

KnowTheChain Food & Beverage Benchmark Methodology Version 2 (December 2017)

Information marked yellow provided by Wesfarmers

SCORED DISCLOSURE

THEME 4: RECRUITMENT

4.1 Recruitment Approach

(1) has a policy that requires direct employment in its supply chain;

Our Ethical Sourcing Policy applies to all Coles Brand product, fresh produce and meat. Our suppliers agree to meet our policy and standards as part of their contract terms and conditions. If a supplier cannot demonstrate a commitment to our Ethical Sourcing Policy, we reserve the right to terminate its trading agreement. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>)

In 2015, Coles signed the Australian Business Pledge against Forced Labour, an industry-led initiative to end forced labour. The Pledge aligns with our Ethical Sourcing Policy. (Reference: http://www.retailsupplierroundtable.org.au/page/Working_Groups/Sustainability_Council/Anti-slavery_Pledge/)

(2) requires employment and recruitment agencies in its supply chain to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor; and

Specifically, section 3, 11 and 14 of Coles' Ethical Sourcing Policy relates to the employment and recruitment agencies in our supply chain. We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

3. Forced/ Bonded Labour

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.

11. Sub-Contracting and Supply Chain

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 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.

11.2. Suppliers must have adequate policies and processes in place for properly managing subcontracting, to ensure that sub-contractors operate in accordance with applicable laws, regulations and the Coles Ethical Sourcing Policy.

14. Regular Employment

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.

(3) discloses information on the recruitment agencies used by its suppliers.

4.1 Recruitment Fees

The company:

(1) requires that no worker in its supply chain pay for a job—the costs of recruitment should be borne not by the worker but by the employer ("Employer Pays Principle"); and

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Specifically, section 3 of Coles' Ethical Sourcing Policy relates to recruitment fees. We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

3. Forced/ Bonded Labour

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.

(2) takes steps to ensure that such fees are reimbursed to the workers, in the event that it discovers that fees have been paid by workers in its supply chain.

Coles is committed to ensuring that workers in our supply chains are treated fairly. As part of this commitment, in 2015 we set up the Coles Wages and Conditions Hotline for farm and factory workers.

In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.

For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

4.3 Monitoring and Ethical Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used in its supply chain are monitored to assess and address risks of forced labor and human trafficking; and

Coles utilises the Sedex online portal for the secure exchange of ethical data with our suppliers.

Coles Brand product, fresh produce and meat suppliers complete a comprehensive risk assessment questionnaire and based on this, they are rated as low, medium or high risk. Medium and high risk sites are then required to be audited by an independent external provider within time frames specified by Coles which vary depending on peak times for each industry. For example, our expectation for fresh produce is that audits would take place during harvest season when workers are on site. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

The following table summarises the Coles Ethical Sourcing Supplier approval process:

Supplier 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 = Not Approved Outstanding Major Non-conformances = Conditionally Approved for 4 months Auditor evidence non-conformances closed out = Approved for 12 months	Annual
Medium risk	Yes	Critical and Major non-conformances closed out and approved by Auditor	Outstanding Critical Non-conformances = Not Approved Outstanding Major Non-conformances = Conditionally Approved for 4 months Auditor evidence non-conformances closed out = Approved for 24 months	Annual
Low Risk	No	Not Applicable	Approved for 24 months	Annual

- (2) provides details of how it supports ethical recruitment in its supply chain.

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In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.

For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

4.4 Migrant Worker Rights

The company:

- (1) takes steps to ensure migrant workers understand the terms and conditions of their recruitment and employment, and also understand their rights;

Our Ethical Sourcing Policy applies to all Coles Brand product, fresh produce and meat. Our suppliers agree to meet our policy and standards as part of their contract terms and conditions. If a supplier cannot demonstrate a commitment to our Ethical Sourcing Policy, we reserve the right to terminate its trading agreement. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>)

Specifically, section 8 of Coles' Ethical Sourcing Policy relates to wages and benefits, including providing workers with understandable information about their employment conditions. We have also had our Ethical Sourcing Policy and Supplier Requirements translated into Mandarin to support our suppliers communicate our expectations to sites and factories in China (see attachment).

We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

8. Wages and Benefits

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.

- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will;

Our Ethical Sourcing Policy applies to all Coles Brand product, fresh produce and meat. Our suppliers agree to meet our policy and standards as part of their contract terms and conditions. If a supplier cannot demonstrate a commitment to our Ethical Sourcing Policy, we reserve the right to terminate its trading agreement. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>)

Specifically, section 3 of Coles' Ethical Sourcing Policy relates to forced or bonded labour, including deposits of identity papers. We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

3. Forced/ Bonded Labour

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.

