



Responsible Purchasing Policy

Kathmandu Policy

Prepared by:	Gary Shaw
Date:	1 November 2021
Version:	3.0
Status:	Released November 2021
Revised and Updated	Annually

Contents

Responsible Purchasing Policy	
Introduction.....	4
FLA Principle 2	4
1. Kathmandu Policy	5
1.1 Kathmandu Supply Chain	5
1.2 Kathmandu Critical Path.....	6
1.3 Kathmandu Key Staff.....	8
1.4 Position Descriptions	9
1.5 Product Lifecycle Management.....	9
1.6 Measuring Progress.....	10
1.7 CSR.....	11
2.0 Internal Training	11
3.0 Dialogue	12
3.1 Pre Sourcing.....	13
3.2 Auditing and Remediation.....	14
3.3 Merchandising	14
3.4 Order Changes	14
4.0 Internal Accountability	15
5.0 Motivating Suppliers	16
Summary	17
Appendix 1 – Critical Path	18
Appendix 2 – Stage Gate Process	19
Appendix 3 – Supply Chain Process	27
Appendix 4 – Position Descriptions and Objectives	30
Appendix 5. Supplier Management Process – On Boarding Process	35
Appendix 6. Supplier Management Process – Supplier Profile	36

Appendix 7. Supplier Management Process – Supplier Evaluation.....	37
Appendix 8. Supplier Management Process – Supplier Scorecard.....	38
Appendix 9. Supplier Management Process – Risk Process.....	39
Appendix 10. Supplier Management Process – On Boarding Risk Evaluation.....	40
Appendix 11. Supplier Management Process – Supplier Matrix.....	41
Appendix 12. Supplier Management Process – Supplier Management Data Development.....	42
Appendix 13 Supplier Management Process – Continuous Improvement Cycle.....	43

Introduction:

The Supplier Management team in conjunction with the practices of Product Managers and Merchandisers as well as the sales and planning practices of suppliers, all influence workplace conditions and worker wellbeing.

Kathmandu exists to improve the wellbeing of the world through outdoors.

A core value and critical part of our brand is being open and acting with integrity, conducting our business in an ethical and honest manner. This means acting with transparency to create a productive environment that eliminates bureaucracy and encourages efficiency. As such we are committed to the wellbeing of all of those involved in our supply chain, especially those who are the most vulnerable.

Principle 2 of the Fair Labor Association (FLA) of which Kathmandu is an affiliate member, relates to Responsible Purchasing and Responsible Production Practices. It draws specific attention to the need for strong communication and alignment between a company's business and social responsibility divisions, as well as between those buying on behalf of the company and those responsible for supplying the goods.

Without consistent and systematic attention to supplier management and responsible purchasing and production practices, companies such as Kathmandu can undermine factory-level efforts toward ethical working conditions. Successful implementation of FLA Principle 2 is therefore the bedrock of a robust and effective social compliance program and ultimately leads to organizational efficiencies as well as improved conditions for workers.

Participating companies such as Kathmandu are required to implement Principle 2 and demonstrate its implementation through annual self-assessments and applicable FLA reviews. This begins by having a robust policy document that sets out our best practices.

FLA Principle 2

Kathmandu recognizes the importance of having good supplier management, sourcing and purchasing practices that empower and improve labour standards.

That being said, there are inherent challenges in the implementation of responsible purchasing practices. To assist with this process, encapsulated within Principle 2 are FLA benchmarks that outline the necessary internal systems for Kathmandu to be ethically accountable to its internal and external stakeholders.

The FLA addresses four key areas or benchmarks that are essential to this process. Kathmandu's policy is broken down into the following areas: Policies and Procedures, Internal Accountability, Engaging in Dialogue, and Motivating Suppliers or Facilities.

These four FLA benchmarks embody a framework which incorporates multiple contact points in the buyer-supplier relationship, as well as weaving a common thread of social responsibility throughout a company's own internal departments.

As an affiliated company, Kathmandu is required to produce evidence of progress in meeting each benchmark during the FLA annual online self-assessment and other accreditation activities. In addition to functioning as internal measures for Kathmandu, Position Description

Tasks and Objectives serve as the basis for the FLA to evaluate Kathmandu’s progress in implementing responsible supplier management, sourcing or production practices.

1. Kathmandu Policy

The following policy documents Kathmandu’s commitment and serves to reinforce that commitment internally. This policy creates a framework, guide decisions, and helps to maintain consistency over time, especially in the event of staff turnover. Kathmandu has established this policy document in order to align our financial terms, purchasing and production with our wider commitment to workplace standards.

The formal written procedures that follow address Kathmandu’s approach to supplier management, planning and purchasing practices and articulate the complexities involved in our unique global supply chain; the different supplier business models and the relevant internal representatives who work with suppliers to reduce negative impacts on working conditions.

These policies and procedures express Kathmandu’s alignment with the FLA Workplace Standards and in particular proactively address those issues that can lead to excessive overtime, unauthorized subcontracting, or other negative impacts. Kathmandu is committed to planning ahead in order to eliminate or minimize negative outcomes that can arise from seasonal orders.

1.1 The Kathmandu Supply Chain

The unique complexities of the Kathmandu global supply chain are as follows:

- Kathmandu is a for-profit publicly listed company and is listed on both the Australian (ASX) and New Zealand (NZX) stock exchanges
- The company values are courageous, joyful and open.
- The company culture is closely aligned to other international outdoor adventure companies which have a cooperative structure and governance model
- The purpose of the company is to improve the wellbeing of the world through the outdoors.
- Kathmandu is well known in both New Zealand and Australia for its community engagement and commitment to environmental stewardship and sustainability initiatives
- Kathmandu sells a number of products designed and created for a diversity of climates and activities including extreme outdoor apparel, travel gear, active gear, outdoor equipment, survival gear, casual wear and products with purpose
- There has retail stores throughout Australia and New Zealand
- Kathmandu is a global brand but is located in and operates according to Southern Hemisphere seasons
- Kathmandu designs the products in New Zealand but the bulk of the manufacturing is completed off shore
- Kathmandu currently has strong CSR visibility of Tier 1 but little CSR visibility of Tier 2 and 3
- Kathmandu suppliers are based in 8 countries but the overwhelming majority of product is made in Asia (Vietnam, Indonesia and China)
- Approximately 20% of Kathmandu strategic and core suppliers produce 80% of the

products

- The remaining 20% of Kathmandu suppliers are transactional and produce comparatively small amounts of outdoor equipment items and accessories
- Because Kathmandu sources comparatively small amounts from a number of transactional suppliers, the company has little leverage or influence when it comes to requiring improvement and remediation to address worker conditions
- In addition the cost of capacity building and remediation of these transactional suppliers is often prohibitive which therefore poses a risk for the company in that there is less transparency over worker conditions
- Kathmandu is a vertical retailer with an agile inventory and as a result there are deadlines that suppliers have to agree to meet; if not managed well, this can negatively impact workers
- Kathmandu uses a Hi-Low trading model
- Kathmandu staff are often working on design, creation and manufacturing of apparel for three seasons at any one time which can create a bottleneck

1.2 The Kathmandu Critical Path

Kathmandu has a generic critical path in the sourcing and production processes. The company approaches the risks embedded in the purchasing and production process by seeking to maintain open lines of communication with suppliers and factories. Kathmandu's core values and labour standards are defined in the company's Code of Conduct and Terms of Trade which all suppliers are required to agree to and sign prior to any business being conducted.

This ensures that both Kathmandu and our suppliers have a clear understanding of our business relationship, that suppliers understand that CSR is equally important to Kathmandu as price, quality and delivery times, and that in keeping with our value of transparency, they will not be penalized for communicating the challenges they are facing but rather supported in dealing with them.

The company is committed to minimizing those things within our control that could negatively impact factory-level working conditions. Supplier management is therefore involved at the beginning of the critical path, ensuring product is allocated to suppliers based on capability and capacity vs forecast demand.

1. Giving Suppliers a Voice and an Ability to Delay or Decline

Kathmandu gives our suppliers the ability to plan product and labour requirements so as to avoid undue overtime. The company uses a Purchase Order / Freight Management system (LIMA) that requires suppliers to either confirm, request changes or decline production units and timeline requests.

Before any Purchase Order is confirmed with a supplier, they have to either agree or disagree within 5 working days that they can deliver the quantities on the timeline requested or decline and offer an alternative production schedule. Ultimately no purchase order can be confirmed in the Kathmandu LIMA software system until both parties accept the quantity and delivery dates of each Purchase Order.

2. Critical Path Sensitive to Lead Times and Suppliers Calendar

The Kathmandu critical path is deliberately structured to allow reasonable industry standard lead times in fabric and product production. The company then creates deadlines with an awareness of major holidays throughout the year, to allow workers time-off to celebrate. This include Chinese New Year, Ramadan and other national Holidays in the country of origin. The Kathmandu critical path reflects an understanding of how these holidays affect factory workers and production as well as shipping capacity worldwide.

