



# **The Burton Corporation Sustainability Monitoring Policy**

## **Sustainability Monitoring Policy**

Burton's Sustainability Monitoring Policy aims to improve our social and environmental impacts in the communities in which we conduct business throughout the world. This Policy applies to all facilities that produce goods for Burton or any of its subsidiaries, brands, licensee, or affiliates, including Burton and Anon. This Policy sets forth the basic requirements that all facilities must meet to do business with Burton.

Burton monitors facilities involved in the manufacturing of Burton branded products and products for brands which Burton is licensed to produce. Monitoring occurs for all finished goods facilities and may also occur for raw material suppliers. Monitoring includes, but is not limited to, facility audits conducted by a Burton employed auditor or by an accredited third-party audit company nominated by Burton. Following an initial audit, Burton may audit a facility at any time, either announced or unannounced.

Burton uses sustainability monitoring results as an integral part of its supply chain strategy, influencing how we rate, select, and develop vendor partnerships.

### **1.0 Sourcing and Production Restrictions**

Due to political, environmental, and human rights issues there are certain geographic regions that are deemed unacceptable for the manufacture of Burton products. On a regular basis, Burton evaluates the risk of conducting business within a specific facility, region, or country by consulting with labor rights organizations and by using a third-party risk intelligence tool that assesses political, economic, environmental, and social data. Burton reserves the right to restrict or prohibit sourcing from certain geographies that are identified as high risk.

Please reference the following subsections for specific geographic regions where the manufacturing of goods and/or sourcing of raw material used for Burton products is strictly prohibited.

Manufacturing risk is a continually evolving situation so please contact the Burton Sustainability team at [sustainability@burton.com](mailto:sustainability@burton.com) for updated sourcing restrictions.

#### **1.a. Production and Agricultural Practices in China**

Sourcing of any materials, processing, and/or production from the Xinjiang Region of China is prohibited for all product categories. For agricultural products, including cotton and cellulosic fibers (e.g. viscose), transaction certificates from raw material origin must be provided by suppliers to demonstrate sourcing outside of China. This includes compliance with U.S. federal law, H.R. 6256 (Uyghur Forced Labor Prevention Act). Please refer to the Materials Verification Policy in **Attachment D** for additional guidance and requirements.

#### **1.b. North Korean Production and Migrant Labor**

Sourcing of any materials, processing, and/or production from North Korea is prohibited for all product categories. Production of any materials or finished goods using migrant labor from North Korea is prohibited for all product categories as well.

This is in compliance with section 321 (b) of The Tariff Act of 1930, 19 U.S.C. § 1307, which creates a presumption that North Korean labor is forced labor<sup>1</sup>, and thus that importation of merchandise produced with North Korean labor is prohibited.

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<sup>1</sup>within the meaning of 19 U.S.C. § 1307

Products or materials sourced from regions with high risk of North Korean migrant labor may be subject to additional monitoring and due diligence efforts.

### **1.c. Cotton Production in Uzbekistan and Turkmenistan**

Due to ongoing concerns regarding the use of alleged state-imposed forced and child labor in the harvesting of cotton in Uzbekistan and Turkmenistan, sourcing of any cotton materials, or goods manufactured using cotton material, from Uzbekistan or Turkmenistan is strictly prohibited.

Until the International Labor Organization (ILO) verifies the elimination of forced and child labor used in the production of cotton in Uzbekistan and Turkmenistan, Burton prohibits the manufacturing of product using cotton from both countries.

## **2.0 Social and Environmental Responsibility Audit Policy**

The Social and Environmental Responsibility Audit is conducted to verify supplier facility compliance with the FLA Workplace Code of Conduct and Compliance Benchmarks. See Attachment A. Burton also requires suppliers to maintain a complete and up-to-date list of the local, national, and international laws applicable to operations, occupational health and safety, and environmental impacts (discharge, emissions, and disposal), which is verified during the audit.

