

Dear Supplier,

Re: Supplier Code of Conduct: Pepco Group

Pepco Group has undertaken a comprehensive review of its ethical trading policies and practices. As a key merchandise supplier, we therefore need your full cooperation and support without delay. We are now writing to suppliers asking them to confirm that the standards to which their production sites operate are at least in line with the attached Ethical Trading Code of Conduct of Pepco Group which is closely based on industry best practice. Please be advised that companies applying the Code of Pepco Group are still expected to fully comply with all national and other applicable law.

Key policy points to note are as follows:

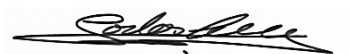
- All suppliers of products to Pepco Group Ltd must adhere this Code of Conduct and they must be assessed by our in-house team of experts or by an accredited third party prior to appointment and have their audits assessed on a CAT-1, CAT-2, CAT-3, CAT-4 & CAT-5 basis by our in-house team. For these purposes, "Suppliers" include our contractors and suppliers of Goods and Services.
- Each site must be audited at least every one year.
- Suppliers are obliged to be fully transparent declaring all production sites to Pepco Group, notifying Pepco Group promptly of production site changes, obtaining prior approval from Pepco Group to use a site before production commences and communicating Pepco Group requirements to all sites.

I hereby attach a copy of the new Code of Pepco Group

It is our expectation that you are already on board with these important issues, are fully transparent regarding production partnerships with our team and are working with your factory base towards continuous improvement. However, we request that you sign the attached acknowledgement form on to confirm the sites that you are using for Pepco Group production and that your standards in each site are at least equal to the Pepco Group Code as a basic requirement. This acknowledgement form should be signed on each page by a company director or business owner and should be returned by 15 working days from the receiving date of this letter.

Please return signed acknowledgement form by email to: Mustafiz Rahman, Regional Chief Compliance Executive, Pepco Group , Email: MustafiR@Pepcogroup.eu

Yours sincerely,



Carlos M. Coene
Director
Pepco Group

Ethical Code of Conduct : Pepco Group

Pepco Group is a Pan European discount retailer operating across over 14 countries. We expect all our suppliers to comply with the standards in this Code of Conduct.

1. Employment is freely chosen

- 1.1. There is no forced, bonded or involuntary prison labour.
- 1.2. Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

2. Freedom of association and the right to collective bargaining are respected

- 2.1. Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
- 2.2. The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
- 2.3. Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- 2.4. Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

3. Working conditions are safe and hygienic

- 3.1. A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
- 3.2. Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
- 3.3. Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 3.4. Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.
- 3.5. The company observing the code shall assign responsibility for health and safety to a senior management representative.

4. Child labour shall not be used

- 4.1. There shall be no new recruitment of Child labour.
- 4.2. Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any Child found to be performing Child labour to enable her or him to attend and remain in quality education until no longer a Child; "Child" and "Child labour" being defined in the Appendix – A .
- 4.3. No Child or Young Person under 18 shall not be employed at night or in hazardous conditions.
- 4.4. These policies and procedures shall conform to the provisions of the relevant ILO standards.

5. Minimum wages are paid

- 5.1. Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher.
- 5.2. All workers shall be provided with written and understandable Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- 5.3. Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

6. Working hours are not excessive

- 6.1. Working hours must comply with national laws, collective agreements, and the provisions of 6.2 to 6.6 below, whichever affords the greater protection for workers. Sub-clauses 6.2 to 6.6 are based on international labour standards.
- 6.2. Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.*
- 6.3. All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less

than 125% of the regular rate of pay.

6.4. The total hours worked in any seven day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5. Working hours may exceed 60 hours in any seven day period only in exceptional circumstances where all of the following are met:

- This is allowed by national law;
- This is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce;
- Appropriate safeguards are taken to protect the workers' health and safety; and
- The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6. Workers shall be provided with at least one day off in every seven day period or, where allowed by national law, two days off in every 14 day period.

* International standards recommend the progressive reduction of normal hours of work, when appropriate, to 40 hours per week, without any reduction in workers' wages as hours are reduced.

7. No discrimination is practised

7.1. There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

8. Regular employment is provided

8.1. To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

8.2. Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub- contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

9. No harsh or inhumane treatment is allowed

9.1. Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

10. Anti-Bribery

10.1. Bribery undermines the rule of law and entrenches bad governance in societies and often breeds human rights violations.

10.2. Pepco Group will not tolerate bribery or any attempted bribery of Pepco Group companies, staff, second/third party representatives and Government Officials and prohibits any bribes or facilitation payments to any parties in any form.

10.3. If any supplier/ production sites are found giving bribes or attempting to offer a bribe in any form to any parties mentioned above, business with the supplier/ production sites will be terminated as per Pepco Group Zero Tolerance Policy

10.4. Any attempts to offer money, benefits, gifts or other advantages whether to Pepco Group companies, staff or second/third party representatives or others will be regarded as attempted bribery.

