

# Ethical Sourcing Procedures



## Ethical Sourcing Procedures

Baby Bunting is committed to ethical sourcing. Baby Bunting has expectations of minimum standards expected of suppliers in the areas of labour, environment and governance matters. If suppliers are unable to demonstrate a commitment to comply with Baby Bunting's Ethical Sourcing Code, Baby Bunting may choose to cease trading with that supplier.

This document sets out Baby Bunting's procedures in relation to ethical sourcing and the processes that are to be followed to ensure that our suppliers meet Baby Bunting's ethical sourcing expectations.

## Supplier Terms & Conditions

This document is a policy document for the purpose of Baby Bunting's Supplier Terms and Conditions and is taken to be incorporated into that agreement. Baby Bunting reserves the right to vary and amend this document from time to time and will take reasonable steps to notify suppliers of any changes.

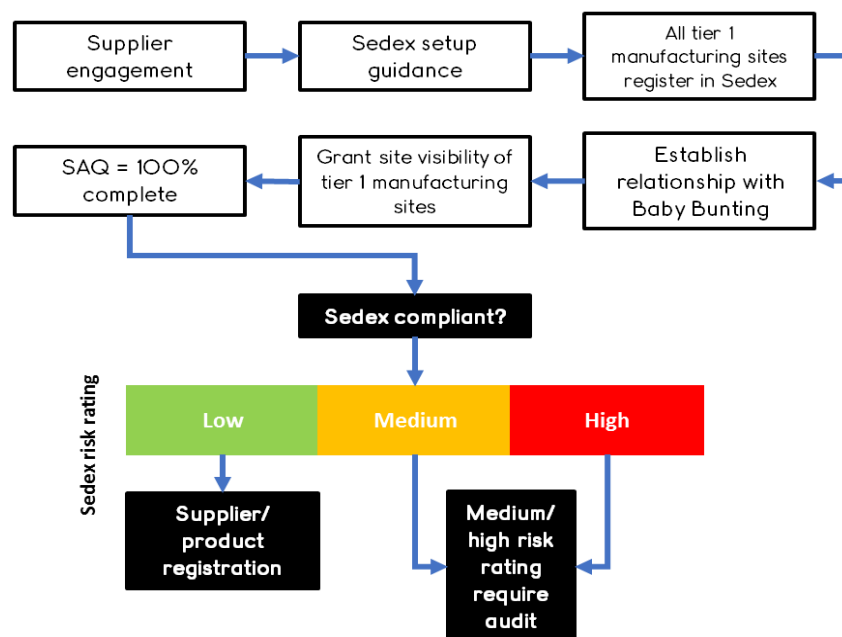
## Ethical sourcing program

These Ethical Sourcing Procedures have been designed to assist Baby Bunting suppliers and their factories to ensure compliance with all applicable legal requirements and Baby Bunting's ethical sourcing standards, including those contained in the Ethical Sourcing Code.

## Overview

The Ethical Sourcing Procedures can be summarised as follows:

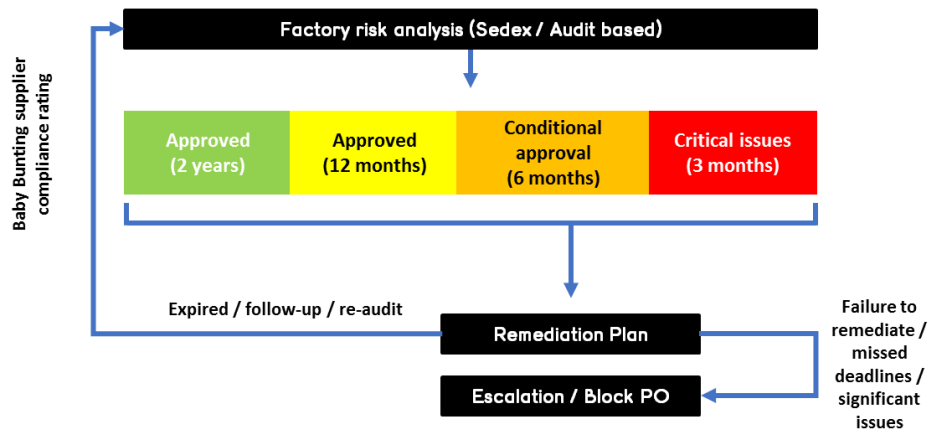
### 1. Supplier onboarding and preliminary risk assessment