Kathmandu has a seasonal model based upon 3 seasons a year; two summers and one winter. This means there are less bottlenecks and gives the planning team greater ability to place purchase orders earlier if they need to allow extra manufacturing time without impacting our delivery dates. This is monitored through Product Lifecycle Management (PLM) software and ongoing communication with our suppliers and workers. (See Appendix 1)

3. Communicating Season Strategy

Kathmandu is working with our suppliers to continually develop a more consistent and predictable business relationship that spreads orders over the course of the year, which in turn benefits workers in terms of working conditions and ensuring year-round wages.

Kathmandu issues a pre-warning of future product requirements. For core/volume styles, Kathmandu issues a longer term (12 months ahead of the current buying season) indication as to the forecasted projected sales demand and therefore the consequent buying requirement to suppliers at an aggregate level. This includes estimated rolling 12 month unit forecasts and corresponding raw material requirements. The Supplier Management team are tasked with communicating Kathmandu's Season Strategy and company critical dates with all of their suppliers in advance, to allow them to plan workflow and operator capacity accordingly.

Kathmandu understands that both the company and our suppliers benefit from knowing what both sides can expect throughout the year in terms of orders and delivery times. While peak production periods can and do occur, by communicating orders ahead of time, suppliers are better able to manage the peak seasons. This further helps suppliers by ensuring they can avoid the ebbs and flows in orders and that workers therefore have sufficient work all year round. (See Appendix 2 and 3)

4. Incurring Cost

Any amendments to delivery dates or quantities after the original purchasing order is accepted are flagged by suppliers in the Kathmandu LIMA system. All amendments require approval from a Kathmandu merchandiser before delivery can proceed.

Kathmandu incurs the additional costs that result when the company does not meet our own critical path deadlines. When further technical or design changes are made to products after a deadline has passed, Kathmandu incurs the cost of any changes of freight methods (sea to air). This allow suppliers more time to produce the quantities required. In some cases Kathmandu is also willing to split shipments and/or make changes to launch dates to assist our suppliers. When the supplier is at fault for not meeting the agreed upon timeframe and critical path dates, in the interests of fairness they pay the additional air freight costs.

1.3 Kathmandu Key Staff

The following key staff in the Kathmandu Product Department are responsible for reducing the negative impacts of the wider Product Department decision making and actions on the working conditions at supplier level:

- General Manager, Product
- General Manager, Sourcing
- General Manager, Merchandising
- Critical Path Analyst
- Group Product Manager
- Group Product Operations Manager
- Technical Product Manager
- Group Design Manager
- Senior Product Manager Apparel
- Senior Product Manager Equipment
- Senior Product Manager Footwear
- Merchandising Team
- Sourcing Team
- CSR Manager
- CSR Specialist (Asia based)
- Supply Chain Team (logistics)
- Quality Team

Key Position Descriptions

Relevant staff job descriptions specify the responsibility of these staff members to mitigate negative impacts on working conditions.

These staff are responsible for sourcing, designing, planning, overseeing and buying products and are therefore required to recognize the adverse effects certain purchasing practices can have on working conditions. They are also therefore responsible for ensuring that they have ownership over the critical importance of this policy internally and for ensuring that this policy is integrated into their regular business practices.

In addition to this, all staff who work for Kathmandu had the following key responsibilities included in their Position Description from 2018 onwards.

1.4 Position Descriptions

All Staff have the following Key Responsibilities and Performance Measures

Key Responsibilities

- Supports the promotion of human rights throughout the business.
- Supports Kathmandu's efforts to be a socially responsible company
- Acts without delay to address serious human rights and labor rights violations that threaten the safety and wellbeing of Kathmandu employees, customers or those working in factories as part of the Kathmandu global supply chain.

Performance Measures

- Respects the human rights of Kathmandu colleagues, customers and suppliers.
- Completes CSR training and upholds the value of everyone involved in the wider global supply chain.
- Adheres to Kathmandu CSR policies and procedures at all times.

CSR Manager

The CSR Manager is responsible for updating the companywide online CSR training sessions every 12 months to ensure that all staff have access to the latest best practices and CSR related initiatives. The CSR Manager also conducts onsite training for all staff in the Product Department every 12 months to ensure they remain current in their understanding and application of responsible purchasing practices, child/forced labor policies and anything else that impacts the working conditions in the global supply chain.

Other Key Position Descriptions also have additional specific tasks and objectives relevant to their role. (See Appendix 4)

1.5 Product Lifecycle Management (PLM)

Rushing to complete orders may also decrease the attention paid to maintaining safe working conditions or to upholding quality standards, which might result in even more overtime, shipment delays, expensive freight, or chargebacks.

Previously the Kathmandu Product Team relied on numerous disparate spreadsheets to record information related to line plans, design concepts, supplier information, fabric and managing critical path activities. Inefficiency and inconsistency over the process of range creation is a recurring challenge.

The implementation of the PLM solution in FY17 consolidated this information and provides visibility on the front end across the product development. It further allows for reporting to be completed without the need to consolidate reports from various spreadsheets.

Centralizing data assists with the consolidation of Trims, Fabrics, Components and Raw Materials. The incremental introduction of PLM to every aspect of the business also assist with linking additional aspects of the finished product. Processes implemented as part of the delivery of PLM ensures that all finished products have copy written by the Marketing Team and agreed by the Product Team before being passed on to the business. This ensures that information is consistent within all parts of the business and that clear pathways of communication prevent undue pressure caused by miscommunication and hold ups in the supply chain.

The ongoing implementation of this Product Lifecycle Management tool will give greater clarity on the front end to the financial terms, lead times, new product option allocation and balanced planning that can impact workers. The Kathmandu PLM system contains fields addressing such things as lead times for all purchase orders. This serves as another means of encouraging greater accountability for product managers.

1.6 Measuring Progress and Creating a Continuous Improvement and Learning Cycle

Kathmandu measures its progress in this area by maintaining all relevant policies, documented procedures and evidence of leadership reviews and training updates that relate to purchasing policies and production procedures. These are stored in one place that is easily accessible to allow any staff member to reference and be guided by their content and procedure.

Through the supplier onboarding process, each key area evaluates the supplier which then generates a score and is assessed through our risk evaluation profile (See Appendix 9, Risk Evaluation). Supplier Management works through a seasonal cycle which is managed through the Supplier Matrix (See Appendix 11) which compares supplier capacity and capability vs product demand and ensures product allocation as per the status defined by the risk evaluation and scorecard. (See Appendix 13: Continuous Improvement Cycle)

This generates the tasks necessary to effectively manage that supplier. (See Appendix 9: Risk Process) Once on boarded, the continuous improvement through corrective actions are managed across CSR, Quality, Product Development and Service. (See Appendix 5: Supplier Onboarding)

Kathmandu has set up and engaged a supplier scorecarding process which commenced at the end of 2017. The scorecard looks at five critical areas; CSR, Quality, Delivery, Service and Total Cost of Ownership (TCO) giving all key stakeholders a say in supplier performance based on reportable KPIs (See Appendix 8: Scorecards)

This scorecard then generates a status (On boarding, Grow, Maintain and Decline 1, 2 and 3). The status dictates future allocation and determines how we reward suppliers. This is communicated to the supplier.

When the score goes into decline, it prompts corrective action and training relevant to the supplier. The supplier then has eight months to improve and change their status before they will be exited.

Once a supplier goes into a decline status, they are given a penalty negative score. This can be overcome by completing set corrective actions and training which will give them a bonus.

The management of key information and master data relevant to the continuous improvement cycle is critical. Kathmandu has established cross functional workshops to ensure that all of the data being entered into the aforementioned process as well as the formulas being used are correct and accurately represent true supplier performance. (See Appendix 12: Management Data Development).

1.7 CSR

Kathmandu measures its progress in CSR by utilising a purpose-built CSR Software platform designed and created by Elevate Limited, called EiQ. This provides greater clarity and transparency around any critical or ongoing issues that arise with suppliers. This software measures supplier progress in the areas of social and labor compliance. EiQ generates a score that is then used in the supplier scorecard to make up the total score.

Kathmandu addresses issues such as fair compensation, social insurance and inflation by continuing to work collaboratively with other companies and brands as well as industry leaders such as the Outdoor Industry Association and the Sustainable Apparel Coalition to ensure that the company is implementing and operating according to best practices.

Kathmandu continues to be an active member of numerous Multi Brand Initiatives that seek to share non-commercial information and leverage their combined influence to bring about positive change and sustainable improvements in this sector.

2. Internal Training

Training relevant staff on responsible sourcing or production is critical in the development and dissemination of policies and procedures and the integration of key social compliance objectives in day-to-day decision-making.

Such training ensures that the relevant staff are fully aware of the requirements and implications of the responsible purchasing and production policy.

As already discussed, the Supplier Relationship Manager is required to provide training to sourcing, buying, merchandising and planning staff to ensure that all relevant staff members have an intimate knowledge of the impact their decisions can have on the factory floor.

Training on the company's responsible purchasing and production policy is provided to all relevant staff as part of their induction process into the company. A Training module has been set up on the internal training system (Kampus). A record of their completing this training is stored within Kampus.

The Supplier Relationship Manager is responsible for providing ongoing training to design, production, sourcing, and sales teams on an annual basis.

The Supplier Relationship Manager will seek regular evaluations of the training. This will be done through written feedback in the form of staff surveys following each training.

The Supplier Relationship Manager will update the training to take into account learnings from external training and assessments, actual business challenges and feedback from staff, peers and third party expert partners.

