

# STELLA MCCARTNEY

## Supplier Subcontracting Policy

Created: 24<sup>th</sup> April 2019

Owned by: Stella McCartney Sustainability Department

Scope / audience: Direct SMC Suppliers of Products and their Subcontractors

### I. DEFINITIONS

**SMC:** means the Stella McCartney group and its employees.

**Products:** means products (or any parts of products) produced for SMC or any entities within the SMC group of companies.

**Supplier:** means a business or other entity that has a direct commercial relationship with SMC (for example, the business with whom an SMC company places orders for Products or other materials). Supplier may have its own factories or manufacture through subcontractors. Supplier may have a different name for its trading company and its factories.

**Manufacturing site:** means the physical location where production, manufacturing, or processing of SMC products takes place. SMC makes a distinction based on its relationship with the site and distinguishes between the following:

- Supplier's own factory: means any production facility or location fully owned by and under a direct management of a Supplier. Where a supplier has several factories under the same name but in different physical location, these are considered to be different manufacturing sites by SMC.
- Supplier's joint venture factory: means a production facility partially owned by and / or under partial management of a Supplier.
- Subcontractor: means any person, manufacturing or production site without any Supplier ownership but engaged by a Supplier or otherwise involved in the production of Products (or any part thereof). A Subcontractor may be carrying out work for a Supplier on all or part of an SMC order or a specific process, for example sewing, cutting, printing, packing, finishing, checking or embroidery.
- Sub-subcontractor: means a Subcontractor of a Subcontractor.

**Subcontracting:** means where a Supplier engages or otherwise uses a third party to produce any Products or any parts of Products. SMC distinguishes between three types of subcontracting:

- External subcontractor: third party contracted by Supplier carrying out all or part of SMC production in its own manufacturing site in a location different from the Supplier's own factory.
- Internal Subcontractor: third party contracted by Supplier carrying out all or part of SMC production inside the Supplier's own factory. Internal subcontractors are separate business entities from Supplier but using the same location as the Supplier.

- Homeworker: an individual contracted by Supplier carrying out all or part of SMC production in their own home.

**Authorised vs. unauthorized subcontracting:** SMC makes a distinction between authorized and unauthorized Subcontracting:

- **AUTHORISED SUBCONTRACTING:** Subcontracting **WITH** the prior written consent of SMC where the Supplier has correctly registered the Subcontractor with SMC in accordance with the SMC New Manufacturing Site Procedure.
- **UNAUTHORISED SUBCONTRACTING:** Subcontracting **WITHOUT** the prior written consent of SMC or where the Supplier has **NOT** correctly registered the Subcontractor with SMC in accordance with the SMC New Manufacturing Site Procedure.

**Registration:** means providing SMC with information about new manufacturing sites requested in the New Manufacturing Site Form via email.

**Authorisation:** means receiving a confirmation from SMC that a newly registered manufacturing site has been approved by SMC sustainability for SMC production via email.

## II. POLICY

SMC aims to keep its supply chain transparent and as stable as possible and therefore seeks to minimize Subcontracting. However, we recognize that at times, Subcontracting is necessary, especially in certain countries and for certain production processes. In case where subcontracting is practiced, Suppliers must ensure that their own practices; and the practices of their Subcontractors comply with this Policy.

### **Unauthorised subcontracting**

- Supply chain transparency is a key requirement for doing business with SMC. Unauthorized Subcontracting is a serious breach of this policy and a zero-tolerance issue for the SMC brand. Any instance of unauthorized Subcontracting will be investigated, escalated to the relevant commercial teams and it may ultimately result in SMC ceasing to work with the relevant Supplier(s).
- SMC conducts random and unannounced production spot checks on its supply chain to verify that unauthorized subcontracting is not taking place anywhere in its supply chain. These consist of physically visiting all approved manufacturing sites without prior notice to the Supplier or the Subcontractors and checking that SMC production is only produced at the sites approved by SMC sustainability team.

### **Sub-subcontracting**

- SMC does not permit Subcontractors to further subcontract any element of the production of Products. Engaging sub-subcontractors is very rarely allowed in exceptional circumstances, when sourcing specific and unusual products which cannot be provided through usual Supplier networks. In such case, the Subcontractor may propose one of their own contacts (a Sub-Subcontractor to SMC) strictly under the following circumstances:
  - I. The Sub-subcontractor must be registered and authorized by SMC prior to commencing production of SMC goods, following the SMC New Manufacturing Site Procedure.
  - II. The direct supplier must oversee the production at the Sub-subcontractor directly and must guarantee the site meets all SMC quality, social & environmental standards, even when commercial relationship remains between the Subcontractor and the Sub-Subcontractor.
- Suppliers must ensure that the terms on which they engage Subcontractors strictly prohibits any sub-subcontracting by the Subcontractor. Suppliers must undertake appropriate monitoring of

Subcontractors to ensure that no unauthorized sub-subcontracting takes place. Suppliers are responsible for any unauthorized subcontracting by their Subcontractors.

