

Revised 7/27/16



## **SPI Code of Conduct for Suppliers and Standards of Engagement**

At Strategic Distribution, L.P., we are committed to maintaining a standard of excellence in every aspect of our supply chain. We continually strive to achieve the goal of ensuring that the working conditions of SPI's supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. SPI's suppliers must commit in all their activities to operate in full compliance with the local laws and regulations in the countries in which they operate. This Code of Conduct draws upon internationally recognized standards, in order to advance social and environmental responsibility. Laws, voluntary standards and regulations are continually changing, and SPI expects all of its Suppliers to remain current on requirements that apply to their products.

Strategic Partners requires all of its Suppliers to implement this Code of Conduct. SPI may visit your facility to assess compliance with this Code of Conduct and to audit Supplier's wage, hour, payroll, and other worker's records and practices.

These standards are an integral part of our business. Company employees have the authority and the responsibility to take any steps necessary to ensure compliance with all standards and policies. Our employees and our business partners understand that our guidelines are no less important than meeting our quality standards or delivery times.

### **Code of Conduct**

#### **Labor and Human Rights**

**Under Age Workers.** Child labor is strictly prohibited. The term "child" is defined as a person who is not older than the local age for completing compulsory education but in no event is less than 15 years of age. We will not utilize partners who use child labor in any of their facilities. We support legitimate workplace apprenticeship programs.

**Prison/Forced Labor and Human Trafficking.** Manufacturers will not use any forced or involuntary labor. "Involuntary Labor" is defined as work or service which is extracted from any person under threat or penalty for its non-performance and for which the worker does not offer himself or herself voluntarily, and includes all manner of prison, bonded, indentured and forced. This includes the transportation, harboring, recruitment, transfer, or receipt of persons by means of threat, force, coercion, abduction, fraud or



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

payments to any person having control over another person for the purpose of exploitation. Suppliers shall ensure that third-party agencies providing workers are compliant with the provisions of the Code of Conduct and the laws of the sending and receiving countries, whichever is more stringent in its protection of workers. Workers must not be required to surrender any government-issued identification, passports, or work permits as a condition of employment.

**Coercion and Harassment.** Suppliers will treat each employee with dignity and respect, and will not use corporal punishment, threats of violence or other forms of physical/ sexual abuse, mental/physical coercion, verbal harassment or unreasonable restrictions on entering or exiting company provided facilities. We will not tolerate any form of harassment and unlawful discrimination in the workplace.

**Non-Discrimination.** Manufactures shall not discriminate against any worker based on race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, or marital status in hiring and employment practices such as applications for employment, promotions, rewards, access to training, job assignments, wages, benefits, discipline, and termination. Manufactures shall not require a pregnancy test or discriminate against pregnant workers except where required by applicable laws or regulations or prudent for workplace safety. In addition, manufacturers shall not require workers or potential workers to undergo medical tests that could be used in a discriminatory way except where required by applicable laws or regulations or prudent for workplace safety.

**Association.** Suppliers must respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference. Suppliers shall not discriminate with respect to employment based on union membership and, in particular, shall not make employment subject to the condition that the worker relinquishes union membership or agree not to join a membership.

**Maximum Working Hours.** Overtime shall be limited to a level consistent with humane and productive working conditions. Workers shall not be required , on a regular basis , to work in excess of 60 hours (or lower if prescribed by local laws or local industry standards) per week; and generally, worker shall be provided at least one day off in seven. All overtime shall be voluntary. Under no circumstances shall work weeks exceed the maximum permitted under applicable laws and regulations.

**Minimum Wages and Benefits.** Suppliers shall pay workers minimum wage prescribed by local law or the prevailing local industry wage, whichever is higher. In addition to their compensation for regular hours of work, workers shall be compensated for overtime hours at the premium rate required by applicable laws and regulations. If local laws do not provide for overtime pay, Suppliers will pay at least regular wages for overtime work. Suppliers shall not use deductions from wages as a disciplinary measure. Suppliers shall pay workers in a timely manner and outline the basis of which workers are being paid. Where local industry standards are higher than applicable legal requirements, we expect Suppliers to meet the higher standards.

**Health and Safety.** Manufacturers will provide employees with a safe and healthy workplace in compliance with all applicable laws and regulations, ensuring at a minimum, reasonable access to potable water and sanitary facilities, fire safety, and adequate lighting and ventilation.

