



## **SOCIAL RESPONSIBILITY POLICY AND STANDARDS**

Carter's, Inc. (CRI) is committed to ensuring that the manufacture of all of its *Carter's* and *OshKosh B'gosh* products is performed in compliance with the highest legal and ethical standards of social responsibility. As set forth in more detail below, CRI requires all the third parties with which it does business, including vendors, factories, suppliers, and licensees (Suppliers), to comply with this Policy and all applicable labor, workplace, health, safety, and environmental laws and regulations of the country in which our merchandise is manufactured. This Policy is the foundation for CRI's commitment to, and ongoing evaluation of, social responsibility compliance by its Suppliers. While CRI recognizes and respects all the cultural and legal environments in which our Suppliers operate, this Policy sets forth the minimum social responsibility requirements that Suppliers must satisfy in order to do business with CRI. If the requirements and standards in this Policy exceed applicable laws, Suppliers must still comply with this Policy. Our policy aligns with the recommendations laid out in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Carter's is proud to support the human rights standards outlined in the Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

### **I. Labor**

Suppliers must ensure employees are not exploited in any way, are treated and compensated fairly, and allowed the freedom of association. At a minimum, Suppliers must comply with the following practices, and have and implement policies underlying them:

- A. Child Labor.** The use of child labor is strictly prohibited. Supplier employees must be at least sixteen (16) years of age to work on the production of CRI products. Compliance with all local legal requirements pertaining to employees between the ages of sixteen (16) and eighteen (18) is also required. Suppliers must maintain official and verifiable documentation of each worker's date of birth.
- B. Forced Labor, Slave Labor, and Human Trafficking.** Suppliers must not use any form of forced labor, including, but not limited to, slave labor, prison labor, indentured labor, and bonded labor. Suppliers must conduct due diligence throughout the recruitment and hiring process to prevent and address labor exploitation by third parties such as labor brokers or contractors. No employees pay for their job. Travel documents and other forms of personal identification shall always remain in the employee's possession, and never be held by any third party, and all employees must be informed of the basic terms of their employment in a language they understand before leaving home.
- C. Discrimination.** Suppliers must never discriminate in hiring practices or in any other employment related practice on the basis of any personal characteristic or belief, such as race, gender, age, nationality, religion, social or ethnic origin, sexual orientation, pregnancy, family status, political opinion, or other such classes protected through national law or international standards. Suppliers shall provide all employees with equal pay for work of equal value regardless of race, ethnicity, gender, or social class or status.

- D. Harassment or Abuse.** Suppliers must treat employees in a fair manner and with dignity and respect. The use of physical or mental disciplinary practices, such as intimidation, psychological coercion, threats, or harassment of any kind, is strictly prohibited. Suppliers shall maintain a formal written disciplinary policy, and all disciplinary measures shall be documented and preserved.
- E. Compensation and Benefits.** Suppliers must compensate employees in a timely manner with wages and benefits that are in compliance with all local and national laws, including minimum wage any overtime premium payments. Suppliers may only make deductions from wages that are required by laws, and no worker may be charged for receiving or retaining their job.
- F. Working Hours.** Suppliers must establish work schedules that are consistent with local legal requirements, including maximum work hour limits. Employees must be granted at least one day off in every seven (7) day period. Overtime must be voluntary and worked without threat of penalty or punishment. Overtime should not be systemic and must be in compliance with local legal requirements relating to work hours. Also, where provided to eligible employees by law, leave privileges, vacation time, and holidays shall be granted. Suppliers must prepare and maintain accurate payroll and time records that are consistent with actual hours worked, including both regular and overtime hours, leave, vacation, and holiday time.
- G. Freedom of Association and Movement.** Suppliers must recognize and respect the rights of employees to freely join or not join any association, organization, or collective bargaining unit, as applicable by local law, without any unlawful interference by management. The right to bargain collectively shall not be restricted. Suppliers must not subject employees to any intimidation or harassment for discussing, considering, or joining any association, organization, or collective bargaining unit. While reasonable rules, regulations, and curfews may be imposed as necessary for the safety and comfort of employees, during non-working hours, employees must be free to leave the facility grounds.
- H. Homework.** All production must be conducted in legitimate work facilities. No work may ever be allowed to be performed at an employee’s home or otherwise outside of a normal work location (“Homework”).

## **II. Workplace Environment – Health and Safety**

Suppliers shall provide employees with safe, clean, and healthy working conditions. At a minimum, Suppliers must comply with the following practices, and have and implement policies underlying them:

- A. Equipment Safety.** Suppliers must ensure the operational safety of all equipment. Suppliers must provide all equipment with routine inspection and service and provide all employees with appropriate training. Employees handling flammable and or hazardous materials must be properly trained.
- B. Ventilation and lighting.** Suppliers must ensure work areas are properly ventilated and adequately lit. In work areas where chemicals are used, proper ventilation and air circulation must be provided.

