



Department Stores Division
Kmart Australia & Target Australia

Ethical Sourcing Code

January 2017

Table of Contents

Introduction	3
1. Labour	
1.1. Child labour	4
1.2. Wages, benefits and working hours	5
1.3. Forced/bonded labour.....	7
1.4. Discrimination	8
1.5. Harassment and abuse	9
1.6. Freedom of association and collective bargaining	10
1.7. Health and safety	11
2. Environment.....	15
3. Consumer protection	16
4. Business integrity and anti-corruption.....	17
5. Compliance with the law	18
6. Management systems	19
7. Compliance with our Ethical Sourcing Code.....	20
Appendix	
A. Definitions	21

Introduction

As department stores within the Wesfarmers Group, Kmart and Target are committed to conducting business with the highest standards of integrity, in accordance with our international obligations and in compliance with all applicable laws. We work with suppliers who share and follow our high standards of conduct in whichever country they operate.

Our Ethical Sourcing Code (“ESC”) includes minimum requirements and expectations that all suppliers must meet as a condition of doing business with Kmart and Target. The ESC applies to all vendors, factories or authorised sub-contractors (“suppliers”) that come within the scope of the Kmart/Target ethical sourcing program.

The ESC is based on our commitment to respecting the core labour standards established by the International Labour Organization (ILO), protecting and respecting human rights as set out in the United Nations *Universal Declaration of Human Rights* and promoting environmental sustainability.

The ESC forms part of the contract with our suppliers and is supported by a rigorous audit program. We expect our suppliers to be honest and transparent in their dealings with us and to commit to making continuous improvements in their operations. In the event there is a violation of the ESC or the supplier does not demonstrate a willingness to comply, we reserve the right to discontinue business with the supplier.

The ESC does not replace the local laws of the countries in which our suppliers operate. At a minimum, suppliers should always be familiar with and comply with all relevant laws and regulations. In the event of a conflict between the ESC and a local law, the stricter requirement should be followed.

Kmart and Target are committed to working with suppliers so that they can effectively implement our ESC and continuously improve practices in their factories. We do this by providing ongoing training, education and support, along with regular supplier forums at which case studies and best practices are shared. Having a local presence is also critical. Kmart and Target have office representatives on the ground located in most of the countries where our suppliers operate and third-party representatives in the remaining countries.

For any questions regarding this Code or Kmart’s/Target’s wider Ethical Sourcing Program, contact Tracie Walker, Head of Corporate Affairs & Sustainability (Wesfarmers Limited Department Stores Division) tracie.walker@kmart.com.au or tracie.walker@target.com.au

Reporting Violations

Any actual or suspected violations of the ESC can be reported to Kmart via email at Lets.Talk@kasasia.com or Target at Lets.Talk@tgasourcing.com. All reports will be followed up. The identity of anyone who makes a report will be kept strictly confidential, unless requested otherwise.

1. Labour

1.1 Child Labour

Suppliers will comply with the minimum employment age limit defined by national law or by International Labor Organization (ILO) Convention 138, whichever is higher. The ILO Convention 138 minimum employment age is the local mandatory schooling age, but not less than 15 years of age, subject to exceptions allowed by the ILO and national law. Hazardous work must not be undertaken by anyone under the age of 18.

Supplemental Standards:

- Suppliers must comply with all applicable laws governing minimum working age.
 - If set below 15, then no one under the age of 15 is permitted to work (subject to exceptions allowed by the ILO and national law), or
 - If set at 15, then no one under 15 is permitted to work, or
 - If set above 15, then no one under the age established by law may work in the factory.
- Supplier factories must implement a written policy specifying the youngest age for hired workers to ensure compliance with the child labour provisions in this ESC. The policy shall be effectively communicated to all workers.
- Comply with all legal restrictions placed on young/juvenile workers. This includes the number of overtime hours, hazardous and/or night work, annual medical checkups, and taking all necessary precautions to ensure juvenile workers are protected from working conditions likely to endanger their health, safety or welfare.
- Required documentation is maintained for juvenile workers, as required by law, including registration, school completion certificates, doctor certificates, and permission from parents.
- Where required by law, supplier factories must pay any expenses associated with registering young/juvenile workers with the local authorities.
- Hiring procedures are in place to verify proof of age documentation prior to worker's start date.
- To verify age and thereby compliance with legal age limitations, proof of age documentation must be maintained in personnel files for all workers in the form of birth certificates, government identification cards, or other official documents.
- No children are allowed in any work areas (including production, merchandising and offices) of a supplier factory, even if they are not working.