Manufacturers will also ensure that the same standards of health and safety are applied in any housing that they provide for employees.

**Injury Prevention.** Suppliers shall provide appropriate engineering controls to prevent injuries. In the absence of engineering controls, the Supplier will provide the employees with appropriate administrative controls such as safe work procedures. Suppliers will provide all necessary personal protective equipment to perform his or her job. Workers shall not be disciplined for raising safety concerns and shall have the right to refuse unsafe working conditions without fear until Management addresses the concerns.

**Emergency Prevention, Preparedness, and Response.** Suppliers shall anticipate emergency situations and events and minimize their impact by implementing emergency plans and response procedures, including evacuation procedures, training drills, first aid supplies, appropriate fire detection equipment, adequate exit facilities, and recovery plans. Suppliers shall incorporate C-TPAT security criteria into their processes.

**Occupational Safety Procedures and Systems.** Suppliers shall set up a system to manage, track and report occupational injury and illnesses.

### **Environmental Impact**

Suppliers will comply with all applicable environmental laws and regulations. Suppliers shall commit to reducing the environmental footprint of their manufacturing process, and waste emissions.

**Waste Management.** Suppliers shall manage and dispose of non-hazardous solid waste generated from operations as required by law and regulations.

**Pollution Prevention and Resource Reduction.** Suppliers must put forth every effort to reduce or eliminate solid waste, wastewater, and air emissions, including energy-related emissions, by implementing appropriate conservation measures in their production, by recycling, reusing, or substituting materials.

**Wastewater Management.** Suppliers shall monitor control and treat wastewater generated from operations before discharge as required by applicable laws and regulations.

Manufacturers will comply with all applicable laws and regulations of their respective countries, including those pertaining to the manufacture, pricing, sale and distribution of merchandise.



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

All references to “applicable laws and regulations” in this Code of Conduct include local and national codes, rules and regulations as well as applicable treaties and voluntary industry standards.

## **Ethical Standards**

Suppliers must be committed to the highest standards of ethical conduct.

## **Proprietary Information**

(a) Supplier agrees not to directly or indirectly use or disclose any of the Company’s Proprietary Information at any time, except in connection with the services Supplier provides to the Company. “Proprietary Information” shall mean all trade secrets, confidential information, data, or any other Proprietary Information of the Company, including but not limited to Company content, weave, weight, finishing, techniques, patterns, and specifications. “Proprietary Information” shall not include any information which is known in the industry or available to the public through lawful means; provided, however, that publicly known or available information may constitute “Proprietary Information” if it is being used by the Company in a fashion, manner, or in connection with other information, that is not publicly known. By way of illustration, but not limitation, “Proprietary Information” also includes: (i) financial information provided to Supplier by the Company; (ii) non-public information pertaining to the Company’s existing, future, or contemplated products; (iii) proprietary software programs or proprietary alterations to non-proprietary software programs; (iv) trade secrets as defined under California law; (v) non-public marketing information such as marketing strategies, pricing information, cost information and distribution strategies; (vi) future product plans or information which are treated as confidential or proprietary by the Company; and (vii) non-public information pertaining to the Company’s vendors, or third parties with whom the Company has business relationships, including the terms of those relationships.

(b) At all times during Supplier’s working relationship with the Company and at all times after termination of said relationship, Supplier will keep in confidence and trust all Proprietary Information. Supplier will not use or disclose any Proprietary Information without the written consent of the President of the Company.

(c) All Company property, including, but not limited to, Proprietary Information, documents, data, records, equipment and other tangible or intangible property, whether or not pertaining to Proprietary Information, provided to the Supplier by the Company or produced by Supplier in connection with Supplier’s services to the Company shall be and remain the sole property of the Company, and shall be returned promptly to the Company as and when requested by the Company. Supplier shall return and deliver all such property upon termination of Supplier’s working relationship with the Company. Supplier will not keep any such property or any reproduction of such property upon such termination or at any time.

