



**INNOVATION SPECIALTIES CORPORATE  
PRODUCT AND OPERATIONS SAFETY, COMPLIANCE AND RECALL  
HANDBOOK**

**January 1, 2017**  
v.1.0

# **INNOVATION LINE**

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## **I. INTRODUCTION**

### **A. Corporate Safety and Conduct Policy**

Innovation Specialties complies with all laws, standards, requirements, rules and regulations applicable to its operations, premises and products in the United States and Canada including, but not limited to, those enforced by the U.S. Consumer Product Safety Commission (CPSC) and Food and Drug Administration (FDA), as well as the California Safe Drinking Water and Toxic Enforcement Act of 1985 (Proposition 65). All of Innovation Specialties's products are safe for their intended use.

Innovation Specialties also commits itself to operating in an ethical and responsible manner. To that end, Innovation Specialties has adopted a specific Code of Conduct which is attached hereto as Exhibit A. The Code of Conduct covers, among other things, Innovation Specialties's commitment to comply with all product safety and employment laws.

Because of this compliance commitment, Innovation Specialties has adopted this Corporate Product and Operations Safety, Compliance and Recall Handbook (the "Safety Manual") to memorialize its commitment to operational and product safety compliance.

### **B. Supplier Commitment to Safe Products**

Moreover, Innovation Specialties suppliers must acknowledge the need for compliance with United States and Canada laws, standards, requirements, rules, and regulations. Innovation Specialties works with its suppliers, requiring that they produce compliant products, liaising with them to promote safety, implementing test procedures to verify compliance, and auditing as necessary and appropriate.

This Safety Manual will be shared with all Suppliers and all suppliers must commit to the following action to ensure compliance:

1. Compliance with the all applicable laws and regulations in the United States and Canada, including but not limited to those enforced by the CPSC and FDA, as well as Proposition 65;
2. For goods that may be regulated as children's products, adhere to the requirements of the U.S. Consumer Product Safety Improvement Act of 2008 (CPSIA), including:
  - a. Using CPSC accredited third party laboratories for all required testing;
  - b. Affixing tracking labels to products or providing complete batch and lot information, as directed by law and Innovation Specialties;

- c. Conducting annual undue influence training to all personnel selecting or interacting with third party testing laboratories; 65);
3. Conduct all necessary testing and certification, for general use products or children's products and will
  - a. Obtain test results in English and in a manner that allows for identification of the product tested by lot and batch, the test(s) conducted, the date of test(s) and testing lab;
  - b. Provide copies of all test results to Innovation Specialties;
4. Provide timely information about incidents, safety issues, and non-compliances for products supplied to Innovation Specialties;
5. Share any inquiries from or affirmative contact with government agencies about any products supplied to Innovation Specialties; and
6. Fully cooperate with Innovation Specialties's efforts to audit compliance with the terms of this agreement.

#### **C. Compliance Manager and Employee Training**

Innovation Specialties's designated Product Safety and Compliance Manager ("Compliance Manager") will be responsible for overseeing the safety and compliance of Innovation Specialties's products and the obligations of Suppliers. The Compliance Manager will proactively monitor products to identify potential safety hazards and investigate safety concerns. Innovation Specialties will provide timely information to the government as well as to suppliers and customers about product safety issues as needed, and will undertake appropriate and timely corrective actions, including recalls, where warranted. The Compliance Manager, together with the President of the company and the V.P. Operations, will comprise Innovation Specialties's "Compliance Committee."

Employees will be trained about this Safety Manual, including how to avoid undue influence of third party testing laboratories. Innovation Specialties will enable employees to confidentially report any undue influence concerns as well as raise product safety or compliance issues.

#### **D. Scope of Handbook**

This Safety Manual applies to Innovation Specialties operations, and products sold, in the United States and Canada. It is current as of the date of publication and may be subject to later revision.