1.2 Wages, Benefits and Working Hours

Suppliers must comply with all laws regulating local wages, overtime compensation, and legally mandated benefits. Wage and benefit policies must satisfy all applicable laws and regulations. Under ordinary business circumstances, workers must not be required to work excessive working hours per week, including overtime, and have the option of adequate days off. We expect that all record keeping will be accurate and transparent at all times.

Supplemental Standards: Wages and Benefits

- Legal minimum wage is guaranteed to all workers. In countries where it is legal to pay a worker by piece instead of by hour, the worker must receive a wage equal to or above minimum wage.
- Probationary periods must be outlined in employment contracts and must be in compliance with local laws.
- Wages for probationary workers are not less than the lowest wage paid for the equivalent job within the factory. Probationary wages are not lower than legal minimum wage.
- In addition to wages for the standard work week, all workers must be compensated for overtime hours at the legally or contractually mandated rates.
- Workers are trained on legal wages and benefits, and procedures are in place for workers to question wages paid and request adjustments.
- Legally required notices relating to wages, benefits and working hours are posted in the factory in visible and accessible locations.
- Supplier factories must maintain current and accurate payroll, wage and hour, and personnel files for all employees dating back at least 12 months, or as required by law if longer.
- Workers must be paid on time, in accordance with the law, and in the local currency.
- Supplier factories must have a written policy on wage and compensation awards, based on legal requirements. The policy shall be effectively communicated to all workers.
- Legal and company minimum wage rates are posted or available to workers.
- Workers are notified of wages, withholdings and other legal deductions prior to commencement of employment via a labour contract (if required by law) or other means (e.g. a written summary or a company handbook of key terms and conditions of employment).
- The use of fines/deductions not permitted by law is prohibited. Fines/deductions as a form of disciplinary measure are not permitted.
- Legal deductions for food and housing and other factory provided items should be reasonable, as defined by applicable laws and regulations or, in the absence of the law, industry best practice.

- The use of personal protective equipment, factory uniforms, working tools, etc. must not require monetary deposits for use, nor should the worker be required to pay excessive fees or penalties when these items are returned.
- All legally required benefits must be paid and/or provided, including vacation, social insurance, etc.
- Pay slips must be provided and include workers' personal information (e.g. name, address, etc.) and a detailed explanation of payment, including days worked, wage or piece rate earned per day, hours of overtime, bonuses, allowances and a description of any and all deductions. This same information should be available for subcontractors who work on-site.
- Legally required withholdings are to be withheld correctly and paid to the proper agency or agencies.
- Supplier factories are not allowed to charge their workers' recruitment or employment fees, or otherwise withhold wages. These fees are to be borne by the factory.
- Supplier factories are responsible for payment of employment eligibility fees of foreign workers, including recruitment fees.
- Payment receipts for mandatory social insurance payments must be valid and correct.

Supplemental Standards: Working Hours

- Supplier factories must have a written policy for working hours and overtime in accordance with local legal requirements. The policy shall be effectively communicated to all workers.
- All legal requirements and limitations on regular hours and overtime must be complied with.
- Where the law permits working hours beyond 60 in a week, workers shall work no more than 60 hours per week on a regularly-scheduled basis and have the option of adequate days off.
- All hours are tracked and time cards accurately reflect the real working hour situation in the factory. Absence of an adequate system of tracking hours worked means that correct pay for hours worked cannot be verified.
- Workers punch in and out for themselves and have access to their own attendance records upon request.
- Legal working hours and the working hours of the supplier factory are made available to all workers.
- Workers are given the legally required rest or break time during working hours.
- One complete set of working-hour and payroll documents and records shall be kept on site at each supplier factory. Such documents and records must be accurate and represent true work conditions, and available to Kmart/Target or their representatives if requested.