Staff members will participate in these training sessions every 12 months and a record will be kept of those who attend.

3. Dialogue

Regular and constructive dialogue between Product Managers and Merchandisers and suppliers, and also between departments within companies, is critical for the purpose of avoiding negative impacts on workers as a result of sales, purchasing, or planning decisions or actions.

Dialogue can raise awareness, help identify and solve root causes of problems, encourage coordination and collaboration, and should be carried out both internally and externally. However there are some inherent and entrenched challenges to such dialogue occurring between buyers and suppliers in a transparent, constructive, and collaborative manner.

Circumstances that could result in changes at the factory level that are detrimental to workers and working conditions are:

- Sudden or delayed changes in design;
- Errors in forecasting or assessments of production capacity;
- Poor planning or insufficient lead time;
- Changes in demand or order volume;
- Condition of machinery or production lines; and
- Problems with quality or with the production process

Kathmandu staff responsible for planning and purchasing decisions are required to engage with the Supplier Management team as part of the regularly scheduled stage gate meeting process. (See attached Stage Gate Meeting Schedules in Appendix 2)

This is especially so when problems arise so as to support operations at the factory level and seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.

Internal dialogue within Kathmandu is necessary to mitigate conflicting objectives and facilitate coordination throughout the purchasing or production process. Staff responsible for planning and purchasing decisions as well as staff responsible for sales and planning must engage with social compliance staff in regular conversation and even more intensively when problems arise.

While the frequency of dialogue is important, what is more critical is the spirit in which that dialogue occurs. Internally and externally, each participant is encouraged to have an equal voice, and all participants are encouraged to examine the validity and relevance of all feedback in good faith and with an eye to fulfilling Kathmandu's responsible purchasing or production objectives.

Dialogue conducted from a hierarchical, power-based mind-set will likely fail at surfacing root causes and spurring collaboration. External dialogue between Kathmandu and external stakeholders will help ensure that all stakeholders are aware and participating in improving conditions and decision-making.

It is important for Kathmandu to engage in external dialogue that links the importance of workplace conditions with a variety of performance metrics. This dialogue can facilitate the ongoing evaluation of existing business partners and inform next steps for partnerships that are newly forming.

Given the prevailing power differential that exists between Product Managers and Merchandisers and suppliers, Kathmandu staff may consider these elements of effective communication:

- Mutual transparency and understanding of respective roles
- Communication between decision-makers from both parties
- Dialogue at the factory level
- Explicit acknowledgement of cultural issues and challenges

- Communication of social responsibility values and benefits
- Communication of planning and sourcing challenges and maintaining open dialogue
- Greater coordination between internal teams
- Ongoing two-way communication between Product Managers and Merchandisers and suppliers about any changes taking place during the production process that were not agreed upon when the purchase agreement was signed
- Aligned messages between sales/ sourcing/planning and sustainability departments when speaking to suppliers or Product Managers and Merchandisers so as to speak with one voice

3.1 Pre-sourcing:

Cross functional teams consult with the sourcing team about their need for a new supplier. Sourcing demand comes from opportunity, capacity, capability need, risk and supplier status change. (See Appendix 13: Continuous Improvement Cycle)

Before any new supplier is on boarded they are required to complete a self-assessment. After the self-assessment, a commercial assessment is completed by Kathmandu. The supplier must then agree that they will operate in accordance with Kathmandu's Code of Conduct and Terms of Trade.

If they share our values and meet our capability and capacity need, they will then participate in an onsite sourcing evaluation which includes a quality and CSR assessment.

The CSR team will review the resulting audit report and relay information to sourcing staff about any critical social compliance findings requiring remediation.

The final result is entered into the On Boarding Risk Evaluation document (See Appendix 10). If the final result is negative, Kathmandu does not proceed with the new potential supplier and advises them accordingly. If the final result is positive, the supplier moves forward through the on boarding process. (See Appendix 10: On Boarding)

3.2 Ongoing Auditing & Remediation:

The CSR team informs the Supplier Relationship team and Product Managers about any noncompliance findings identified through an audit of an existing supplier that potentially link to headquarter-level practices.

If findings are egregious, the CSR team may inform the Supplier Relationship team and Product Managers that no orders may be placed with the supplier until remediation can be verified as complete.

3.3 Merchandising:

The Merchandising department balances order volume and promised delivery dates to as much as possible avoid excessive overtime for factory workers. The merchandising department takes into consideration the normal delays in receiving materials, design specifications and tech packs, and considers these factors in production line planning.

3.4 Order Changes:

Kathmandu staff involved in the design, production and planning of products are required to understand the impact on of any late changes to an order during the regularly scheduled stage gate meetings. Those involved in the change are asked to consider the impact on workers. Late changes and other delays are flagged during the regular stage gate meetings. Any costs that result from undue delays caused by Kathmandu are born by Kathmandu.

4. Internal Accountability

Key position specific Tasks and Objectives incorporate the development of Kathmandu company objectives and allow for regular assessment of relevant staff's performance against those standards, with a specific focus on avoiding negative impacts for workers and on working conditions.

As of 2018 the inclusion of responsible planning and purchasing objectives are included in the position descriptions for relevant team members as part of the staff performance management system. These objectives will be entered into KPC (Kathmandu Performance Centre) software and will be regularly reviewed alongside other Objectives as part of the staff performance management program.

Relevant staff job descriptions specify the responsibility of these staff members to communicate with the CSR Team and relevant colleagues on mitigating negative impacts on working conditions.

Kathmandu Staff performance evaluations will include an evaluation criteria for timeliness in meeting deadlines, communication, and responsible decision-making.

Kathmandu staff responsible for a specific department or company-wide product development or time and action calendars are held accountable for stage gate deadlines, internal communication, and communication with suppliers.

Objectives

Across the company, all staff including product managers, merchandising, managers in charge of design, sourcing, production planning, sales and finance are all responsible for minimizing negative impacts at the factory level, both on a regular basis and when issues arise.

Individual managers are responsible and held accountable through their Objectives to ensure that their staff are meeting deadlines to ensure adequate lead times and assigning appropriate staff to work with suppliers when issues arise.

5. Motivating Suppliers

Kathmandu seeks to positively motivate suppliers or factory staff to produce in a socially responsible and sustainable manner and maintain internal systems aligned with FLA Principles.

Kathmandu encourages our suppliers to look upstream into their own supply chains, placing importance on their own suppliers' social responsibility and sustainability efforts in addition to their own.

Tying incentives to socially responsible and sustainable production spurs motivation for greater integration of these aspects into overall business operations. Such incentives are useful in demonstrating company commitment to social responsibility and create consistency between words and actions. Conversely, buyers (both brands and suppliers) disempower socially responsible upstream suppliers when they reward or conversely do not penalize suppliers that do not meet the buyer's social responsibility requirements.

Kathmandu rewards suppliers through our status system by putting a supplier into a grow status which increase the number of product orders allocated. The supplier is invited to have a larger say in how we can further develop our combined business.

Kathmandu will also reduce the frequency of audits, based on their risk evaluation. If a supplier scores between 90 - 100, they will be assessed every 24 months. If they score between 70 – 89 they will be re assessed within 12 months. If they score between 50 – 69, they will be assessed again in 6 months. (See Appendix 10: Risk Evaluation)

Through completing corrective actions and training which improves their score, suppliers will be rewarded by having to complete less assessments.

Like most brands, Kathmandu has “preferred suppliers” or “partners” who will be rewarded for meeting compliance and delivery benchmarks.

The process for determining a supplier's score or status will be transparent to help prevent unwarranted favours, penalties or unwarranted allegations of corruption. Continuing to utilize the services of third party auditors will help Kathmandu in evaluating the suppliers with transparency.

Kathmandu will communicate to suppliers how they are evaluated as part of the ongoing auditing, capacity building and continuous improvement process (See Appendix 13: Continuous Improvement Cycle)

Summary

This Responsible Purchasing Policy affirms and entrenches the commitment Kathmandu has to ethical best practices that positively influence suppliers, workplace conditions and worker wellbeing. This policy further ensures that there is strong communication and value alignment between Kathmandu’s various departments and teams.

With the consistent and systematic attention to responsible purchasing and production practices described here, Kathmandu will support and enhance factory-level efforts toward ethical working conditions.

The implementation of this policy is consistent with our intention to become a fully accredited member of the Fair labor Association (FLA).

Appendix 1. Critical Path

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KMID Season	Summer 2											
KMID Events	Jan Clearance			Easter		Winter		Winter Clearance	Summer Launch		Summer 1	Xmas
KMID Current Planning - FC sales /buy units				FC provided for Summer 2 - core lines will have projections advised for bal of financial yr based on prior season		FC provided for Winter - core lines will have projections advised for bal of financial yr based on prior season						FC provided for Summer 1 - core lines will have projections advised for bal of financial yr based on prior season
KMID Current Order Placement	Summer 1 orders placed					Summer 2 orders placed		Winter Orders placed				
Factory Garment Production	Garment production for Winter			Garment Production for Summer 1					Garment Production for Summer 2			Garment production for Winter
KMID Current order Shipments		Winter Shipments				Summer 1 shipment					Summer 2 shipment	

Appendix 2. Stage Gates

Gate: Seasonal Strategy

Pre-work

Task	Commences	R	S
Season kick-off meeting completed by Group Managers – alignment of overall strategy to be presented to product team	2 weeks prior	Group Mgrs.	