All vendors and agents must provide full disclosure of facilities and subcontractors that are used for Burton production. Changes or additions to facilities or subcontractors must be identified in writing to the Burton Sustainability Team at least six (6) weeks prior to the anticipated start of production. On average, it will take six (6) weeks to schedule and execute an initial facility audit. Inquiries and requests can be made by e-mailing: [sustainability@burton.com](mailto:sustainability@burton.com).

At Burton’s discretion, audits will be conducted regularly for every facility. Every finished goods factory will be audit at least once within a three-year period. The initial audit will be paid for by the manufacturer and scheduled by Burton. At Burton’s discretion, a recent full on-site audit reports conducted by an accredited third-party may be accepted for review against Burton’s standards. If the report is rejected, the factory must undergo a new on-site audit, at cost to the vendor. All agents that change production facilities are liable to pay for an initial audit to approve any new facility prior to starting production. Burton utilizes an audit result scoring system. If a facility scores “**Gold**” on an audit, the highest rating, then Burton will pay for follow-up monitoring. However, all follow-up monitoring costs will be the responsibility of the manufacturer for scores below “**Gold**.”

Violations of this Policy will be remedied to Burton’s satisfaction at the cost of the manufacturer. A violation of the above notice requirement and/or failure to receive Burton’s prior approval of any subcontractor or facility shall result in the penalties set forth in Exhibit A, attached hereto and incorporated by reference. Burton also reserves the right to take necessary measures to ensure future compliance with this Sustainability Monitoring Policy. Failure to comply with this Policy may ultimately result in termination of the relationship between Burton and the manufacturer, including termination of any manufacturing and license agreements, and/or outstanding purchase orders. Facilities that deny entry to auditors or Burton employees, manipulate or obstruct audits, or cancel a confirmed audit within a week (five business days) of the audit date will be charged Three Thousand and 00/100 Dollars (USD \$3,000.00) to cover audit fees, travel, and/or administrative expenses.

### **2.a. Audit and Follow Up Process**

- A typical audit will last six (6) to eight (8) hours including employee interviews, a facility tour, and documentation review. At the end of the audit, the facility manager will be presented with a written list of action items for any issues that have been found during the audit.
- Each facility will receive a rating, as outlined in the table below. All facilities are expected to meet a minimum passing score of 80, rating “**Silver**.” Any facility that receives a score of 79 or below will be responsible for

continuous improvement, and corrective action shall be implemented until the passing score is met or the relationship is otherwise terminated.

- Burton will provide the facility with a Corrective Action Plan (“CAP”) and audit report within approximately seven business days of an audit. See Attachment I for example CAP.
- The CAP’s issues are defined and rated by the following degrees of severity:
  - Minor** – A finding that represents low risk to worker safety or the environment.
  - Moderate** – A finding that may breach a code item but is an occasional or isolated issue and represents risk to worker safety or the environment.
  - Major** – A finding that may breach a code item or local law and represents significant risk to worker safety, human rights, or the environment.
  - Zero Tolerance** – A non-tolerant finding, which may result in termination of orders with the facility. A significant finding that breaches a code issue or local law and may present a danger to worker safety, human rights, or the environment. Examples of this include child labor, forced/prison labor, life threatening conditions, abuse or harassment, or bribery.
- The facility is required to fill out and return the CAP to Burton within ten (10) business days of receipt.
- The Burton CAP requires the facility to build a root cause analysis of each of the issues found during the audit. The facility is also required to provide Burton with photos and/or documents that serve as evidence of issue correction.
- Burton will review the facility’s response to the CAP within approximately two (2) business days of receiving it and will provide feedback to the facility.
- All “**Zero Tolerance**” issues must be resolved within 24 hours of completion of the original facility audit.
- *Corrective Action is an ongoing process until all issues are resolved or the relationship is otherwise terminated.*

## 2.b. Audit Ratings

Rating	Score	Follow-Up Audit
Gold	90-100	24 months
Silver	80-89	18 months
Orange	71-79	12 months
Red	51-70	Within 9 months
Zero Tolerance	0-50	Within 9 months

### Gold

- The facility demonstrates best practices.
- The facility has no major safety, health, labor, or environmental issues.
- The facility will be re-audited within 24 months of the previous audit.
- Due to exceptional performance, the next follow-up audit cost is paid by Burton.

