



EMPLOYMENT PRACTICES POLICY - Supply Chain

Subway IP Inc. ("SIP"), the owner of the Subway® trademark and the Subway® restaurant system, is committed to conducting its business in a socially responsible manner. SIP, together with its affiliates worldwide, expects all Vendors that are approved to provide goods or equipment to Subway® franchisees to also conduct their business in a socially responsible manner that is consistent with, and follows workplace standards that adhere to this Employment Practices Policy – Supply Chain (the Policy).

I. This Policy applies to all vendors approved by SIP or its affiliates to either supply goods or equipment to be sold to Subway® franchisees throughout the world. A reference in this Policy to SIP includes SIP's affiliates.

The term "Vendor" includes all persons or entities who have entered a written agreement with SIP or who have been approved by SIP to enter into an agreement with one of the franchisee controlled purchasing co-operatives or advertising funds to supply goods or manufacture products to be sold to Subway® franchisees including, but not limited, to those which may bear the name, trademarks, and/or images of SIP.

Vendors are also responsible for ensuring that their suppliers adhere to this Policy. This includes each supplier, contractor, subcontractor, or manufacturer that (a.) is engaged in a manufacturing process that results in a finished product or (b.) grows, supplies, or furnishes food, food products, ingredients, or other raw materials that are sold to Subway® franchisees or which are incorporated into other products that are sold to Subway® franchisees. "Manufacturing process" shall include assembly and packaging.

A Distributor is defined as an entity that purchases and resells approved Subway® products and/or ingredients to Subway® restaurants. Notwithstanding the application of this Policy to all Vendors, in the event that the Vendor is solely acting as a Distributor to Subway® restaurants, the obligations of the Distributor are limited as follows: a. if the Distributor is purchasing from Vendors who are otherwise approved to supply the Subway® system, a Distributor is not required to ensure that such Vendors (or their Suppliers) are complying with this Policy; b. if the Distributor is serving other businesses that are not part of the Subway® system the Distributor is not required to ensure that those businesses or the supplier of those businesses are complying with this Policy; and c. if Distributor is subject to specific Provincial, State, or Federal law on areas covered by this Policy, including but not limited to Paragraph III., D, E, and F, provided that Distributor is complying with such Provincial, State, or Federal law, then those provisions shall not be applicable to Distributor.

II. All Vendors seeking to be approved to produce, supply, and/or sell products to Subway® franchisees including, but not limited to, authorization to produce, supply, and/or sell products bearing the name, trademarks and/or images of SIP, must comply with this Policy and ensure that its Suppliers comply with this Policy.

III. All Vendors must operate workplaces that adhere to the following minimum standards and practices:

- A. Legal Compliance:** At a minimum, comply with all applicable legal requirements of the country in which products are grown, harvested, produced, packed, or manufactured. Where this Policy and the applicable laws of such country conflict or differ, the higher standard shall prevail.
- B. Ethical Principles:** Conduct their business according to a set of ethical standards that include, but are not limited to, honesty, integrity, trustworthiness, and respect for the unique intrinsic value of each human being.
- C. Employment Standards:** Workers, including employees supplied by labor contractors, are present to work voluntarily, are not at undue risk of physical harm, are fairly compensated, and are not exploited in any way. In addition, the Vendor and its labor contractors must adhere to the specific guidelines set forth in Paragraphs D through L of this Section V.
- D. Wages and Benefits:** Provide wages and benefits which comply with all applicable laws and regulations, which specifically account for all hours worked, and which match or exceed the local prevailing wages and benefits in the relevant industry.
- E. Working Hours:** Except in extraordinary circumstances, employees shall (1) not be required to work more than the lesser of (a) 48 hours regular time hours and 12 hours overtime per week, or (b) the limits on regular and overtime hours allowed by the law of the country of employment; and (2) be entitled to at least one day off in every 7-day period.
- F. Overtime Compensation:** In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such a premium rate as is legally required in the country, but not less than at a rate equal to their regular hourly compensation rate.

- G. **Child Labor:** No person shall be employed at an age younger than 15 (or 14 where, consistent with International Labor organization practices for developing countries, the law of the country allows such exception). Where the age for completing compulsory education is higher than the standard for the minimum age of employment stated above, the higher age for completing a compulsory education shall apply to this section. Vendor agrees to work with governmental, human rights, and non-governmental organizations, as determined by SIP and Vendor, to minimize the negative impact on any child released from employment as a result of the enforcement of this Policy.
- H. **Forced Labor/Slavery:** There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise. Forced Labor specifically includes the use or display of weapons (firearms, knives, etc.) for the purpose of intimidation of workers.
- I. **Health and Safety:** Provide workers with a safe and healthy work environment. If residential facilities are provided to workers, they must be safe and sanitary facilities.
- J. **Nondiscrimination:** Employ individuals solely on the basis of their ability to perform the job.
- K. **Harassment or Abuse:** Every employee shall be treated with dignity and respect. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Vendors shall not use or tolerate any form of corporal punishment.
- L. **Freedom of Association:** Recognize and respect the right of employees to freedom of association.