Meeting

Purpose: <ul style="list-style-type: none"> To outline seasonal strategy for Product Team that includes seasonal and long-term goals The outcomes from this meeting are that full Product Team is aligned on Seasonal Strategy 	
Owners	Group Managers – Product, Merch, Design, Tech
Attendees	<ul style="list-style-type: none"> Product Team Marketing Team
Inputs	<ul style="list-style-type: none"> Fabric & product style bandwidth (how many new things do we have the capacity to create?) Key projects that will impact resource (such as PLM, fit updates etc.) Global strategic objectives (where does Exec team expect growth to come from, by channel and geography?) Strategic pricing objectives from Exec (i.e. reducing the level of discounting, improving margin etc.) Planned introductions/refreshes from rolling 3-year plan (for this season and future seasons) Budget Environmental factors that affect product development (such as competitors, new/key technologies) Sourcing strategy Sustainability targets CSR Strategy for the season to be presented
Decisions	<ul style="list-style-type: none"> What will we take on for this season and what will we leave to next season? Priorities/Where will we invest our effort? (Considering bandwidth, # new styles, # new fabrics, which categories?) What targets will we set ourselves? (Margin improvement/recovery, category/geography growth, average discount reduction, other?)

Outputs	<p>Guidelines for product development for the season:</p> <ul style="list-style-type: none"> • Aligned product strategy for season • Outline of seasonal work and 3 year plan • Key projects
---------	---

Post-work

Task	R
Merch takes into account the outputs above and combines with their own analysis to produce a proposed option count for the season	Merch

Attendees	
Senior managers, Group Managers	

Gate: 100% Design Review

Pre-work

Task	Required	R	S
PM, Merch & Design must be aligned prior to the meeting (Seniors and Groups) <ul style="list-style-type: none"> - Option counts and range construction agreed - Colour strategy/ activity agreed 	Ongoing	PM, Merch Design, GPOM	
Approved fabrics (and lab-dips if avail)	On the day	Fabrics/ Design	
New Trims ideas presented	On the day	Design	Fabrics
Range sheets by activity and product group	2 days prior	PMs	Design
Summarize impacts of budget changes to product line option count – list recommended actions	1 week prior	Merch	
Seniors to join cross-functional WIPs to check design/colour alignment	3 weeks prior	ALL	ALL

Meeting

Purpose:	
<ul style="list-style-type: none"> • Agree the designs in progress meet the brief and deliver on the agreed strategy/targets from Season Kick-off meeting • Confirm we are ready to move to specs/protos • Share the design vision for the season with a broader audience and take feedback 	
Owner	Group Design Manager
Attendees	<ul style="list-style-type: none"> • GM Product • Group Product Manager • Product Managers • Designers • Group Product Operations Manager • Product Development Manager • Group Merch Manager • Merchandise Planners • Fabric Manager • A note taker (Kylee is not going to do it) <p>Representatives from:</p> <ul style="list-style-type: none"> • Wholesale, VM, Marketing, ROPs

Inputs	<ul style="list-style-type: none"> • Pre-protos if available (could be existing silhouette, new fabric as example) • Exception list highlighting those styles that do not meet one or more brief criteria with recommendations for corrective action. Incls fabrics not approved • Range sheets – coloured up • Approved fabric hangers and test results • Latest budget & forecast and their impact on productivity/option counts – Has the situation changed? Do we need to reduce? • The list of agreed guidelines & targets from Season Kickoff meeting (i.e. sustainability and technology)
Decisions	<ul style="list-style-type: none"> • Have we delivered on the strategies/targets agreed at the Season Kick off meeting. If not, what remedial action is necessary? • How do we manage each exception on the exception list (resolve, drop, defer) • Identify and agree colours/options that don't fit in the broader picture and agree actions • Additional exceptions raised and decisions made to make changes to identified exceptions or not (changes must be commercially sensible and practicable – PM owns this decision) <p>Note: Some exceptions may be identified that require further work post-meeting (i.e. is it practicable to make this change? What is the cost of making this change?)</p>
Outputs	<ul style="list-style-type: none"> • Locked down line subject to agreed remedial actions on exceptions • Agreed action list for each previously identified exception • List of deferred exceptions requiring further work/investigation • Notes from meeting to be circulated within 24hrs to team • Hero outfits decided

Post-work

Task	R
Begin specs for approved styles	Design
Communicate agreed action list to all attendees	PMs
Communicate changes to deferred exceptions once available	PMs

Gate: Line Adopt

Pre-work

Task	Commences	R	S
Prepare list of styles with exceptions to brief & recommended actions to address	1 week prior	PMs	Design, Tech
Prepare list of proposed Hero styles	2 weeks prior	Group Design Mgr.	PMs
Review latest environmental conditions and adjust budget and forecast if required	4 weeks prior	Merch	Finance
Summarize impacts of budget changes to product line option count – list recommended actions	1 week prior	Merch	

Meeting

Purpose:	
<ul style="list-style-type: none"> Confirm all styles and colours in the line are commercial, cull those that are not and confirm that we are ready to proceed to pre-production. Adopt appropriate styles into regional lines for our wholesale business. 	
Owner	Group Product Manager
Attendees	<ul style="list-style-type: none"> GM Product Group Design Manager Designers of Heros or new technologies (as required) Product Managers Group Merch Manager Senior Merchandise Planners Representatives from: VM, Marketing, Wholesale <p>Potential future attendees:</p> <ul style="list-style-type: none"> Distributors Key Wholesale account representatives
Inputs	<ul style="list-style-type: none"> Proposed Hero styles Latest budget & forecast and their impact on productivity/option counts – Has the situation changed? Do we need to reduce? 3rd round protos (or most recent protos available)

	<ul style="list-style-type: none"> Exception list highlighting styles which fail to fulfil one or more criteria of the brief and recommended actions to address each one
Decisions	<ul style="list-style-type: none"> Adopt or drop decisions made on all styles Hero styles confirmed Agreed actions on exceptions (resolve, drop, defer) Agree styles/colours to adopt for wholesale We are ready to proceed to pre-production <p>Potential future decisions:</p> <ul style="list-style-type: none"> SMU requests for regions or key accounts Any impacts to CSR? Any issues with Factory allocations based on CSR initiatives/actions?
Outputs	<ul style="list-style-type: none"> Confirmed global product line by style and colour Approved SMUs for regions or key accounts

Post-work

Task	R
Confirm the regional product lines by style & colour for the wholesale business	WS (OAM)
Revise the forecast taking into account any culls from the range	Merch

Gate: Season Kickoff

Pre-work

Task	Commences	R	S
Confirm available resource bandwidth considering other factors such as major project	2 weeks prior	Group Tech Mgr. & Design	
Review of planned work (from 3-year plan) vs available capacity with exceptions highlighted for discussion	2 weeks prior	Group PM	Senior PMs
Value (simple business case) of the proposed work to assist in decision making	4 weeks prior	Senior PMs	PMs Merch
Prepare previous seasonal review – sales by category/ colour/ graphic	4 weeks prior	Group MP	
Environmental analysis (competitors, economy, FX etc.) and likely impacts	4 weeks prior	Group PM	Finance?

Meeting

Purpose:	
<ul style="list-style-type: none"> Sets product team objectives for the season – How will we invest our product development resource? The outcomes from this meeting should guide all decisions throughout the product creation process. 	
Owner	Group Product Manager
Attendees	<ul style="list-style-type: none"> GM Product Group Managers for Product, Design, Tech and Merch Planning (Senior Managers to be asked by Grp Manager if required)
Inputs	<ul style="list-style-type: none"> Fabric & product style bandwidth (how many new things do we have the capacity to create?) Key projects that will impact resource (such as PLM, fit updates etc.) Global strategic objectives (where does Exec team expect growth to come from, by channel and geography?) Strategic pricing objectives from Exec (i.e. reducing the level of discounting, improving margin etc.) Planned introductions/refreshes from rolling 3-year plan (for this season and future seasons) Budget