- If for any reason an authorized Subcontractor does not have the capacity to complete an order for Products within the agreed timeframe, the Supplier shall ensure that the Subcontractor is obliged to immediately notify the Supplier thereof. The Supplier is solely responsible for ensuring that the relevant order is completed on time by authorized manufacturing sites only.

#### **Registration and authorization of manufacturing sites**

- **In order to get authorized, all Supplier's own factories and subcontractors must be correctly registered and approved by SMC before commencing any work related to the production of SMC Products.**
- To register a new factory or subcontractor, the Supplier must fill in and submit a New Manufacturing Site Registration Form (available in the appendix of this Policy) to your usual SMC Sustainability contact. The Supplier must ensure that no Subcontractor commences work on the production of any Products until such form has been received by SMC's Sustainability team; and (ii) the Subcontractor has been approved in writing by SMC.
- The authorisation process requires that any new manufacturing site is visited and assessed by SMC sustainability against SMC Supplier Code of Conduct before approval for SMC production can be given. Suppliers are responsible for ensuring registration of new manufacturing sites is done in time for the full process to take place correctly.

#### **Social and environmental sustainability standards**

- Suppliers must comply with and ensure all their factories and Subcontractors understand and comply with all social and environmental sustainability standards of the Stella McCartney group, as per the provisions set out in the SMC Code of Conduct and Responsible Sourcing Guide.
- SMC monitors all registered manufacturing sites in its supply chain through regular social and environmental sustainability assessments against the SMC Supplier Code of Conduct and SMC Responsible Sourcing Guide. However, it is the responsibility of Suppliers to ensure their Subcontractors comply with SMC sustainability requirements at all times.
- Suppliers are responsible for ensuring that any failure by a Subcontractor to comply with the SMC Code of Conduct, whether identified by SMC (for example through SMC sustainability assessments) or by the Supplier or any other person, are addressed in full and in a timely manner.
- Suppliers shall only register Subcontractors for SMC production which the Supplier expects to meet SMC sustainability standards. Where given a choice of several subcontractors, SMC expects its Suppliers to choose Subcontractors for SMC production with the highest social and environmental sustainability performance. Where a number of subcontractors is engaged by a Supplier, SMC reserves the right to nominate Subcontractors for SMC production.
- Suppliers must ensure their business practices enable Subcontractors to meet the standards set out in the SMC Code of Conduct and SMC Responsible Sourcing Guide. For instance, Suppliers must ensure that prices paid to their Subcontractors are sufficient to enable such Subcontractors to pay their workers the correct industry minimum wage and related benefits.

#### **Minimising Subcontracting**

- As a general rule, SMC prefers to work with Suppliers who can complete all stages of production of Products in-house, without the use of Subcontractors.
- Suppliers who have the equipment and capacity to complete production of Products in-house, are expected to do so. Subcontracting with the sole intention of minimizing costs and maximising profit is

strictly not permitted. Where a Supplier offers different prices for internal or subcontracted production of Products, the Supplier must clearly communicate these options to SMC and provide all relevant details prior to SMC placing an order for Products or any production starting.

**Non-compliance with this policy**

- Non-compliance with any provision of this policy is considered a serious breach of SMC sustainability standards. In cases where a breach of this policy is found, SMC will notify the Supplier and Subcontractor (where relevant) in writing and issue a warning. Suppliers will be expected to remediate the situation immediately and demonstrate compliance with SMC sustainability standards and this policy going forward.
- Repeated breach of this policy will result in the review of the commercial relationship between SMC and the Supplier and may result in Supplier termination. In case where Supplier termination is necessary, the SMC Supplier termination procedure will be followed as set out in the SMC Responsible Sourcing Policy.

III. SUPPLIER DECLARATION

This declaration is made on behalf of

..... (ORGANISATION NAME)

I confirm that appropriate representatives of

..... (ORGANISATION NAME)

have read this Policy and that ..... (ORGANISATION NAME) understands the contents of, and is committed to complying with, this Policy and that I am duly authorized to sign this Policy on its behalf.

.....  
NAME OF SIGNATORY

.....  
SIGNATURE

.....  
DATA