IV. Verification: Prior to any approval or renewal of approval by SIP, each Vendor must provide the following information:

- A. **Identification:** The company names, owners and/or officers; and addresses, phone numbers, email addresses of all the Vendor's Suppliers and manufacturing, planting, harvesting, processing, or packing plants that are involved in the manufacturing process, production, or processing of products or goods or to be incorporated in the goods for sale to SUBWAY® franchisees including, but not limited to, those which bear, or will bear, the name, trademarks and/or images of SIP.
- B. **Assurances:** A written assurance that Vendor shall adhere to this Policy and that it will require any Supplier to also adhere to this Policy.
- C. **Implementation and Enforcement:** A summary of the steps taken, and/or difficulties encountered, in implementing and enforcing this Policy at each workplace.

V. Disclosure and Notification: All Vendors must immediately report to SIP any changes in their business operations that materially affect the application of this Policy. Material changes include, but are not limited to the following: the selection of a new factory, supplier, repacker, labor contractor, farm, or farming operation. Vendors must notify their employees of the standards of this Policy. Vendors shall post these standards on their letterhead, in their employee's local language, and they must be posted in a prominent place accessible to all employees. Vendor shall require that its Suppliers provide notice of these standards to Supplier's employees and post them as stated above.

VI. Responsibility: It is each Vendor's responsibility to ensure its compliance with this Policy, and to verify that its Suppliers are in compliance with this Policy. Each Vendor shall designate one or more of its management staff to be responsible for monitoring their factories and production facilities, including packing, repacking, farming, and harvesting sites and the factories and production facilities, including packing, repacking, farming, and harvesting sites of their Suppliers, for compliance with the standards of this Policy. Each Vendor shall make such evaluation, at a minimum, annually.

VII. Audit: SIP reserves the right to conduct or have its designee conduct unannounced inspections or audits of Vendors and their business practices, records, facilities, including packing, repacking, farming, and harvesting sites, and, where provided by Vendor, housing accommodations, as well as private interviews with employees. Vendors will keep all information necessary to document compliance with these standards readily accessible. SIP may also require Vendor to supply documentation, including audit reports, verifying compliance of Vendor's Suppliers with this Policy. Any Vendor who refuses to allow such inspections or interviews, or who does not comply with these standards, is subject to immediate termination of its status as an approved Vendor to the SUBWAY® system.

VIII. Investigation: SIP will investigate, or direct its affiliate, or the purchasing co-operative, or a social accountability auditor to investigate all credible complaints received from any of the franchisee controlled purchasing co-operatives, any government agency, any worker's rights organization, or any individual that this Policy is intended to benefit. [A credible complaint may not be anonymous but may protect the identity of the individual and should, through a description of the facts, be sufficient to indicate how relevant laws, regulations, or Policies (including this Policy) may have been violated, ("Complaint").]

IX. Enforcement: Enforcement of this Policy shall be in accordance with SIP's Vendor Employment Practices Policy – Supply Chain Enforcement Policy.

The Policy is subject to amendment to reflect any subsequently developed standards either by SIP or any other organization whose standards SIP chooses to adopt.



EMPLOYMENT PRACTICES POLICY - Supply Chain ENFORCEMENT POLICY

Subway IP Inc. ("SIP") has adopted the following Enforcement Policy applicable to Vendors against which either Complaints have been made and verified concerning their failure to adhere to SIP's Employment Practices Policy – Supply Chain, (the "Policy").

It is SIP's intent that all Complaints brought to SIP in accordance with the Policy be investigated.

If the Complaint has been brought by a worker's rights organization, SIP intends to work with such worker's rights organization to investigate the Complaint and reach a prompt determination of whether or not a violation has occurred. If SIP and the worker's rights organization are unable to agree that there are reasonable grounds to believe that a violation has occurred, SIP and the worker's right organization will jointly refer the Complaint to any applicable government enforcement agency. (Alternatively, both SIP and the worker's rights agency may determine that the Complaint is so serious that it should be referred directly to the applicable government enforcement agency.) If an applicable government enforcement agency determines that a violation has occurred, SIP will then take the action described below or SIP may in its sole discretion revoke approval of the Vendor and/or Supplier. If no worker's rights organization is involved, then SIP will cause an independent investigation to be conducted to determine if a violation has occurred or SIP may refer the Complaint to any applicable government enforcement agency. If a determination is made that a violation has occurred as set forth above, then the Complaint will be resolved in accordance with the provisions stated below or SIP may in its sole discretion revoke approval of the Vendor and/or its Supplier.