### Silver

- The facility has minor system failures, though it may be making progress toward best practices.
- The facility has some minor safety, health, or labor issues.
- While the facility is authorized to produce Burton or related licensed products, Burton requires that the issues be corrected in a timely manner as outlined in the CAP.
- The facility will be re-audited within 18 months of the previous audit.
- The facility is responsible to pay the audit cost regardless of audit type.

### Orange

- The facility has some major safety, health, or labor issues and/or the facility is making no progress.

- These issues may include excessive working hours, incorrect overtime compensation, or locked emergency exits.
- If a facility fails to follow through on agreed facility upgrades and/or related remedial actions, Burton reserves the right to cancel any outstanding purchase order(s), manufacturing agreement(s), or license agreement(s).
- The facility will be re-audited within 12 months of the previous audit.
- The facility is responsible to pay the audit cost regardless of audit type. If a third party conducts the original failing audit, the facility is responsible to pay for another third-party audit.

### **Red**

- The facility may be uncooperative, demonstrates general disregard for Burton codes and standards, is unwilling or unable to drive important change, deliberately misleads auditors, and/or audit shows critical systemic repeated problems. Examples include but are not limited to:
  - Management specifically refuses or continues to demonstrate that it is unwilling to comply with Burton standards or fails to follow through on agreed facility upgrades.
  - Facility denies access to Burton-nominated auditors.
  - Management provides false information (e.g. statements, documents, demonstrates coaching).
  - Facility outsources to an unapproved or unauthorized facility.
  - Management uses force to compel illegal work hours.
  - Management denies workers freedom of association.
  - Facility is systemically not paying the legally mandated minimum wage or benefits.
  - Facility conducts pregnancy testing as a condition of employment.
  - Facility does not provide legally required maternity leave.
  - Facility critically violates the hours of work standard.
- If a facility fails to correct any of the above or similar issues, Burton reserves the right to cancel any outstanding purchase order(s), manufacturing agreement(s), or license agreement(s).
- Burton requires that any of the above or similar issues be corrected in a timely manner as outlined in the associated CAP. An on-site follow-up inspection may occur as part of corrective action verification.
- The facility is responsible to pay the audit cost regardless of audit type. If a third party conducts the original failing audit, the facility is responsible to pay for another third-party audit. If the result of an internal audit was a failing score, then the facility is responsible to pay for a third-party re-audit.

### **Zero Tolerance**

- Zero Tolerance issues are absolutely unacceptable. Zero Tolerance issues include:
  - Child Labor
  - Forced/Prison Labor
  - Life Threatening Conditions
  - Abuse or Harassment
  - Bribery
- Burton requires that the facility must initiate the correction of any Zero Tolerance issue within 24 hours of the completion of the original audit.
- The Burton Sustainability Team will work with the facility to follow up on remediation for the Zero Tolerance issue, and the facility must schedule a follow-up audit within timelines established by Burton.
- Burton retains the right to cancel any outstanding contract(s), purchase order(s), manufacturing agreement(s), or license agreement(s). If purchase orders are cancelled, the facility may be placed on probation for up to one year, the ramifications of which shall be solely determined by Burton. The facility will have an on-site follow-up inspection if the relationship has not otherwise been terminated. Following probation, the facility must successfully pass an audit (score of 80 and above) prior to renewing production. The facility is responsible to pay the audit cost regardless of audit type. If a third party conducts the original failing audit, the facility is responsible to pay for another third-party audit. If result of an internal audit was a failing score, then the facility is responsible to pay for a third-party re-audit.

