

Factory Compliance Manual

ACADEMY SPORTS + OUTDOORS

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CONTACTS

FACTORY COMPLIANCE TEAM:

FactoryCompliance@academy.com

When to email: When questions arise related to Social and/or Security Audit Reports, CAPs for new factory setups, questions related to your uploads into the Cleartrack system, Factory relocation and/or Factory name changes, and if you have any questions regarding booking an audit to be conducted on behalf of Academy Sports & Outdoors.

What to include in subject line: Supplier Name & Factory Number & Name

COMPLIANCE MANAGER:

KEITH SHELTON

keith.shelton@academy.com

Office: 281.944.6695

Other Factory Compliance Contacts

HKFactorySetUp@academy.com

When to email: When setting up a new factory, the team will assist in collecting the Social & Security Audits, and Business License.

What to include in subject line: Supplier Name & Factory Name

FactoryQualityAssesment@academy.com

When to email: After a formal email is sent out advising of a new factory setup the team will be collecting the factory's Quality Management System (QMS) Audit Report along with completed Corrective Action Plans and photos.

What to include in subject line: Supplier Name & Factory Name

1.0 Overview

As a responsible retailer Academy Sports + Outdoors (Academy, we, our) is committed to legal compliance and ethical business practices in all its Sourcing operations. Academy strives to identify reputable companies that are committed to complying with all applicable laws and regulations to promote a secure and socially responsible supply chain.

One of the many ways Academy conducts its due diligence is by conducting Social and Security compliance audits under the purview of Academy's Factory Audit Program. Audits are conducted, data is analyzed, and recommendations are made for remediation and continuous improvements. This may include, at Academy's discretion, scheduled or unannounced audits as outlined in Academy's Terms and Conditions. Through this program, Academy will validate compliance, protect, and mitigate risk.

Vendors must not utilize factories located in countries that are sanctioned by the Office of Foreign Assets Control (OFAC). Please utilize the US Department of Treasury website below to reference the list of sanctioned countries:

<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

2.0 Factory Compliance Mission Statement

Evaluate and manage global trade risk to drive overall compliance, transparency, and facilitate continuous improvement, while educating and monitoring internal and external partners for security and social compliance in Academy's Global Supply Chain.

3.0 Academy Vendor Code of Conduct

Legal Requirements: Vendor must comply with all applicable laws of the countries in which they are doing business, including laws related to employment, the environment, safety, the apparel industry, and any related fields.

Health and Safety/Working Conditions: Academy expects its Vendors to provide employees with safe, clean, and healthy conditions throughout all work and residential facilities, including fire exits, adequate medical facilities, well-lit and ventilated production areas, clean restrooms, a cafeteria and/or lunchroom facility, and well-maintained machinery.

Wages and Hours: Vendors must ensure employees are compensated fairly for all hours worked and at rates that meet local laws and industry standards, including hourly wage rates, overtime, and any incentive (or piece) rates, etc. Vendors must provide paid annual leave and holidays as required by local laws or which meet the local industry standards. While overtime may be necessary, Academy requires that Vendors limit overtime to a level that ensures humane and productive working conditions.

Discrimination: Academy recognizes, and respects cultural differences found in the worldwide market. However, Academy believes that factories should employ workers based on their ability to do the job, not based on their race, age, religion, national origin, political affiliation, marital status or gender.

Disciplinary Practices: Academy will not condone any type of corporal, mental, or sexual harassment or physical punishment by a factory. Monetary fines as a form of discipline is not acceptable.

Child or Underage Labor: Academy does not tolerate the use of child or underage labor. Factories must comply with all applicable minimum working age laws. Vendors must not employ or use persons younger than the age of 14, for any reason, regardless of the laws, regulations, customs, or guidelines of the country of origin. Vendor must maintain official documentation for every employee that verifies the worker's date of birth. In countries where official government documents are not available to confirm the exact date of birth, factory must confirm age using an appropriate and reliable assessment method.