(3) takes steps to ensure migrant workers are not discriminated against, and not retaliated against, when they raise grievances; and

Our Ethical Sourcing Policy applies to all Coles Brand product, fresh produce and meat. Our suppliers agree to meet our policy and standards as part of their contract terms and conditions. If a supplier cannot demonstrate a commitment to our Ethical Sourcing Policy, we reserve the right to terminate its trading agreement. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>)

Specifically, section 13 of Coles' Ethical Sourcing Policy relates to discrimination. We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

13. Discrimination

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.

(4) provides evidence of how it works with suppliers to ensure migrant workers' rights are respected.

Coles is committed to ensuring that workers in our supply chains are treated fairly. As part of this commitment, in 2015 we set up the Coles Wages and Conditions Hotline for farm and factory workers.

In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.

For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant

authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

THEME 5: WORKER VOICE

5.1 Communication of Policies

The company takes steps to ensure:

- (1) its policies and standards, which include human trafficking and forced labor, are available in the languages of its suppliers' workers; and

Our Ethical Sourcing Policy applies to all Coles Brand product, fresh produce and meat. Our suppliers agree to meet our policy and standards as part of their contract terms and conditions. If a supplier cannot demonstrate a commitment to our Ethical Sourcing Policy, we reserve the right to terminate its trading agreement. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>)

Specifically, section 8 of Coles' Ethical Sourcing Policy relates to wages and benefits, including providing workers with understandable information about their employment conditions. We have also had our Ethical Sourcing Policy and Supplier Requirements translated into Mandarin to support our suppliers communicate our expectations to sites and factories in China (see attachment).

We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

8. Wages and Benefits

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.

- (2) its human trafficking and forced labor policies and standards are communicated to workers in its supply chain.

Coles is committed to ensuring that workers in our supply chains are treated fairly. As part of this commitment, in 2015 we set up the Coles Wages and Conditions Hotline for farm and factory workers.

In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.

For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant

authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

5.2 Worker Voice

The company:

- (1) works with relevant stakeholders to engage with and educate workers in its supply chain on their labor rights;

Coles is committed to ensuring that workers in our supply chains are treated fairly. As part of this commitment, in 2015 we set up the Coles Wages and Conditions Hotline for farm and factory workers.

In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices.

For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

- (2) takes steps to ensure that there are worker-to-worker education initiatives on labor rights in its supply chain;
- (3) provides evidence of the positive impact of worker engagement in its supply chain; and
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

5.3 Freedom of Association

The company:

- (1) describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining;
- (2) works with local or global trade unions to support freedom of association in its supply chain;
- (3) takes steps to ensure workplace environments in which workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association for supply chain workers.

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Specifically, section 10 of Coles' Ethical Sourcing Policy relates to freedom of association. We directly monitor ethical sourcing risk and compliance with our Ethical Sourcing Policy via the SEDEX platform and independent audits.

10. Freedom of Association

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.

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.

Additionally, Coles is working with Kmart which is representing the Wesfarmers Group on the 'Action, Collaboration, Transformation' (ACT) initiative, a collaboration between international brands and retailers (including H&M, Inditex, C&A and Primark) manufacturers and trade unions to address the issue of living wages in the garment and textile industry. ACT aims to improve wages in the industry by establishing industry collective bargaining, supported by world class manufacturing standards and responsible purchasing practices. (Resource: <http://2016.sustainability.wesfarmers.com.au/case-studies/sourcing/kmart-joins-global-collaboration-on-living-wage/>)

5.4 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chain is available to its suppliers' workers and relevant stakeholders;

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For workers where English is not a first language, we have an email facility at wageline@coles.com.au where workers can provide their telephone number, preferred language and a brief description of their concerns so that any issues can be addressed by Coles or the relevant authority. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing>).

- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

To ensure that the Farm and Factory Worker Hotline is accessible to our suppliers' workers, we have created a poster which is available to our Coles Brand fresh produce and meat processing sites providing details of the hotline in English, Mandarin and Korean.

Additionally, the Farm and Factory Workers Hotline poster is made publically available on Coles' website, and is promoted throughout our supply chain via direct communication to suppliers and Coles Fusion. (Reference: <https://www.coles.com.au/corporate-responsibility/sustainability/ethical-sourcing> <https://sustainability.wesfarmers.com.au/our-stories/coles/coles-brand-suppliers-integrated-with-coles-fusion/>).

- (3) takes steps to ensure that workers or an independent third-party are involved in the design or performance of the mechanism, to ensure that its suppliers' workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and
- (5) provides evidence that the mechanism is available and used by workers below tier one in its supply chain, or by relevant stakeholders in key supply chain contexts.