1.3 Forced/Bonded Labour

Suppliers shall not use any type of forced labour, which means any work or service performed involuntarily under threat of physical or other penalty, such as prison, indentured or bonded labour. Further, they shall respect the freedom of movement of their workers and not restrict their movement by controlling identity papers, holding money deposits, or taking any other action to prevent workers from terminating their employment.

Supplemental Standards:

- Indentured, bonded and prison labour are strictly prohibited.
- Workers must not be forced to work against their will, ability, or in a manner outside the provisions of the labour contract, where applicable.
- Workers must be allowed to freely move within the workplace to use the toilets, take designated breaks, etc., and leave the workplace at the end of their shift or after giving their employer reasonable notice.
- Workers are able to leave before the end of their shift under extenuating circumstances, such as personal or family emergencies or illness, without fear of disciplinary action, discrimination, or termination.
- Workers shall not be coerced by personnel of the supplier, including supervisors, security personnel, etc.
- The movement of workers must not be restricted by controlling identity papers (such as ID cards or passports) or withholding money deposits, or requiring excessive fees, etc.
- A worker's government issued identification, passport, work permit or other personal identification can only be retained with the worker's written permission, and shall be returned at the worker's request.
- Supplier factories must have a written policy concerning forced labour which meets the requirements of the Kmart/Target ESC.
- The policy shall be effectively communicated to all workers.
- Workers must be able to end their employment, as outlined in legally compliant contracts. Supplier factories shall pay all wages fully and promptly and not employ other tactics to prevent workers from leaving at will, such as withholding salary as a "year-end bonus" or charging a penalty when workers terminate their contract.
- Workers must be able to refuse to perform certain tasks that the worker believes to be hazardous without penalty of termination.
- All overtime is voluntary. Workers are educated on the standard work week and the factory seeks their willingness to work overtime hours. For workers not interested in working overtime, the supplier factory is supportive of their decision and does not, in any way, force or coerce them to work overtime hours.

1.4 Discrimination

All conditions of employment must be based on an individual's ability to do the job, not on the basis of personal characteristics, such as age, race, colour, nationality, gender, religion, marital status, sexual orientation, maternity status, disability or political beliefs. Suppliers must ensure that they provide an environment where their workers can work without distress or interference caused by harassment, discrimination or any other inappropriate workplace behaviour.

Supplemental Standards:

- Different treatment is not given to workers based on personal characteristics or beliefs, such as age, race, color, nationality, gender, religion, marital status, sexual orientation, maternity status, disability or political beliefs. This includes denial of work and promotions, and differing pay rates, benefits and disciplinary practices.
- Discrimination based on workers' associations is prohibited. This includes refusing to hire workers because of their associations, as well as threatening, disciplining, punishing or firing workers because they exercise this right.
- Supplier factories must have a written policy against discrimination in the workplace based on gender, ethnic origin, religion, and/or personal beliefs, etc. The policy shall be effectively communicated to all workers.
- The use of medical examinations to prevent a worker from being hired or firing a worker who becomes ill or injured is not allowed.
- Religious observance, prayer breaks and religious holidays should not be unreasonably prohibited.
- Supplier policies must not favor one group of workers over another.
- Hiring notices do not specify discriminatory factors, such as gender or race.
- Contracted agencies are reviewed to ensure they do not have discriminatory practices.
- Female workers must not be discriminated against. They must receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male workers.
- Female workers must not be questioned about their pregnancy status, and pregnancy tests must not be conducted before hiring or as a pre-condition to employment.
- Female workers must not be forced or pressured to use contraception.
- Female workers who take maternity leave (in accordance with the law) shall not face dismissal, loss of seniority or deduction of wages, and will be able to return to their former position at the same rate of pay and benefits.