Forced Labor and Human Trafficking: Academy will not knowingly conduct business with, or purchase materials and/or products produced by trafficked or slave labor. Factories must not use involuntary labor of any kind, including prison labor, debt bondage, forced labor, labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views. Factories are responsible for ensuring that any subcontractor used adheres to these same requirements. All work must be voluntary, including overtime. Workers must maintain possession of their own travel documents, including a worker's passport or work permit, government issued identification, immigration, or identity documents. An employer or agent may not withhold, confiscate, destroy, or deny access to the above documents for any worker. A worker shall be free to terminate their employment at any time. Recruitment fees or other related fees as part of the hiring process or to secure employment shall not be paid by the migrant worker. Prior to departing a worker's country of origin, the worker must be informed and provided with all relevant employment documents in their language. No changes or substitutions shall be made to the employment documents while in transit or upon arrival to the receiving country. Restrictions shall not be placed on worker movement.

Juveniles: Any person under the age of 18 years is considered a juvenile. Factories must comply with all local legal requirements or International Labor Organization guidelines applicable to the work of authorized juvenile workers, particularly those pertaining to hours of work, wages, working conditions and education. Juveniles may not undertake hazardous work or be present in any hazardous working areas. Hazardous work is defined as work that, by its nature, or the circumstances in which it is carried out, presents a substantial possibility of harm to the health or safety of the worker if adequate protections are not taken. Juvenile workers must be allowed to complete any compulsory education required by local law in the country of origin. Factories must not allow any juveniles under the age of 14 to be present in a factory working area unless that juvenile is in an appropriate childcare facility.

Environmental Practice: Factories must comply with all national and local environmental laws applicable to air emissions, waste handling and disposal, water use, wastewater discharges, and hazardous and toxic substances.

Product Quality: Factories must share Academy's commitment to product quality and to maintaining operating practices necessary to meet Academy's quality standards.

Ethical Practice: Academy believes in conducting all business activities with honesty, fair dealing and in conformity with high ethical standards wherever it operates. Academy will not make or condone illegal payments or other facilitating payments, nor will it involve itself in activities or practices of questionable ethical standards. Vendors must not tolerate, permit, or engage in

bribery, corruption, or unethical practices whether in dealings with public officials or individuals in the private sectors. Factories must conduct business in compliance with all applicable laws and must avoid engaging in any activity which could be deemed corrupt and/or unethical. Factories must maintain integrity, transparency, and accuracy in all records of matters relating to their business with Academy.

Sub-Contracting: Factories must not retain subcontractors without prior written consent from Academy. In addition, all subcontractors permitted by Academy must comply with this Code. Factories will remain responsible for ensuring their subcontractors comply with this Code.

Home Workers: Factories must not allow workers to engage in any form of “home worker” or “work from home” program without prior written consent from Academy. Any home workers permitted by Academy must comply with this Code. Factories will remain responsible for ensuring their home workers comply with this Code.

Freedom of Association: Factories must respect the right of their workers to choose (or not choose) to freely associate and to bargain collectively where such rights are recognized by law.

Confidentiality and Intellectual Property: All Factories must maintain the confidentiality of information entrusted to them by Academy. Factories must respect and protect Academy’s intellectual property rights and maintain the confidentiality of Academy’s trade secrets and other proprietary information which includes any information that is nonpublic or not easily obtained or determined. Factories must not use stolen or misappropriated technology.

Monitoring: Academy will undertake affirmative measures to monitor compliance with the requirements of this Code, such as scheduled or unannounced on-site inspection of Vendor’s factories /sub-contractor’s production facilities. Factories must allow Academy’s representatives full access to production facilities books and records and respond promptly to reasonable inquiries by Academy’s representatives concerning the operations of the facilities. Any factory that denies access to Academy or third-party auditors acting on Academy’s behalf will receive a penalty chargeback and may be subject to loss of future business and other remedies available to Academy. Academy reserves the right to cancel all current purchase orders and terminate business with any factory and their sub-contractors found to be in violation of any of the above standards.

Communication of Requirements: Factories must take appropriate steps to ensure the requirements of this Code are communicated to employees, and any approved sub-contractor employees, in a place readily accessible to employees and in the local language, always.

4.0 Factory Maintenance

Academy maintains factory data through internal systems and must be notified of any changes to a factory’s profile data as soon as possible to avoid business disruptions.

4.1 Name Change and Relocations

In the event a factory plans to change names and/or move locations, it is the expectation that the vendor/factory notify Academy prior to the change. Failure to notify Academy of a factory name change or address change will result in a chargeback assessed to the vendor. Additionally, production moves and/or finished product moves for storage without prior Academy approval will result in a vendor chargeback.