## II. LAWS AND REGULATIONS

### A. Consumer Product Safety Commission

#### 1. General Use Products

Innovation Specialties complies with all requirements of the US Consumer Product Safety Commission (CPSC) with regard to consumer products sold in the United States. General conformity certificates (GCC) must be issued for products subject to consumer product safety rules, bans, standards, or regulations, based on a reasonable testing program. For a list of products and standards that require certification, go to <http://www.cpsc.gov/en/Regulations-Laws--Standards/Regulations-Mandatory-Standards-Bans/>. The Compliance Manager will be responsible for issuing GCCs when required by law. The GCCs will be posted on Innovation Specialties's website for the public to view.

There may also be voluntary industry standards applicable to certain categories of products, by entities such as ASTM, ANSI, and UL. Products sold by Innovation Specialties will comport with and be tested to those standards. Relevant examples include but are not limited to:

- UL standards for consumer electronics
- UL 1642, Standard for Safety for Lithium Batteries

Traceability of products and their components through the supply chain is an important priority for Innovation Specialties. Suppliers are responsible for setting up and maintaining controlled documentation of products tracing both products and components, including raw materials, by lot/batch. Special traceability requirements for children's products requiring tracking labels are described in more detail below.

#### 2. Children's Products

Innovation Specialties recognizes that certain products can be intended or designed primarily for children and commits to ensuring that those products meet all applicable children's products standards. The Consumer Product Safety Improvement Act of 2008 (CPSIA) defines children's products as "consumer products designed or intended primarily for children 12 years of age or younger."

Some goods may be considered as children's products at the point of manufacture, prior to imprinting. That classification will be made by the

ComplianceManager in consultation with the Compliance Committee and will be clearly communicated to product suppliers according to established procedures.

A product's classification may in some cases be altered based on the product printing. Order Entry, Customer Service, the Art Department and *Sales will notify the Compliance Manager where there has been any printing order placed by or on behalf of a youth organization or school.* The Compliance Manager is responsible for determining whether any imprinting converts a general use product to a children's product and will communicate that to suppliers or the company's order processing team so they may react accordingly per this Safety Manual. The Compliance Manager must identify products that *are not eligible* for conversion to children's products through printing (*e.g.* USB chargers) and communicate that information to suppliers or the order processing team.

**a. Mandatory Third-Party Testing and Certification of Children's Products**

Innovation Specialties has established a children's product testing program which must be followed by all employees. Children's products, or their component parts, must be tested for lead and phthalates by a third-party, CPSCaccredited testing laboratory. Testing must be performed initially and then periodically and whenever there is a material change made to the product's design, manufacturing process, or sourcing of components for the products. Innovation Specialties uses labs such as Intertek, SGS, UL, in all cases approved by the CPSC.

Children's Product Certificates (CPC) must be issued based on third party testing, certifying that the children's product complies with applicable standards. For guidance on CPCs, see <http://www.cpsc.gov/en/Business--Manufacturing/Testing-Certification/Childrens-Product-Certificate-CPC/>. All of Innovation Specialties's CPCs are posted on its website for public view.

**b. Undue Influence Policy**

Innovation Specialties is committed to ensuring that no employee exercises undue influence on a third party CPSCaccredited testing laboratory. No employee is permitted to take any action that could undermine the integrity of the laboratory test data used in the certification of children's products.

It is the responsibility of each employee to promptly report any incident of undue influence to the Director of Compliance. An employee may also

confidentially report incidents of undue influence directly to the CPSC at (800) 638-2772 or at [www.cpsc.gov](http://www.cpsc.gov).

All employees involved with testing labs, for both Innovation Specialties and its suppliers, must attend mandatory undue influence training.

**c. Tracking Labels**

Innovation Specialties also requires tracking labels on all children's products. The CPSIA requires that manufacturers of children's products place permanent labels on the product and its packaging, to the extent practicable, that will enable:

- i. The manufacturer to determine:
  - the location and date of production of the product;
  - cohort information (including the batch, run number, or other identifying characteristic);
  - any other information needed by the manufacturer to aid in determining the specific source of the product.
- ii. The consumer to determine:
  - the manufacturer or private labeler;
  - production date and location;
  - cohort information (including the batch, run number, or other identifying characteristic).

