

# Unauthorised Subcontracting Management

COTTON ON

MARCH 2026

## PROCEDURE FOR UNAUTHORISED SUBCONTRACTING MANAGEMENT

Supply Chain Traceability and Transparency:

- Suppliers must not use factories for Cotton On production without approval. Supplier/factory must meet minimum requirements to be proceed with the boarding process for approval.
- Supplier to disclose all tiers of factories used for Cotton On Group production.
- Supplier take full responsibility to update Cotton On the changes of their supply chain.
- Conduct Supplier Traceability Review twice a year with active suppliers.

Identification and Report of Unauthorised subcontract:

- Unauthorised subcontracting identified during quality inspection, ethical sourcing audit or any type of factory/supplier trip to be reported to ES team directly.
- Anonymous reporting unauthorised subcontracting is accepted (refer to the designated contacts at the end of this document).

Investigation and Verification:

- Upon receiving a report or identifying potential unauthorised subcontracting, ES team to conduct investigation to confirm the unauthorised subcontracting production.
- During the investigation, ES team will work with different parties to collect relevant evidence and document to establish the occurrence of unauthorised subcontracting
- If the unauthorised subcontracting is verified and confirmed, below information should be collected:
  - The subcontractor identity information
  - The extent of the unauthorised subcontracting, including the scope, tasks performed, parties involved and the root cause
- The potential risks posed by the unauthorised subcontracting to be analysed based on quantity, retail market, business partner, supplier performance records.



## Investigation and Verification:

### On Site Observation

- Onsite workforce vs. claimed production capacity
- Missing production processes, machinery, semi-finished goods
- Warehouse goods, inventory vs. WIPs
- Workforce with different uniforms and badges
- Suspicious facilities, equipments, vehicles ect

### Document Review

- Production records
- Shipment records
- Warehouse goods, inventory records
- Working hours and wage records
- Factory gate vehicles entry and leaving records

### Worker Interview

- Production line workers, worker committee union representatives and warehouse staff
- Line helpers, in-direct production workers, including driver, security, cleaner, canteen staff
- Piece wage and bonus calculation
- Working hours and seasonal works arrangements
- Discipline and workplace grievances

### Management Interview

- Line leaders, production managers, ethical trade team and business staff
- Order planning and forecast
- Production arrangement, especially for urgent orders and in peak seasons
- Subcontract process and risk prevention
- Lower tiers suppliers management procedures

## Risk assessment audit

- Once unauthorised factory is identified, initial ethical sourcing audit on minimum on board requirements to be conducted assessing production/ shipped PO risks.

## ETHICAL SOURCING:

- The supplier/factory who subcontracted Cotton On Group product to unauthorized subcontractor, will be issued a warning letter.
- The warning letter will indicate the facts, Cotton On Group standard, consequence of the unauthorized subcontracting and the corrective action required to the supplier/factory.
- The warning letter has 12-month validity period and will affect the upcoming supplier score performance

## BUSINESS DECISION:

- Business decision to be determined at Production and Risk & Sustainability leadership.
- Continue to ship the product or destroy
- Re produce the product by approved factory
- Actions to be done on shipped quantity
- Consequences and impact (Review the business plan)

Ethical Sourcing contact to report unauthorised subcontracting: [ethicalsourcing@cottonon.com.au](mailto:ethicalsourcing@cottonon.com.au)