Factory closures that occur due to incidents or natural disasters, such as typhoons or factory fires, etc., will require the vendor and/or factory to notify Academy of the closure. If production must move to another factory(s), Academy must be notified as soon as possible. A new factory set up is required to continue the flow of business. (See 5.1 Pre-screening for set up information).

4.2 Factory Status

There are three types of factory statuses:

To maintain a factory’s active status, a factory must undergo audits conducted on Academy’s behalf or submit other third-party audits. (See 6.0 Factory Audit Process for related information).

Active	Purchase orders may be written for an active factory.
Inactive	Purchase orders cannot be written against an inactive factory.
Pending	Purchase orders cannot be written for a factory in pending status. This temporary status is in effect until the factory is officially approved or not approved. If a factory is not approved based on various reasons, it will move from the status of pending too inactive. If a factory is approved, the status will change to an active status.

5.0 Factory Onboarding

All factories intending to manufacture product for Academy must go through the onboarding process for setup in Academy’s system. This includes Academy private /proprietary brands and all national brand products where Academy is the Importer of Record. The onboarding process consists of a factory being identified and vetted against Academy’s internal criteria. The factory must pass Sourcing’s initial screening. Next, the Factory’s level of compliance will be assessed by Academy’s Factory Compliance Team. The length of the overall factory onboarding process will depend on vendor participation.

5.1 Pre-screening

During Academy’s onboarding process, factories are required to provide the following documents for a pre-screen review. (See 6.1 and 6.2 for Academy’s social and security compliance elements). The Vendor is notified by an emailed letter of the factory set up request process sent from the respective sourcing contact personnel. The details of timelines and contact information are included within the letter

- Social Audit Report – conducted within the previous 12 months, by an accredited third-party audit company, and must including photos;
- Security Audit Report – conducted within the previous 12 months, by an accredited third-party audit company, and must including photos;
- Supplier Factory Profile and Questionnaire; Completed fully
- Copy of Business License (BL);

- Any Corrective action plan issued for social audit report (only upon request).
- Corrective action plan for issued security audit report (only upon request).

If current audit reports are not available, it is the responsibility of the factory to schedule audits immediately. Expense for audits is the responsibility of the factory. If any components of the required documents are missing, it will delay the factory set up process until all missing and incomplete documents are fully executed and received. Academy's Factory Compliance Team will review the factory documents for approval. Both internal and external risk elements are examined during the factory evaluation. The objective is to work with vendors to reduce the risk of exposure to Academy's supply chain. The factory's current risk level will be thoroughly assessed by Academy Factory Compliance team. Approval of a factory set up is at the discretion of Academy Factory Compliance team.

During the factory pre-screen review, a factory number will be generated within Academy's system. The factory is screened against U.S. government and other worldwide watch lists. The factory remains in pending status until the pre-screen portion is approved and Academy determines to move forward with production.

If approved, the factory is activated. A vendor number is assigned. Factory Compliance will request that the approved Audits be uploaded to Cleartrack, Factory Management Module for further processing. Based on Scoring and responses to issued CAPs, an audit interval will be determined and indicated in the system.

If the factory is not approved, the factory moves from pending to inactive and another source for product will need to be utilized.

6.0 Factory Audit Process

The audit process encompasses several events. The data collected from factory audits is analyzed and assessed when making decisions for remediation and factory production.

6.1 Social Compliance Audit Elements

The social compliance audit evaluates factory performance in terms of social compliance (labor & human rights) against all applicable local and international laws and industrial standards. The areas covered are:

- *Documentation of Records including permits, licenses, employment records, etc.;*
- *Child Labor;*
- *Forced Labor;*
- *Harassment and Abuse;*
- *Discrimination;*
- *Freedom of Association;*
- *Wages ,Benefits and Working hours; and*

- *Health and Safety; and*
- *Monitoring and compliance.*

6.2 Security Compliance Audit Elements

The security audit evaluates factory compliance level against CTPAT (Customs Trade Partnership Against Terrorism) requirements. The areas covered are:

- *Physical security;*
- *Personnel security;*
- *Security Vision and Responsibility (New);*
- *Procedural security;*
- *Packing and cargo security;*
- *Agricultural Security (New);*
- *Unauthorized / unidentified individuals;*
- *Conveyance / container security;*
- *Cyber Security (New & Updated);*
- *Security training and threat awareness;*
- *Business Partners requirements; and*
- *Monitoring and compliance.*

6.3 Factory Selection (Criteria) and Audit Funding

Academy requires that factory audits be conducted at the location where the products are manufactured. A risk-based approach utilizing internal and external criteria helps to determine the audit priority for current, existing factories.

