandise, so we can audit those factories regularly. Those audits will be conducted through either a qualified third party or through our in-house auditors, and will include review of a factory's ethical practices and compliance with environmental laws. The audits may be pre-arranged or unannounced, at our discretion.

Our Supplier Manual provides specific guidance to factories on how they can comply with these environmental and ethical sourcing requirements.

This manual is divided into two parts: Part I provides guidance regarding the Standards and the obligations of the suppliers in meeting the Standards. Part II provides details regarding the auditing, certification and verification process of the Ethical and Environmental Standards programs.

In the area of environmental laws, we intend to review a factory's relevant air emissions levels, waste water discharges, management of toxic substances, and handling and disposal of hazardous waste including other areas related to environment as outlined under the Standards for Suppliers. If a factory fails to meet its required or permitted levels, it will be asked to provide a remediation plan allowing it to meet or surpass standards. Failure to improve environmental performance will result in a factory being banned from producing merchandise for Meiya.

In Ethical Sourcing, our audits will review a factory's practices to verify they meet or exceed our requirements. The audits will verify that all labor is voluntary; that children are not used in the production of merchandise for Meiya; that workers are properly paid for all hours worked, that those hours are not excessive and are consistent with local laws or regulations. We also will require that factories provide safe and healthy working conditions, and where provided, residential facilities are safe and healthy. If a factory fails to meet our Standards it must take corrective action to improve its performance or the factory will not be permitted to supply merchandise to Meiya.

Audits continue as a powerful tool in providing visibility into factories that produce merchandise for Meiya, but we also believe that our suppliers are vital and necessary partners in helping us achieve our goals and in driving innovation.

Although some of the efforts and requirements we have identified will be first implemented with our global import suppliers and certain domestic suppliers, we believe that all of our suppliers need to play a role. By focusing our environmental and ethical sourcing requirements on key metrics and legal requirements in the jurisdictions where our suppliers' factories produce merchandise for us, we are creating a framework that ensures a minimum threshold is achieved.

We look to our suppliers and our manufacturers to drive innovation and product excellence. We rely on our suppliers to provide a competitive edge, without neglecting ethics and environmental issues at the top of their priority. With a strong ethical relationship, we can build great products, satisfy the needs of consumers all across the globe, be responsible in accomplishing this, and give back to our community and the people that live in them.



Section A: The Standards

Section B: Supplier's Obligation

Section A: The Standards

The Standards for Suppliers (“Standards”) are Meiya's (“Meiya”) fundamental expectations from suppliers on the treatment of factory workers and the suppliers’ impact on the environment.

The Standards must be visibly posted in English and in the shared language(s) of its employees in a common area at all facilities that manufacture products for Meiya and its affiliates.

This section further explains and outlines how Meiya will measure suppliers’ compliance with each of its Standards.

In this section, the term “supplier(s)” shall include all manufacturing, subcontracting and packaging facilities, all of which will be held to these Standards.

1. Compliance with Laws

Suppliers and their designated manufacturing facilities (“Suppliers”) must fully comply with all applicable national and/or local laws and regulations, including but not limited to those related to labor, immigration, health and safety, and the environment.

This standard is a minimum for Meiya suppliers. In addition to the laws and regulations stated above, suppliers’ compliance also extends to other matters such as intellectual property rights, labeling, documentation, and certifications.

Meiya is aware that in many of the jurisdictions in which its suppliers conduct business, the interplay between local, regional and national laws and regulations can cause confusion. In light of this reality, Meiya’s position is that when there is an apparent conflict between the terms of applicable laws, the supplier is expected to adhere to the most stringent version. In many cases, this will be the laws of the United States of America.

2. Voluntary Labor

All labor must be voluntary. Slave, child, underage, forced, bonded, or indentured labor will not be tolerated. Suppliers shall not engage in or support trafficking in human beings. Suppliers shall certify that they have implemented procedures to manage the materials, including all labor related processes, incorporated into their products to ensure they comply with laws on slavery and human trafficking. Workers must be allowed to maintain control over their identity documents.

Employment must be on a voluntary basis and workers must be able to travel freely as allowed by law. Slave, forced, and child labor are prohibited and those factories that are found to have violated this provision will cease producing merchandise for Meiya and all previously produced merchandise may be subject to destruction.

Specifically:

- Child Labor, Underage workers and Juvenile (minor) workers

- Child Labor: Suppliers are prohibited from employing any workers under the age of 14 regardless of national and/or local laws or regulations.
- Underage workers: Suppliers are prohibited from employing workers below the minimum working age as defined by legal regulations. All workers must be at or above the legal minimum age at time of employment. If there is a conflict in permissible age between laws, the supplier must conform to the one with a higher minimum age.
- Children under the minimum working age should not be allowed in factory work areas at any time.
- Juvenile (minor) workers: Where legal regulations specify juvenile (minor) employment restrictions or requirements, the supplier must demonstrate compliance with said requirements. Workers above the legal minimum working age but younger than 18 shall be considered juvenile workers.
 - ③ Workers under the age of 18 should be allowed to complete compulsory education per legal regulations.
 - ③ Suppliers shall comply with all applicable laws governing work hours regulating or limiting the nature, frequency and volume of work performed by workers under the age of 18.
 - ③ Suppliers shall maintain necessary records identifying all workers under the age of 18.
 - ③ No person under the age of 18 shall undertake hazardous work, i.e., work which by its nature or the circumstances in which it is carried out, is likely to harm the health or safety of persons under the age of 18.
- Suppliers must have effective age-verification procedures. The personnel (personal) file of each worker must contain copies of identification documents (such as birth certificates and national ID cards) as proof of age. These such files are to be made available to our site inspectors at any time and upon request.
- Suppliers found to have used child/underage labor will be asked to remediate the situation by implementing a satisfactory solution that places the best interest of the child/underage worker first.
- Forced Labor
 - All forms of forced and slave labor are prohibited.
 - Suppliers shall not engage in or support trafficking in human beings.
 - Suppliers must verify that their product supply chains address risks of slavery and human trafficking.

- Suppliers shall certify that they have implemented procedures to manage the materials, including all labor related process, incorporated into their products to ensure they comply with laws on slavery and human trafficking.
- Workers must be able to voluntarily end their employment without any restrictions. Any restrictions for workers to voluntarily end their employment, such as excessive notice periods or substantial fines for terminating their employment contracts, are prohibited.
- Suppliers must never physically prevent or delay workers from leaving the facility or its grounds unless for reasonable safety reasons.
- Suppliers must grant employees permission to leave the factory under reasonable circumstances, such as personal or family emergencies, without disciplinary penalty.
- Suppliers must not require employees to make any monetary deposits or require employees to surrender any original identification documents as a condition of employment.
- Suppliers should never require employees to incur debt through recruitment fees or make any financial guarantees to secure employment.

3. Labor Hours

Suppliers must provide workers with rest days and must ensure that working hours are consistent with the law and not excessive.

Suppliers shall comply with all working hour laws and regulations, public holidays and leave.

Specifically:

- Overtime should be voluntary. Workers may not be physically coerced to perform overtime work.
- Suppliers must comply with legal regulations on overtime hours. If regulations regarding the number of maximum overtime requirements do not exist, then the working hours should not exceed 60 hours per week consisting of a maximum of 48 regular hours and 12 hours of overtime.
- In the absence of regulations, workers must have a minimum of one day off in seven; workers may work on their rest day but should not do so more than once in every two weeks. Suppliers should ensure that workers do not consistently work on their rest day by monitoring and limiting this practice.
- Suppliers must ensure that time worked by all workers, including those on a piece rate payment scheme, is fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. This should include all regular and overtime hours, as well as any breaks.
- Employees must record their own working hours, i.e. clock in and out themselves.

- Time records for all workers must be available for review. This includes agency and temporary workers.
- Suppliers shall provide reasonable meal and rest breaks, which at a minimum is compliant with the law.
- Suppliers shall provide workers with all official public holidays as required by law. Suppliers shall provide workers with paid annual leave as required by law.
- Suppliers shall have work hour policies and procedures in place to ensure compliance with the law.
- Written approval from local government parties permitting tolerance of excessive overtime contrary to legal regulations will not be accepted.

4. Hiring and Employment Practices

Suppliers must implement hiring practices that accurately verify workers' age and legal right to work in the country prior to employment. All terms and conditions of employment including, but not limited to, hiring, pay, training, promotion, termination, and retirement must be based on an individual's ability and willingness to do the job.

Suppliers must have internal controls validating the legal right of foreign workers to work in the country. Every foreign worker must have a valid work permit and be in the country lawfully. Suppliers must validate the age of workers prior to employment. Work permits as well as copies of government issued identification documents must be maintained in the personnel files of all workers.

Employment practices of suppliers should be based on equal opportunity for all workers. Employment practices include, but are not limited to, recruiting, hiring, training, job assignments, compensation, benefits, promotions, discipline, termination or retirement.

Specifically:

- When required, Suppliers must issue an employment contract to all employees that is compliant with the law.
- The employment contract should be provided in the national language or the prevalent language of a majority of the employees.
- Suppliers should not use consecutive short-term contracts and/or apprenticeship schemes absent a bona fide intent to impart skills or provide regular employment.
- Suppliers shall not engage in any form of home-working unless prior consent is obtained from Meiya.
- Suppliers shall treat all workers with dignity and respect.
- Suppliers shall not engage in or tolerate bullying, harassment or abuse of any kind (physical, verbal, sexual, corporal punishment).

- Suppliers should establish written disciplinary procedures that are clear, understandable and in a language comprehensible to workers.
- All disciplinary actions should be recorded.
- Suppliers shall not use monetary fines and penalties to maintain labor discipline, including for poor performance or violating company rules, regulations, and policies.
- Workers should be allowed reasonable movement in the workplace, including unrestricted access to bathrooms and drinking water.
- Unless prescribed by law, mandatory pregnancy testing of female applicants, contract workers or employees is prohibited. Suppliers should not ask female applicants about their pregnancy status.
- Restricting or limiting reproductive rights is prohibited.
- Suppliers must comply with any work environment regulations protecting the health and safety of all workers including, pregnant, post-partum and lactating women.
- Women returning from maternity leave should be given an equivalent position and equal pay as required by law.