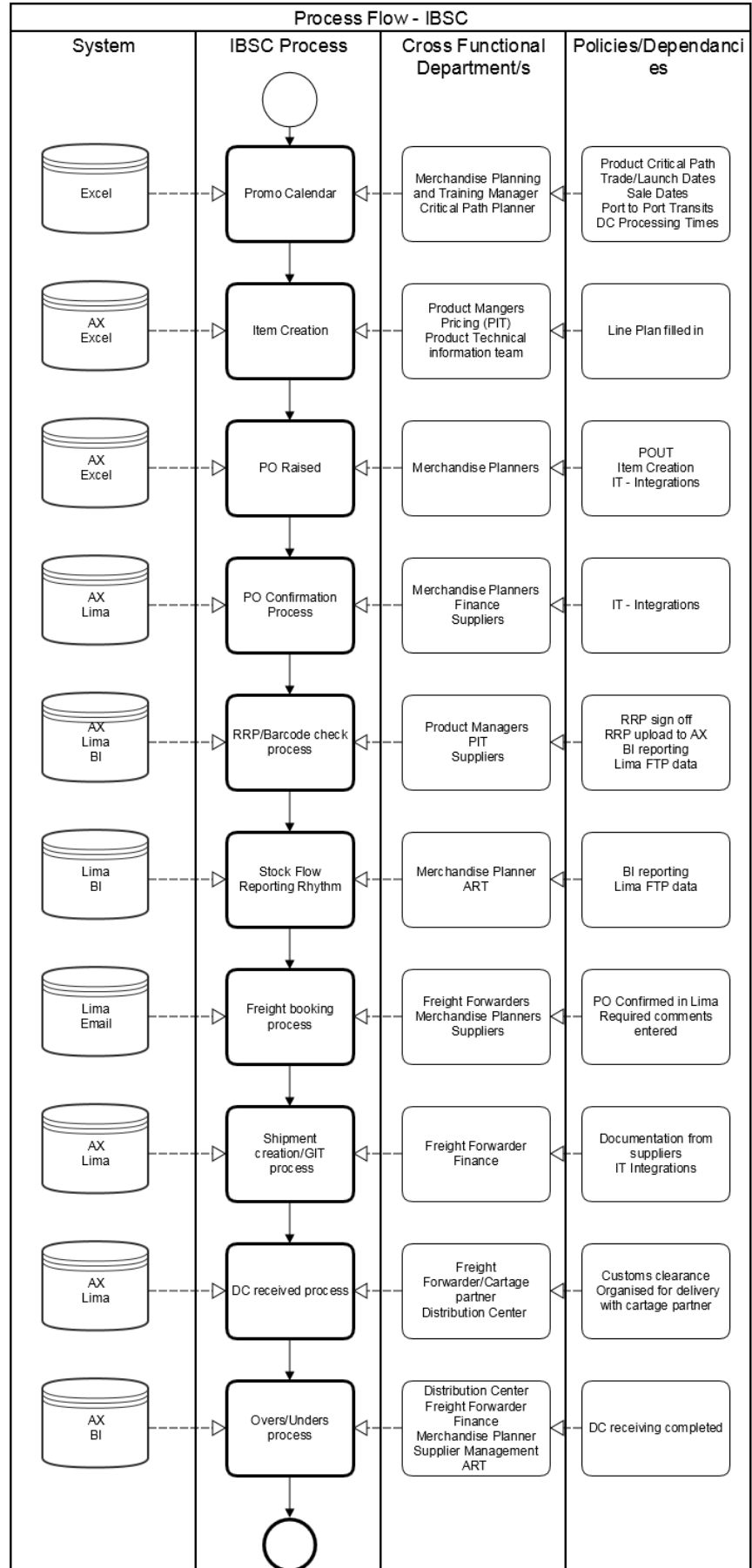
	<ul style="list-style-type: none"> • Environmental factors with expected impact (i.e. FX, Competitors) • Sourcing strategy seasonal implications (supplier plans & performance – what needs to change?) • Sustainability targets • CSR Review and assessment of proposed suppliers
Decisions	<ul style="list-style-type: none"> • What will we take on for this season and what will we leave to next season? • Priorities/Where will we invest our effort? (Considering bandwidth, # new styles, # new fabrics, which categories?) • What targets will we set ourselves? (Margin improvement/recovery, category/geography growth, average discount reduction, other?)
Outputs	<p>Guidelines for product development for the season:</p> <ul style="list-style-type: none"> • Aligned group strategy • growth targets by channel, geography & category/activity • Adopted introductions/refreshes from the 3-year plan • Agreed list of deferred actions for future season/s • Allocation of available bandwidth for new product styles and fabrics to activities/categories • Other targets as agreed • Seasonal strategy presentation to Product team

Post-work

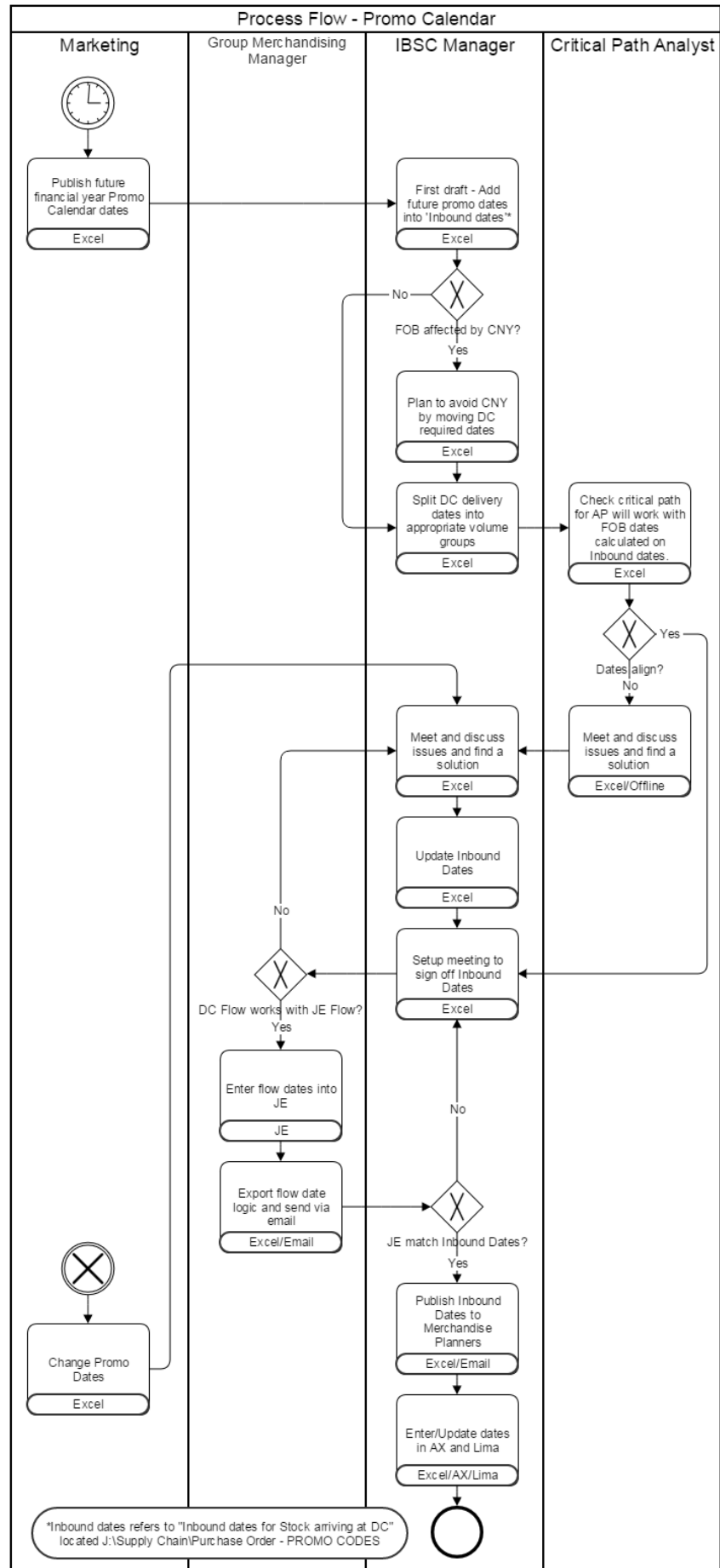
Task	R
Merch takes into account the outputs above and combines with their own analysis to produce a proposed option count for the season	Merch
CSR Strategy to align with sourcing strategy	Sourcing CSR

Appendix 3. Supply Chain

Process Flow: Inbound Supply Chain Cross Functional High-level



Process Flow: Promo Calendar



Process Flow: Recorded Delays (Example)

Stockflow Status - ANZ

Count of PO Column Labels	+14 Days +13 Days to Days after days before 1 days before After Event Date						Grand Total
	Early	OK	Late	Very Late	Extremely Late	After Event	
16WES2		1					1
17S2E1						1	1
17S2EA2R						1	1
17S2EES		1	1				2
17WA12						5	5
17WA2						2	2
17WA22						1	1
17WED						1	1
18S1A1	26	92	14	5	10	1	148
18S1A2	26	32	5	5	2		70
18S1ED		21	15				36
18S1ES	1	20	23				44
18S1TA1		70	18	4	1		93
18S1TA2	6	30	1	2		2	41
18S1TED	1	7	6		1	1	16
18S1TES		4	9				13
18S1XA1	21	39					60
18S1XA1S	25	178	2	1			206
18S1XA2	24	29	1	2			56
18S1XA2S	28	119	10				157
18S1XED	12	32	12	1			57
18S1XEDS	4	40		2			46
18S1XES	8	23	6				37
18S1XESS	1	28	3				32
18S1XTA1	9	35					44
18S1XTA2	1	21	2				24
18S1XTED	2	10	6			2	20
18S1XTES	1	9	6				16
18S2C2C		9					9
18S2E1	4	153	7			1	165
18S2E2		74	5				79
18S2EA1R	59	173	1			3	236
18S2EA2R	5	120					125
18S2ED		28					28
18S2EE1	1	168	2		2	2	175
18S2EE2		53	2	1		3	59
18S2EED		41					41
18S2EEDR		24					24
18S2EES		37					37
18S2EESR		9					9
18S2EET1	6	78	2				86
18S2EET2		89			2		91
18S2EETD		6					6
18S2EETS		12					12
18S2ES		35	3				38
18S2UKMAYREPLEN		1	38	6	13	4	62
18WRA1		10					10
Grand Total	271	1961	200	29	31	30	2522

1%

AX Promo Code	AX Site Number	PO Number	AX PO Merchandise	AX Supplier Name	AX Reference	AX Mode of Delivery	AX From Part (k)
---------------	----------------	-----------	-------------------	------------------	--------------	---------------------	------------------

Appendix 4. Specific Position Descriptions and Objectives

Product Managers

Kathmandu Product Managers are responsible for understanding that labour standards and in particular fair compensation for workers, may suffer as a result of the financial terms they negotiate with suppliers. Downward pressure on prices, lack of open and fair negotiations, and the absence of accounting for labor costs all have very negative consequences on workers in the supply chain.

