

# Ethical Sourcing Program Requirements - Services

03 Charter

01 Requirement

## 1. Purpose

Our Ethical Sourcing Policy (Policy), together with our Ethical Sourcing Program Requirements for Services, set out our expectations of our Services suppliers regarding labour rights, human rights, health and safety, and business integrity.

We monitor supplier compliance with our Policy through our Ethical Sourcing Program (Program). Our Program is designed to help identify and mitigate human rights and labour risks that exist within our supply chain and remediate or address issues where they are found.

At Coles, we believe that if people are harmed, there is a duty of care for those involved to address the issue. Coles has a [Remediation Framework](#) which sets out the core principles Coles adheres to, and expects its suppliers to adhere to, for providing effective remediation of human rights and ethical sourcing issues.

## 2. Ethical Sourcing Program Scope

We have a complex supply chain with a number of suppliers that have a direct trading relationship with us, and many more within our extended supply chain.

To ensure our work has impact, we take a risk-based approach to supplier management. We focus our Program on suppliers where there is a higher likelihood of human rights and labour rights violations occurring and, where we have a greater leverage to influence change where required. We use a supplier and engagement level segmentation approach based on inherent risk and leverage to determine which suppliers, engagement and tiers of our supply chain are in-scope for the Program.

For the purpose of the Program Requirements for Services, 'Supplier' is defined as:

- A direct Supplier to Coles; and/or
- An approved subcontractor providing service(s) as stipulated in the contract scope of work

**Table 1: Coles Ethical Sourcing Program Scope for Services**

Business Area	Scope	Supplier Type
GNFR *	<b>Suppliers of high-risk services</b> (Including trolley collection, cleaning, security, waste management, facilities maintenance & management, construction services, warehousing, distribution centres, freight and logistics, catering & food services and other services that may involve lower skilled, temporary, or migrant labour)	Direct vendors (Tier 1) Sub-contractors (Tier 2) - selected circumstances

**\*This document sets out program requirements for services suppliers registered in Ariba only. Product / Goods suppliers should refer to Ethical Sourcing Program Requirements – Products for more information.**

# Ethical Sourcing Program Requirements - Services

## 3. Risk Assessment and Management

The process for assessing and managing risk is outlined in the diagram below.

**Table 2: Coles' Risk Assessment and Management Process**



### Completion of Risk Category Assessments on Ariba

Suppliers need to complete relevant Risk Category Assessments (RCA) issued through the Ariba platform. There are three ethical sourcing RCAs a supplier may be required to complete including:

- **Supplier RCA:** Questions in this RCA allow Coles to understand a supplier's policies and practices relating to human rights and modern slavery.
- **Services Engagement RCA:** This RCA focuses on supplier's workforce characteristics, wage and entitlement compliance practices in relation to its employees (inclusive of full-time, part-time, casual employees, labour hire agency workers and contingent labour) who will be part of Coles engagement.
- **Subcontracting Engagement RCA:** The Subcontracting Engagement RCA is only completed if the supplier has subcontracting as part of the engagement with Coles. The questions are related to how subcontractors are onboarded and managed during the contract with Coles.

Completed RCAs will be reviewed by Coles' Ethical Sourcing team. Note: Incomplete responses will increase the overall risk rating and it is encouraged that all questions are answered.

### Risk Assessment

Coles assesses ethical sourcing risks of service-type suppliers by gathering and reviewing information on the supplier's wage and entitlement compliance, recruitment practices, due diligence and monitoring practices including, where relevant, the supplier's oversight of subcontractors' wage compliance and recruitment practices.

Following the RCA review, Coles may:

- Engage directly to better understand RCA responses
- Request a desktop wage and entitlement compliance review. This may entail the provision of previous wage audits conducted, payslips, timesheets and other relevant documents for a sample of employees' and/or subcontractors' employees'
- Request to provide, proof of selected workers rights to work as well as corresponding contracts or agreements
- Utilise external sources, like the Dow Jones Risk Register, to assess overall supplier or engagement risk.

Coles will advise of the required details and agree a timeline for the document(s) to be delivered for assessment.