5. Compensation

Suppliers must compensate all workers with wages, overtime premiums, and benefits that meet or exceed legal standards or collective agreements, whichever are higher. Suppliers are encouraged to provide wages that meet local industry standards. Suppliers are encouraged to provide wages and benefits that are sufficient to meet workers' basic needs and provide some discretionary income for workers and their families.

Suppliers must compensate all workers in accordance with the law and where applicable with contractual agreements. Workers must be provided with written and understandable details regarding their employment and compensation.

Specifically:

- Workers on a piece rate payment scheme shall receive at least the legal minimum wage.
- Suppliers shall pay all workers, including those on a piece rate payment scheme, the applicable overtime premium rate for all overtime hours worked.
- Suppliers shall pay all workers on probation, undergoing training or participating in an apprenticeship program in accordance with the law.
- Suppliers must provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave and severance payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be accurately calculated.

- Workers should be aware of their benefits and understand how their wages are calculated. Workers should be provided with pay slips in a language the workers understand that shows regular and overtime hours worked, regular and overtime rates and wages, bonuses and deductions. All cash payments of wages and benefits made directly to the worker must be properly documented. Accuracy and receipt of payment must be confirmed by the relevant workers in writing (signature, thumbprint, etc.).
- Payment of wages should be made no later than 30 days from beginning of the wage period. No wage-period shall exceed one month.
- Suppliers must only deduct from wages what is legally permitted and deductions should not be excessive. Deductions from wages must not be made without the express and written consent of workers and shall be documented in employee files. Deductions must not be made as a disciplinary measure and Suppliers must not deduct recruitment agency fees.

6. Freedom of Association and Collective Bargaining

Suppliers must respect the right of workers to choose whether to lawfully and peacefully form or join trade unions of their choosing and to bargain collectively.

Workers must be able to join or form trade unions consistent with laws and regulations. Suppliers and factory management must not prevent workers from exercising their rights and must not discriminate against worker representatives and union members due to their membership or affiliation with a trade union. In accordance with local regulations, suppliers and factory management must give worker representatives access to the workplace in order to carry out their representative functions.

Specifically:

- Freedom of Association
 - Factories must respect employee rights to freedom of association; they must not impose any punitive actions against workers in supporting a union such as threatening, fining, suspending or firing workers exercising those rights. Any action that suppresses freedom of association is prohibited, and may be an act deemed illegal in some countries' labor codes.
 - Where the right to freedom of association and collective bargaining is restricted under law, the supplier should not hinder the development of lawful parallel means for independent free association and bargaining.
 - Managers and supervisors should be trained in freedom of association compliance when possible, and workers should receive instruction on their rights under national law and company standards.
- Collective Bargaining
 - Factories must honor the right of workers to bargain collectively.

- Employees should be able to raise issues regarding any collective bargaining agreement compliance by the employer/factory without retaliation.
- In situations where a Trade Union is not recognized as the bargaining agent of some or all of the workers in a factory, the Trade Union should have the means for defending the occupational interests of its members.

7. Health and Safety

Suppliers must provide workers with a safe and healthy work environment. Suppliers must take proactive measures to prevent workplace hazards.

The work environment must be safe and sanitary to ensure there are no unreasonable risks to the health and safety of all workers. Suppliers must implement procedures and safeguards to prevent accidents and injuries to workers; procedures and safeguards include, but are not limited to, inspection of buildings, machinery, and fire extinguishers. Regular and recorded health and safety training shall be provided for all new or reassigned workers and management. The responsibility for ensuring health and safety in the workplace should be assigned to a factory management representative. Adequate and appropriate personal protective equipment and clothing must be provided to all workers, particularly those handling hazardous materials.

Suppliers shall comply with these provisions in accordance with their specific industry conditions and related hazards.

Specifically:

- Fire Safety - Suppliers must ensure:
 - Aisles, exits and stairwells are kept clear and unblocked at all times.
 - Exits are unlocked at all times during working hours and are clearly marked. Exit doors must open outwards, be unlocked from the inside and require no special operation.
 - Factories conduct regular fire drills at least once per year or as mandated by law, whichever is more frequent.
 - Factories have functional, sufficient and accessible firefighting equipment.
 - Factories establish an adequate evacuation plan.
 - Factory exits are properly marked with illuminated signs in English and the local language.
 - Evacuation routes are marked on the floors and posted in each work area.
- Electrical Safety – Suppliers must ensure:
 - Factories maintain appropriate electrical wiring and circuit box conditions.

- Factories use appropriate protection equipment, including rubber mats as required.
- PPE/Chemical Safety – Suppliers must ensure:
 - The availability of complete inventory of all chemicals used in the factory, separating hazardous and non-hazardous chemicals.
 - Factories establish appropriate spill response programs.
 - MSDS/CSC (chemical safety card) is available for utilized chemicals in local language and available on the floor where chemicals are being used.
 - Factories appropriately store chemicals (proximity of incompatible chemicals, away from ignition sources, etc.).
 - Chemical containers are opened and dated when received and properly labeled with at least the chemical name and hazard warnings.
 - Factories provide appropriate PPE (Personal Protective Equipment) and training for workers.
 - Factory workers properly utilize PPE.
 - Factories establish appropriate PPE Emergency Preparedness and Response procedures and training.
 - Eye wash stations are appropriately located and maintained.
- Hazardous Liquids (e.g. flammable and acid-based liquids) – Suppliers must ensure:
 - Hazardous liquids are stored in appropriate (durable and compatible) storage bulk/drum/container.
 - Factories establish standard operating procedures (SOP) for handling flammable liquids.
 - Factories maintain a list of hazardous liquids (flammable and acid base) used and stored.
 - Training regarding the proper and safe storage and handling of flammable liquids is provided to workers and recorded.
 - Factories establish a preventative maintenance program for flammable liquid systems and equipment installed in hazardous (classified) locations.
- Sanitation – Suppliers must ensure:
 - Accessibility of potable drinking water for their workers.
 - Restrooms, canteens, food preparation areas, dormitories, etc. are maintained in a safe and clean condition.

- Factories possess appropriate hygiene certificates for their canteen and its workers as mandated by law.
- Accident/First Aid/Risk Assessment – Suppliers must ensure:
 - Factories maintain detailed accident/incident logs.
 - Factories maintain an appropriate First Aid program as mandated by law.
 - Factories maintain sufficient First Aid boxes that are maintained and restocked when needed.
 - Factories maintain a safe working environment and ensure work areas do not present any safety hazards.
 - Factories perform and document risk assessments relating to occupational health and safety risks.
- Machine/Equipment Operation and Maintenance – Suppliers must ensure:
 - Training regarding the proper and safe operation of machinery/equipment is provided to workers and recorded.
 - Machines are equipped with appropriate and operational safety devices, which are inspected and serviced on a regular basis.
 - Machines with rotating parts are enclosed and interlocked with an automatic shut off mechanism.
 - All required safety/protective guards are securely in place, in good operating condition and regularly inspected.
 - Machine safety instructions (including pictures/warnings) and machine operational parameters are posted on all machinery.
 - Proper LOTO (Lockout/Tagout) practices and procedures are implemented to safeguard employees from unexpected startup of machinery and equipment during service or maintenance activities.
 - Proper CLTI (Cleaning, Lubrication, Inspection and Tightening) checklist is maintained after each machine maintenance.
 - Maintenance records for machinery and equipment are maintained.
 - All machine breakdowns are recorded on a regular basis.
 - Risks associated with machine hazards are evaluated (root cause analysis) and control measures are identified and implemented.
 - Factories inspect machines/equipment before being used by workers.

- Machines/equipment are being used for their intended purpose.
- Factories establish a Machine Safety Committee comprised of management, worker representatives and maintenance team to address concerns related to machine safety.
- When required, factories maintain proper machine/equipment certificates and licenses.
- Radiation and light sources (lasers/welding arcs) are properly shielded.
- Factories maintain required legal certificate/license/registration for all pressurized/compressed equipment (boilers, compressors, gas cylinders, etc.).
- Workers are not disciplined for raising safety concerns.

8. Dormitories and Canteen

Suppliers who provide residential and dining facilities for their workers must provide safe, healthy, and sanitary facilities.

All areas of the dormitory facilities shall be kept secure, clean and have safety provisions (such as fire extinguishers, first aid kits, unobstructed emergency exits, emergency lighting, etc.). Emergency evacuation drills shall be conducted at least once a year. Additionally, suppliers shall provide appropriate washroom facilities, including adequate toilets and showers segregated by gender. The dormitory facility should also have security measures to protect employees and their property.

Dormitories must be in compliance with all housing laws and regulations, occupancy requirements, health and safety laws.

Specifically:

- The dormitory facilities must be of a permanent nature and comply with legal codes/regulations.
- The dormitory facilities must be separate from the production areas, workshops and warehouses.
- Management shall ensure dormitory rooms, common areas, hallways, toilets, bathrooms and shower facilities are maintained in a functional, clean condition and are secure. As a best practice, it is recommended that cleaning services are provided by the factory/dormitory management. Additionally, hygiene and good housekeeping guidance should be provided to workers.
- Dormitory rules and regulations must be provided to workers and should include but is not limited to: guidance regarding sanitation, good housekeeping and personal hygiene; curfew hours if applicable; visitation hours; security and safety regulations.
- Where legal regulations are not specified, at least one functioning sink with both hot and cold water must be provided for every six occupants.