Note: Supplier registration is only one step in Baby Bunting's Product Compliance & Quality Approval Requirements. Refer to Baby Bunting's Product Compliance & Quality Approval Requirements.

SAQ can be completed to a minimum of 75%. However, where the SAQ is not fully completed, it is unlikely that a risk rating that is low will be given.

## 2. Supply chain monitoring and continuous improvement



## Procedures

The procedures Baby Bunting will follow in relation to suppliers of goods and services and ethical sourcing compliance is described in the following sections.

### 1. Commitment to Baby Bunting's Ethical Sourcing Code

Suppliers of goods and services are required to comply with Baby Bunting's Ethical Sourcing Code. If suppliers are unable to demonstrate a commitment to comply with the Ethical Sourcing Code, Baby Bunting reserves the right to terminate its supply agreements with the supplier.

In order to be approved supplier for these Ethical Sourcing Procedures, suppliers must

- read the Baby Bunting **Ethical Sourcing Code**; and
- complete the acknowledgement confirming that they are committed to complying with the Ethical Sourcing Code.

### 2. Supplier onboarding in Sedex

Baby Bunting uses Sedex as a tool to enable suppliers – being distributors and brand owners as well as manufacturing sites – to undertake risk assessments and to efficiently share ethical sourcing information.

All proposed suppliers and relevant manufacturing sites must complete the Sedex process before the products they wish to supply to Baby Bunting will be approved.

#### Onboarding on Sedex

Sedex Information Exchange (**Sedex**) is a membership association which operates for the mutual benefit of all its members. Sedex has a secure platform for the sharing and viewing of information on labour, health and safety, environment and business conduct and ethic matters. SMETA is Sedex's proprietary audit methodology. It provides a globally-recognised way to assess responsible supply chain activities.

To onboard in Sedex, a supplier (including the relevant tier 1 manufacturer and tier 2 manufacturer) must:

- register in Sedex for a basic B membership. As at March 2020, the annual membership fee is £100.00 per site per year, or 1200RMB in China if you pay the Sedex China office by BACS;
- create a site of employment (not supplier site). Sedex will provide a site reference. This will be required in the product submission form (ZSXXXX+);
- activate the account by making a payment to Sedex;
- establish the right link (direct or indirect relationship) with Baby Bunting;
- grant full access rights / site visibility to the site of manufacture or the site of employment;
- complete the Sedex Self-Assessment Questionnaire for each site of employment.

If a supplier has a valid audit report (measuring against an acceptable audit standard). It is possible for an audit report to be uploaded without completing a SAQ. Baby Bunting will assess the supplier based on a valid audit report (but, it may request additional information).

### Risk Assessment Tool – risk ratings

Once the Sedex onboarding has been completed and a Self-Assessment Questionnaire (SAQ) completed, Baby Bunting will use Sedex's Risk Assessment Tool to understand the possible risks associated with the supplier and/or relevant manufacturer. If a **medium** or **high risk** rating is provided through Sedex's Risk Assessment Tool, Baby Bunting will require that the additional auditing requirements (in step 3 below) will be followed.

If a **low risk** rating is provided, the supplier / manufacturer will be approved and the supplier and product registration process will be finalised by Baby Bunting.

## 3. Audit requirements

If a supplier is allocated a medium or high risk rating through Sedex's Risk Assessment Tool, Baby Bunting requires that ethical sourcing audits be undertaken before the supplier can be approved for Baby Bunting.