1.5 Harassment and Abuse

Workers shall be treated with dignity and respect. In particular, suppliers will provide a workplace free from harassment of any form including physical, sexual, verbal or visual behaviour that creates an offensive, hostile, or intimidating environment.

Supplemental Standards:

- Supplier factories must have a written policy prohibiting acts of harassment or abuse in connection with workers' employment. The policy shall be effectively communicated to all workers.
- Supplier factories shall provide their workers with a workplace free from harassment or abuse. This includes, but is not limited to:
 - Physical contact intended to hurt or harm a worker;
 - Requiring any form of sexual favor in exchange for beneficial treatment in employment, or as a condition of maintaining employment;
 - Touching workers in any way that could be considered to have sexual implications;
 - Making inappropriate sexual comments to workers;
 - Threats of behaviour to harm a worker physically or psychologically; and
 - Comments or behaviour which is reasonably understood by the worker to be threatening, demeaning or coercive.
- Illegal methods of discipline, as well as the withdrawal of basic physical comforts provided to other workers, are prohibited.
- Body searches, where allowed by law, are conducted only when necessary and are conducted by the appropriate gender.

1.6 Freedom of Association and Collective Bargaining

To the extent permitted by local laws, suppliers must respect the right of their workers to freedom of association and collective bargaining. This includes the right to form and join trade unions or other worker associations of their own choosing without harassment, interference or retaliation.

Supplemental Standards:

- Supplier factories must have a written policy on freedom of association and collective bargaining. The policy shall be effectively communicated to all workers to ensure they understand their rights.
- Supplier factories must not interfere with the right of its workers to freedom of association and collective bargaining. Workers shall have the right not to join worker associations if they so choose.
- Supplier factories must not interfere with legal activities of trade unions or their representatives.
- Workers have the ability to approach management on issues of concern, on their own or through worker representatives.
- Workers are allowed to select worker representatives. Representatives are not discriminated against and have regular access to company management in order to address grievances and other issues.

1.7 Health and Safety

Conditions in all production and residential facilities must be safe, clean and consistent with all applicable laws and regulations and/or industry best practices, whichever is higher, in order to avoid preventable work related accidents and injuries.

Supplemental Standards: General Health and Safety (HS)

- Supplier factories must have knowledge of and comply with all local legal regulations on health and safety. Suppliers must be aware of industry best practices and have in place a policy and plan to achieve higher standards on a continuous improvement basis. The policy shall be effectively communicated to all workers.
- Each supplier factory must appoint a senior management representative to govern health and safety in the workplace. Representatives are responsible for monitoring hazards and regularly inspecting the workplace, participating and conducting trainings, informing on policy changes, communicating and responding to complaints, and implementing improvement plans.
- In addition, the senior management representative should identify interested workers and managers as 'health and safety' champions who represent the broader factory team, meet quarterly as a minimum (monthly meetings are preferred), with minutes kept of all meetings outlining attendees, items discussed and actions to be completed.
- Regular monitoring is conducted to check that health and safety procedures are being followed.
- Workers are appropriately supervised and trained to perform their jobs safely and receive formal training on safety procedures in general.
- Health checks are provided to employees in accordance with applicable laws.
- Supplier factories are generally kept clean and hygienic in accordance with the law. This includes regular and systematic refuse collection.
- Periodic testing is conducted on all drinking water to ensure it is safe.
- There are a reasonable number of operating toilets that are clean, offer privacy (i.e. ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odours.
- Risk areas, such as toxic substances and dangerous machinery, are identified and effectively managed by providing the applicable training and ensuring chemicals are properly stored and labeled with Material Safety Data Sheets (MSDS) and available to workers in the local language.
- Chemicals are stored in a separate area which is equipped with the appropriate fire extinguishers, safety signs, ventilation, and instructions on handling and disposal and personal protective equipment for workers.
- Sufficient secondary containment systems are used when transporting, using and storing chemicals.