- Where legal regulations are not specified, at least one functioning shower with both hot and cold water must be provided for every fifteen occupants. Showers should be separated and marked by gender.
- Toilets must be clean, functioning, well-lit, well-ventilated, and stocked with toilet paper and soap. Where legal regulations are not specified, there must be at least one toilet for every fourteen occupants, separated and marked by gender.
- Where legal regulations are not specified, there must be 3.6 square meters of space per occupant and ceilings in the room must be 2.1 meters (7 feet) high.
- Where legal regulations are not specified, a lockable space sufficient for all work and non-work items with at least .50 cubic meters storage per worker must be provided.
- Fresh potable drinking water must be available for occupants without restriction.
- Occupants are provided their own individual beds.
- Sleeping quarters have adequate lighting.
- Dormitory facilities are well ventilated. There are windows to the outside or fans and/or air conditioners and/or heaters in all sleeping areas for adequate circulation, ventilation and temperature control.
- A first aid kit must be provided in a visible, accessible location. Sufficient first aid kits must be maintained and restocked when needed. In addition, trained first aid personnel should be readily available during any 24 hour period.
- Sufficient and functional firefighting equipment must be provided in a visible, accessible location on each floor. In addition, fire drills should be conducted at least once a year so that residents are familiar with the evacuation procedures. In addition, trained fire fighting personnel should be readily available during any 24 hour period.
- Dormitories must have at least 2 unobstructed emergency exits per floor leading to a safe location.
- Exit doors must open outwards, be unlocked from the inside and require no special operation. Exit doors, exit routes, aisles and stairwells are kept clear and unblocked at all times.
- Dormitories must have an audible fire alarm that can be heard in all parts of the building.
- Dormitories must have emergency lighting installed in exits, hallways and stairways.
- All food service areas (i.e. kitchen, canteen, food preparing areas, etc.), floors, surfaces and equipment are kept clean and sanitary. Dormitories should provide a food preparation and serving area for meals.
- Food must be properly stored and handled in a sanitary fashion.

- Food service workers must have current health certificates.
- Canteen should be equipped with cooking stoves, mechanical refrigeration, sinks with hot and cold running water, and proper lighting and ventilation.
- Effective insect, pest and rodent control is required.

9. Environment

Suppliers should ensure that every manufacturing facility complies with environmental laws, including all laws related to waste disposal, air emissions, discharges, toxic substances and hazardous waste disposal. Suppliers must validate that all input materials and components were obtained from permissible harvests consistent with international treaties and protocols in addition to local laws and regulations.

In addition to meeting specific laws and regulations such as acquiring the necessary permits and approvals relating to waste disposal, air emissions, wastewater discharge, water use, energy conservation, Greenhouse Gases, hazardous substances, environmental impact assessment, land use, and noise pollution, Meiya expects its suppliers to be leaders in the implementation of measures for reducing air and water pollutants, energy and water usage, and waste. Suppliers should have an awareness of significant environmental aspects and impacts, both positive and negative.

Appropriate and adequate environmental training should be provided to all workers and management.

Specifically:

- Waste Management – Suppliers must ensure factories:
 - Obtain and maintain appropriate permits for onsite waste disposal as required by law.
 - Deliver hazardous waste for offsite treatment and disposal only to contractors licensed or permitted by appropriate competent authority (if any), which should be verified regularly.
 - Handle, store and transport hazardous waste in a safe and environmentally (secondary containment) sound manner to control any risks of environmental contamination.
 - Segregate hazardous and non-hazardous waste.
 - Maintain waste containers and labels in an appropriate condition.
 - Maintain waste inventory and tracking records, including the disposal and treatment of both on-site and off-site waste.
 - Conduct no on-site waste burning or uncontrolled waste land filling.
 - Employees should be provided appropriate waste management training, including the handling and segregation of wastes.

- Wastewater & Effluents Management – Suppliers must ensure factories:
 - Obtain and maintain appropriate permits for wastewater/effluents treatment and discharge, as required by law.
 - Conduct regular wastewater monitoring (sampling & testing), as required by law.
 - Strictly comply with wastewater/effluents discharge limits established by competent authorities.
 - Take necessary corrective actions in the event discharge limits are exceeded.
 - Have a drainage system in place to convey wastewater to treatment plant and/or final discharge points. A detailed layout or schematic of the drainage system should be available for review.
 - If applicable, maintain wastewater treatment plant in safe operating conditions to avoid risks to environment and/or human health.
- Air Emissions Management – Suppliers must ensure factories:
 - Obtain and maintain appropriate permits for air emissions as required by law.
 - Conduct regular air emissions monitoring (sampling & testing), as required by law.
 - Strictly comply with any applicable air emissions limits as required by law.
 - Take immediate corrective actions in the event emission limits are exceeded.
 - Maintain air emission control equipment on a regular basis.
 - Establish an inventory of sources related to air emission points.
 - Maintain an inventory of ODS (ozone depleting substances).
 - Seek to expand the inventory of ODS (ozone depleting substances) containment equipment.
 - Inspect and maintain ODS (ozone depleting substances) containment equipment to prevent the accidental release of substances.
- Water Management – Suppliers must ensure factories:
 - Obtain and maintain appropriate permits for water use / extraction as required by law.
 - Maintain data regarding water use consumption (e.g. water consumption data from water bills and meter readings).

- Energy use and GHG (greenhouse gases) management – Suppliers must ensure factories:
 - Meet applicable legal requirements in terms of energy use and GHGs emissions.
 - Obtain and maintain appropriate permits as required by law.
 - Set up energy use inventory (e.g. energy consumption data from energy bills and meter readings, fuel bills, gas bills, on-site transport) and conduct regular monitoring.
 - Maintain Greenhouse Gas Emissions (direct and indirect) inventory, as required by law.
- Land Use and Biodiversity– Suppliers must ensure factories:
 - Conduct Environmental Impact Assessment and submit the results to competent authority for review and approval as required by law.
 - Obtain and maintain appropriate permits for land use and facilities construction as required by law.
 - Meet applicable legal regulations regarding protected land.
- Environmental Management System – Unless otherwise required by the Law, Suppliers should encourage factories to:
 - Obtain and maintain an environmental legal register.
 - Adopt environmental policy.
 - Have a mechanism in place to monitor environmental laws and regulations changes to achieve compliance.
 - Appoint a member of management team for the coordination of environmental management activities and ensure he/she is properly trained.
 - Develop an emergency protocol to deal with environmental incidents. The emergency protocol should include emergency response plan, trained emergency team and regular drills.
 - Emergency Response Plan should be communicated to the local authorities, emergency services, and local communities as required by law.
 - Provide regular environmental training to impacted employees.

- Hazardous Substances Management / Soil & Ground Water Pollution Prevention – Suppliers must ensure factories:
 - Do not utilize banned chemicals.
 - Obtain and maintain appropriate permits for hazardous substances handling & storage as required by law.
 - Take appropriate measures to prevent & control any risks of environmental pollution from hazardous substances release, including the contamination of soil and groundwater.
 - Verify the existence of sensitive receptors (e.g. rivers, underground water, etc.) close to production facilities and implement special measures to prevent contamination where needed.
 - Maintain an inventory of hazardous substances used and stored, which should be maintained together with relevant up-to-date Material Safety Data Sheets (MSDS).
 - Provide employees with appropriate pollution prevention and response training.
 - Provide employees with appropriate hazardous substance handling training.
 - Report any pollution and hazardous substance incidents to the authorities as required by law.
- Noise Pollution – Suppliers must ensure factories:
 - Obtain and maintain appropriate permit for noise pollution as required by law.
 - Perform noise pollution assessments as required by law.
 - Conduct regular noise pollution monitoring as required by law.
 - Comply with noise pollution limits as required by law.
 - Take immediate corrective actions in the event the noise pollution limits are exceeded.
 - Have an understanding and awareness of nuisance levels from site activities and associated impacts (including odor, noise, visual and general housekeeping).
- Permissible harvests and origin of raw (input) materials:
 - Suppliers and factories should maintain inventory records and production records to demonstrate origin of incoming materials and place of production.
 - Factories must demonstrate through Chain of Custody documents (certifications) that raw materials (cotton, wood, etc.) were obtained from legal harvests consistent with international treaties and protocols in addition to local laws and regulations even if national regulations do not regulate harvests.

10. Gifts and Entertainment

Suppliers must be careful when offering gifts or entertainment to Meiya associates.

Suppliers may offer gifts, favors or entertainment to associates however our associates will have to report the incident.

Specifically:

- If Suppliers offer gifts or entertainment to Meiya associates or those working on behalf of Meiya, associates will have to report this information to management.. Gifts include but are not limited to:
 - Meals
 - Travel expenses
 - Money or the equivalent
 - Free goods
 - Tickets or access to events
 - Personal favors

11. Conflicts of Interest

Suppliers must not enter into transactions with Meiya associates that create a conflict of interest.

A conflict of interest may exist when personal interests interfere or appear to interfere with business interests. Suppliers must not enter into transactions with a Meiya associate that could create the appearance of impropriety between a Meiya associate and the supplier. Even the appearance of an improper relationship between an associate and a supplier could be detrimental to Meiya's business interests.

12. Anti-Corruption

Suppliers must not tolerate, permit, or engage in bribery, corruption, or unethical practices whether in dealings with public officials or individuals in the private sector.

Meiya believes in fair, free, and open markets.

Specifically:

- Suppliers may not promise, offer, or pay anything of value to a government official or political party to obtain or retain business or secure an improper advantage on behalf of Meiya.

- Suppliers may not promise, offer, or pay anything of value to any business or individual in the private sector to obtain or retain business or secure an improper advantage on behalf of Meiya.
- Suppliers must at all times comply with the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Statute.

13. Financial Integrity

Suppliers must keep accurate records of all matters related to their business with Meiya in accordance with standard accounting practices such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

Suppliers must keep accurate financial records. All financial transactions should be maintained using standard accounting practices. Financial records must be available for pre-arranged and unannounced audits by Meiya or authorized third party representatives.

