

# Ethical Sourcing

## Supplier Requirements

Charter 07

Policy 02

Requirement 01

*Coles is committed to sourcing products in an ethical and responsible manner, and considering the welfare of workers, health and safety and potential environmental impacts.*

## Summary of Supplier Requirements and Site Approval

The Coles Ethical Sourcing Policy is based primarily on Ethical Trade Initiative (ETI) and International Labour Organisation (ILO) Conventions. Coles Ethical Sourcing Supplier Requirements outline the specific requirements for Coles Suppliers in regard to worker welfare, health and safety and environmental impact.

All suppliers are required to agree to the principles outlined in the Coles Ethical Sourcing Policy as outlined in their Trading Agreement with Coles. If suppliers are unable to demonstrate a commitment to comply with the Coles Ethical Sourcing Policy, Coles reserves the right to terminate the Trading Agreement.

Coles utilises the Sedex online portal for the secure exchange of ethical data with our Suppliers. The following table summarises the Coles Ethical Sourcing Supplier approval process:

Supplier Sedex Site Risk Rating	Audit Required?	Non-Conformance Close-out Requirements	Coles Approval	Sedex Self-Assessment Updates
High risk	Yes	Critical and Major non-conformances closed out and approved by Auditor	Outstanding Critical Non-conformances = <b>Not Approved</b> Outstanding Major Non-conformances = <b>Conditionally Approved for 4 months</b> Auditor evidence non-conformances closed out = <b>Approved for 12 months</b>	Annual
Medium risk	Yes	Critical and Major non-conformances closed out and approved by Auditor	Outstanding Critical Non-conformances = <b>Not Approved</b> Outstanding Major Non-conformances = <b>Conditionally Approved for 4 months</b> Auditor evidence non-conformances closed out = <b>Approved for 24 months</b>	Annual
Low Risk	No	Not Applicable	<b>Approved for 24 months</b>	Annual

## Supplier Requirements

### 1. Policy Requirements

- 1.1. All suppliers are required to agree to the principles in the Coles Ethical Sourcing Policy and as set out in their Trading Agreement with Coles.
- 1.2. If suppliers are unable to demonstrate compliance with the Coles Ethical Sourcing Policy, Coles reserves the right to terminate the Trading Agreement.
- 1.3. Suppliers must complete an annual self-assessment and Coles may, at its discretion, require an independent audit, at the supplier's expense, of compliance with this policy.
- 1.3. Coles categorises elements of the Ethical Sourcing Supplier Requirements as either: Critical, Major or Minor.

# Ethical Sourcing - Supplier Requirements

## 2. Legal Requirements

- 2.1. All suppliers must fully comply with all local laws and regulations regarding labour, health, safety and the environment. Suppliers must also fully comply with the legal requirements of the countries in which they operate in addition to all elements of this Ethical Sourcing Policy.

## 3. Forced/ Bonded Labour (Critical)

- 3.1. Suppliers must not use Forced, Bonded or Involuntary Labour.
- 3.2. Employment must be freely chosen.
- 3.3. Workers must not be required to lodge deposits or identity papers with suppliers.
- 3.4. Workers must be free to leave their employment after reasonable notice, not more than 1 month, has been given.

## 4. Child Labour (Critical)

- 4.1. Suppliers must not use child labour. Child labour is defined as work that deprives children of their childhood, the opportunity to attend school and fulfil their potential and that is harmful to their physical and mental development.
- 4.2. Suppliers must be able to verify the age of all employees to ensure no child labour is used. Coles refers to the International Labour Organization's Minimum Age Convention, 1973 (No. 138), where the minimum age for work is defined as being below the age for finishing compulsory schooling, and in any case not less than 15 years of age.

## 5. Illegal Labour (Critical)

- 5.1. Suppliers must not use Illegal Labour.
- 5.2. Suppliers must be able to verify the legal entitlement of their employees to work in the country of employment.

## 6. Harsh or Inhumane Treatment (Critical)

- 6.1. Physical abuse or physical discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation are prohibited.

## 7. Business Integrity (Critical)

- 7.1. Suppliers must engage professional business ethics in all dealings and provide transparent documentation and records.
- 7.2. Bribes, favours, benefits or other similar unlawful or improper payments, in cash or in kind, are strictly prohibited, whether given to obtain business or otherwise.

## 8. Wages and Benefits (Major)

- 8.1. Wages and benefits paid for a standard working week must meet as a minimum national or industry standards, whichever is the higher. In any event, wages should always be enough to meet basic needs and to provide some discretionary income.
- 8.2. All workers must be provided with written and understandable information about their employment conditions in respect to wages, before they enter employment, and about the particulars of their wages for the pay period concerned each time that are paid.
- 8.3. Deductions from wages may only occur with the express written permission of the worker concerned.
- 8.4. Deductions from wages for disciplinary measures are not permitted.

## 9. Working Hours (Major/Minor)

- 9.1. Including any overtime, workers must not work above the maximum hours per week or per month as stipulated by local laws, or where local laws do not exist, a total of 60 hours per week. (In excess of 75 hours per week is considered a Major non-conformance; between 60 and 75 hours per week is considered a Minor non-conformance).
- 9.2. Workers must have at least one day off in 7 days or two days off in every 14 days (Major non-conformance).
- 9.3. Overtime must be voluntary and compensated as prescribed by local laws (Major non-conformance).
- 9.4. Record keeping on hours worked must be accurate, complete and transparent at all times (Major non-conformance).