Kathmandu Product Managers may therefore be required to articulate the steps they have taken to ensure that their orders do not surpass supplier capacity and therefore negatively impact working conditions.

Objective: Responsible Purchasing

Performance Targets:

Group Product Manager KPI: 90% products briefed on time. Any late briefs within 10 working days of brief deadline.

Included in Position Descriptions for Product Managers are the following key tasks:

- Work with Sourcing Department to align on supplier programme strategy.
- Communicate the Kathmandu Seasonal Milestones and Strategy and company critical dates to all suppliers as early as possible to allow them to confirm that these dates will work for them.
- Request a copy of the Supplier Critical Path at point of costing (RFQ) and then communicates this internally.

Design Team

The Design Team are responsible for notifying the CSR team of any late changes to an order during the regularly scheduled stage gate meetings. Those involved in the change will be asked to assess how much overtime the changes may require. They will then work together with the CSR team to ensure that the adjusted work schedule is aligned with the company's standard on Hours of Work.

Nature of Objective: Responsible Purchasing

Performance Targets:

Design Manager KPI: 80% of products meet handover date. 100% within 10 working days of Critical Path deadline.

Technical Team

The Technical team is responsible for notifying the CSR team of any late changes to an order during the regularly scheduled stage gate meetings. Those involved in the change will be asked to assess how much overtime the changes may require. They will then work together with the CSR team to ensure that the adjusted work schedule is aligned with the company's standard on Hours of Work.

Nature of Objective: Responsible Purchasing

Performance Targets:

Technical Manager KPI:

Equipment - 80% of final samples complete by Critical Path deadline;

Apparel - 80% size sets completed by Critical Path deadline.

Supplier Relationship Management

The Sourcing team are responsible for ensuring that any new supplier on boarded is operating in accordance with Kathmandu values expressed in the Code of Conduct.

Product Managers, Merchandising and design staff consult with the sourcing team about their need for a new supplier. Before any new supplier is on boarded they are required to complete a CSR assessment or provide a copy audit of one already completed, to demonstrate that they are already operating in accordance with (or willing to immediately incorporate and comply with) Kathmandu's Code of Conduct, Terms of Trade and CSR requirements.

The sourcing team will specifically include CSR staff in coordinating a social compliance pre-sourcing audit for the new potential supplier. CSR staff members will review the resulting audit report and relay information to sourcing staff about any critical social compliance findings requiring remediation.

Nature of Objective: Responsible Purchasing

Performance Targets:

Sourcing and Supply Management Coordinator

- Objective: 100% of all new suppliers have a CSR pre-sourcing assessment prior to on boarding.

Group Product Operations Manager

- 80% of new fabrics developed and ready by critical path "fabric development complete".

Merchandising

Merchandising is responsible for balancing order volume and promised delivery dates to as much as possible avoid excessive overtime for factory workers. The merchandising department will take into consideration the normal delays in receiving materials, design specifications and tech packs, and will consider these factors in production line planning.

Nature of Objective: Responsible Purchasing

Performance Targets:

Merchandisers

- Objective: Minimum of 100% of all purchasing orders finalized and sent out on time in keeping with Kathmandu Critical Path and Stage Gate deadlines.
- Take into account supplier holidays and other annual events that could impact production line planning and shipping with every purchase order.

Critical Path

Critical Path is responsible for coordinating, monitoring and reporting on Product Department key tasks and milestones both internally and across departments throughout the business; communicating progress and outcomes against these dates and maintaining all related documentation.

Nature of Objective: Responsible Purchasing

Performance Targets:

- TASK: Monitor the Kathmandu Critical Path Schedule to ensure that suppliers are not negatively impacted by key deadlines and stage gates being missed.
- Objective: Report 100% of exceptions in the Kathmandu Critical Path Schedule to Product Group Managers.

Supply Chain

Supply Chain is very cross functional team that deals with deal with tracking Purchase Orders from confirmation through to delivery. The team monitors every purchase order and highlights any delays. Supply Chain ensures all relevant documentation is correct and complete before forwarding to the Finance Team for payment. This team also deals with any account queries from the supplier and/or factory, arranges all import customs declarations, delivery paperwork and electronic shipping notifications so the Kathmandu distribution centres can receive the orders. (See Appendix 3 for Cross Functional Process flow and high level tasks)

Nature of Objective: Responsible Purchasing

Performance Targets:

Inbound Supply Chain Manager

- Objective: 100% of all delays are escalated to the relevant Product Department to address and resolve.

CSR Manager

The CSR Manager is responsible for implementing the Kathmandu workplace standards compliance program.

The CSR Manager is further responsible for providing training every 12 months and having ongoing regular interaction with managers and staff working in design, sourcing, production planning, sales and finance.

When internal procedures or processes are changed or developed that may have an impact on workers and working conditions, the CSR Manager will be consulted in determining the best course of action.

Nature of Objective: Responsible Purchasing

Performance Targets:

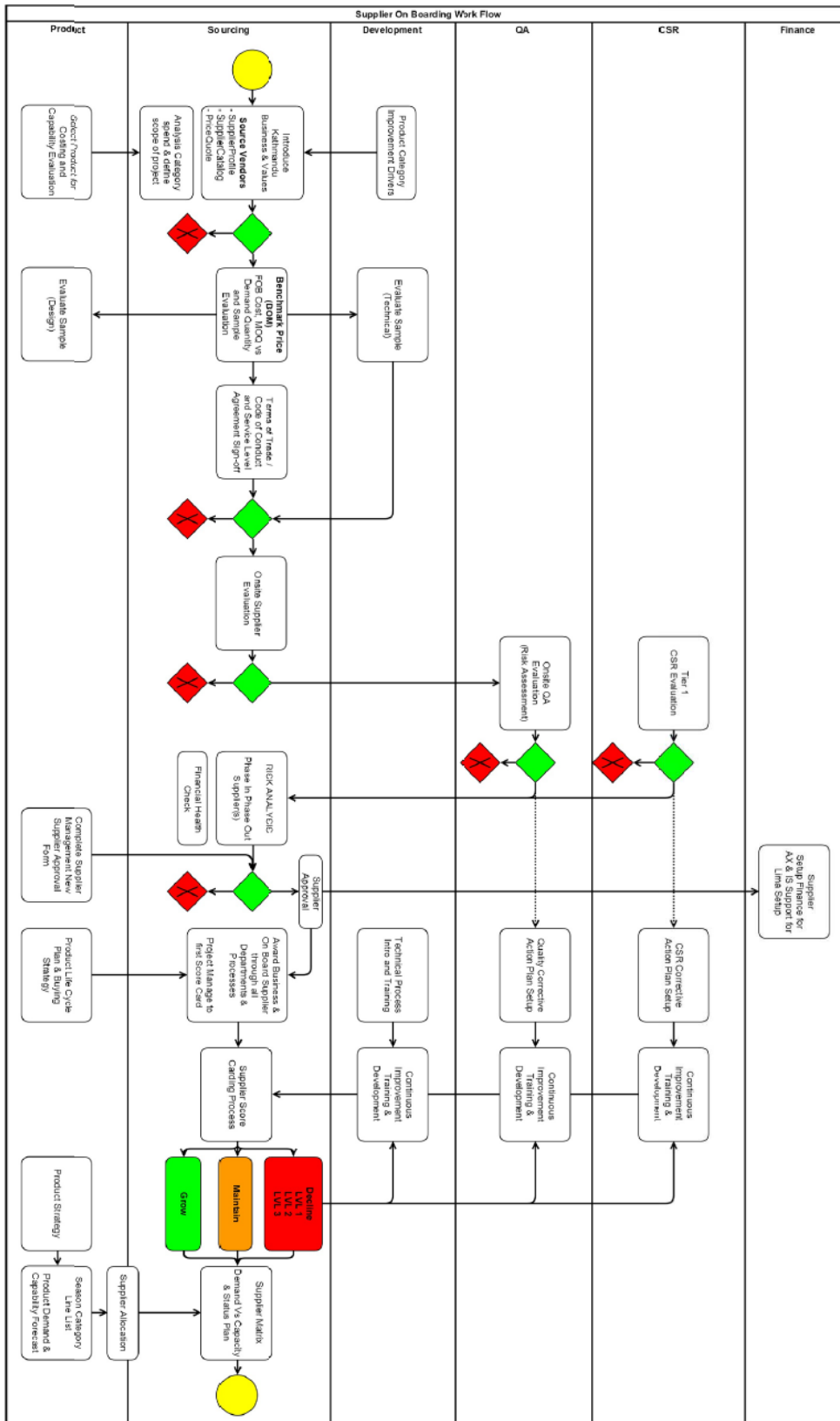
- Task: Provide training every 12 months on best practices relating to responsible purchasing and social compliance.
- Task: Facilitate training on the Responsible Purchasing Policy for all staff employed within Product Department.
- Task: Review the social compliance findings of every potential new supplier and ensure that no additional suppliers are on boarded without a social compliance assessment.