Section B: Supplier's Obligation

Pursuant to the Supplier Agreement between the Supplier and Meiya, Suppliers and their designated factories and subcontractors' factories must meet the obligations as articulated below:

LEGAL COMPLIANCE; ETHICAL, SOCIAL AND ENVIRONMENTAL STANDARDS

- (a) Supplier agrees to comply with all laws and regulations of the jurisdictions in which the suppliers and the factories produce Merchandise for sale. Supplier shall ensure through self-audits, third party audits or approved certifications programs that all factories, including subcontractors' factories, are in compliance with all laws and regulations. In this section, the term "supplier(s)" shall include all manufacturing, subcontracting and packaging facilities, all of which will be held to these Standards.
- (b) Supplier agrees to comply with all of the obligations as outlined in the ethical and environmental Standards for Suppliers Manual "Manual" including the Standards for Suppliers "Standards" as may be amended from time to time by Meiya. Meiya reserves the right to cancel any outstanding Order, refuse any shipments and otherwise cease to do business with Supplier, in addition to any other remedies available at law or described in the Manual, if Supplier fails to comply with any terms of the Standards or if Meiya reasonably believes Supplier has failed to do so.
- (c) Suppliers supplying Merchandise may be subject to announced and unannounced audits and/or verification audits by Meiya and its third party service providers. Supplier shall cooperate with such audits. Supplier shall provide all reasonable assistance for the safety and convenience of auditors and inspectors in the performance of audits including providing adequate working area at the production facilities. The payment responsibility for the audit charges is defined in Part II, Section D of this Manual.

Suppliers must disclose all factories, and any subcontractors and any entity involved in the supply chain producing merchandise for sale by Meiya as defined in Part II, Section A and B of this Manual. Suppliers must have internal controls to ensure all compliance obligations are met. Meiya will determine the appropriate type of audit (self audits or third party audits) and the acceptable certification program if applicable. To validate compliance with the Standards and to verify that suppliers have met their obligations, Meiya will conduct unannounced and/or verification audits through its Ethical Sourcing Group or through third party service providers. Suppliers will be responsible for all costs associated with the audit.

It is the objective of Meiya to favor those suppliers that share Meiya's commitments. Suppliers and their factories are expected to remediate all identified issues and to maintain records of their corrective action plans.

Section A: Vision, Program Overview & Audit Scope

Section B: Factory Disclosure

Section C: Monitoring Programs

Section D: Audit Process

Section E: Validation Audit

Section F: New Factory On-Boarding

Section G: Assessment Results and Consequences

Section H: Supplier Development Program

Appendix 1: Glossary

Appendix 2: Meiya Approved 3rd Party Audit Firms and Contacts

Section A: Vision, Program Overview & Audit Scope

Vision

“Building a socially and environmentally responsible supply chain by monitoring and strengthening working conditions, community impacts, and environmental practices in the supply chain.”

Program Overview

Even though there is only one set of Standards, the execution of the Ethical Sourcing program is based on whether the supplier is a direct import supplier or a domestic supplier:



Audit Scope

Ethical Sourcing Audits are required in manufacturing facilities, including all subcontracting and packaging facilities, and fresh product packing facilities, producing merchandise for Meiya, its subsidiaries and affiliates that falls in one or more of the below categories:

NOTE: *Meiya, its subsidiaries, and affiliates (“Meiya”) encompasses all formats in all retail markets including all of Meiya’s web property brands, retail distribution direct and 3rd party relationships.*

- Direct import merchandise where Meiya is the importer of record (all products).
- Meiya owned brands.
- Meiya’s proprietary brands.
- Merchandise branded with a mark and/or logo registered and/or trademarked by Meiya.

- Merchandise associated with Meiya through labeling such as “distributed by/marketed by/manufactured for Meiya”.
- Brands exclusive to Meiya (whether by exclusive license or exclusive supply arrangement with a trademark owner).
- Merchandise where no brand identification is referenced is considered "non-branded".

NOTE: When a supplier or contractor of Meiya pays another company to do the work that Meiya has paid the primary supplier/contractor to provide, this is subcontracting. Ethical Sourcing audits will be conducted at subcontracting facilities if the factory is:

- Producing finished merchandise where substantial manufacturing occurs to render the product a finished article of commerce ready for consumption.
- Producing part/component of a product containing a Meiya private label or proprietary brand logos
- Producing a major component of finished product that could be sold independently
- Further handling merchandise containing Meiya private label or proprietary brand logos (i.e. washing, embroidery, etc.)
- Producing packaging material containing Meiya private label or proprietary brand logos

It is the responsibility of the supplier to disclose all such subcontractors used for Meiya merchandise

Section B: Factory Disclosure

Pursuant to Meiya’s Supplier Agreement, certain suppliers, as identified below, must disclose all factories and subcontractors producing merchandise for sale by Meiya. Suppliers of merchandise which are imported by Meiya or through the Global Sourcing Division must disclose all factories and subcontractors producing the Meiya merchandise; however, suppliers of domestically sourced merchandise whether produced in-country (domestically produced) or imported must disclose factories and subcontractors for private label, non-branded merchandise, and where the merchandise is subject to a licensing agreements requiring such audits.

Disclosure required:

- All merchandise imported by Meiya.
- All merchandise sourced through the Meiya Global Sourcing Division.
- All domestically sourced Private Label or Non-Branded merchandise whether produced in-country (domestically produced) or imported by a party other than Meiya.
- All merchandise subject to licensing arrangements.
- All merchandise with brands exclusive to Meiya (whether by exclusive license or exclusive supply arrangement with a trademark owner).
- All packing materials with printed logos or brands that are exclusive to Meiya.

NOTE: See Glossary for definition of subcontracting facility

The disclosure of factories is an essential element for facilitating Ethical Sourcing social and environmental audits. Pursuant to the Supplier Agreement, it is the responsibility of suppliers to

disclose factories producing merchandise for sale by Meiya. All Factories must be disclosed by suppliers using the Direct Connect Factory Audit System. To access the Factory Audit System:

[Log on to SuiteCRM](#) ➤ [Click on Site Map](#) ➤ [Click on Alphanumeric view](#) ➤ [Click on Vendor Support](#) ➤ [Application](#) ➤ [Supplier Dashboard](#)

[Log on to SuiteCRM](#) ➤ [Click on Site Map](#) ➤ [Click on Alphanumeric view](#) ➤ [Click on Factory Audit Service](#) ➤ [Dashboard](#)

Follow either of the above paths for complete instructions regarding the Factory Audit System and the process for submitting various requests. The help documentation on Factory Audit System can be found under “Supplier Help Document” once the [Supplier Dashboard](#) is accessed.

Once the application is accessed, suppliers can:

- Disclose a factory.
- Submit a request to correct factory information, i.e. name change, address change, contacts, etc.
- Submit a request to Inactivate a factory – Keeps the factory attached to the supplier while an audit is not required due to lack of Meiya production during the inactive period.
- Submit a request to Reactivate a factory – Triggers an ES audit due to Meiya production.
- View factory audit history – visibility to the audit schedule, audit rating, etc.

Please contact the Netsuite Help Desk mentioned below by location if your vendor id is not showing in the Factory Audit System by sending an email to vendors@meiyagroup.com. Phone support will be provided for the below listed country by beginning of third quarter 2014:

- Brazil:
- China:
- Mexico:
- United Kingdom:
- US, PR, Canada:
- Hong Kong:
- France
- Japan:
- Global Sourcing Guangzhou: global@Meiya.com

The Ethical Sourcing initial audit process must be set in motion by suppliers. It is the responsibility of the supplier to ensure that the factory is audited on the appropriate due dates. The audit process will begin after payment is collected by Meiya approved 3rd party audit firms.

Section C: Monitoring Programs

In an effort to promote efficiency in the supply chain and support global initiatives, Meiya is currently participating in the following programs by accepting the audit results in lieu of conducting its own audits. However, Meiya retains the right to conduct verification and investigation audits in order to assess for itself the working conditions in a factory.

- **Better Work Programs – Cambodia, Vietnam and Jordan**

In 2001, the International Labor Organization (ILO) established the “Better Factories Cambodia” program to monitor working conditions in Cambodia’s export garment industry. Through the partnership of ILO and the International Finance Corporation (IFC) the “Better Work” program was launched in 2007. Better Work builds on the experience gained by the Better Factories Cambodia project in raising labor standards and competitiveness.

The Better Work program is currently implemented in the export garment industry of Cambodia, Vietnam and Jordan. Currently, Meiya accepts Better Work audits for apparel factories in these three countries. Better Work is also in the process of rolling its program out to the export garment industry in Haiti, Lesotho, and Nicaragua. Once these programs are implemented, Meiya will begin accepting Better Work Audits for Haiti, Lesotho, and Nicaragua. Please visit www.betterwork.org for more information.

Please contact your Meiya Sourcing Representative for more information to initiate a Better Work (ILO) audit. Your Meiya Global Sourcing Contact can be accessed by sending an email to: vendor@HDPProfessional.net with subject heading GLOBAL SOURCING CONTACT.

- **ICTI (The International Council of Toy Industries)**

After careful consideration of the ICTI (The International Council of Toy Industries) Care Process during 2012, Meiya Ethical Sourcing (ES) decided to accept the ICTI program and the work product of ICTI audits in lieu of our own internal audits by Meiya. However, Meiya retains the right to conduct verification and investigation audits on an unannounced basis.

The ICTI CARE (Caring, Awareness, Responsible, Ethical) Process is the international toy industry's ethical manufacturing program, aimed to promote ethical manufacturing, in the form of fair labor treatment, as well as employee health and safety, in the toy industry supply chain worldwide. Please visit www.toy-icti.org for more information.

Please contact the your respective Ethical Sourcing representative for more information to initiate an ICTI audit.

Section D: Audits

All audits (initial or follow-up audits) conducted by agents of Meiya (Third Party Service Providers, or Meiya representatives directly), include at minimum the following components:

1. Audit Request Process
2. Pre-Audit Questionnaire
3. Scheduling
4. The Audit
5. Audit Report Assessment Definitions and Management Process
6. Communication

1. Audit Request Process

The audit process begins with the disclosure of the factories and subcontractors by the suppliers through Direct Connect or email directly to your sourcing representative.