- C. Personal Protective Equipment.** Suppliers must provide employees with appropriate personal protective equipment, including eye and ear protection, safety gloves, and appropriate footwear, together with training and instructions on proper use.
- D. Electrical.** Suppliers must ensure all electrical wiring and associated electrical equipment including control panels, frayed wiring, circuits, and outlets are routinely inspected and serviced.
- E. Emergency Evacuation:** Suppliers must have an appropriate number of exits that are clearly marked. All aisles, exits, and stairways must be kept clear and accessible.
- F. Fire Safety:** Suppliers must have working fire alarms and an appropriate number of fire extinguishers. Fire drills must be conducted at least quarterly. If a factory is located within a building with multiple tenants or factories, Suppliers must conduct joint fire drills with the other tenants or factories at least twice per year.
- G. Housing:** Suppliers that provide housing to employees must comply with all applicable landlord tenant laws and regulations, including health, sanitation, and fire. If employees live in facility dormitories where local law allows curfew hours, employees are to be notified of the curfew and instructed on the safety risks in and around the dormitories.

### **III. Environmental and Community Concerns**

Suppliers shall continuously monitor their production process to minimize negative impacts on the environment and communities in which they operate. All required environmental permits, certificates, and registrations need to be kept current and must be available. Hazardous materials and chemicals, including wastewater and solid waste generated from operations, must be disposed of using environmentally responsible practices.

### **IV. Documentation**

Suppliers must maintain, on-site, all documentation needed to verify compliance with this Policy and all applicable laws and regulations. Such documentation must be made available upon request by CRI or its third-party auditing firm and must be kept for a minimum of one year.

### **V. Facilities and Subcontractors**

Suppliers must ensure that all facilities or factories producing CRI's merchandise, including third-party subcontractors, comply with the standards set forth in this Policy, and they are responsible for such performance. Suppliers must communicate these requirements and shall ensure that the obligations under this Policy are understood, agreed-to, met, and complied with by such facilities.

Suppliers must provide to CRI a current list of facilities, used in the production of CRI's merchandise, and all subcontractors must be pre-approved by CRI.

### **VI. Facility Audits**

To ensure compliance with this Policy, Suppliers must allow CRI, or a third party designated by CRI, unrestricted access to its facilities to conduct a comprehensive audit, including reviewing all relevant records. All facilities used for the production of CRI's merchandise, including subcontractor facilities, are subject to audit and are required to immediately correct any violations found to CRI's satisfaction. The

cost of the audit shall be borne by the Supplier. Audits may be announced or unannounced and may be conducted as often as required by CRI.

CRI, or a third-party audit firm designated by CRI, will provide the following to the Supplier and the facilities selected for audit:

- An appointment letter issued two (2) weeks in advance of the initial audit stating the audit window; and
- The full audit report, required corrective action plan, and target date, if appropriate for any follow-up audit to verify corrective actions and compliance.

If an audit is scheduled for a facility that is no longer used by the Supplier, the Supplier must inform CRI's Social Responsibility Department of the change in status at least forty-eight (48) hours prior to the audit date. If CRI is not given notice forty-eight (48) hours prior to the audit date, the Supplier will be responsible for payment of any audit changes incurred.

## **VII. Audit Results and Corrective Action**

CRI may terminate any contract, outstanding and/or future purchase orders (without any payment therefore), or other Business Relationship, (collectively a Business Relationship) with any Supplier upon the detection of any "Zero Tolerance" offense in an audit or otherwise, such as use of child labor, forced labor, non-payment of wages, forced or prison labor, harassment or abuse, bribery and failing to disclose subcontractors. In addition, CRI may terminate any such Business Relationship if a Supplier fails to receive an audit rating of higher than 50% on two consecutive audits for the same facility.

Suppliers must work with CRI to develop a Corrective Action Plan (CAP) to remediate all areas of non-compliance found during a facility audit. CRI's Social Responsibility Department will review and approve the CAP and set a target follow-up audit date. The timeframe for any corrective action or follow-up may be extended at CRI's sole discretion.

Suppliers that are suspended or terminated for non-compliance will not be considered for reinstatement for a period of at least twelve months following such suspension, and until proof of compliance with the standards of this Policy is approved by CRI's Social Responsibility Department.