- Emergency eyewash stations and/or showers are provided where corrosive chemicals or high volumes of solvents are handled and used.
- Adequate ventilation is provided where paints, chemicals, sprays (solvents, solder, dust) are used to prevent accumulation of flammable vapors.
- Supplier factories must provide the appropriate personal protective equipment (PPE)/clothing for workers and machines, and ensure workers are trained on how to use the PPE and why it is important and the use of it is required.
- Injury records are properly maintained and all significant accidents and near misses are investigated, reported and corrective action is performed to minimise any re-occurrence.
- Machinery, equipment and fixtures are checked regularly to ensure they are in safe working condition. Documentation is maintained to demonstrate compliance.
- Valid certifications are maintained for special machines/facilities operators (boiler operator, forklift operator, cargo lift operator and etc.).
- Stairs, platforms, and elevated floors must have railings guards.
- Confined spaces are secured and identified with the proper signage
- “No smoking” signs are posted clearly and prominently throughout the factory.
- Factories producing goods for Kmart/Target must not be located above market places or in shared premises with other businesses (Bangladesh).
- Supplier factories must cooperate with any safety inspections conducted by Kmart/Target or its representatives. Where corrective actions are identified by the safety inspector to bring a factory into compliance with building, fire and electrical safety standards, the supplier shall implement the corrective actions, according to a schedule that is mandatory and time-bound, with sufficient time allotted for all major renovations.
- The supplier factory must maintain workers’ employment relationship and regular income during any period that a factory (or portion of a factory) is closed for renovations necessary to complete such corrective actions for a period of no longer than six months.
- In the event a supplier factory becomes aware of a severe and/or imminent danger to worker safety, they must inform Kmart/Target as soon as possible.
- Supplier factories shall respect the right of a worker to refuse work that he or she has reasonable justification to believe is unsafe, without suffering discrimination or loss of pay, including the right to refuse to enter or to remain inside a building that he or she has reasonable justification to believe is unsafe for occupation.
- Supplier factories shall provide access to their facilities for, and cooperate fully with, any training on health and safety related matters conducted by Kmart/Target or its representatives.

Supplemental Standards: Emergency/Fire Preparedness

- Supplier factories shall communicate fire and emergency evacuation plans and post the diagrams in the local language in various locations around the factory. The plan must

illustrate critical information such as emergency evacuation routes, “you are here” mark, correct layout direction, location of fire extinguishers and hydrants, and instructions in the local language of what to do in the event of an evacuation.

- Supplier factories must conduct fire and emergency evacuation drills for all areas and shifts on an annual basis, with the presence of the people from the local fire service and/or the civil defence authority, or as required by law.
- Exit routes are not blocked, free from any obstruction and are regularly checked.
- The number of emergency exits is in accordance with the local law and exits are unlocked, clearly marked, and lead to the outside. Doors that are not exits are labelled as such, i.e. “NOT AN EXIT”.
- The installation and design of all emergency exit doors (designed to open outwards, proper width) is in compliance with local law.
- Each factory must have in place a fire alarm system. Fire alarm system is audible throughout the entire factory. The system is inspected regularly and tested in coordination with fire drills.
- Smoke detectors are installed on each floor of the factory, or as required by law.
- Fire sprinkler systems are properly installed throughout the supplier factory and are regularly maintained, or as required by law.
- Fire prevention and firefighting equipment, including fire extinguishers, are easily accessible, clearly marked, and routinely inspected to ensure they remain operational.
- Emergency lighting to be installed in all stairways and where needed on exit routes. The lighting is to be inspected periodically.
- Flammable materials are stored away from emergency evacuation routes (aisles, exit, stairways and assembly points), open flames, heated surfaces, sparks, and unprotected electrical wiring.
- Designated factory personnel (workers and supervisors) are trained at regular intervals in fire safety, the use of fire extinguishers, and how to administer the fire prevention procedures and emergency evacuation plan. Where firefighting training is legally required, training is provided in accordance with the law.
- Sufficient first-aid supplies are maintained on work floors with adequate personnel trained in First Aid to assist in an emergency.
- Floors are kept clean from hazardous spills and materials.
- Emergency and other hazardous signage is adequate.
- Electrical equipment and wiring is properly maintained, covered/insulated to prevent exposure of wires. Electrical cords and outlets are in a safe, working condition. Electrical control panels are clearly marked, are unblocked at all times and are easily accessible.
- Gas cylinders are properly marked, used, inspected, stored and secured.