The Ethical Sourcing social and environmental initial audit process must be set in motion by suppliers. A Direct Connect or direct email initial audit request for the factory must be completed by suppliers at least 15 days prior to the ship date. Factory audits should be completed no less than 15 days prior to the ship date. It is the responsibility of the supplier to ensure that the factory is audited on the appropriate due dates. Once the online audit request has been processed by the appropriate Global Sourcing team located locally or regionally, or by a direct Meiya representative who will visit the locale, the audits are assigned to the respective 3rd party audit firms or sent in-house for completion.

2. Pre-Audit Questionnaire

Pre-Audit Questionnaire is a set of questions sent out by Meiya or the third party audit firm that must be completed by each factory in order to provide an overview of the factory and their internal controls prior to the audit.

3. Scheduling

Audits are assigned to an internal Meiya representative or the respective 3rd party audit firms for scheduling once the online audit request has been approved.

All follow-up audits including Green follow-up audits are being conducted unannounced. Audit firms are instructed to collect the required audit fees 60 days prior to the audit due date, but the exact audit date will not be disclosed to the factory and/or supplier in order to maintain the integrity of the unannounced audit. Suppliers are to remit applicable audit fee within 5 working days to the respective audit firm once the audit firms have initiated the payment collection process.

For scheduled audits, all attempts will be made to agree on a date that is convenient for the factory by the audit firms. If the factory does not respond in a timely manner regarding the scheduling of an audit, an “access denied” will be issued. If a factory attempts to postpone an audit for other than reasonable obstacles (reasonable obstacles include but are not limited to acts of nature, labor strikes, political unrest) an “access denied” will be issued. “Access Denied” is discussed more in detail later in this section.

All subsequent follow-up audits are unannounced.

4. The Audit

The audit is the evaluation process conducted by an auditor in order to determine compliance with the Standards. Audits are conducted by either Meiya internal auditors or by Meiya approved 3rd party audit firms (see Appendix II for the list of approved firms).

The audit process will include the review and verification of the following which are discussed below:

- A. Opening meeting
- B. Factory tour
- C. Employee interviews
- D. Document review
- E. Closing meeting & Signing of the onsite report
- F. Reporting the Audit

A. Opening meeting

At this stage, the auditor will verify the factory's business license. The opening meeting is typically focused on formal introductions, which should include but is not limited to factory management, health and safety representatives, environmental representatives, and human resource representatives. The Meiya Gifts and Gratuities Policy is also covered during the opening meeting.

B. Factory tour

Once the opening meeting is concluded, the auditor will conduct a factory walk-through. Typically, the auditor conducts the walk-through with minimal assistance from factory management. Minimal oversight allows the auditor to perform the audit in the most efficient way possible. Time allocated to this portion of the audit varies substantially depending on the size of the factory.

Auditors will speak with factory employees briefly on the production floor, and ask questions regarding the operation of machinery as well as other issues related to Meiya Standards for Suppliers. Dormitories and canteens will also be part of the audit process where applicable. Additionally, auditors may measure spaces, test fire equipment and other equipment under controlled conditions, as well as checking general maintenance records.

C. Employee Interviews

Employee interviews are accepted as an industry standard in assessing code of conduct (Standards for Suppliers) issues. Meiya considers the input of employees an integral component of the audit process. Findings and observations are verified through such interviews.

Employee interviews are conducted away from the production floor in a private area. Factory management should provide a private room. Under no circumstance are employee interviews conducted with factory management or their representatives present.

Depending on the size of the factory's workforce, 5% of the workers (minimum of 5 and a maximum of 20) are interviewed. The sample size may be extended based on observations and findings during the audit. Interviewees should be representative of all genders as well as the

departments present in the factory. It is preferred that employees selected for the interviews are in key production positions. Typically, auditors will identify individuals to be interviewed during the walk-through of the factory and through observations identified in the document review portion of the audit.

D. Factory document review

All audits will include a document review of at least 3 months to 1 year of records and will always include the review of compensation and labor hours. The same sample size protocol used for Employee Interviews will also apply to the document review portion of the audit.

Any supplier that fails or refuses to comply with these standards or does not allow inspection of production facilities and related documents is subject to immediate cancellation of any and all outstanding orders, refusal or return of any shipment, and termination of the business relationship with Meiya.

E. Closing meeting & Signing of the onsite report

The audit findings are summarized in a closing meeting with the factory management and all other representatives who participated in the opening meeting. Auditors are required to compile an onsite report consisting of violations observed during the audit process and recommendations to remedy the violations.

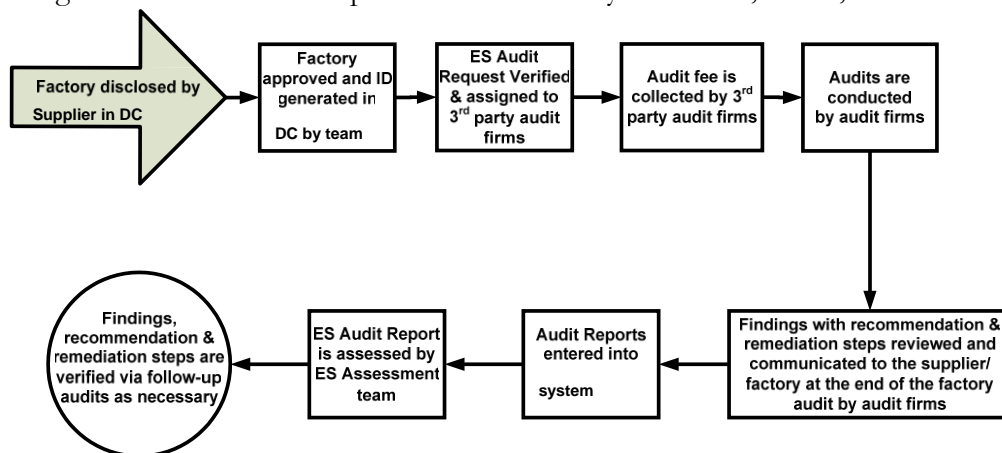
During the closing meeting the auditor will discuss the identified issues and the recommendations to remedy the violations observed and documented in the onsite report. Signatures by factory management and the auditor will be required on the onsite report. This will ensure that the factory management has a record of the acknowledged identified issues and recommendations.

Factory management will be expected to address all identified issues as noted and agreed upon in the onsite report. The auditor will validate the actions taken during the follow-up audit.

F. Reporting the Audit

A comprehensive audit report is sent to Meiya detailing all of the findings identified by the audit firm to facilitate the assessment of the factory.

The following chart summarizes the process of the factory disclosure, audits, and assessments.



Section E: Validation Audits

Validation audits are conducted by designated Meiya Ethical Sourcing associates to ensure that our approved 3rd party audit firms are conducting consistent and thorough audits per Meiya protocols.

The Ethical Sourcing associates will follow the same audit protocol as our approved 3rd party audit firms, including choosing the same workers for the interviews, selecting same set of records, etc.

Validation audits are conducted on an announced basis and require the factory's assistance to compile all of the documents needed to validate the previous audit. If any additional high risk findings are found during the validation audit, these will be discussed with the factory for remediation purposes.

The validation audit is not visible to Suppliers and is subject to being counted towards the factory's assessment history at Meiya's discretion if high risk issues are identified.

Section F: New Factory On-Boarding

Direct Import Suppliers:

Factory Prequalification will be required for factories of suppliers managed by Meiya Global Sourcing (MGS) where Meiya is the importer of record. The factory must pass the following three audits in order to be eligible for Meiya production and prior to order commitment:

- Ethical Sourcing Audit (must receive a Yellow or Green assessment).
- Security Audit.
- Factory Capability & Capacity Audit (FCCA).

The Factory Prequalification process applies to the following factories for Direct Import Suppliers:

- All "NEW" factories.
- All expired and Inactivated Orange, Yellow and Green factories.

NOTE:

- Production must not begin until after the factory has passed the prequalification process.
- Security and FCCA Audits are not managed by Ethical Sourcing. Information regarding these audits may be found through the Retail Link Site Map under "Global Supply Chain Security" and "PreQualification".
- Factories through Meiya Global Sourcing (MGS) that do not pass the prequalification process for Direct Import will also be ineligible as a factory for domestic import supplier. This applies to all retail markets.

Domestic Suppliers:

- All "NEW" factories for Domestic Suppliers may be required to receive a Yellow or Green audit assessment before order commitment. This will be at the discretion of the respective merchandising and sourcing organization.

Section G: Assessment Results and Consequences

Factories are audited to monitor the working conditions where the merchandise sold to Meiya is produced and that the factory and/or supplier have met the Meiya Standards for Suppliers. Once a factory is inspected and audited for compliance with the Standards, an assessment rating is assigned. A number of factors are taken into consideration when assigning an assessment rating such as the frequency of the problem and whether the issues is an isolated occurrence, the potential severity of the problem, the probability of recurrence, and the management systems in place. There are a total of four types of assessment ratings; each audit report requires at least two levels of assessment reviews for the ratings (green, yellow, orange or red) assignment. Three levels of assessment reviews are required for all high risk findings and are handled by the ES Governance team located in San Jose, California. Each assessment has certain elements as discussed below:

GREEN

- Factories are assessed as “Green” if no or low-risk violations are observed by the auditors.
- Orders are released for shipment.
- Future orders may be placed at the factory.
- Green Follow-up audits will be conducted **two years** from the Green audit date if the factory is still producing merchandise for sale by Meiya.
- Meiya reserves the right to conduct unannounced audits periodically during the two year period.

YELLOW

- Factories are assessed as “Yellow” if the violations and/or conditions observed were deemed to be medium risk.
- Orders are released for shipment.
- Future orders may be placed at the factory.
- Factory will be re-audited within **one year** from the last audit date.