## **VIII. Commitment**

CRI expects Suppliers to meet the requirements and standards set forth in this Policy, and to monitor and ensure compliance with these requirements and standards by their facilities and any facilities with which they subcontract. Suppliers must also:

- Complete and sign CRI's Responsible Sourcing Agreement attached to this Policy as Appendix A and return it to CRI's Social Responsibility Department at the address indicated.
- Make any necessary improvements and report in writing to CRI's Social Responsibility Department the corrective action taken, as stated in Appendix B to this Policy.

**APPENDIX A**

**SOCIAL RESPONSIBILITY AGREEMENT**

The undersigned hereby represents that it has reviewed, and stipulates that it shall comply with, the principles and terms of the Carter's, Inc. Social Responsibility Policy and Standards. The undersigned further stipulates that its Business Relationship with CRI is based upon the undersigned being in full compliance with the principles and terms set forth in such Policy. The undersigned understands that failure by the undersigned to abide by any of the terms and conditions stated in such policy may, according to its terms, and the terms of its Vendor Policy Manual, result in the immediate termination or cancellations by CRI of any contract, outstanding and/or future purchase orders (without any payment therefore), or other business relationships with CRI. The undersigned shall communicate the requirements of this Policy, and shall ensure and monitor compliance of, all production facilities under its responsibility, including all subcontractors.

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Legal Entity Name

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Physical (street) Address

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City/Town/Other

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State/Province/Other

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Country

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Signature of Authorized Representative

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Date

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Name of Authorized Representative

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Title of Authorized Representative

*This signed agreement supersedes any previous signed agreement between CRI and Supplier.*

Return signed agreement to:

Osbaldo Arroyo  
VP of Corporate Social Responsibility and Traceability  
Carter's, Inc.  
3438 Peachtree Road NE, Suite 1800  
Atlanta, GA 30326  
Phone: (678) 399.4385  
Email: [Osbaldo.Arroyo@Carters.com](mailto:Osbaldo.Arroyo@Carters.com)

## APPENDIX B

### Example Action Required for Levels of Non-Compliance

The following chart describes the levels of compliance and steps to be taken to remediate non-compliance:

Performance Index Classification		Supplier and/or Facility Course of Action	CRI Course of Action	Follow-up Audit
<b>85-100%</b>	<b>High Performance</b>	<ul style="list-style-type: none"> <li>Continue current practices</li> </ul>	<ul style="list-style-type: none"> <li>Provide a copy of complete audit report to the supplier</li> </ul>	Approximately 12 months after the audit date
<b>71-84%</b>	<b>Medium Performance</b>	<ul style="list-style-type: none"> <li>Take immediate corrective action</li> <li>Within thirty (30) calendar days of receiving audit report, submit to CRI a corrective action plan and supporting documentation on improvement</li> </ul>	<ul style="list-style-type: none"> <li>Provide a copy of the complete audit report to the supplier</li> <li>Review corrective action plan and supporting documentation</li> </ul>	Approximately 6 – 12 months after the audit: unannounced
<b>51-70%</b>	<b>Low Performance</b>	<ul style="list-style-type: none"> <li>Take immediate corrective action</li> <li>Within thirty (30) calendar days of receiving audit report, submit to CRI a corrective action plan and supporting documentation on improvement</li> </ul>	<ul style="list-style-type: none"> <li>Provide a copy of the complete audit report to the supplier</li> <li>Review corrective action plan and supporting documentation</li> </ul>	Approximately 3- 6 months after the audit: unannounced
<b>0-50%</b>	<b>Very Low Performance</b>	<ul style="list-style-type: none"> <li>Take immediate corrective action</li> <li>Within seven (7) calendar days of receiving audit report, submit to CRI a corrective action plan and supporting documentation on improvement</li> </ul>	<ul style="list-style-type: none"> <li>Provide a copy of the complete audit report to the supplier</li> <li>Review correction action plan and supporting documentation</li> <li>Determine whether to terminate the business relationship with the facility and/or the supplier or conduct a follow-up audit</li> </ul>	Approximately thirty (30) to ninety (90) days after the audit and or at the discretion of CRI's Social Responsibility Department: unannounced
<b>0%</b>	<b>Denied Access</b>	<ul style="list-style-type: none"> <li>Take immediate action to allow access for audit to take place</li> </ul>	<ul style="list-style-type: none"> <li>Provide a copy of the complete audit report to the supplier</li> <li>Determine whether to terminate the business relationship with the supplier or conduct a follow-up audit</li> </ul>	As soon as possible: unannounced

NOTE: CRI's third-party monitor will:

- 1) Immediately notify CRI of any instances of Very Low Performance and or Denied Access classifications;
- 2) Provide a summary of the findings to the factory and to CRI at the conclusion of the audit; and
- 3) Forward a complete report to CRI within 10 days of the audit.