Tracking labels will be affixed on all children's products, based on batch and lot information provided by product suppliers. Innovation Specialties has adopted the Promotional Products Association International ("PPAI") protocol for assisting suppliers and consumers in locating the required tracking label information in a specially created website which is referenced on each tracking label. The PPAI protocol has been approved by the CPSC. Anne Lardner is our contact person at the PPAI in this regard and as a reference for assistance with most product safety issues. The PPAI website which contains all of this information is located at [www.productsafety.ppai.org](http://www.productsafety.ppai.org) and all our Innovation Specialties's labels have a URL address contained with this website which lists the pertinent CPSC required information.

**d. Small Parts Requirements**

Innovation Specialties tests toys and other articles that are intended for use by children under three years of age to meet the CPSC small parts

requirements. Such items cannot have small parts or produce small parts when broken.

Toys and games that consist of or contain small parts and that are intended for use by children from 3 to 6 years old must be labeled to warn purchasers that the product is not intended for children under 3 years of age.

For guidance on the CPSC's small parts requirements, see <http://www.cpsc.gov//Global/Business-and-Manufacturing/Business-Education/Business-Guidance/Small%20Parts/regsumsmallparts.pdf>.

#### **e. Special Requirements for Toys**

Innovation Specialties also requires that toys meet additional CPSC requirements such as compliance and third party testing to the ASTM F963 toy standard. It is not always a simple matter to determine what qualifies as a "toy." Any product designed or intended by the manufacturer for use by a child when at play is considered a toy. The Compliance Manager is responsible for deciding whether a product is properly considered a toy for purposes of compliance with CPSC requirements.

##### **i. Phthalates**

In addition to the lead rules, the product must meet limits of 0.1 percent for six specific phthalates (PEHP, DBP, BBP, DINP, DIDP, DnOP). The product, including surface coatings such as printing inks, must be tested and certified by a CPSC accredited third party laboratory for both the phthalates limits and lead limits.

##### **ii. ASTM F963**

Toys must meet the toy safety standard, ASTM F963, which includes, among other things, tests for small parts and sharp edges as well as toxicology requirements regarding chemical composition and surface coatings, including printing inks.

#### **B. Food and Drug Administration**

Certain Innovation Specialties products may be regulated by the FDA, including food, drugs, medical devices, and cosmetics, and there may be applicable requirements depending on the product at issue. Innovation Specialties complies with all the FDA's requirements and works with its suppliers to ensure that FDA regulated products like food items, such as candy or snacks, or cosmetics, such as hand sanitizer, meet FDA's requirements. And, products intended for use in contact with food or likely to hold food,



such as plastic and paper items, must comply with FDA regulations as well. For more about FDA’s jurisdiction and controls, go to [www.fda.gov](http://www.fda.gov).

Innovation Specialties’s facility is registered with the FDA as a Drug Establishment as set forth in Section 510 of the Federal Food, Drug, and Cosmetic Act (the “Act”) and Section 351 of the Public Health Service Act (the “PHS Act”), and 21 CFR Part 207as follows:

Innovation Specialties’s Facility Registration number is #1000300091

Registration Number	1000300091
FEI Number	1000300091
Registration Status	Active
Registration Status Reason	Registration active
Initial Importer	Y
Labeler Code Number	76138
Facility Name	INNOVATION SPECIALTIES
Facility Address	5306 BEETHOVEN STREET LOS ANGELES, CALIFORNIA , 90066 , USA

In addition, Innovation Specialties registers all of its Medical Devices with the FDA (<http://www.fda.gov/MedicalDevices/default.htm>). The following are the most recent Device Registrations:

1. Dental Floss - # D117461
2. Sunglasses - # D194912
3. Hot/Cold Pack - #D221244
4. Tape/bandage, adhesive - #D117462
5. Bandage, elastic - #D244267

Innovation also lists its applicable products with their NDC numbers. The following are the most recently registered products:

PRODUCT #	ITEM CATEGORY	INNOV LINE - ISI- NDC #
5242	Hand Sanitizer	76138-112-05
5245	Hand Sanitizer	76138-113-01
5247	Hand Sanitizer	76138-112-06
5248	Hand Sanitizer	76138-113-07
5254	Hand Sanitizer	76138-113-16
5258	Hand Sanitizer	76138-113-03
5296	Hand Sanitizer	76138-114-13

5281	Sunscreen	76138-208-05
5281	Sunscreen	76138-207-05
5283	Sunscreen	76138-205-01
5283	Sunscreen	76138-211-01
5298	Sunscreen	76138-210-02
5298	Sunscreen	76138-206-02
5407	Sunscreen	76138-209-01

Innovation Specialties has a separate FDA Standard Operating Procedures (“SOPs”) and Good Manufacturing Practices (“GMPs”) Handbook (the “FDA Handbook”) containing all of its SOPs and GMPs which govern the operation of its premises as prescribed by the FDA. The FDA Handbook will be located next to this Handbook in the President’s office.

**C. Labeling Requirements**

Innovation Specialties’s corporate safety policy extends to labeling requirements which can be regulated by several federal and state agencies in the United States. The Compliance Manager will oversee product supply to ensure that the following labeling requirements are met:

**1. Country of Origin Labeling**

Imported products (or their containers) must be labeled to show the country of origin. Labels must be conspicuously placed and as legible, indelible, and as permanent as possible given the nature of the product, so as to inform the ultimate purchaser of the origin of the product.

**2. Textile Labeling**

Federal Trade Commission (FTC) regulations require the labeling of textile, wool, and fur products, including fiber content, country of origin, and identity of the manufacturer. The material content of all textiles must be appropriately declared on content labels. The FTC provides an exemption for trim that does not exceed 15% of the surface area of the product; however, the content label must appropriately state “exclusive of decoration” in addition to the fiber content of rest of product.

**3. Labeling for Quantity, Weight and Size**

The Fair Packaging and Labeling Act (FPLA) requires that certain consumer products be labeled to identify the manufacturer or distributor

of the product, as well as the quantity, including weight/volume and count. The FPLA, and regulations issued under it, sets forth a number of requirements for labeling, such as identification of the proper unit of measurement for a given product and font size and presentation on labels.

In addition, many states have adopted the Uniform Packaging and Labeling Regulation (UPLR), which, similar to the FPLA, requires a packaging label to include the name and place of business (city, state and zip code) of the manufacturer, packer, or distributor, and the net quantity of the commodity contained in the package in terms of weight, measure, volume, or count. The label should be affixed to the packaging so that it remains intact until the unit reaches the ultimate consumer. All labeling must be prominent, definite, plain, and conspicuous as to size and style of letters and numbers, contrasting with the background and other printing that may appear on the packaging.

4. **Proposition 65**

California's Safe Drinking Water and Toxic Enforcement Act of 1986, also known as Proposition 65, requires a warning notice on products that contain chemicals identified by the State of California to cause cancer or reproductive toxicity. The current list of restricted substances can be found at [http://www.oehha.org/prop65/prop65\\_list/newlist.html](http://www.oehha.org/prop65/prop65_list/newlist.html).

5. **Electronic Products Labelling**

Certain of Innovation Specialties's electronic products are labelled with lot number information in order that they may be properly identified for tracking purposes. The lot numbers relate to the specific purchase order numbers Innovation Specialties gives its suppliers when ordering merchandise.

6. **FDA Products Labelling**

Innovation Specialties's labelling of all of its FDA regulated products contain all required FDA information including Drug Facts, Lot Numbers, expiration dates, country of origin and contents measurements (ounces and grams) as applicable.

D. **Health Canada**

Innovation Specialties also complies with product safety requirements in Canada. Health Canada requires event based reporting of an occurrence in Canada or elsewhere

that resulted or may reasonably have been expected to result in an individual's death or in serious adverse effects on their health, including:

- Serious injury;
- A defect or characteristic that may reasonably be expected to result in an individual's death or in serious adverse effects on their health, including a serious injury;
- Incorrect or insufficient information on a label or in instructions – or the lack of a label or instructions – what may reasonably be expected to result in an individuals' death or in serious adverse effects on their health, including a serious injury; or
- A recall or measure that is initiated for human health or safety reasons by any country or other state, provincial or local public body.

