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**Compliance Manager**

### CODE OF FACTORY CONDUCT

**The following is "Code of Conduct" that we incorporate in our Procedural Manual that is sent to every vendor Domestic & Overseas that we demand they adhere to & comply with:**

This Code of Factory Conduct applies to all factories in their respective territories that produce goods for Outerstuff Ltd.

While Outerstuff Ltd recognizes that there are environments in which factories operate throughout their respective territories; this Code sets forth the basic requirements that all factories must meet in order to do business with Outerstuff Ltd and its customers. The Code also provides the foundation for Outerstuff Ltd's ongoing evaluation of a factory's employment practices and environmental compliance.

#### **I. General Principle**

Factories that produce goods for OS customers shall operate in full compliance with all other applicable laws, rules and regulations of their respective territories.

- A. The factory must operate in full compliance with all applicable laws, rules and regulations, including those relating to labor, worker health and safety, and the environment.
- B. The factory must allow OS and/or any of its representatives, agents or customers unrestricted access to its facilities and to all relevant records at all times, whether or not notice is provided in advance.

#### **II. Environment**

Factories must comply with all applicable environmental laws and regulations.

- A. The factory must have an environmental management system or plan in place at all times and provide OS or its representatives or customers a copy of such plan upon request.
- B. The factory shall notify all relevant authorities in case of any discharge, release or other environmental mishap.

### **III. Discrimination**

Factories shall employ workers on the basis of their ability to do the job, not on the basis of their personal characteristics or beliefs.

- A. The factory will employ workers without regard to race, color, gender, nationality, religion, age, maternity or marital status.
- B. The factory will pay workers wages and provides benefits without regard to race, color, gender, nationality, religion, age, maternity or marital status.

### **IV. Forced Labor**

Factories shall not use any prison, indentured or forced labor.

- A. The factory does not use involuntary labor of any kind, including prison labor, debt bondage or forced labor by any governmental authorities.
- B. If the factory recruits foreign contract workers, the factory pays agency recruitment commission's, factory may require any worker to remain in employment for any period of time.

### **V. Child Labor**

Factories shall employ only workers who meet the applicable minimum legal age requirement or are at least 18 years of age, whichever is greater. Factories must also comply with all other applicable child labor laws. Factories are encouraged to develop lawful workplace apprenticeship programs for the educational benefit of their workers.

- A. Every worker employed by the factory is at least 18 years of age and meets the applicable minimum legal age requirement.
- B. The factory shall comply with all applicable child labor laws, including those related to hiring, wages, hours worked, overtime and working conditions.
- C. The factory shall encourage and allow all eligible workers, especially younger workers, to attend night classes and participate in work-study programs and other government-sponsored educational programs.
- D. The factory shall maintain official documentation for every worker that verifies the worker's date of birth. In those countries where official documents are not available to confirm exact date of birth, the factory confirms age using an appropriate and reliable assessment method.

## VI. Wages & Hours

Factories shall set working hours, wages and overtime pay in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. While it is understood that overtime is often required in garment production, factories shall carry out operations in ways that limit overtime to a level that ensures humane and productive working conditions.

- A. Workers are paid at least the minimum legal wage or the local industry standard, whichever is greater.
- B. The factory shall pay overtime and any incentive (or piece) rates that meet all legal requirements or the local industry standard, whichever is greater. Hourly wage rates for overtime must be higher than the rates for the regular work shift.
- C. The factory shall not require, on a regularly scheduled basis, a work week in excess of 60 hours.
- D. Workers may refuse overtime without any threat of penalty, punishment or dismissal.
- E. Workers have at least one day off in seven.
- F. The factory shall provide paid annual leave and holidays as required by law or which meet the local industry standard, whichever is greater.
- G. For each pay period, the factory shall provide workers an understandable wage statement which includes days worked, wage or piece rate earned per day, hours of overtime at each specified rate, bonuses, allowances and legal or contractual deductions.

## VII. Working Conditions

Factories must treat all workers with respect and dignity and provide them with a safe and healthy environment. Factories shall comply with all applicable laws and regulations regarding working conditions. Factories shall not use corporal punishment or any other form of physical or psychological coercion. Factories must be sufficiently lighted and ventilated, aisles accessible, machinery maintained, and hazardous materials sensibly stored and disposed of. Factories providing housing for workers must keep these facilities clean and safe.

### Factory:

- A. The factory shall not engage in or permit physical acts to punish or coerce workers.
- B. The factory shall not engage in or permit psychological coercion or any other form of non-physical abuse, including threats of violence, sexual harassment, screaming or other verbal abuse.
- C. The factory shall comply with all applicable laws regarding working conditions, including worker health and safety, sanitation, fire safety, risk protection, and electrical, mechanical and structural safety.
- D. Lighting conditions shall be sufficient for the safe performance of production activities.
- E. The factory shall be well ventilated. There shall be windows, fans, air conditioners or heaters in all work areas for adequate circulation, ventilation and temperature control.