# Ethical Sourcing Program Requirements - Services

03 Charter

01 Requirement

## Risk Classification

Following risk assessment of the engagement, a risk classification will be determined. Factors that contribute to the overall risk classification, and which may alter the classification over time include:

- Inherent country or sector risk
- specific responses to the allocated RCA questionnaire(s)
- appropriate evidence provided during review of RCA and other requested documentation
- substantiated labour or human rights violations
- persistent claims of labour or human rights violations (for example, multiple complaints raised through worker interviews during audits or through other grievance channels) and/or
- poor program compliance history (for incumbent suppliers, covered in Section 4).

Risk information (including overall risk classification) is for Coles' internal reference only and is not shared externally.

## Risk Management

Risk management activities will vary based on risk classification.

Once a risk classification has been assigned to the supplier and relevant engagement, Coles will communicate and confirm the supplier's acceptance and acknowledgement of the ethical sourcing requirements as a condition of providing services to Coles.

The ethical sourcing requirements consist of specific (time-bound) risk management activities which include, but are not limited to:

- **Desktop wage compliance review:** Coles may request a small sample of payroll documentation to be sent and presented to evidence wage compliance. Documents requested may include, but are not limited to:
  - Payslips
  - Time sheets
  - Transaction statements to evidence accurate payment
  - Wage audit report (or equivalent)
- **Social Compliance Services Audit:** Coles may, at its discretion, require an independent audit as a means of assessing compliance with the Ethical Sourcing Policy. Coles will advise the audit scope and expected frequency to the supplier. Key areas included in a social compliance services audit is included in the section below.
- **Timely reporting:** Any incidents relating to incorrect wage payment uncovered during Coles' engagement will need to be reported back to Coles, including if and when these were addressed or an action plan to remediate.

## Remediation

The aim of remediation is to restore individuals or groups that have been harmed to the situation they would have been in if the impact had not occurred. Where this is not possible, it can involve compensation or other forms of remedy.

For Coles' Services suppliers, it is expected that any findings that arise from compliance reviews and social compliance audits are to be addressed by the supplier within agreed timeframes as stipulated by the auditor or otherwise agreed with Coles Ethical Sourcing team. This also applies to incorrect wage payment uncovered during the course of the contract.

# Ethical Sourcing Program Requirements - Services

At Coles, we believe that if people are harmed as a result of something we caused or to which we contributed, we have a duty of care in addressing these issues and implementing mechanisms for control.

For more information, please refer to Coles Group website for Coles Ethical Sourcing – Child Labour Remediation Requirements, Coles Ethical Sourcing – Forced / Bonded Labour Remediation Requirements and Coles Ethical Sourcing – Wages and Benefits Remediation Requirements – Australia documents which outline Coles' expectations on remediation if practices inconsistent with these standards are identified.

## 4. Program Compliance Requirements

### Ethical Sourcing (Services) Supplier Approval Process

Services to Coles can only commence once the supplier has met the requirements in the Risk Assessment and Management components outlined above. Coles may not approve suppliers should any of the following be identified:

- A supplier with the following types of non-conformances as identified by Coles' or through third-party audits:
  - **Wage compliance violations.** For example, wages and benefits paid for a standard working week are under the national legal standards or do not meet industry benchmark standards (such as Modern Awards or valid Employee Bargaining Agreements for the Australia context). Coles will give consideration to the nature and degree of the non-compliance as well as remediation.
  - **Human rights violations.** For example, workers are coerced to work through the use of exploitative contracts, unlawful retention of or high deductions of wages, compulsory overtime or other means.
  - **Labour rights violations.** For example, workers do not have the right to join or form trade unions of their own choosing and to bargain collectively. Where the right to freedom of association and collective bargaining is restricted under law, the employer does not facilitate but hinders the development of parallel means for independent and free association and bargaining.
  - **Health and safety violations.** For example, findings of fire risks, including any locked or barred exits/emergency exits, or PPE is not used, as PPE is not free of charge and workers are not fully trained in correct usage and benefits.
- A supplier fails to remedy previously identified non-conformances. For example, non-conformances from previous social compliance audit(s) are not addressed and verified.

Coles', at its discretion, may make changes to a supplier's approval status based on the individual circumstances of the supplier.