### Providing a valid audit report

This requires that the supplier provide to Baby Bunting a valid audit report, being an audit report:

- not older than 12 months;
- that performed in accordance with an **acceptable audit standard**;
- from a **reputable auditing organisation**; and
- that is uploaded into the Sedex audit section.

**Acceptable audit standards** are:

- SMETA 2 and 4 Pillar (conducted by Intertek, UL, SGS, Asia Inspection, Quallspec and Elevate)
- BSCI – Business Social Compliance Initiative
- ETI – Ethical Trading Initiative
- SA 8000 – Social Accountability 8000
- any other audit standards as may be approved by Baby Bunting's compliance team from time to time.

### If a valid audit report is not available

If a valid audit report is not available (for example, because it is more than 12 months old or an audit has not previously been conducted), then the supplier must ensure that the relevant factory or site scheduled an audit with one of Baby Bunting's **approved auditors**. Currently, Baby Bunting's approved auditors are: Intertek, SGS, Asia Inspection, Quallspec and Elevate). Baby Bunting reserves the right to approve different auditors from time to time.

If the factory or site has never been audited before, a SMETA 4 Pillar audit must be undertaken.

The supplier must inform Baby Bunting's compliance team of the date and name of the auditor once it has been scheduled.

Once the audit report has been uploaded to the Sedex platform Baby Bunting will undertake its review of the report.

### Assessing an audit report

Once a valid audit report has been uploaded in the audit section in Sedex, the report will be reviewed. Baby Bunting's review of the audit report will categorise any non-compliance identified in the report as "critical", "major" or "minor" issues. (Refer to the Glossary).

Audit reports will be given a rating by Baby Bunting as follows:

Baby Bunting Rating	Approval Period	Follow-up Actions	Business impact
<b>GREEN</b> <ul style="list-style-type: none"> <li>No critical issues</li> <li>Major = 2 or fewer and/or</li> <li>Minor = 10 or fewer issues</li> </ul>	24 months	Factory must sustain changes and make the next valid audit report in the audit section in Sedex by the due date	No impact
<b>YELLOW</b> <ul style="list-style-type: none"> <li>No critical issues</li> <li>Major issues = more than 2 and less than 6 and/or</li> <li>Minor issues = more than 10 and less than 16</li> </ul>	12 months	Follow-up action required Fix major and minor issues Provide proof of corrective action Corrective actions must be verified by an auditor and then uploaded in Sedex in the audit section	No impact
<b>ORANGE</b> <ul style="list-style-type: none"> <li>No critical issues</li> <li>Major issues = 6 or more</li> <li>Minor issues = 16 or more</li> </ul>	6 months (conditional)	Follow-up action required Fix major and minor issues Schedule re-audit and make details available to Baby Bunting compliance team	Future orders may be impacted
<b>RED</b> One or more critical issues	3 months (conditional)	Follow-up action required Fix major and minor issues Must undergo a factory re-audit Provide proof of corrective action Schedule re-audit and make details available to Baby Bunting compliance team	Critical non-compliance items must be addressed immediately – no orders can be placed

## Equivalent Systems

Baby Bunting recognizes that some suppliers and their manufacturing sites may have heavily invested in their own systems designed to ensure ethical standards in their supply chains are maintained. Alternatively, some suppliers are single site suppliers with contained supply chains. And are able to provide detailed information relating to ethical sourcing. Where Baby Bunting is satisfied that a supplier has effective systems in place that provide equivalent level of assurance about ethical sourcing (as Baby Bunting's Ethical Sourcing Procedures), Baby Bunting may exempt a supplier (and their manufacturing sites) for some or all of the requirements in these procedures.

## Corrective actions

If an audit report has identified non-compliance issues and identified corrective, suppliers must work with the affected factory to ensure that the deficiencies are remedied with the designated timeframe specified in the final corrective action plan.