Included in Kathmandu CSR Position Description;


- Integrate FLA best practices into Kathmandu business practices to create a positive culture of Corporate Social Responsibility that safeguards working conditions.
- Improve worker voice and grievance mechanisms for workers in the Kathmandu global supply chain.
- Maintain and promote all relevant policies, documented procedures and evidence of leadership reviews and training updates that relate to responsible purchasing.
- Provide training to sourcing, buying, merchandising and planning staff to ensure that all relevant staff members have an intimate knowledge of the impact their decisions can have on the factory floor.

- Provide ongoing training to design, production, sourcing, and sales teams on a regular basis.
- Seek regular evaluations of the training through written feedback from staff following each training.
- Regularly update training to take into account learnings from external training and assessments, actual business challenges and feedback from staff, peers and third party expert partners.
- Maintain an internal record of all completed CSR training by individual staff members.


Appendix 5. Supplier Management Process – On Boarding Process




Appendix 6. Supplier Management Process – Supplier Profile (Self-Assessment)

1		New Kathmandu Supplier Profile (Self Assessment)								
2	What are your company values on CSR (Corporate Social Responsibility)?	Date	01-Jan-18							
3	Dewhirst aim to provide world class working conditions+living wages paid+outstanding HR practices and worker training.	Completed By	Phil Bailey							
4	Dewhirst Cambodia achieved Model Eco Excellence.									
5										
6										
7										
8	Part 1 - Supplier Contact Information									
9	Company Name	Castlecrafts Limited T/A Dewhirst Menswear	Year Established	1880	Business Type	Private	Group of Factories	1880	Business Leader	Greg
10	Ownership	Private							Position / Title	Managing Director
11	Office Address	Street	Postcode						Mobile Number	447710321016
12		99C-112 Kanishk Tower Road, Camden							Email	greg.seville@dewhirst.com
13		Stoke / Province							Account Manager	Syvia
14		London							Position / Title	General Manager
15									Mobile Number	8613636673852
16										

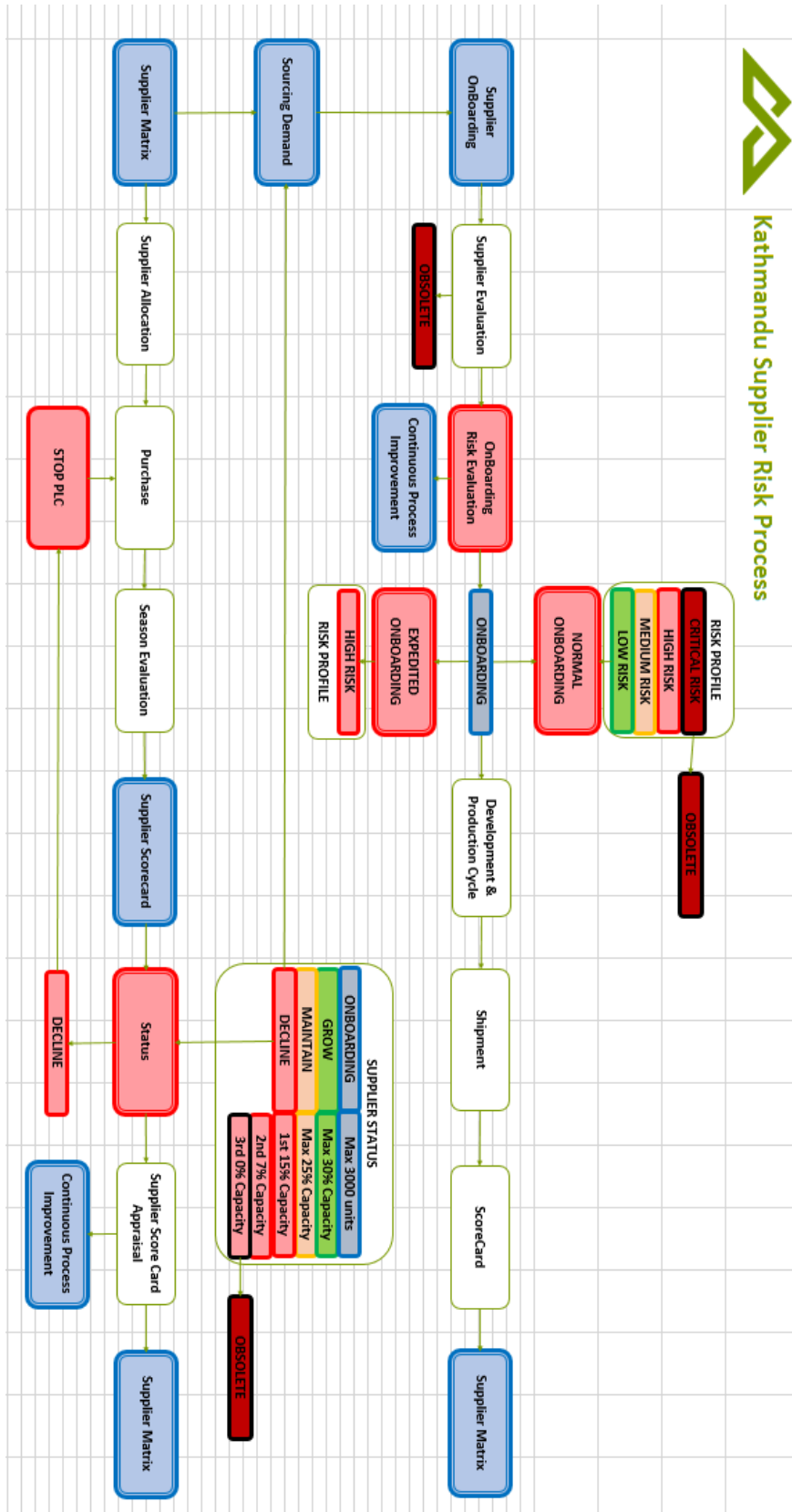
Appendix 7. Supplier Management Process – Supplier Evaluation

1										
2	Supplier (Main) Name : Castlecrafts Limited T/A Dewhirst Menswear					Date : Jan-26				
3	Facility (Evaluated) Name : JINan ShunMei Garments Co., Ltd.					Evaluation # : Initial				
4	Year Established: Mar-16					Completed by (Evaluator) : Gerson JIANG				
5	Street		Wenhua Street			Supplier Representative : Sylvia/Kevin/Frank				
6	City		Pingyin, Jinan							
7	Province / Country		Shangdong							
8	Address :									
9	Postcode		250400							
10	Manufacturer Type :									
11	Main Factory (s)		v			Subcontract Factory				
12	Manufacturer Overview :									
13	# Buildings		3			Total SQM		5000		
14	# Workers		109							
15	KMD Nominated Factory									
16	1 - Business License (Evaluated Facility)									
17	Company Name : JINan ShunMei Garments Co., Ltd.					Expiry Date : Mar-26				
18	Legal Owner(s) : WU Jimen					Registered Capital : RMB500,000.00				
19	Company Name (Visually Seen) : Front Entrance (Y/N)					Yes		Policy / Process (Y/N)		Yes
20								Government Certificate (Y/N)		Yes
21	2 - Core Product Information									
22	2A - Products Manufactured									
23	Product Sighted WIP / Warehouse Description					Customer		Market		% Yearly Production
24	Jacket/Coat 50%					Marks & Spencer		Europe		45%
25										
26										
27										


Appendix 8. Supplier Management Process – Supplier Scorecard

Supplier	CSR			Quality			Delivery			Service			TCO			Total																				
	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0																		
1	 Kathmandu Supplier Scorecard Summary																																			
2																																				
3																			18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0	18S1	18S2	19W0
4																			80	80		92	98		38	47		91	91		75	90		75	75	81
5																				92			95			69			86			65			65	81
6																				92			95			69			86			65			65	81
7																			93	93		95	99		64	77		62.5	63		70	70		77	80	80
8																				94			95			68			63			65			65	77
9																				98			94			30			90			70			70	76
10																			0	83		87	92		44	45		71	71		75	90		72	72	76
11																				93		93	96		49	65		78.5	66		45	45		72	72	73
12																				60		84	96		45	44		77	77		80	80		68	71	71
13																				90			95		30	30			65			65			69	69
14																				93			91		50	50			63			65			68	68
15																				93		90	98		32	44		70	58		45	45		66	67	67
16																				90		34	52		41	63		77	73		45	45		57	65	65
17																				75		88	97		39	29		81	81		40	40		65	64	64
18																				76			94		41	41			64			45			64	64
19																				77		87	42		54	46		80	80		55	70		70	63	63