Violations of the Policy are divided into two categories zero tolerance violations and curable violations as follows:

Zero Tolerance Violations:

1. A conviction for peonage or indentured servitude by Vendor or an employee of Vendor, whether direct or contracted.
2. Physical violence against Vendor's worker(s) whether by or at the direction of the Vendor, or by any supervisor, crew leader, or contracted or direct employee of the Vendor or physical violence against any of Vendor's Supplier's worker(s) whether by or at the direction of the Supplier, or by any supervisor, crew leader, or contracted or direct employee of Supplier unless the offending person(s) are fired and corrective action taken immediately upon discovery of the incident.
3. Systemic violations of Paragraph III.D. of the Policy (wage violations are systemic if evidenced by incorrect payments in any payroll period affecting: a) at least 5 % of all of Vendor's or its Supplier's employees; or, b) at least 20 % of all Vendor's employees, or its Supplier's employees, in any one crew.)
4. Systemic violations of Paragraph III.G., J., and K of the Policy.

Consequences of Zero Tolerance Violations:

SIP will revoke any approval for a period of not less than six months (if the revocation of approval is for a grower of a specific crop the revocation shall occur during the actual harvesting season for that specific crop) and the revocation shall continue until the violation has been cured to the satisfaction of SIP. Alternatively, SIP may determine that other disciplinary actions may be appropriate considering measurable action taken by the Vendor that addresses the Policy violation and, after monitoring as set forth in Paragraph 1 of Consequences of Curable Violation below, which action is likely to prevent similar situations from reoccurring. If a worker's rights organization was involved in investigating the Complaint, SIP will seek their opinion concerning whether or not a violation has been cured. If approval of a Vendor is not revoked for a zero tolerance violation and the same or a substantially similar type of violation is again associated with the same Vendor within the following six months, then SIP shall revoke the approval of that Vendor for a period of not less than 1 year. It is understood that SIP may require reasonable time, not to exceed 90 days, to transition purchases from any Vendor whose approval has been revoked.

Curable violations:

1. A conviction for peonage or indentured servitude by any of Vendor's Suppliers.

2. Repeated discrimination on the individual level, as evidenced by two or more findings of individual probable cause of race, religious, national origin, gender, or sexual orientation, or other discrimination by the EEOC or any similar state or federal agency, or any other evidence sufficient to substantiate such discrimination.
3. Repeated sexual harassment on the individual level, as evidenced by two or more findings of individual probable cause of sexual harassment by the EEOC or any similar state or federal agency, or any other evidence sufficient to substantiate such harassment.
4. Retaliatory firing of worker(s) for defending or asserting legal rights, including their right to associate, as established by any evidence sufficient to substantiate such a claim of retaliatory firing.
5. Worker endangerment, which shall include any pesticide poisoning significantly affecting more than two workers as a result of the same incident, two or more equipment failures in one season that harm worker(s), or any lightning injuries in a season, unless, the Vendor or Supplier, can that demonstrate a) the pesticide poisoning, equipment failures or lightning injuries were not the result of negligent conduct by the Vendor or Supplier, and b) within the time frame set forth in Consequences of Curable Violations, Paragraph 1 below, steps have been taken that will prevent these violations from reoccurring.
6. Repeated wage violation(s) on an individual level, as demonstrated by evidence in two or more cases of alleged non-systemic wages violations sufficient to substantiate the claim(s).

Consequences of Curable Violations:

1. Within fifteen (15) business days of being notified of a curable violation, the Vendor must present a remedial plan, which includes a time frame for each corrective action. [If the violation was a conviction for peonage or indentured servitude by any of Vendor's Suppliers then Vendor's plan must impose a Zero Tolerance measure not less than what is set forth as a consequence for a Zero Tolerance Violation above.] If the Complaint was brought by a worker's rights organization then SIP will consult with that worker's rights organization regarding the likely effectiveness of the proposed remedial plan before informing the Vendor whether the plan is acceptable otherwise SIP will make these determinations at its sole discretion. If the plan is not deemed acceptable, the Vendor shall have the option of adopting amendments to the plan suggested by SIP or of developing another remedial plan that will be reviewed in the same manner. If the second corrective plan is also deemed unacceptable by SIP then the Vendor (or Supplier) shall implement the first corrective plan with the suggested amendments. SIP will set a target re-audit date for the Vendor, (at Vendor's expense) and the time frame for any corrective action or re-audit may be extended at SIP's sole discretion, except that final corrective action shall in all cases be accomplished as quickly as feasible and in any event within 4 weeks, unless extended by SIP.
2. If continuous improvement and eventual full compliance are not achieved within the time frames described in Consequences of Curable Violations, Paragraph 1 above, SIP will terminate the Vendor's (or Supplier's) approved status until such time as the Vendor (or Supplier) remedies the situation to the satisfaction of SIP and the worker's rights organization (if involved); provided that SIP may give the IPC, SFAFT, or other advertising fund reasonable time, not to exceed 90 days, to transition purchases from that Vendor.