ORANGE

- Factories are assessed as “Orange” if the violations and/or conditions observed were deemed to be high risk.
- Orders are released for shipment.
- Future orders may be placed at the factory, but is subject to the discretion of the merchandising and sourcing organization.
- Factory will be re-audited within **six months** from the last audit date.

ORANGE AGE VIOLATION

- Factories are assessed as “Orange-Age Violation” if the violations observed are related to hiring practices where the age of the worker is at issue.
- Factory will be re-audited within 30 days to ensure remediation, regardless of the production status for Meiya.

NOTE: Receiving a Green, Yellow or Orange rating does not guarantee that a supplier will receive an order from Meiya. Purchase Order placement is determined by a variety of factors (Ethical Standards, Quality, On-Time Delivery, etc.) considered by the Merchandising Organization.

RED

Factories are assessed as “Red” if the violations and/or conditions observed were deemed to be serious, including but not limited to child labor, underage labor, forced labor, unsafe working conditions, falsified documents, access denied, three orange assessments in two years, etc. There are several types of these “Red” assessments, i.e. Red- Failed, Red –Disapproved, Red - Access Denied, etc.

Red–Failed

The “Red-Failed” assessment is used in instances where a supplier is found to be in violation of any legal regulations or any Meiya Standards such as child labor, underage labor, forced labor, unsafe working conditions, or transshipment of merchandise for sale by Meiya.

- Factories are rated “Red-Failed” if the violations and/or conditions observed were deemed to be serious.
- The factory has violations related but not limited to child labor, underage labor, forced labor, prison labor, corporal punishment, illegal transshipment, discrimination, human rights abuses, bribery, and/or unsafe hazardous working conditions.
- Existing orders are cancelled.
- All production orders not shipped are cancelled.
- Future orders will not be placed with this specific factory.
- Where a factory is rated “failed,” the supplier will receive a strike as defined in the “3 Strikes Policy.”

NOTE: Meiya reserves the right to issue a Red-Failed assessment and/or a Strike at its discretion.

Red -Disapproved Process

"Disapproved" is a reason type for a Red assessment. Primarily, it is designed to manage suppliers/factories that do not comply with the new ES process and its requirements. This status works as a holding point where non-compliant and/or uncooperative suppliers/factories are placed.

Reasons to receive a Red – Disapproved assessment

- When a factory receives a total of 3 Orange assessments within 2 years from the last audit date:
 - These assessments could be consecutive and/or combination of 3 Orange assessments.

Execution of the Red - Disapproved Process

- Number of Orange assessments will be counted by going back 2 years into the history from the last audit date.
 - Orange Age Violation will not be included in the total count of orange assessments.
- Supplier/Factory & Merchant/Buyer will be notified of their 2nd Orange rating.
- If a factory receives a third Orange assessment within a two year period, the factory will be placed in “Red - Disapproved” status for 1 year from the last audit date.

Consequences for a Disapproved Factory

- No new/future order (s) may be placed with the factory for a minimum of one year from the date the factory was audited.

- Existing orders are allowed to be produced and shipped for all Purchase Orders (POs) that have a PO ship date equal to or less than 180 days from the last audit.
 - PO's that have a ship date greater than 180 days are cancelled.
 - The ship date for such PO's cannot be changed to fit into the accepted ship window of 180 days.
- Orders may not be placed while the factory remains disapproved.
- If it is found that there is production in a factory that is not currently approved by Ethical Sourcing, the supplier will be in violation of the Standards and could jeopardize its business relationship with Meiya.
- Future orders will not be placed until factory is removed from “Red – Disapproved” status.

Removal from “Red - Disapproved” STATUS

- Factory must resolve the issues which caused it to be “Disapproved.”
- Supplier must submit an “Audit Request” to the Ethical Sourcing team no sooner than 30 days prior to the date when business is scheduled to resume.
- The factory must have a FULL scope audit with the result of “**yellow**” or “**green**” rating prior to the orders being placed.
- Document review will involve at least 3 months and up to 1 year of records.
- If a factory does not receive a Yellow or Green assessment, it will remain “Disapproved.”
- Supplier is responsible for all fees associated with each audit.
- Meiya encourages suppliers to develop and improve their factory base to meet Meiya Standards for Suppliers.

Red - Access Denied -Right of Inspection

“Access Denied” is a reason type for a Red assessment. The Supplier Agreement for Meiya Stores, Inc. stipulates that all suppliers will provide access to their production base to ensure that the each facility complies with the Supplier Standards for Meiya Stores, Inc.

The following are some examples of “Access Denied”. They are meant to provide a basic understanding of how Meiya views “ACCESS DENIED/RIGHT OF INSPECTION” issues in relation to the Meiya Supplier Standards.

Examples:

- The auditor was allowed to inspect all of the facility but was not allowed to check the documentation or dormitories.
- The inspection was arranged through the factory management/supplier and entry to the factory was refused upon arrival without any valid explanation.
- When factory management states that only one unit within a compound produces Meiya merchandise but workers from other units are observed working in a so-called “dedicated” facility. The entire factory (each building) is to be audited.
- Factory management refuses to provide related records, stating those records have been sent to another country/office or the person in charge is on leave, etc., hence, the factory is unable to provide the required information.
- The factory may state that the appropriate authorizing individual is unavailable despite prior notification of this audit by Meiya.
- The factory fails to provide personnel information for the workers.

Due to the fact that Meiya Suppliers are advised of the audit requirements at the time they sign the Supplier Agreement and all Meiya suppliers are provided with an ES Supplier Manual, Meiya suppliers are deemed to be aware of the documents that are required for an audit. If an auditor is denied access to a factory, dormitories or relevant documentation, which includes payroll documents, time cards, contracts, worker interviews, etc. for inspection, the consequences are severe.

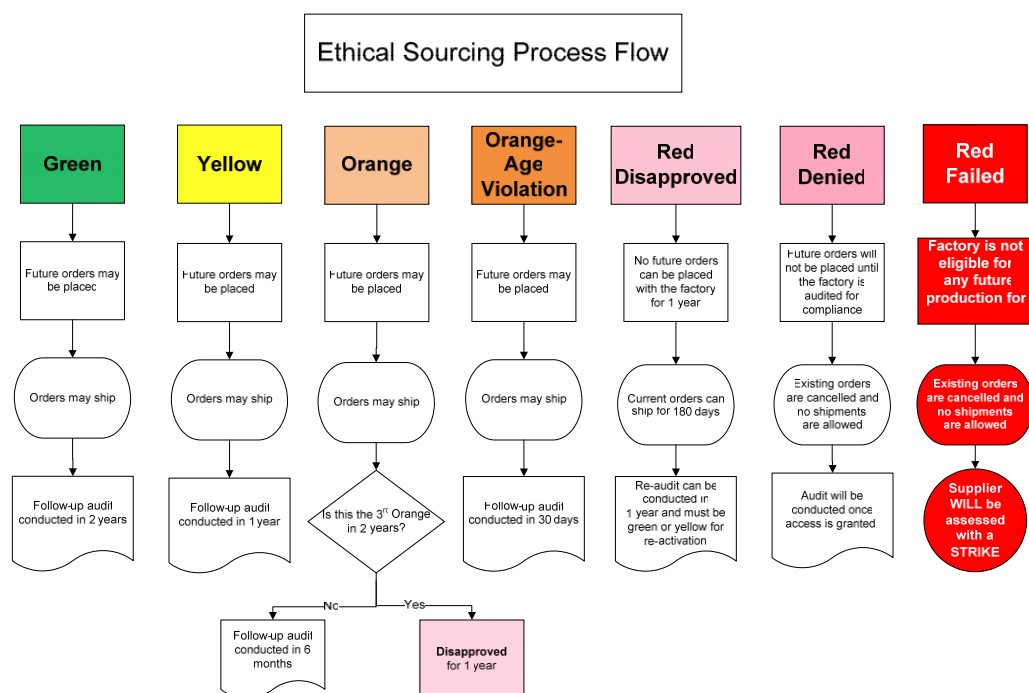
Consequences for “ACCESS DENIED/RIGHT OF INSPECTION”

- The factory will receive a Red – Access Denied assessment.
- All Purchase Orders (POs) will be cancelled.
- Future orders will not be placed until the factory is audited for compliance.
- No shipment will be allowed.
- All production not shipped may be cancelled.
- Factory can be reactivated upon an audit request submitted via Retail Link and a re-audit by using a 3rd party audit firm with acceptable audit results.
- Once the POs are canceled for the specific factory, the POs CANNOT be reinstated. New POs have to be created for the supplier’s factory if business (production) is to resume.
- If “Access Denied” is issued, there will be no refund of any portion of the fees.

Removal from “ACCESS DENIED/RIGHT OF INSPECTION” status

- An Audit can occur any time the supplier / factory is ready. There is no time limit on “Access Denied”.
- The supplier will be responsible for all associated audit fees.
- Business may resume as soon as the factory has received an acceptable rating (green, yellow, or orange).

An overall process flow for our color coded assessment is provided below:



Communications

A formal letter containing the factory audit report assessment, audit findings, expectations for production, shipments, and remediation expectations are communicated to the supplier and to all involved Meiya merchants. Any questions or concerns regarding the audit findings, report assessment or remediation expectations should be directed toward the respective ES team.