10.5. Suppliers should ensure their sites fully understand Pepco Group's zero tolerance position on bribery, and that they have anti-bribery policies and effectively management mechanisms in place to ensure that their staffs also act to ensure integrity is practiced throughout their business practices.

10.6. Facilitation payments are generally small, unofficial payments or fees requested by government officials to speed up performance of a routine or necessary action. These are regarded as bribes, regardless of whether they may be "part of the way of doing business" in a particular country. Suppliers must not make these kinds of payments.

11. Transparency and Full Access

11.1. Transparency, openness and honesty are the basis of working with Pepco Group.

11.2. Suppliers must ensure sites are transparent to Pepco Group. at all times with regards to their ethical standards. Pepco Group does not work with sites which are not transparent and hide non-compliances from Pepco Group.

11.3. Suppliers should ensure that Pepco Group staff or designated representatives are provided with full access to all relevant documents, all areas in the site premise, and that interviews with workers must not be obstructed.

11.4. Fraud, denial of access or any attempt to obstruct the conduct of a normal ethical audit will result in suspension of

new orders or shipment, and ultimately to termination of business with Pepco Group.

12. Protection for the Environment

12.1. Supplier sites shall carry out their activities in accordance with all applicable national laws, regulations, administrative practices and policies relating to the preservation of the environment of the countries in which they operate as well as in accordance with relevant international agreements, principles, objectives, responsibilities and standards with regard to the environment.

13. Unauthorized Subcontract

13.1. The subcontracting of any part of a Purchase Order to a factory without prior written authorization from the Compliance Team of Pepco Group is considered a Zero Tolerance issue. Pepco Group reserves the right to immediately and permanently discontinue business with any factory engaging in unauthorized subcontracting, including the right to refuse delivery of the relevant products, without payment and prevent the sale of those products.

13.2. The Compliance Team of Pepco Group recognizes there are unforeseeable or extraordinary circumstances which may require production to be shifted to a new production site. We expect and require that the in-scope factory or Supply Chain Partner informs the Compliance Team of Pepco Group of the issue and need to subcontract. We will support our partner in resolving the issue up to and including an expedited authorization of production or an alternative arrangement prior to completion of the assessment.

13.3. Violation will lead to cancellation of orders, financial penalty and termination of business with Pepco Group.

In this Code Pepco Group means Pepco Group Limited or the relevant entity within the Pepco Group which is party to the order.

APPENDIX A Definitions

Child: Any person less than 15 years of age unless local minimum age law stipulates a higher age. If local minimum age law is set at 14 years of age in accordance with developing country exceptions under ILO Convention No. 138, the lower will apply.

Young Person: Any worker over the age of a child as defined above and under the age of 18.

Child labour: Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Zero Tolerance (ZT) Policy: Pepco Group has a clear Zero Tolerance policy on i) **Dangerous working conditions;** ii) **Forced labour;** iii) **Child labour;** iv) **Bribery & corruption;** v) **Access denied to property or records;** vi) **Minimum wages not paid;** vii) **Unauthorized Subcontract;** viii) **No fire license & No authorization to operate as a factory under local Government legislation.**

If a factory has no factory license, no fire license & No authorization to operate as a factory under local Government legislation, under any circumstances no orders can be placed in that factory till factory get better rating in the next unannounced follow-up audit.

Potential factories seeking new business will not be eligible for Pepco Group Ltd’s orders if ZT’s are found. However, given our commitment to ethical trading we will not immediately disengage existing production partners that are found to be non-compliant. We will always endeavor to work with them to improve in a timely manner although a three strikes policy still applies.

You must complete your latest factory information in the following format by return. This applies for each factory currently used for production of Pepco Group:

Factory Name:		Apply factory company chop & sign in this field
Factory Address:		
Country:		
Factory Email ID 1:		
Factory Email ID 2:		
Factory Email ID 3:		
Approx number of workers:		

[Please note: If you are using more than one factory please fill in this page for each factory and send by email.]

I hereby acknowledge receipt of and undertake to implement the Code of Conduct of Pepco Group Compliance to the Code is an obligation of being a vendor / supplier to the retailers of Pepco Group (Pepco, Pep&co, Poundland & Dealz).

Supplier Company Name:		Apply Supplier company chop & sign in this field
Managing Director Signature:		
Managing Director Name (print):		
Supplier Email ID 1:		
Supplier Email ID 2:		
Supplier Email ID 3:		
Date:		

Please return this acknowledgement form by email to: Mustafiz Rahman, Regional Chief Compliance Executive, Pepco Group, Email: MustafiR@Pepcogroup.eu