(d) Supplier recognizes that the Company may receive from or provide to third parties information which is not publicly known, private, or Proprietary Information, subject to a duty on the



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

Company's part to maintain the confidentiality of such information and to use it only for certain purposes. Supplier agrees that during the term of Supplier's working relationship with the Company and thereafter, Supplier: (i) owes the Company and such third parties a duty to hold all such private or Proprietary Information received from third parties in confidence and not to disclose it, except as necessary in carrying out Supplier's work for the Company consistent with the Company's agreement with such third party; and (ii) will not use it for the benefit of anyone, other than for the Company or such third party, consistent with the Company's agreement with such third party.

(e) The obligations of Supplier with respect to Proprietary Information shall continue until such time as the Proprietary Information is publicly known, through lawful means.

**Equitable Relief.** Supplier acknowledges that any breach or threatened breach by Supplier of the provisions any Section of this Agreement will result in immediate and irreparable harm to the Company, for which there will be no adequate remedy at law, and that the Company will be entitled to equitable relief to restrain Supplier from violating the terms of these sections, or to compel Supplier to cease and desist all unauthorized use and disclosure of the Proprietary Information. Nothing in this section shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including recovery of damages from Supplier.

**Company Brands.** Our brands and trademarks are valuable assets of the company. We will not tolerate counterfeit merchandise or the improper distribution of our product to third parties.

**Protection of Intellectual Property.** Suppliers must respect intellectual property rights and safeguard customer information; transfer of technology and know-how must be done in a manner that protects intellectual property rights. By agreeing to manufacture private label goods for SPI, Suppliers acknowledges that all trademarks used by SPI for such goods are the intellectual property of SPI, that all use of such trademarks is solely for the benefit of SPI, that they will not apply to register such trademarks anywhere in the world, and that in the event they do, upon demand by SPI, they will immediately and without additional compensation, assign such trademarks to SPI.

**Business Integrity.** Suppliers must uphold fair business standards and refrain from developing, designing or selling Medical Scrub Uniforms under any label with the intention of competing with SPI. Suppliers will not at any time, now or in the future approach SPI's private label customers for the purpose of developing, designing or producing Medical Scrub Uniforms.

### **Integrity.**

1. All proprietary information of SPI, including, but not limited to, technical specifications, samples, patterns, markers, designs, plans, drawings, other documents and data written or orally disclosed by SPI to Supplier in connection with the Orders is confidential, solely for the use of performing the Orders and may not be disclosed or copied by Supplier or his employees or representatives unless authorized by



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

SPI in writing.

2. Upon SPI's request, Supplier shall promptly return all documents and other materials received from SPI.
3. The Supplier shall not assign, sub-contract or in any other way dispose of the Orders or any part of them without SPI's prior Approval.
4. The Supplier shall be responsible for the acts and omissions of his suppliers as though they were his own.

**Disclosure of Information.** Suppliers must accurately record and disclose information regarding their business activities, structure, financial situation, and performance in accordance with applicable laws and regulations and prevailing industry practices.

**Product Quality and Safety.** Suppliers must ensure that all merchandise, including children's merchandise, produced for Strategic Partners complies with applicable U.S. Federal, state, and local laws, and with the laws of the respective country of manufacture or exportation. These include, but are not limited to, the laws, standards, rules and regulations enforced and adopted by the U.S. Consumer Product Safety Commission and the Federal Trade Commission. Suppliers must adopt an appropriate testing program and perform all testing necessary to comply with the Consumer Product Safety Improvement Act of 2008 ("CPSIA").

The terms under which you deliver your products to SPI's warehouse includes a warranty that all merchandise is safe and fit for the purpose intended, free of materials that may be injurious to persons, free of defects, adheres to applicable standards and is of a professional quality as agreed upon. SPI reserves the right to return merchandise that does not meet or exceed the above standards.

#### **Quality.**

1. By acknowledging the orders, the Supplier confirms that the Supplier will execute the orders according to the SPI Quality Standards, the necessary technical packages, samples, patterns, markers and consumption rates supplied by the SPI team.
2. Supplier must submit Top of Production (TOP) sample or Pilot Sample to the designated SPI staff prior to the start of production for each order.
3. SPI reserves the right to inspect the quality of the Goods before shipment for each order.
4. SPI Technical and QA Staff, at its sole discretion, may reject all or any portion of the Goods if they determine the Goods are defective or nonconforming.