- Supplier factories must comply with all applicable local legal regulations regarding the provision of child care/nursery.

Supplemental Standards: Accommodation

- All health and safety guidelines listed above are implemented in supplier factory sponsored dormitory buildings.
- Accommodation and food service areas are generally kept clean, provide a safe, hygienic living environment for workers, and comply with all legal regulations regarding residential facilities, where provided.
- Dormitories are not attached to any production or warehouse building.
- Separate accommodation exists for males and females.
- Workers' sleeping rooms should be of a reasonable size. In workers' sleeping rooms, the ILO recommends the floor area not be less than 7.5 square metres in rooms accommodating two persons; 11.5 square metres in rooms accommodating three persons; or 14.5 square metres in rooms accommodating four persons. If a room accommodates more than four persons, the floor area should be at least 3.6 square metres per person.
- Residents should have their own bed, an area for personal items and the ability to secure belongings.
- There are a reasonable number of operating toilets and showers that are clean and separated by gender. The ILO recommends a minimum of one toilet, one wash basin and one bathtub or shower for every six persons. Toilets offer privacy (i.e., ability to lock doors) and a good ventilation system to provide good circulation of air to reduce odors.

2. Environment

Suppliers, as a minimum, will meet all relevant local and national environmental protection laws, and will strive to comply with international environment protection standards, such as ISO 14000 Environmental Management.

Supplemental Standards:

- Supplier factories must have in place a written environmental policy and an environmental management system designed as a minimum to achieve compliance with national environmental protection laws and, where appropriate, to manage environmental impacts associated with manufacturing activities, such as air emissions, water and waste management, energy use and biodiversity impacts.
- Where required by law, environmental records and certificates must be maintained for each factory. Hazardous materials and chemicals will be disposed according to the law so that these materials are not discharged and do not pollute the environment.
- Supplier factories must have procedures in place to alert local environmental authorities in the event of accidental discharge of pollutants or for any other environmental emergency.
- Supplier factories should be aware of international environment protection standards, such as ISO 14000- Environmental Management, and have a plan to achieve these standards on a continuous improvement basis.

3. Consumer Protection

Suppliers must take all reasonable steps to ensure the goods they produce are safe and are not harmful to consumers.

Supplemental Standards:

- Supplier factories must ensure that the goods they produce meet all agreed or legally required standards for consumer health and safety, including health warnings and product safety and information labels.

4. Business Integrity and Anti-corruption

Suppliers must demonstrate a high degree of professionalism and have a close affinity with our business ethics. In particular, honesty, fair dealing and the proper treatment of workers is required at all times. Bribery and corruption in any form is strictly prohibited and suppliers must adhere to the Kmart/Target (Wesfarmers) anti-bribery policy.

Supplemental Standards:

- Business is carried out with a high degree of integrity, honesty and fair dealings.
Supplier factories must have a written policy on ethical standards/business integrity that prohibits bribery and corruption in any form. The policy shall be effectively communicated to all workers.
- It is strictly prohibited for a supplier, or supplier workers or agents, to give, offer, accept or request bribes, facilitation payments, secret commissions or other prohibited payments or engage in money laundering or cause any of them to be given, offered, accepted or requested.
- It is strictly prohibited to offer gifts, money or favours to any Kmart/Target employee or representative.
- Should a Kmart/Target employee or representative request gifts, money or favours this must be refused and immediately reported to Kmart/Target. (See channels for reporting code violations in the introduction)

5. Compliance with the Law

All suppliers must comply fully with the legal requirements of the countries in which they operate. All requirements in this Ethical Sourcing Code are in addition to compliance with applicable local laws.