Should such an event trigger reporting in Canada, Innovation Specialties's Compliance Manager will follow the process described in section III, Recall Plan, below.

### **III. PLANT AND OPERATIONAL SAFETY**

#### **A. Written Illness and Injury Prevention Plan**

In compliance with State and Federal law, and to promote a safe and healthful workplace, Innovation Specialties maintains an Injury and Illness Prevention Program ("IIPP"). The IIPP is available for review by employees and it is located on a shelf in the President's office next to this Safety Manual. The Compliance Manager is also responsible for ensuring that all provisions of the IIPP are implemented and that the company's employees are properly trained in its contents and implementation. Innovation Specialties has also hired a safety consultant, Kelly Herold, who has assisted the company in formulating its safety policies and programs.

#### **B. Monthly Safety Meetings**

Innovation Specialties holds monthly Safety Meetings which are chaired by the Compliance Manager and also attended by the VP Operations, the Production Manager and the Safety Assistant who keeps minutes of the meetings. The Minutes of the Safety Meetings are held in a binder located on a shelf in the President's office next to this Safety Manual. A portion of every Safety Meeting is dedicated to discussing Product Safety, including the review of any product complaints, returns, malfunctions and defects. If the Compliance Manager deems a product issue of significant importance, he will discuss it with the President of Innovation Specialties to determine the appropriate course of action.

Other issues discussed at the Safety Meetings pertain to Plant Safety, including fire drills, correct placement of fire extinguishers, equipment safety and proper use and

maintenance thereof, forklift training, Cal-OSHA compliance, Employee safety training, Materials storage, Hazardous Waste storage, handling and disposal, Ink storage, First Aid, injury prevention and treatment, keeping clean work areas in addition to any other issues relating to the company's safe operations and proper plant management.

### **C. Training and Consultant Seminars**

Innovation Specialties holds annual Sexual Harassment training and conducts other trainings and seminars in house including annual Fire Drill training. Key employees are required to attend all trainings and seminars, including Hazardous Materials Shipping training, forklift training and any other training the VP Operations considers mandatory.

## **IV. RECALL PLAN**

### **A. Reporting and Complaint Handling**

Information received from suppliers, customers, consumers, government agencies, lawsuits, or elsewhere that suggests a potential product safety issue will be immediately routed to and reviewed by the Compliance Manager. The compliance manager will evaluate individual complaints as well as aggregate data to determine whether a product may pose a safety issue and whether it is reportable to the government as an adverse event or substantial product hazard.

If there is a potential safety issue based on available information, the Compliance Manager, in consultation with the Compliance Committee, will determine next steps, which may include the following:

- No further action;
- Need for further investigation; or
- Reporting to a government agency.

The Compliance Manager will decide the necessary scope of an investigation, which may include contact with suppliers, customers or consumers, testing, or other analysis.

Monitoring of incident data and other information will be ongoing and reporting decisions may need to be re-evaluated as new information is received.

The Compliance Manager, in consultation with the Compliance Committee, in a timely manner, will determine if a report should be made to a government agency (*e.g.* FDA, CPSC) based on available information. The Compliance Manager will be the primary point of contact for any communications with the government, unless circumstances warrant involvement from Legal or others.

Where corrective action (such as market withdrawal or recall) is necessary to address a potential safety issue, it will be coordinated with the appropriate government agency prior to launch. The Compliance Manager, in consultation with the Compliance Committee, is responsible for negotiating the details of a corrective action with the government, including communications to consumers (e.g., press releases, point of sale posters, and information posted to websites and social media); remedies for recalled product; monitoring and tracking the progress of a corrective action; and destruction of returned products, where applicable.