Ethical Sourcing “3 Strikes Policy”

Consistent with Meiya policy and practice of conducting its business activities at the highest ethical level, Meiya expects its suppliers to share and adopt its commitment to comply with all laws and regulations, wherever promulgated, as they relate to human rights, labor, environment and international trade. In instances where a supplier is found to be in violation of any legal regulations or any Meiya Standards such as child labor, underage labor, forced labor, unsafe working conditions, or transshipment of merchandise for sale by Meiya, the involved supplier will be deemed to have engaged in non-compliant production and is in breach of the Meiya Supplier Agreement and the supplier will be subject to sanctions up to and including the termination of its business relationship with Meiya. Non-compliant production means merchandise is produced under one or more of the following conditions as of the date the violation is identified:

- Child labor is defined as the assembly/manufacturing of merchandise by workers under the age of 14.
- Underage labor is defined as the employment of workers below the minimum age specified by laws in the country where the factory is located.
- Forced labor is defined as the assembly/manufacturing of merchandise by workers confined against their will within a compound and without compensation.
- Unsafe working conditions are defined as conditions in a place of production where a reasonable person would deem the conditions as posing a direct risk of serious bodily harm or documented long-term health risk to a person working under the observed conditions.
- Transshipment is defined as merchandise produced in Country A, shipped to Country B and identified as a product of Country B, and then imported into Country C for consumption as a product of Country B.
- Production in an undisclosed factory is defined as Direct Import, private label and/or non-branded merchandise that is produced in a primary or subcontracting factory that has not been fully and accurately disclosed and audited per Meiya’s Standards.

The above examples of non-compliant production are not exhaustive, and therefore, it is the responsibility of each supplier to ensure that it is at all times compliant with all relevant laws and regulations with respect to merchandise produced for or sold to Meiya. A supplier with production identified as non-compliant will be notified in writing of the violation(s) and will be assessed the following sanctions:

FIRST STRIKE: All current and future orders with the supplier's factory will be cancelled. Non-compliant products in production or unshipped from the violating factory will be rejected. Violations will be recorded on a supplier's matrix for two years from the audit date.

SECOND STRIKE: A second instance of non-compliant production by the supplier within two (2) years of the initial violation will result in the cancellation of all current and future orders, and all non-compliant products in production or unshipped will be rejected for the violating factory. The supplier, at its own expense, will be required to undergo an unannounced Ethical Sourcing audit conducted by a Meiya approved third party audit firm, for all factories that the supplier utilizes for Meiya production in the country with the affected factory and, if in a different country than the first strike, all factories in the country where the first strike occurred.

During the third party audit process, all active factories in the affected countries for the supplier could continue to produce, ship, and receive orders from Meiya. The Supplier's factories must receive an acceptable audit assessment for all 3rd party audits. Green, Yellow, or Orange assessments are considered as acceptable assessments. However, if the audit results in an Orange assessment and the Orange assessment is the 3rd Orange assessment in two years for that factory, the factory will be assessed as "Red – Disapproved". In such instance, the impacted factory will be "Disapproved" for one year according to the "Disapproved" process. Orange – Age Violation is NOT considered as an acceptable assessment.

THIRD STRIKE: If at any time Meiya, at its sole discretion, determines that a pattern and practice of non-compliance exists, Meiya will terminate its business relationship with a supplier. All current and future orders for the supplier in violation of this policy will be cancelled. Non-compliant merchandise in production or unshipped will be rejected.

NOTE: Multiple instances of non-compliance of the same Standard may, at Meiya's discretion, be treated as individual offenses and result in multiple and simultaneous strikes. This may also result in Meiya terminating its business relationship with a supplier.

Section H: Supplier Development Program

A proactive approach for developing social and environmental responsibility in the supply chain

Purpose of program:

The Supplier Development Program equips business-nominated suppliers with systems and tools needed to proactively develop socially and environmentally responsible practices in their supply chain.

Nominated suppliers have proven to be strong, results-oriented business partners with whom Meiya intends to strengthen relationships.

Participants:

Individual Meiya retail markets and Global Sourcing teams nominate suppliers to participate in the program. In retail markets, senior merchants are responsible for the identification and nomination of select suppliers for participation in the Supplier Development Program. In Global Sourcing, the sourcing director nominates suppliers for participation.

To nominate a supplier, send e-mail to ethicalstandards@meiyagroup.com

Program Content:

Aimed at select suppliers and factories within their supply chain, the program curriculum takes a holistic approach to social and environmental responsibility, focusing on proven ethical sourcing management systems. Through improvements in policies, procedures, and practices, suppliers and factories benefit in:

- Recruiting, selecting, hiring, and training workers
- Managing wages, benefits, production, and work hours
- Rewarding and promoting workers
- Communicating and relating with workers
- Aiding workers maintain standards of behavior
- Managing harassment and abuse
- Managing environmental impacts

Becoming an Ethical Sourcing Supplier Development Graduate:

Suppliers will be designated as Ethical Sourcing Supplier Development Graduates upon completion of the program. To succeed, suppliers must demonstrate they have the ES systems, people, and processes in place to responsibly partner with ES in managing their factories. Suppliers who complete the program will take ownership and provide accountability of all their social and environmental responsibility programs. They are eligible to partner with ES and largely self-managed factories, while maintaining the option of using a third-party audit firm.

The program provides suppliers info and tools to monitor approved factories enabling them to:

- Recognize and anticipate challenging working conditions and environmental standards
- Remediate root causes and implement sustainable solutions for social and environmental challenges

- Proactively develop strong ES management systems and policies (e.g., strong hiring procedures to screen out the risk of underage labor)
- Improve factory working conditions and dormitory standards

In order to maintain the status of an Ethical Sourcing Supplier Development Graduate, suppliers will provide:

- A self-assessment every 6 months for ES review
- A formal third-party validation audit every two years

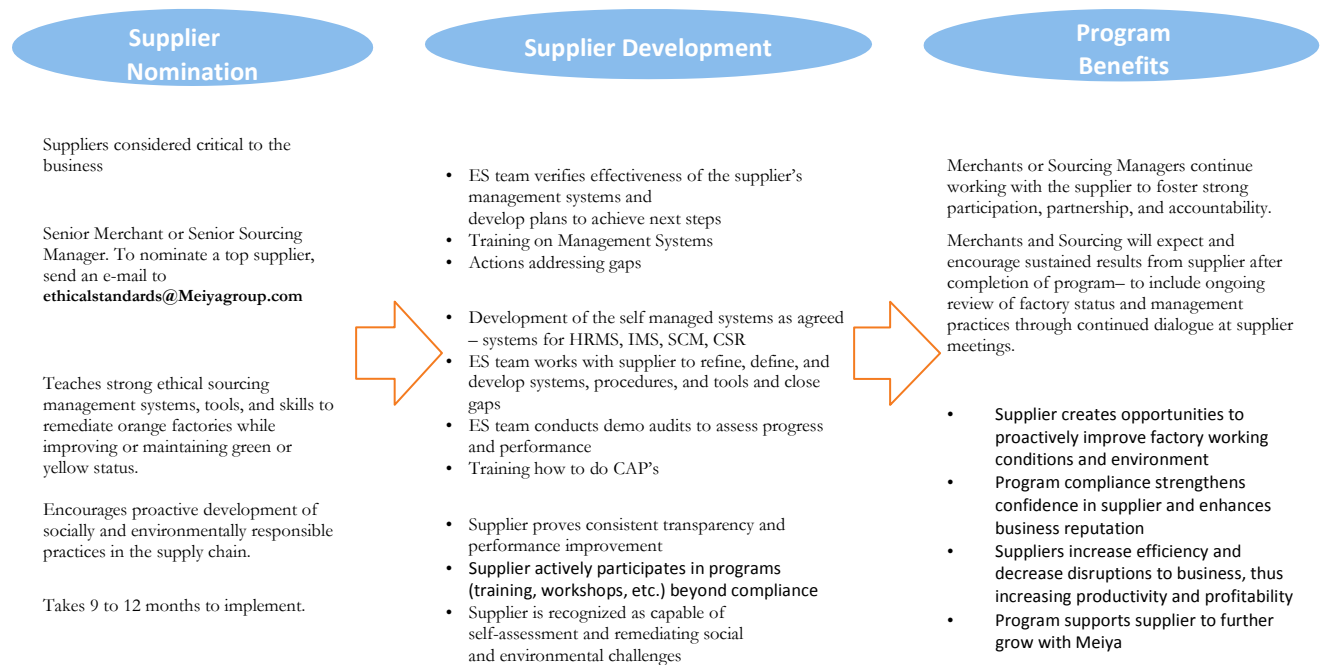
A sample of submitted self-assessments will be validated through unannounced audits by the Meiya ES team to ensure adherence to ES standards.

Program benefits:

- Buyers will have added confidence in the performance capability of supplier
- Proactive improvement of factory working conditions
- Enhanced reputation with Meiya and other customers
- A more satisfied workforce
- Enhanced worker loyalty and retention

We expect our suppliers to uphold our values in complying with our Ethical Sourcing standards, and to teach their factories to uphold effective practices and processes. Together we are building a supply base for the next generation Meiya.

Ethical Sourcing Supplier Development Program Summary



Becoming an Ethical Sourcing Supplier Development Graduate



Appendix 1: Glossary

Meiya: Meiya and its subsidiaries wherever located.

Assessment: The results of an audit that is evaluated by the ES team and assigned an assessment color which determines the various results regarding the frequency of future audits and the status of future production and shipments.

Audit: The evaluation process conducted by an auditor in order to determine what, if any, violations are present in the factory.

Auditor: The person(s) performing the audit that is evaluated by the ES team and assigned an assessment color which determines the various results regarding the frequency of future audits and the status of future productions and shipments.

Audit Request: Audit Request is submitted online on Direct Connect which consists of supplier and factory information; Audit Requests are also used to notify ES team that a factory requires an initial audit. The Ethical Sourcing system tracks all follow up follow-up audits.

Benefits: Compensation paid to employees in addition to remuneration (wage/salary). Benefits can be classified as legal when stipulated by labor or federal agencies such as overtime, holiday or vacation pay. Companies can also provide voluntary benefits, which are not required by law, such as tuition reimbursement or food baskets.

Child Labor: The employment of very young workers under the age of 14 years.

Coercive Behavior: Any behavior that threatens or pressures individuals to work against their will. This can be direct or indirect.

Compliance: Following or meeting the obligations of a rule, agreement or guideline.