Academy initiated audits are paid for by the vendor. Academy will notify the vendor and require factory schedule the audits with their preferred audit firm, as listed in (section 6.5). To secure the audit dates, the factory must remit payment to the audit firm during the scheduling process.

6.4 Third party audits

Vendors and factories can submit recent third-party audit reports for consideration of waiving the required audit. The audits submitted must meet the below criteria:

- Security Audit Report – conducted within the last 12 months, by an accredited third-party audit company, including photos;
- Social Audit Report – conducted within the last 12 months, by an accredited third-party audit company, including photos;
- Corrective Action Plan, for the coinciding security audit report (upon request);
- Corrective Action Plan, for the coinciding social audit report (upon request).

Academy will review the above packet documents and notify the factory if the audit(s) can be waived. If the audit is not waived, further schedule coordination is required. The audit expense(s) are the responsibility of the Vendor/factory. It will be at Academy's discretion to waive the audits. Failure to further coordinate the audits will result in chargeback and factory termination.

Audits are not waived based solely on certificates but are considered only if a full approved report is provided.

6.5 Approved Auditing Firms and Reports

Academy accepts audits from reputable third-party audit companies. Approved companies are listed below. Audit companies that are not listed must be communicated to Academy for approval prior to scheduling audits.

- Bureau Veritas;
- Intertek;
- UL;
- SGS; and
- TUV.

Academy accepts various types of reports & certifications, as listed. Other reports apart from this list must be communicated to Academy for approval.

- Worldwide Responsible Accredited Production - WRAP
- SEDEX Members Ethical Trade Audit - SMETA
- Workplace Conditions Assessment - WCA
- Better Work – (Participating Countries)
- International Council of Toy Industries - ICTI
- Supplier Compliance Audit Network - SCAN
- Global Security Verification – GSV

6.6 Audit Planning and Execution

90 Days prior to audit expiration, as defined by Academy Factory Compliance personnel, Auto generated emails from Cleartrack will be sent to the Supplier (Vendor) advising of upcoming audit expiration date(s). If Academy requires specific 3rd party service provider to conduct the audit(s), Vendor will be contacted by the 3rd Party Facility to schedule the Audit(s)

A full social compliance audit will typically last one or two days, depending on the number of auditors. A full security compliance audit will be completed in one day. Prior to the audit, the Service Provider will provide a list of all documents that the Factory must have available for the day of the audit. On the scheduled day of the audit, auditors will be onsite and perform the field audit. It will include an opening meeting with factory management, an onsite tour escorted by factory personnel, review of documents, and private interviews with selected employees. Finally, there will be a closing meeting held with factory management to discuss any identified issues. At the end of the audit, an onsite corrective action plan is given to a designated factory contact that is signed by both the factory and the audit firm.



Academy audit types:

Initial – The first audit conducted by an audit company for the Factory. Any subsequent audits are considered a follow up or annual.

Follow up – An audit that occurs within one year after the date of an initial or annual audit or follow up is required for any previous non-compliance issues. If follow-up is needed after an initial or annual audit, the vendor must utilize the same audit firm that conducted the initial or annual audit.

Annual – A full audit where all areas will be evaluated. An audit will be considered an annual audit for that factory if the factory has already been audited initially, and therefore, in the audit firm’s database.

6.7 Audit Ratings and Definitions

Social Audit Ratings and Audit Schedule

Letter Ratings	Ratings	Audit Frequency	Production Impact
A	Low	24 months	No impact
B	Low/Medium	18 months	No impact
C	Medium/High	12 months	Current and future orders may be at risk
D	High	Risk Based	Current and future orders may be at risk

Security Audit Ratings and Audit Schedule

Letter Ratings	Ratings	Audit Frequency	Production Impact
A	Low	24 months	No impact
B	Low/Medium	18 months	No impact
C	Medium/High	12 months	Current and future orders may be at risk
D	High	Risk Based	Current and future orders may be at risk

NOTE: The ratings help categorize audits according to the issues found at the time of audit. There are other factors considered when assessing the audit result, such as the duration of issue and severity level. It is within Academy's discretion to determine the proper course of action.