## **B. Recall Planning and Execution**

The Compliance Manager in consultation with the Compliance Committee should decide the quickest and best overall procedure for handling the recall. The following issues should be considered:

- Determine the product's identification codes (lot numbers) and the dates of its manufacture.
- Determine where the entire product is now located.
- Immediately notify all locations where the product was shipped. Mandate a "stop sale." If the product has been sold to consumers, contact the distribution and ask them to make a listing of all consumers who received the product.
- Plan for communications and contacts outside the company, such as consumers, agents, dealers, media, etc.
- Decide whether government agencies should be immediately notified. Negotiate the corrective action plan with government authorities including scope of recall and refund, repair or replacement options. Follow all government requirements for recall.
- Procure and retain accurate records of what was produced, shipped and later accounted for, and finally disposed.
- Quarantine inventory and safeguard from distributions. If sample analysis is required, have it done on an expedited basis while always retaining duplicate lots of each sample lot submitted.
- Prepare recall announcement and press release, letter communicating recall to distributors and other supply chain partners and other recall documentation including a recall poster if needed.
- Communicate. Keep senior management, customers, and the media (if necessary) informed, so that accurate information is always conveyed.
- Establish a 24-hour hotline phone number to facilitate the recall and answer any questions from consumers.

- Prepare and submit any monthly reporting or additional information submissions to any government regulatory agency.

The following guidance from the CPSC on reporting and recalling should be followed for all United States recalls, see:

- CPSC Recall Handbook: <http://www.cpsc.gov/PageFiles/106141/8002.pdf>
- CPSC Regulated Products Handbook: <http://www.cpsc.gov/Global/Business-and-Manufacturing/Business-Education/RegulatedProductsHandbook.pdf>

V. EXHIBIT A - Code of Conduct

<p><b>CODE OF CONDUCT</b></p> <p><b>INNOVATION SPECIALTIES’ COMMITMENT TO ETHICAL AND RESPONSIBLE CONDUCT</b></p>
<p>Innovation Specialties believes it must not only meet the expectations of its customers and consumers, but exceed them. To that end, we have adopted standards for the safety, quality and integrity of our products and processes, and we are committed to respecting the rights of individuals and protecting the environment. We are dedicated to complying with all applicable laws and to conduct our business in an ethical and responsible manner.</p>
<p><b>Product Safety</b></p>
<p>We will comply with all applicable laws and regulations regarding safety of products we sell. We will meet applicable recognized voluntary industry standards for our products and processes.</p>
<p><b>No Abuse of Labor</b></p>
<p>We will not use any form of forced labor, including indentured, prison, bonded or slave labor. We will not use physical or verbal harassment or abuse to discipline employees.</p>
<p><b>No Child Labor</b></p>
<p>We will not use child labor. We will comply with all minimum age provisions of applicable laws and regulations.</p>
<p><b>Freedom of Association</b></p>
<p>We respect the rights of employees to associate or organize without fear of reprisal or interference. If employees are represented by an organization recognized under law, we respect the right to bargain collectively.</p>

**No Discrimination**

We will not discriminate in hiring and employment practices on the basis of age, nationality, race, religion, social or ethnic orientation, gender or disability.

**Hours and Wages**

We will comply with all applicable wage, work hours, hiring, benefits, and overtime laws and regulations. In the absence of law in a particular location relating to product safety, labor, employment, environment or working conditions, the spirit and intent of these policies shall be met.

**Workplace Conditions**

We will provide a safe, healthy and secure workplace. We will abide by all applicable laws and regulations for safety and health. Proper sanitation, lighting, ventilation and fire safety protection will be provided.

**Environment**

We abide by all applicable environmental laws and regulations. We will manage our environmental footprint to minimize the adverse impact on the environment. We will manage our energy, water and waste systems for maximum efficiency and minimal adverse impact on the environment.

**Subcontractors and Sources**

We require all businesses that support our business as subcontractors, manufacturers or sources of goods to comply with all of the same policies stated in our Commitment to Ethical and Responsible Conduct Policy. All subcontractors and suppliers are required to comply with all applicable and national laws. We expect those businesses to develop and implement internal business procedures to ensure compliance with our policy.