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

5. If SPI requires replacement of the Goods, Supplier shall promptly replace the nonconforming Goods.
  - a. If Supplier fails to timely deliver replacement Goods, SPI may replace them with goods from a third party and charge the Supplier the cost thereof and terminate the corresponding orders.
6. Supplier is also responsible for quality errors or issues found at SPI Warehouse after shipment or upon arrival of the Goods in the warehouse.
7. Supplier warrants that all Goods will be free from any liens or encumbrances, free from defects in design, material, and workmanship, conform to specifications and accepted samples, and if ordered for a fit purpose, be fit for such purpose.

**Subcontractors.** Manufacturers will not use subcontractors for the manufacture of SPI merchandise or components thereof without SPI's express written consent, and only after the subcontractor has entered into a written commitment with SPI to comply with this Code of Conduct. A formal written request must be submitted to Strategic Partners for approval should a Supplier require subcontracting.

**Monitoring and Access.** Manufacturers will authorize SPI and its designated agents (including third parties) to engage in monitoring activities to confirm compliance with this Code of Conduct, including unannounced on-site inspections of manufacturing facilities and employer-provided housing; reviews of books and records relating to employment matters; and private interviews with employees. Suppliers will maintain on site all documentation that may be needed to demonstrate compliance with this Code of Conduct.

Suppliers shall have a process for timely correction of any deficiencies identified by an internal or external audit, assessment, inspection, investigation, or review.

### **Delivery.**

1. Supplier shall deliver the Goods at the delivery points, and on the Ex-factory Dates specified in the Orders ("the Delivery Dates"). Title to and risk of loss of, the Goods shall not pass to SPI until delivery to SPI's headquarters or it's carrier in full.
2. If Supplier fails to deliver the Goods in full and on the Delivery Dates, SPI may cancel all or part of the orders immediately and Supplier shall indemnify SPI against any losses, damages, and reasonable costs and expenses attributable to Supplier's failure to deliver.
3. Time is of the essence under the terms of Purchase Orders and any delay in the deliveries



Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

beyond the Delivery Dates are a material breach.

4. Supplier will immediately notify SPI if Supplier's timely performance under any Purchase Order is delayed or is likely to be delayed.

5. SPI's acceptance of Supplier's notice will not constitute SPI's waiver of any of Supplier's obligations. If Supplier delivers Goods after the specified due date, SPI may reject such Goods. SPI will hold any Goods rejected under the corresponding Purchase Orders at Supplier's risk and expense, including storage charges, while awaiting Supplier's returns shipping instructions. Supplier will bear all return shipping charges, including without limitation, insurance charges SPI incurs on Supplier's behalf. SPI may, in its sole discretion, destroy or sell at a public or private sale any rejected Good for which SPI does not receive return shipping instructions within a reasonable time, and apply the proceeds, if any, first toward any storage charges.

#### **Price and Payment Terms.**

1. The price of the Goods is the price stated on the Orders.

2. The Supplier must submit invoices with the related Order Numbers, along with the other shipment documents for timely payment. Upon acceptance of the appropriate documents, the payment will be released to the Supplier within the agreed Payment Terms listed on the Orders.

3. The start of the Payment Terms period is the Sailing Date of the goods that is listed on the Bill of Lading of the related Goods.

4. Payment of invoices is not evidence that the Goods meet the requirements of the Orders.

#### **Material Liability and Ownership.**

1. FOB Suppliers are responsible for purchasing and manufacturing of all materials and components for their orders.

2. For CM (Cut & Make) production, all materials pertinent to the orders are the exclusive property of SPI, although suppliers are encouraged to purchase their trim materials to be invoiced to SPI at the time of shipment.

a. Supplier is expected to perform accurate consumption of all materials (such as fabric, trim, and other components) and to maintain efficient consumption reports on a consistent basis as requested by SPI.

b. Supplier to keep the materials in good operating condition.





Strategic Partners  
9800 De Soto Avenue  
Chatsworth, CA 91311

Phone: 1-818-671-2100  
Fax: 1-818-671-2171

- c. Supplier must maintain all raw materials and trims in a responsible way by storing inventory in a dry and safe location.
- d. Supplier must not dispose of any materials without SPI's prior consent.
- e. In case of any disputes or order cancellations by either Party, SPI reserves the legal right to remove its materials from Supplier's facility with immediate effect.