## **2.c. Corrective Action Deadlines**

<b>Rating</b>	<b>Timeline to Demonstrate Corrective Action</b>
Minor	12 Months
Moderate	6 Months
Major	2 months
Zero Tolerance	Initiate the correction of the issue within 24 hours of audit completion

## **2.d. Code Communication**

Manufacturers will maintain on-site all documentation that is needed to demonstrate compliance with this Code of Conduct. All agents and manufacturers are responsible for ensuring that all employees are aware of the Code of Conduct. All manufacturers are required to inform employees about this Code of Conduct orally and by posting the Burton Code of Conduct in a conspicuous place frequented by all employees in the local language spoken by employees, supervisors, and managers.

## **2.e. Disclosure of Facility Locations and Audit Results**

Burton, at its discretion, has the right to disclose facility information and audit results publicly.

## **2.f. Additional Audit Requirements for Production in Bangladesh**

In recent years, there have been several tragedies including building collapses and fires that resulted in loss of life at facilities in Bangladesh that had not implemented rigorous safety standards. In response to these tragedies, Burton is maintaining a higher compliance standard for any production facility located in Bangladesh.

Below are the additional requirements for production occurring in Bangladesh:

- All facilities must partake in an annual social responsibility audit conducted by a third-party firm and obtain a passing score of 80 or above.
- All facilities must pay for and provide Burton with structural, electrical, and fire safety assessments annually.
- All facilities must display valid occupancy permits and recent valid inspection certificates for fire and building safety.
- No facility:
  - i. May be in buildings or areas zoned for residential or non-industrial commercial use only.
  - ii. May be in a multi-tenant building; or
  - iii. May be owned by absentee landlords.

## **2.g. Acceptance of Recent and Accredited Third Party Audit Reports**

To reduce audit fatigue in our factories, Burton is willing to receive and review a third-party audit report for an on-site audit that was conducted within the past six (6) months by an accredited third-party. BSCI, SA8000, SMETA, and FLA SCI reports are all acceptable forms of accredited third-party reports. Once received, the Burton Sustainability Team will review the report and decide to accept or reject the report in place of conducting a planned on-site audit. If the report is accepted, a CAP will be issued and carried out as detailed in section 3.1.1 Audit and Follow-Up Process. If the report is rejected the Burton Sustainability Team will elect to conduct an on-site audit at the facility under consideration. If there are any questions please reach out to the Burton Sustainability Team directly by email at [sustainability@burton.com](mailto:sustainability@burton.com).

## **EXHIBIT A: Subcontractor Penalties**

First Offense: Written warning, and production immediately ceased and relocated to a Burton-approved location. If vendor fails to cease production within ten (10) days of receipt of Burton's written warning, then it shall be subject to the Second Offense penalties set forth below.

Second Offense: Written warning, monetary fine in the amount of Ten Thousand and 00/100 Dollars (USD \$10,000.00) to be paid by vendor to Burton in immediately available funds in accordance with payment terms supplied by an authorized Burton representative, and production immediately ceased and relocated to a Burton-approved location. If vendor fails to pay the fine AND cease production within ten (10) days of receipt of Burton's second written warning, then it shall be subject to the Third Offense penalties set forth below.

Third Offense: Written warning, monetary fine in the amount of Ten Thousand and 00/100 Dollars (USD \$10,000.00) or Ten Percent (10%) of the F.O.B. price of the goods manufactured at such unauthorized location, whichever is greater, to be paid by vendor to Burton in immediately available funds in accordance with payment terms supplied by an authorized Burton representative; and production immediately ceased and relocated to a Burton-approved location. If vendor fails to pay the aforementioned fine AND cease production within ten (10) days of receipt of Burton's third written warning, then Burton may, without liability, immediately terminate all pending production orders with Supplier, regardless of production location.

For purposes of these penalties, a vendor shall be deemed to have received written notice three (3) business days after such notice is sent by Burton via an internationally recognized courier.

In addition to the above penalties, upon three or more separate violations of the subcontractor notice and approval requirements, Burton, at its sole option and without further liability, may immediately terminate all pending production orders with vendor.

*Note: The above penalties shall be applied regardless of whether Burton later approves any such location.*