## 10. Freedom of Association (Major)

- 10.1. Suppliers acknowledge that workers have a right to freedom of association and to bargain collectively.
- 10.2. Workers have a right to join or form trade unions of their choosing. Suppliers are required to adopt an open attitude towards the activities of trade unions and their organisation activities.

# Ethical Sourcing - Supplier Requirements

- 10.3. Where the right to freedom of association and collective bargaining are restricted under local laws, suppliers will not hinder the development of alternative means of independent and free association and bargaining.

## 11. Sub-Contracting and Indirect Suppliers (Major)

- 11.1. There must be no sub-contracting unless documented and available for review by Coles or an independent auditor, including but not limited to records of subcontractors' names and locations. Coles considers sub-contracting and indirect suppliers to mean:
- i) Sites contracted by Coles' direct suppliers to produce product in its final form for retail sale, packed in the retail unit, or produced in bulk in final form for retail packing elsewhere, or received in bulk final form for retail packing.
  - ii) Sites that significantly contribute to the final form of the product. Examples of processes considered to significantly contribute to the final form of the product include (but are not limited to):
    - Embellishing.
    - Pressing.
    - Fabric finishing.
    - Partial garment cut make & trim.
    - Peeling, trimming, husking, de-hulling, filleting.
    - Harvesting of fresh fruit, vegetables or seafood.
- 11.2. Suppliers must have adequate policies and processes in place for properly managing subcontracting, to ensure that subcontractors operate in accordance with applicable laws, regulations and the Coles Ethical Sourcing Policy.
- 11.3. Direct Coles supplies must ensure that sub-contracted and indirect supplier sites are registered and connected via the direct supplier to Coles on Sedex, and visibility of the site details and ethical information made available to Coles.
- 11.4. If sub-contracted or in-direct supplier sites are rated Medium or High Risk, Coles reserves the right to request Audits from these sites and apply the Coles supplier site assessment and approval process.

## 12. Safe Working Conditions (Major)

- 12.1. Plant and systems of work which are safe and without risk to health will be provided.
- 12.2. Suppliers will provide workers with a safe and clean working environment taking into consideration the prevailing knowledge of the industry and of any specific hazards.
- 12.3. Workers must receive adequate, recorded training to perform their jobs in a safe manner.
- 12.4. Personal protective equipment must be supplied and workers trained in its use.
- 12.5. Safeguards on machinery must meet or exceed local laws.
- 12.6. Where suppliers provide worker accommodation, it must be clean, safe and meet the basic needs of workers.
- 12.7. Workers must have access to clean toilet facilities, clean drinking water and where appropriate sanitary facilities for food storage and preparation.

## 13. Discrimination (Minor)

- 13.1. There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

## 14. Regular Employment (Minor)

- 14.1. To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.
- 14.2. Employees who have a regular employment relationship with their employer are afforded a number of obligations from their employer relating to labour and social security laws and regulations. These obligations shall not be avoided through the use of labour-only contracting, sub-contracting, home-working arrangements, fixed term contracts or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment.

## 15. Environment (Minor)

- 15.1. Suppliers must comply with local and national environmental laws and regulations.
- 15.2. Suppliers must use reasonable endeavours to comply with international standards on environmental protection.

## 16. Documentation and Policies (Minor)

- 16.1. Appropriate documentation is in place to ensure effective ethical management practices.

# Ethical Sourcing - Supplier Requirements

16.2. Appropriate policies are developed to ensure effective management of ethical issues.

## 17. Risk and Audit Assessment

- 17.1. Coles requires all suppliers to register as a Supplier (B Membership) on Sedex Global and complete an annual online self-assessment.
- 17.2. Supplier sites classified as high or medium risk under the Sedex risk rating system are required to provide and upload an independent ethical audit by an approved audit provider.
- 17.3. Coles, at its discretion may require an independent ethical audit for any of its suppliers, regardless of country of origin or industry sector.

## 18. Audit Assessment

- 18.1 Ethical Audits must be kept current and audit frequency is dependent on audit outcomes.
- 18.2 Upon receipt of the Ethical Sourcing Audit, and Auditor approved non-conformance rectification, Coles will determine whether a supplier is Approved or Not Approved based on the Risk and Audit Assessment criteria in Table 1.

Table 1: Coles Ethical Sourcing Supplier Approval Process

Supplier Site	Sedex Risk Rating	Audit Required?	Non-Conformance Close-out Requirements	Coles Approval	Sedex Self-Assessment Updates
High risk		Yes	Critical and Major non-conformances closed out and approved by Auditor	Outstanding Critical Non-conformances = <b>Not Approved</b> Outstanding Major Non-conformances = <b>Conditionally Approved for 4 months</b> Auditor evidence non-conformances closed out = <b>Approved for 12 months</b>	Annual
Medium risk		Yes	Critical and Major non-conformances closed out and approved by Auditor	Outstanding Critical Non-conformances = <b>Not Approved</b> Outstanding Major Non-conformances = <b>Conditionally Approved for 4 months</b> Auditor evidence non-conformances closed out = <b>Approved for 24 months</b>	Annual
Low Risk		No	N/A	<b>Approved for 24 months</b>	Annual

## 19. Supplier Approval

- 18.1 Coles will determine whether a supplier is Approved or Not Approved based on the Risk and Audit Assessment criteria in Table 1.
- 18.2 Supply to Coles can only commence once the Supplier is Approved under the Ethical Sourcing Policy.
- 18.3 Supply to Coles will cease if the Supplier does not comply with these Ethical Sourcing Supplier Requirements and is classified by Coles as Not Approved.