



23 September 2019

Ms Amy Sinclair
Regional Representative for Australia, New Zealand and Pacific
Business and Human Rights Resource Centre
Email: sincalair@business-humanrights.org

Dear Ms Sinclair

Thank you for providing Coles with the opportunity to respond to the open letter initiated by Martijn Boersma, Justine Nolan, and Laurie Berg of the University of Technology Sydney and the University of New South Wales.

Coles has a well-established ethical sourcing program and a long history of commitment to human rights

We acknowledge that protecting human rights in the supply chain is a global challenge and we understand the important role that we have in safeguarding human rights within our complex supply chains. Coles respects human rights and opposes slavery and worker exploitation in all its forms. Our compliance is centred around all applicable laws including Australia's Modern Slavery legislation, the Fair Work Act, workplace health and safety and immigration.

Coles has a long history of commitment to ethical sourcing and protection of human rights in our merchandise supply chains including Coles' Own Brand, meat and fresh produce supply chains.

Coles has a robust ethical sourcing framework in line with global best practice

Coles' Program aligns with global best practice and is based on Ethical Trade Initiative (ETI) and International Labour Organisation (ILO) conventions, including the Declaration of Fundamental Principles and Rights at Work and eight other ILO conventions. It also reflects the United Nations Guiding Principles on Business and Human Rights 'Protect, Respect and Remedy' framework.

In 2018, Coles was the highest ranked company in Australia, and ninth-highest globally, in the 'Know The Chain Food and Beverage' benchmark, and our practices were highlighted twice in the report as representing best practice standards.

More recently, Coles has been included in the FTSE4Good Index Series and Dow Jones Sustainability Index, which include labour standards, human rights and supply chain management indicators.

While Coles is proud of the efforts we have made in relation to human rights we also recognise that global best practice standards are constantly developing. In this regard, we actively seek feedback and opportunities for enhancement. During FY19 we engaged external experts, KPMG Banarra to undertake a holistic review of our Ethical Sourcing Program, in order to reflect any recent market developments or changing industry practice.

Coles has a comprehensive accreditation and auditing process which is reflective of supplier risk

Coles notes that no industry accreditation and compliance programs currently exist in Australia for fresh food suppliers outside of retailers' own programs.

Coles has developed its own supplier accreditation process, contained in our Ethical Sourcing Program, which is tailored to our business and which involves the evaluation of data from multiple sources:

- Coles requires all direct supplier sites to register on Sedex and complete a comprehensive risk assessment following which they are rated as low, medium or high risk.
- 97% of all our direct suppliers and 93% of their sites (factories, processing plants, pack houses and direct supplier farms providing Own Brand products, fresh produce and meat) were registered on Sedex.¹ This has resulted in increased visibility of our supplier employment practices and enables us to proactively monitor compliance with the Coles Ethical Sourcing Policy, identify ethical sourcing risks, drive the resolution of identified non-conformances and target areas of supplier capacity development.
- Medium and high-risk sites are required to be audited by an independent external provider, certified to ISO9001 standards, with major non-conformances investigated and closed out.
- Medium and high-risk sites supplying Own Brand products, fresh produce and meat in FY19 had more than 550² third-party audits and more than 1,600³ non-conformances were verified and closed out. The majority of these related to health and safety issues.
- Coles also conducts its own audits (at its own cost) to verify risk ratings, investigate specific concerns and validate program effectiveness.

¹ Due to the dynamic nature of our supply chain, we do not expect 100% registration at any one time due to suppliers entering and leaving our supply chain.

² Audit and non-conformance data has been extracted from Sedex including Sedex Members Ethical Trade Audit Methodology (SMETA) audits, and other Sedex compatible audit formats. This number does not include additional ethical audits accepted by Coles. Our Ethical Sourcing Supplier Requirements approve medium risk sites for 24 months so these numbers also include third party audits and non-conformances closed out in FY18.

³ *ibid*

- Coles actively engages with unions to raise workers' standards across its fresh produce supply chain.

Coles supports a multi-stakeholder approach to managing supply chain risk

To drive continuous improvement across our supply chains, Coles is a strong supporter of worker education and has adopted a multi-stakeholder engagement approach to human rights due diligence that includes supplier capacity building and training. For example:

- Coles supports worker rights to freedom of association and to engage with relevant trade unions and other civil society stakeholders to improve standards and support grievances;
- Coles actively works with the Australian Workers Union (AWU), Shop, Distributive and Allied Employees' Association (SDA) and Transport Workers Union (TWU) to raise workers' standards across the fresh produce supply chain. These unions have coverage across the industry;
- In 2019, Coles engaged in a number of meetings with the ACCR and the NUW, including regional town hall meetings with farm workers. Coles is also actively engaged with the horticulture industry through the Fair Work Ombudsman Horticulture Reference Group and the Industry Viticulture Reference Group, which include representatives of unions including the NUW, other civil society representatives and government. In addition, Coles regularly engages with relevant NGOs and industry groups.
- Coles has also supported the development of the StaffSure labour hire certification program, an independent industry-led certification program that assesses labour hire providers to further help suppliers and the recruitment and staffing industry to reduce human rights and workplace compliance risks from third party labour hire.

Coles offers a range of worker-led grievance procedures

Coles already has a range of worker-led grievance procedures and mechanisms including:

(a) The confidential Coles Wages and Conditions Hotline established in 2015 for workers in Coles' supply chains including farms, factories and service providers.

- In Australia, workers of Coles suppliers can call the Hotline between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.
- Email complaints, including for workers for whom English is not a first language, can be made by email to wageline@coles.com.au with their telephone number, preferred language and a brief description of their concern.
- Posters promoting the Coles Wages and Conditions Hotline service (available in three different languages) have been sent to Own Brand, meat, seafood and fresh produce processing sites for display in tea rooms and communal areas.

(b) The Coles Whistleblower Policy (available on our website) which provides details of reporting options including StopLine, an independent and confidential reporting line that Coles team members, suppliers and others may use to report unethical, illegal, fraudulent or undesirable conduct, or any breach of the Coles Code of Conduct.

We also consider and investigate compliance complaints raised through other mechanisms including through unions and social media.

Coles supports fair payment of workers

Coles Ethical Sourcing Policy states that wages and benefits paid for a standard working week must meet as a minimum national or industry standards, whichever is the higher.

Coles also notes that all employers within Australia are required by existing workplace relations laws to pay their employees minimum prescribed rates of pay and other legislated conditions.

Coles already has a well-established Ethical Sourcing Program that aligns with global best-practice and which is updated and adapted to reflect market developments and changing industry practice. For this reason, we consider that our current approach to ethical sourcing and protection of human rights in its fresh food supply chain addresses the primary concerns raised in the open letter.

Your sincerely

A handwritten signature in blue ink, appearing to read 'Alister Jordan', with a stylized flourish at the end.

Alister Jordan
Chief Executive Coles Online & Corporate Affairs