Social:

- A. Low – Minimal or no Issues that would impact the overall compliance status.
- B. Low/Medium – Issues or conditions that do not indicate a failing system, but gaps in the compliance system.
- C. Medium/High – Multiple issues or conditions that would indicate a systemic compliance failure.
- D. High – Major, significant issues or conditions that would indicate severe levels of a compliance system failure.

Security:

- A. Low – Minimal or no Issues that would impact the overall compliance status.
- B. Low/Medium – Issues or conditions that do not indicate a failing system, but gaps in the compliance system.
- C. Medium/High – Multiple issues or conditions that would indicate a systemic compliance failure.
- D. High – Major, significant issues or conditions that would indicate severe levels of a compliance system failure.

6.8 Audit Postponements or cancellations

Confirmed audits cannot be postponed except in cases where there is a government planned power outage or natural disaster. In such cases, Academy's Factory Compliance Team, and 3rd party service provider must be contacted at least seven business days, or as soon as possible prior to the accepted audit date. If an audit cancellation is needed for any other reason, Academy's Factory Compliance Team must be contacted as soon as possible to avoid chargebacks or other actions Academy deems appropriate. If cancellation is less than 48 hours and the auditors have

been dispatched, chargebacks will apply. NOTE: Refer to <https://vendor.academy.com> for current chargeback list and rates.

6.9 Audit Review

Upon upload of audit report(s), the Factory Compliance Team will review the results and determine if any further action is necessary. A proposed next audit date will be set within the Cleartrack system.

6.10 Corrective Action Plan (CAP)

After the audit is completed, Academy expects the Factory to take the results and use them to drive continuous improvements. Factories must submit their corrective action plan, that includes date(s) when action plan(s) will be implemented. Upon receipt of completed audit reports by Academy, the Factory Compliance Team will also generate CAPs via Cleartrack to the factory and vendor contact on file for completion.

The factory/vendor has 7 business days from the date of issuance to complete their portion of the CAP. (Refer to attached Cleartrack guidance Document). A factory's CAP comments are considered as part of the overall audit assessment. CAP responses not returned within the timeframe allowed, will affect Factory Scoring, and chargebacks may be issued to the vendor.

6.11 Non-Approval, High Risk, Suspension, and Termination

Factories with Issues reported and those with recurring major or critical issues identified may be indicators of high or critical risk that will require follow up actions, such as more frequent third-party auditing, on-site visits from Academy personnel, or elevated involvement from Academy's Sourcing. or may result in factory non-approval. Academy expects the factory to take immediate action to remediate all outstanding issues. Open and clear communication throughout the remediation process is crucial for successful and sustainable improvements.

6.12 Non-Compliant Activities (Critical)

Academy must be notified of factories that are alleged to be violating Academy's Global Sourcing Guidelines, Purchase Order (PO) Terms and Conditions, Ethics Policy, Code of Conduct, or any other Academy policy by engaging in a non-compliant activity, as listed below:

- Child labor;
- Forced labor;
- Human trafficking;
- Trade Money Laundering
- Physical or sexual abuse, coercion, or harassment;
- Bribery or corruption;
- Illegal operations, including failure to comply with labor and environmental law;
- Dangerous conditions (fire hazards, structural issues, etc.);
- Denied access (partial or full);

- Home workers; and
- Child visitor.
- Unapproved manufacturing facilities
 - Producing Academy purchase orders in unapproved facilities.
- Unapproved storage facilities
 - Moving completed Academy product to other facilities/warehousing without written approval from Academy.

Additional means by which Academy must be alerted include:

- Academy discovery via selection, on-boarding, audits, or monitoring;
- Third party auditor alerts;
- Other Sourcing company alerts;
- Whistle blower alerts; and
- Concern line/Ethics box alerts.

6.13 Training and Workshops

All vendors shall monitor compliance and performance at the factories manufacturing products for Academy, and consistently communicate Academy’s expectations to their factories. Academy may provide factory compliance guidance trainings in Hong Kong and/or other regions in China. In addition, webinars are recommended tools for vendors and factories as a means of driving compliance.

MANUAL REVISION LOG

Date:	Prepared/Revised by:	Revised Page/Section:
01/25/23	Factory Compliance	All sections reviewed related to Cleartrack factory module implementation. Other General updates