Continuous Improvement: Labor, health & safety, and environmental issues that can be improved in the factory for the well being of workers and/or betterment of its reputation or management practice.

Examples of continuous improvement include operating permits (if company has already applied for them), establishment of company policies on hiring practices, etc., records documentation, health & safety issues such as PPE, chemical storage, first aid, machine guarding, signage, etc.

Contract Workers: Workers who are hired for a specific period of time to conduct a certain kind of work as described and agreed to on the basis of a contract. In some parts of the world contract workers are taken into a second country under a labor contract that may not provide the workers with the same rights as the local workers. For example, the contract may prohibit the worker from quitting his/her job and seeking work at another facility.

Corporal Punishment: Any disciplinary practice that involves bodily contact or harm, or the threat of bodily harm.

Direct Import Supplier: Direct Import Suppliers are entities or individuals that sell imported merchandise (where Meiya is the importer of record) to Meiya in any retail market (retail country).

Disapproved: Disapproved is the status assigned to suppliers/factories that do not comply with the Ethical Sourcing Program and its requirements. The Disapproved status operates as a holding place where non-compliant and/or uncooperative suppliers/factories are placed.

Disciplinary Practice: Actions used by managers or supervisors to change the behavior of employees.

Discrimination: Practices that use religion, sex, ethnicity or national origin, disability, political affiliation, social status, sexual orientation, actual or perceived HIV status or legal migrant worker status as a basis for hiring, compensation, promotion, termination and retirement practices and access to training and not a person's ability to perform a job.

Domestic Supplier: Domestic Suppliers are entities or individuals that sell domestic and/or imported merchandise (where supplier is the importer of record) to Meiya in the local market (retail country).

Domestic Import Supplier: See Domestic Supplier above.

Environment: Surroundings in which an organization operates, including air, water, land, natural resources, flora, fauna, humans, and their interrelation.

Ergonomic Assessment: Review of the worker and his/her working environment that determines the frequency of repetitive actions and identifies hazards of specific work-place conditions. The areas of ergonomics are such tasks as computer data entry or sew, press or cut fabrics.

Ethical Sourcing: Ethical Sourcing (ES) Department is a group within Meiya.

Export Processing Zones (EPZs): Free Trade Zones (FTZs) or Qualified Industrial Zones (QIZs) are government approved industrial areas that are exempt from some (or all) of the normal commercial laws of the country that they are in. Sometimes the country's minimum wage laws and/or other labor laws do not apply to workers in these zones; however, Meiya's standards will apply.

Facility Site: The specific factory that is being assessed, including workplaces and all facility land, structures and other improvements on the land owned or leased by the facility.

Factory: The facility that will produce the merchandise for sale by Meiya, including subcontracting facilities, fresh product packing sites, and packaging facilities. Factories are designated by suppliers and are audited by Meiya ES auditors or third party service providers.

Factory ID: A number which is assigned to each factory in Direct Connect so that it may be located and tracked quickly and efficiently in Meiya's systems.

First Aid: Emergency treatment for injury or sudden illness administered before regular medical care is available.

Follow-up Audit: Subsequent factory audit which was required as a result of an earlier audit assessment. The Ethical Sourcing system tracks all Follow-up and Green Follow-up audits.

Forced Labor: Any arrangement in which workers are forced to work against their will or do not have the choice to leave their working arrangement when they choose.

Green Follow-up Audit: The regularly scheduled audit of a factory previously assessed a “Green” assessment on its most recent audit. Factories with Green Assessments are audited every two years from the last audit date. The Ethical Sourcing system tracks all follow up and Green Follow-up audits.

Hazardous Labor: Labor or work that places the worker in physical or psychological harm; requires the use of dangerous machinery; places the individual in an unhealthy environment due to the materials used; or places the worker in difficult physical conditions. (Review the section on Child Labor for the definitions of hazardous work in regards to young workers.)

Hazardous (classified) Locations: Those areas “where fire or explosion hazards may exist due to flammable gases or vapors, flammable liquids, combustible dust, or ignitable fibers.

Hazardous Waste: Waste that poses a risk to human health or the environment and requires special disposal techniques to make it harmless or less dangerous. These wastes may be regulated by national or international guidelines. A waste may be considered hazardous if it is ignitable (i.e., burns readily), corrosive, or reactive (e.g., explosive). Waste may also be considered hazardous if it contains certain amounts of toxic chemicals. Hazardous waste takes many physical forms and may be solid, semi-solid, or even liquid.

Human Trafficking: Human trafficking is a modern-day form of slavery and can be further defined as: The recruitment, harboring, transportation, provision, or obtaining of a person for labor (forced, slave, debt bondage) through the use of force, fraud or coercion. Migrant workers are particularly vulnerable to coercion. Human Trafficking affects many different economic sectors including agriculture, apparel and textiles, and food processing and packaging.

Illegal Activity: Engaging in activity which is against established law. Examples of illegal activity or behavior: keeping two sets of payroll documents in order to defraud the local government on payroll taxes; or management willfully ignores the law in contractual agreements; or company willfully ignores legal judgments in a lawsuit.

Initial Audit: First time a factory is audited for Meiya production or removal from “inactive” status. The Ethical Sourcing system tracks all follow up and Green Follow-up audits.

Investigation Assessment/Audit: An assessment or audit that takes place in response to an allegation received by Meiya with the aim of verifying the conditions in the factory assessed to determine the validity of the allegation. All investigation assessments/audits are unannounced and generally conducted by Meiya.

Material Safety Data Sheet (“MSDS”): Provides detailed information on each hazardous chemical contained in a chemical product, including the proportion of each chemical, and the potential hazardous effects, physical and chemical characteristics, and recommendations for appropriate human protective measures. An MSDS does not identify whether a material is a hazardous waste.

Meiya Global Sourcing: Meiya Global Sourcing (MGS) is a division of Meiya that serves as a buying agent for Meiya operations.

Mental Coercion: The act of restraining or dominating by nullifying individual will. Examples include humiliation, insults, peer pressure or social intimidation.

Non-compliance: Violation or failing to follow the obligations of a rule, law, regulation, agreement or guidelines.

Orange Age Violation: Violations observed during an Ethical Sourcing audit related to hiring practices where the age of the worker is at issue.

Overtime Premium: This is a wage paid above the normal daily or hourly wage to compensate for time worked beyond the normal working schedule. This premium should be described in a country's labor laws.

Personal Protection Equipment (PPE): Safety equipment worn by employees to protect against physical hazards. Examples of PPE: eyewear, face shields, ear plugs, hard hats, gloves, foot protection.

Physical Coercion: Physically restraining or dominating by nullifying individual will. This may be in the form of physical actions or threats of bodily harm.

Prison Labor: Prisoners are used as part of the work force. Under prison labor arrangements, prisoners may be brought to the facility, or the production may occur in the prison facilities. Although prisoners may be paid, because they often have no choice to refuse the work, this is often a kind of forced labor.

Production: The conversion or assembly of purchased materials into a finished product.

Retail Link: Application used by suppliers and Meiya for most merchandising solutions; term used generically in this manual to describe the Ethical Sourcing portion of Direct Connect which is used to execute the Ethical Sourcing program.

Seniority (Tenure): A privileged status attained by length of continuous service at a company.

Standards for Suppliers (“Standards”): Meiya (“Meiya”) fundamental expectations from its suppliers related to social and environmental conditions. The Standards Poster must be visibly posted in English and in the shared language(s) of its employees in a common area at all facilities that manufacture products for Meiya and its affiliates. A current copy of the Standards Poster can be obtained through Direct Connect or by email to your sourcing representative. Translated versions of the Standards Poster are maintained in Direct Connect only.

State Entities: Agencies or organizations that are sponsored or managed by the government and/or act on behalf of the government.

Subcontracting/Subcontractor: When a supplier or contractor of Meiya pays another company to do the work that Meiya has paid the primary supplier/ contractor to provide, this is sub contracting.

Ethical Sourcing audits will be conducted at subcontractor's factory if the factory is:

- Producing finished merchandise where substantial manufacturing occurs to render the product a finished article of commerce ready for consumption.

- Part/component of a product containing a Meiya private label or proprietary brand logos
- Producing a major component of finished product that could be sold independently
- Further handling merchandise containing Meiya private label or proprietary brand logos (i.e. washing, embroidery, etc.)
- Producing packaging material containing Meiya private label or proprietary brand logos

It is the responsibility of the supplier to disclose all such subcontractors used for Meiya merchandise

Supplier: A company, individual or organization that supplies merchandise or services to Meiya/ The term “supplier” is used to describe all suppliers, whether Direct Import Supplier, Domestic Import Supplier, or Domestic Supplier. It also includes all manufacturing, subcontracting and packaging facilities producing merchandise for sale by Meiya.

Unannounced Audit: A factory audit which is conducted without any prior notice to the supplier or the factory.

Underage Labor: The employment of workers below the minimum work age as defined by local and national regulations.

Verification Assessment/Audit: An assessment or audit that takes place in addition to the initial Assessment, with the aim of verifying that the information in the Supplier’s declaration or an audit report issued by a third party accurately represents the conditions in the factory assessed.

Wages: Monetary compensation (money) paid to workers for producing goods or providing services.

Appendix 2: Meiya Approved 3rd Party Audit Firms and Contacts

ITS (Intertek Testing Services [Global Coverage])

- **Joanna Singh**
Email: joanna.singh@intertek.com
Phone: 918-0405-13837
Location: India

UL Responsible Sourcing[Global Coverage]

- **Thuy Nguyen**
Email: Thuy.Nguyen@ul.com
Phone: 310-200-3692
Location: New York, USA

AGC Group LLC – Accordia: [For America's only]

AGC Group Services is a Meiya 3rd party audit firm selected to conduct ES audits only in the Americas region. Primary Contact Information for the audit firm:

- **Richard Docratem**
Email : rdocratem@accordiausa.com
Phone: 716-635-3778
Location : USA – NY