Supplemental Standards:

- At a minimum, supplier factories must comply with local laws and regulations of the country of manufacture.
- Business licenses and other documents are in order and up-to-date.
- Supplier factories must have written procedures in place, with a designated responsible management representative, to ensure they are aware of and understand changes that are made to the local labour law (e.g. local minimum wage).
- The designated responsible management representative communicates these changes and implications to all workers and works with factory staff to ensure the necessary changes are made in a timely manner to ensure compliance with the law.
- A labour contract must be provided to each worker which stipulates the wage and compensation awards legislated in the country.
- Labour contracts, where applicable, are written in compliance with the law and signed by workers. Workers receive a copy in their native language.

6. Management Systems

Suppliers shall adopt or establish a management system covering all its factories in the manufacture of goods ordered by Kmart/Target. The management system shall be designed to ensure (a) compliance with applicable laws and regulations; (b) conformance with this Ethical Sourcing Code; and (c) identification and mitigation of operational risks related to this Ethical Sourcing Code. It should also facilitate continual improvement.

Supplemental Standards: Factory Management System Components

- Policies and procedures must be in place to ensure supplier factories, authorised sub-contractors and workers comply with applicable laws, regulations and, where stricter, the Kmart/Target ESC.
- A management representative is appointed at each factory to implement the supplier's policies, procedures and improvement objectives.
- Supplier factories must have in place a working communication/grievance system, and workers are aware and educated on how to use the system. The System must allow for anonymity. Issues are reviewed regularly, responded to with a sense of urgency, and properly filed to demonstrate compliance.
- Supplier factories shall conduct an internal audit on a regular basis (no less than once every two years) to ensure conformity to legal and regulatory requirements and the content of the Kmart/Target ESC.
- Managers, staff, supervisors and workers are trained on the supplier's Code of Conduct and/or Kmart/Target ESC. This training is embedded in the orientation process.

7. Compliance with our Ethical Sourcing Code

Kmart/Target will monitor compliance with this Ethical Sourcing Code, and we, or our representatives, may visit a supplier's factories to audit compliance. These visits may occur at any time and be announced or unannounced. Any breaches of our Ethical Sourcing Code will be reported to the supplier for follow up and corrective action. Suppliers are required to cooperate with the entire process. Where there are breaches and/or the supplier does not demonstrate a willingness to comply, Kmart/Target reserves the right to discontinue business with the supplier. Suppliers must make a copy of the Ethical Sourcing Code visible to workers in each factory.

Supplemental Standards:

- Suppliers must review the Kmart/Target ESC and fully understand the requirements.
- Suppliers must also be aware of and comply with the *Kmart/Target Ethical Sourcing Code procedural guidelines*. The Ethical Sourcing Code procedural guidelines contain procedures relating to:
 - Factory registration;
 - Risk assessment;
 - The Kmart/Target audit program, including corrective action and remediation; and
 - Training.
- Suppliers must ensure their factories are cooperative and transparent during an audit, or other form of inspection, and provide full access to workers, records and factory work areas as well as dormitories and other factory buildings.
- Kmart/Target, or their representatives, will be free to conduct interviews with workers in a private setting, outside the presence of managers and supervisors. Suppliers shall not “coach” workers on how to respond during Kmart/Target interviews, e.g. to provide false, misleading, or incomplete information.
- A corrective action process must be implemented for timely correction of deficiencies identified by internal or external audits, inspections, investigations and reviews.
- Suppliers will not engage a sub-contractor to manufacture any Kmart/Target goods or parts thereof without the express written permission of Kmart/Target. Any contract engaging a sub-contractor must include a contractual provision requiring compliance with the Kmart/Target ESC.
- A copy of the Kmart/Target ESC (in the local language) shall be prominently displayed in each factory.