Suppliers must:

- understand Baby Bunting's risk rating (above) any non-compliance identified and their importance;
- communicate the risk ratings and the deadlines for rectification to the relevant factories;
- monitor progress and ensure non-compliances are addressed in a prompt manner;
- schedule re-audits to prove close out of critical and major issues.

### Three strikes policy

Baby Bunting may choose to cease trading with a supplier or its manufacturers where the relevant manufacturer receives three consecutive orange ratings and has not made any significant improvements.

### Critical non-compliance

Baby Bunting will analyse each critical non-compliance finding to understand its extent and prevalence to determine whether there is a reasonable prospect of improvements being achieved. Where there is no reasonable prospect, Baby Bunting may terminate the relationship with the supplier and/or manufacturer and may elect not to take delivery of the product and may cancel any outstanding purchase orders.

## 4. Renewal processes and continual improvement

Once suppliers and their factories have been approved, the supplier must ensure that they and their factories provide updated valid audit reports in the time periods required (as set out in the risk rating section above).

In addition, Baby Bunting may place a supplier under review and require it to complete additional Self-Assessment Questionnaires or additional external auditing requirements if Baby Bunting becomes aware of information that may indicate that the ethical sourcing practices of the supplier or the relevant factory fall short of Baby Bunting's expectations in the Ethical Sourcing Code.

## Supplier responsibilities

To enable these procedures to operate effectively, Baby Bunting requires that suppliers:

- be familiar with these Ethical Sourcing Procedures and Baby Bunting's Ethical Sourcing Code.
- nominate a representative to be Baby Bunting's primary contact for ethical sourcing matters. This person must understand ethical sourcing matters and have sufficient time and authority to support the supplier's tier 1 supplies to be compliance.
- communicate Baby Bunting's expectations to each factory that produces products to be sold by Baby Bunting;
- immediately following an audit, work with the factory to ensure they submit a detailed and pragmatic corrective action plan which demonstrates a commitment to making progress on each noted deficiency; and
- when they receive the Baby Bunting Risk Assessment, commit to working with the factories to ensure continuous improvement.

## Baby Bunting responsibilities

The details of suppliers/manufacturers provided by a supplier to Baby Bunting as part of these procedures will be kept confidential. The information will be held by Baby Bunting's Product Quality Assurance & Compliance Department and not shared with members of the merchandise team (other than with the consent of the supplier).

## Baby Bunting's ethical sourcing team

If you have any questions about Baby Bunting's Ethical Sourcing Procedures, please contact:

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 Ethical Sourcing Officer  
 Product Quality Assurance & Compliance Department  
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## Glossary

### Tier 1 manufacturer:

- a factory site where preparation, cutting, shaping, painting/spraying, and moulding of key components takes place;
- a factory site where key components or the entire product assembly and finishing process, including packaging for transport, takes place.

### Tier 2 manufacturer includes:

- foam manufacturer
- fabric mill
- wood or particle board supplier
- other specialist 'raw' material supplier, eg metal bars or pipes
- specialist suppliers of minor components (ie screw, washers, paint, etc for chairs that can also be a specialist supplier of swivel bases).

### Non-compliance issues

#### Critical issues means

- a severe breach of a code issue or local law resulting in an issue which presents imminent risk to worker's safety/risk to life and limb or constitutes a significant breach of workers' human rights
- a significant breach of a code item or local law which represents a major non-compliance that has not been addressed or for which no significant improvement has been made by the time of a follow-up audit, despite supplier commitment to resolve the issue
- an attempt to pervert the course of the audit through fraud, coercion, deception or interference.

#### Major issues

- a breach which represents a danger to workers / those on site
- a material breach of a code requirement / law. A systemic breaking of a code requirement / law

#### Minor issues

- an occasional or isolated problem
- an issues which represents low risk to workers / those on site
- a policy issue or misunderstanding where there is no evidence of a material breach.