Appendix 9. Supplier Management Process – Risk Process



Appendix 10. Supplier Management Process – On Boarding Risk Evaluation

 Kathmandu Supplier On Boarding Risk Evaluation		Supplier Risk Level							
Supplier Name	Castlecrafts Limited - JiniAn ShunMei Garments	<div style="background-color: yellow; text-align: center; font-weight: bold; font-size: 2em;">C - HIGH RISK</div>							
Item Category	Woven Apparel								
		--- Risk ---	--- Actions ---						
	D	C	B	A	Total Risk	D	C	B	A
CSR	Critical - 4 Points Elevate Score <49 points No previous CSR Customers	High - 3 Points Elevate Score 50-69 points <2 years with brands requiring any form of CSR	Medium - 2 Points Elevate 70-89 points >2 years with major brands that require SA8000, SEDEX or BSCI	Low - 1 Point Elevate 90-100 points >5 years with major brands that require SA8000, SEDEX or BSCI	2	Do Not Use	Manage CAPs, Implement Continuous Improvement Training Plan and Re-Audit at 6 Months	Manage CAPs, Implement Continuous Improvement Training Plan and Re-Audit at 12 Months	Manage CAPs, and Re-Audit at 24 Months
Quality Management Systems	Quality Audit <49 points	Quality Audit 50-69 points	Quality Audit 70-89 points Must have ISO 9001	Quality Audit 90-100 points Must have ISO9001 and ISO140001	3	Do Not Use	Manage CAPs, Implement continuous improvement Training Plan and Re-Audit at 6 Months	Manage CAPs, Implement Continuous Improvement Training Plan and Re-Audit at 12 Months	Manage CAPs, and Re-Audit at 24 Months
Product Risk	Electrical, Food, Trains and any Product that if fails could cause loss of life	Kids, Insulation & Rainwear 3	Footwear, Sleeping Bags, Mats, Pads & Bags 2	Women, Knitwear (ALL), Active, Socks, Travel Accessories 2	2	Heightened pp, inline and Final Inspection on First Orders	Heightened pp, inline and Final Inspection on First Orders	Shipping Samples Approved by Tech	Self Assess
Forecast Yearly US\$ FOB Spend	> US\$1 Million	US\$500-1000K	US\$100-499K 2	<US\$99K	2	Heightened pp, inline and Final Inspection on First Orders	Heightened pp, inline and Final Inspection on First Orders	Shipping Samples Approved by Tech	Self Assess
Alignment to Outdoor Industry & Market	>50% Customers Aligned to Outdoor Industry >70% Western Brands	>50% Customers Aligned to Outdoor Industry >70% Western Brands 3	>70% Customers Aligned to Outdoor Industry >80% Western Brands 2	>100% Customers Aligned to Outdoor Industry >90% Western Brands	3	Do Not Use	Heightened pp, inline and Final Inspection on First Orders	Shipping Samples Approved by Tech	Self Assess

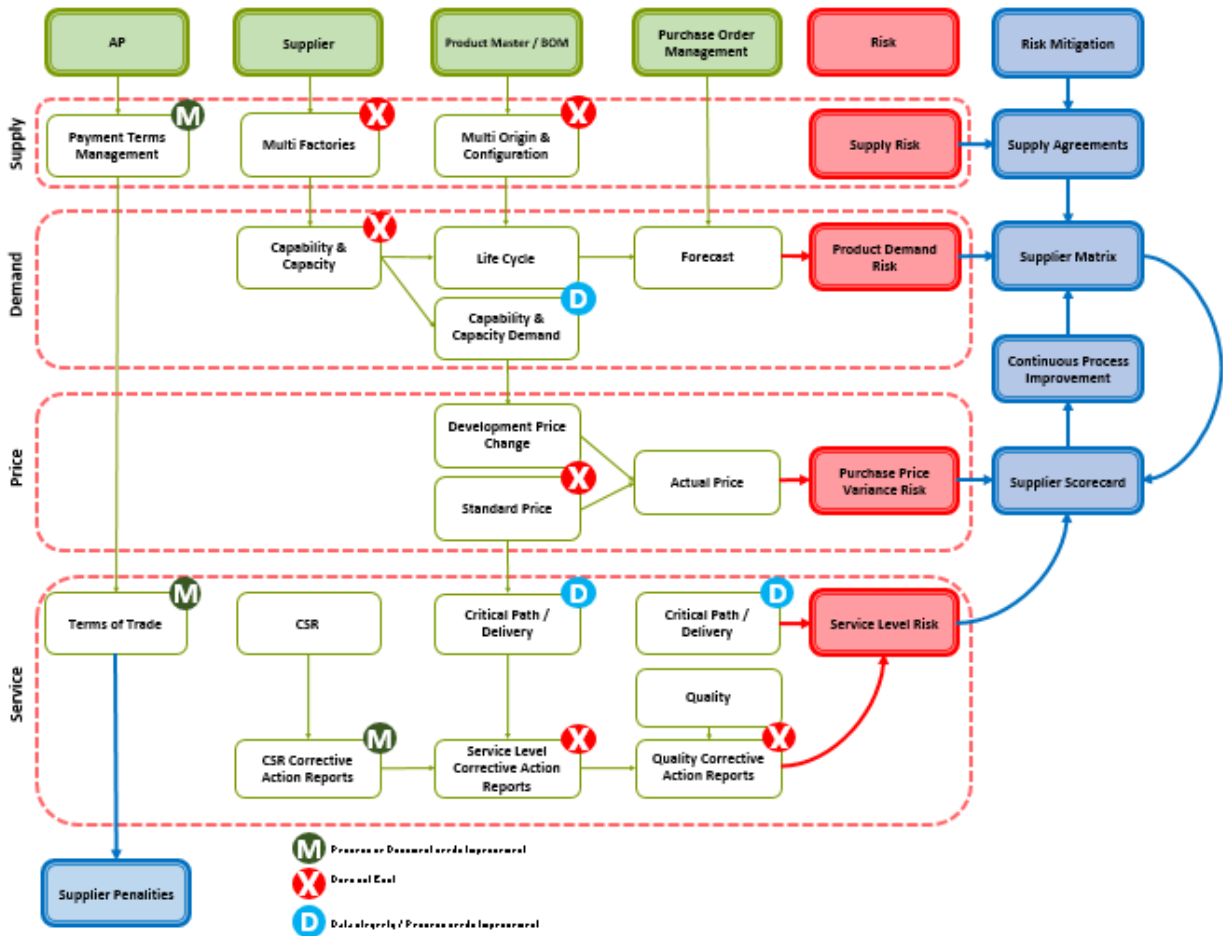
Appendix 11. Supplier Management Process – Supplier Matrix

Kathmandu Supplier Matrix																						
CATEGORY VIEW	Key Selection Single or Range	Season	Product Group	Item Group	Supplier	Factory	FOB QUANTITY HISTORY				Open Orders (NOT SHIPPED)	FACTORY Capacity Units Per Month	Available to KMD % of Factory Business	FACTORY Capacity Per THIRD Available to KMD	Forecast Units 17W0	Free Capacity After Forecast	% Variance	Status				
							Previous 24 Previous 36 months Units	Previous 12 Previous 24 months Units	Previous 12 Previous 12 months Units	Previous 12 Previous 6 months Units												
SELECT OR ALL	17W0 Apparel	Fleece	Fleece	LW	Shanghai Dragon Conch		200456	190811	240552	109000	155000	30%	186000	63000	6000	-25%	TOTAL					
				LW	Shanghai Dragon Conch	0	39988	114019	56000	20000	30%	24000	30000	-6000	-25%	Grow						
				LW	Shanghai Dragon Quannun	43101	80933	99556	43000	40000	25%	40000	30000	10000	25%	Maintain						
				Fleece	Castcraft	0	0	0	0	30000	2%	2400	3000	2000	-25%	Onboarding						
				LW	SCT Co Ltd	100566	56111	20445	10000	40000	0%	0	0	0	0%	Declining						
				LW	TGI	56789	13779	6532	0	25000	0%	0	0	0	0%	Declining						
				Fleece	MW	Shanghai Dragon Conch																
				Fleece	HW	Shanghai Dragon Big River																
				Fleece	HW	Shanghai Dragon Big River																
				Fleece	Kids	Shanghai Dragon Quannun																
				SUPPLIER VIEW																		
				Key Selection Single or Range	Season	17W0	Apparel	Fleece	SCT Co Ltd	Fleece	Fleece LW	FOB QUANTITY HISTORY				Open Orders (NOT SHIPPED)	FACTORY Capacity Units Per Month	Available to KMD % of Business	FACTORY Capacity Per THIRD Available to KMD	Forecast Units 17W0	Free Capacity After Forecast	% Variance
Previous 24 Previous 36 months Units	Previous 12 Previous 24 months Units	Previous 12 Previous 12 months Units	Previous 12 Previous 6 months Units																			
100566	56111	20445	10000																			
Select or All	Buying Group	17W0	Apparel	Prod Group	Item Group	100566	56111	20445	10000	40000	0%	0	0	0	0	0%	Declining					

Appendix 12. Supplier Management Process – Supplier Management Data Development



Kathmandu Supplier Management Data Development



Appendix 13. Supplier Management Process – Continuous Improvement Cycle