- F. There shall be sufficient, clearly marked exits allowing for the orderly evacuation of workers in case of fire or other emergencies. Emergency exit routes are posted and clearly marked in all sections of the factory.
- G. Aisles, exits and stairwells are kept clear at all times of work in process, finished garments, bolts of fabric, boxes and all other objects that could obstruct the orderly evacuation of workers in case of fire or other emergencies. The factory indicates with a “yellow box” or other markings that the areas in front of exits, fire fighting equipment, control panels and potential fire sources are to be kept clear.
- H. Doors and other exits are kept accessible and unlocked during all working hours for orderly evacuation in case of fire or other emergencies. All main exit doors shall remain open to the outside during working hours.
- I. Fire extinguishers shall be appropriate to the types of possible fires throughout the factory, shall be regularly maintained and charged, shall display the date of their last inspection, and shall be mounted on walls and columns throughout the factory so they are visible and accessible to workers in all areas.
- J. Fire alarms shall be maintained on each floor and emergency lights shall be placed above all exits and stairwells.
- K. Evacuation drills shall be conducted annually.
- L. All machinery shall be equipped with operational safety devices and is to be inspected and serviced regularly.
- M. Appropriate personal protective equipment—masks, gloves, goggles, ear plugs and rubber boots—shall be made available at no cost to all workers and instruction in its usage shall be provided.
- N. The factory shall provide potable water for all workers and allow reasonable access to such water throughout the work day.
- O. The factory shall place first aid kit on every factory floor and train the staff in basic first aid procedures. The factory shall have procedures in place for dealing with serious injuries that require medical treatment outside the factory.
- P. The factory shall maintain clean and sanitary toilet facilities and not place any unreasonable restrictions on their use.
- Q. The factory shall store all hazardous and/or combustible materials in secure and ventilated areas and dispose of such material in a safe manner in compliance with all applicable regulations.

### **VIII. Freedom of Association**

Workers are free to join associations of their own choosing. Factories must not interfere with workers who wish to lawfully and peacefully associate, organize or bargain collectively. The decision to do so should be made solely by the workers.

- A. Workers shall be free to choose whether or not to lawfully organize and join associations.
- B. The factory shall not threaten, penalize, restrict or interfere with the workers’ lawful efforts to join such associations of their choosing.

## **IX. Product Safety**

Outerstuff mandates that all child safety requirements, including testing are followed by all our factories. Adidas/Reebok requires strict A-01 testing policy for textiles, artwork, embellishments, small parts/accessories in regard to chemical make-up as well as secure application.

The Consumer Product Safety Commission Improvement Act of 2008, which was enacted August 14<sup>th</sup>, 2008, makes significant changes to the current regulations and imposes many additional compliance requirements for consumers that sell consumer products. Outerstuff has adopted these mandatory requirements with all our global suppliers. They are outlined below:

- A. General Conformity Certification- Effective November 12<sup>th</sup>, 2008
- B. Lead/Lead Paint limits- Effective February 10<sup>th</sup>, 2009 (600 ppm), August 14<sup>th</sup>, 2009 (300 ppm), and August 2011 (below 100ppm)
- C. Third Party Testing Requirements for Children's Products for lead and small parts.
- D. Tracking Labels for Children's Products- Effective August 14<sup>th</sup>, 2008
- E. Phthalate compliance- February 2009

### **Monitoring & Enforcement**

As a condition of doing business with OS and its customers, each and every factory must comply with this Code of Factory Conduct. OS Apparel will continue to develop monitoring systems to assess and ensure compliance.

If OS determines that any factory has violated this Code, OS has the right in its sole discretion to terminate its business relationship or require the factory to implement a corrective action plan. If a corrective action is required but not taken, OS will suspend placement of future orders, and may terminate current contractual relationships.

### **Member of:**

#### **CTPAT:**

As a member of CTPAT, we have submitted a list of overseas factories to US Customs Authorities to conduct random security audits.

Furthermore, we submit a list of factories & our licensing contracts to US Customs Authorities at our various ports of entry we clear our Imports.

#### **FLA:**

As part of our licensing agreement with CLC or independent colleges, we submit a list of factories/countries we intend to manufacture in.

According to FLA, an inspections or audits of factories are based on requests from CLC or by the Colleges themselves.

FLA advised us that we do not have to submit a factory listing directly to them.

Sincerely:

Mr. Nathan Fleisig