APPENDIX A: Definitions

Bonded labour

Work for an employer not for compensation received by the worker, but to pay off a debt, which is often incurred by another worker offering the worker's labour in exchange.

Corrective action

A corrective action is a change implemented to address a weakness or non-compliance identified in an audit. It is the action taken to correct any non-compliance which has been found in an assessment to an agreed standard.

Corrective action plan (CAP)

The document completed after the audit which confirms the findings and any agreed necessary corrective actions that must be improved to meet our compliance standards.

Excessive fees

Fees charged to a worker that is in excess of the amount legally permitted by any applicable law of the host or home country. Or, in the absence of such law, fees substantially above the prevailing market rate.

Employment eligibility fees

Fees and costs associated with employment, including recruitment agency/placement firm fees, visas, health checks, work permit and work registration fees.

Freedom of association

The right of all workers to join or form a trade union of their own choosing, which is legal in the country in which merchandise is manufactured, and carry out trade union activities without interference from their employer or from public authorities.

Forced labour

All work or service that is extracted from any person under the menace of any penalty for which the said person has not offered him/herself voluntarily.

Grievance procedure

A process or procedure for workers who may feel that they have been treated unfairly to voice their concerns without fear of repercussion.

Harassment

Any physical, verbal, sexual, or psychological nature, offensive conduct that threatens human dignity and worker morale.

Hazardous work

Hazardous work includes working: with dangerous machinery/equipment (e.g. knives, saws); with chemicals or hazardous substances; in working conditions which may expose a worker to extreme noise, vibrations, cold or hot conditions; in dangerously confined spaces; and with lifting heavy things.

Human rights

A set of principles defined in the Universal Declaration of Human Rights (1948), based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family as the foundation of freedom, justice and peace in the world.

Indentured labour

Work performed on behalf of an employer who forbids workers from leaving employment at the worker's discretion.

International Labour Organization (ILO)

The ILO is the international organisation responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. www.ilo.org

ILO Convention 138

This Convention, concerning Minimum Age for Admission to Employment, was adopted in 1973 by the International Labour Organization. It requires ratifying states to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work. For details on ILO Convention 138, see http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138

ILO core labour standards

The ILO core labour standards consist of the following standards, laid out in eight conventions:

- Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
- The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
- The effective abolition of child labour (Convention No. 138 & No. 182)
- The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)

Juvenile worker (or “Minor”)

Any worker over the age of a child as defined by local or national law and under the age of 18.

Material Safety Data Sheet (MSDS)

A material safety data sheet is a form that references the properties of a substance and proper handling instructions. A MSDS is not intended for general consumer use, but rather industrial/manufacturer users and safety personnel that may come in direct contact of the substance. MSDS forms may contain detailed information such as physical property data, health effects, first aid, storage recommendations, disposal requirements, necessary protective equipment for handling, and instructions on how to handle spills, etc.

Piece rate

A method of paying workers by the number of items they produce, rather than the number of hours they work.

Subcontractor (authorised)

A subcontractor is an individual or in many cases a business that agrees to perform part or all of the obligations of another’s contract (whether in writing or not). Authorised subcontractors must be approved by Kmart/Target prior to any agreement being made with the supplier and these subcontractors will be expected to meet the requirements of the Kmart/Target Ethical Sourcing Code.

Subcontractor (unauthorised)

An unauthorised subcontractor is

- an individual or in many cases a business that agrees to perform part or all of the obligations of another’s contract (whether in writing or not), and
- who has not been approved by Kmart/Target as a subcontractor prior to the agreement being made.

Supplier

A supplier includes Kmart/Target vendors, factories or authorised sub-contractors.

Trade union (or “Union”)

An organisation of workers that promotes and protects the interests of its members on issues such as wages and working conditions, especially through negotiations with employers.

Worker

A worker is defined widely to include any person working for or on behalf of a supplier, including but not limited to, employees, contractors, managers, staff, apprentices, sub- contractors, agents, and consultants.