**Table 3: Coles Ethical Sourcing Services Supplier Approval Criteria**

Approval Status	Criteria
Approved	Supplier that meets all Program requirements: <ul style="list-style-type: none"> <li>• Supplier has completed allocated risk category assessments</li> <li>• Supplier has provided the additional information and evidence (where requested by the Coles Ethical Sourcing Team), during the risk assessment stage and/or during the course of the contract</li> <li>• Audit (if required) has been completed within required timeframe</li> <li>• Audit non-conformances have been closed out by the auditor's stipulated deadline, or within an agreed timeline approved by Coles Ethical Sourcing Team</li> </ul>

# Ethical Sourcing Program Requirements - Services

03 Charter

01 Requirement

Approval Status	Criteria
Not Approved	<b>Ethical Sourcing Policy:</b> <ul style="list-style-type: none"> <li>Suppliers who do not agree to accept the terms of Coles Ethical Sourcing Policy or unable to provide an alternate document(s) that demonstrate their compliance with the principles of Coles Ethical Sourcing Policy.</li> </ul>
	<b>Risk category assessments:</b> <ul style="list-style-type: none"> <li>Suppliers who do not complete their allocated risk category assessments</li> </ul>
	<b>Contract requirements:</b> <ul style="list-style-type: none"> <li>Suppliers who do not provide the additional information and evidence (where requested by the Coles Ethical Sourcing Team) during the course of the contract</li> <li>Suppliers who fail to complete allocated contract requirement ethical sourcing activities during the course of the contract</li> <li>Suppliers who do not complete (where required) an audit in accordance with the audit cycle stipulated by Coles</li> </ul>
	<b>Audit non-conformances:</b> <ul style="list-style-type: none"> <li>Suppliers with overdue non-conformances without an approved extension to resolve outstanding actions</li> </ul>

## 5. Coles Ethical Audit Standards

Based on Coles' assessment of risk, suppliers may be required to conduct an audit.

Should a third-party audit be required, the audit must be conducted by a certified member of the Association Professional Social Compliance Auditors (APSCA), to ensure the highest level of quality and to uphold best practice standards. For the full list of APSCA approved CSCA auditors, please visit the [APSCA Member Firms](#) page.

Audits conducted by a third-party are to be paid by the supplier. Audit frequency is determined by the risk assessment outcomes and will be communicated by Coles Ethical Sourcing team.

The scope of the social compliance services audit may cover, but is not limited to the following key areas:

- Working hours, wages, and other entitlement compliance.** This entails review of payslips, timesheets, and evidence of correct payment which will extend to a sample of subcontractors where relevant. A random sample of employees and/or subcontractors' employees' wage related information will be selected to be part of the review. Taking into account data protection requirements, where needed, auditors can obtain the written permission of workers to view personnel files during the interviews e.g. via the use of data consent forms, or in advance by coordinating with management.
- Review of policies and procedures for, but not limited to:
  - Wages and benefits:** A random sample of employees' payslips and time sheets will be reviewed across a few pay periods, alongside conducting worker interviews to confirm wage details. This is to ensure wages provided, meet national and/or industry specific benefits and that overtime and/or penalty rates are correctly applied.

# Ethical Sourcing

## Program Requirements - Services

03 Charter

01 Requirement

- **Working hours:** Standard work hours and overtime hours will be analysed against contracted hours. Time sheets will be reviewed to ascertain clock-in and off procedures and to ensure workers are provided the required rest time.
- **Right to work checks:** Review workers' legal right to work and that procedures are in place to ensure compliance with legal and industry requirements, especially when workers are supplied by an agency. Requested documentation may include visas and/or identification documents.
- **Recruitment and terminations:** Recruitment and termination policies and records and select employee contracts would be reviewed, to ensure regular employment is provided and that no unfair actions are practiced in hiring and termination of employees.
- **Use of labour and subcontracting:** Obligations (and entitlements) to employees arising from regular employment relationships (for example workers compensation in Australia) should not be avoided through the use of labour-only contracting or sub-contracting arrangements. Suppliers' agreements and/or contracts with labour providers and subcontractors will be requested for review.
- **Worker engagement** through individual or small group interviews of randomly selected sample of workers. Worker interviews are an essential part of the social audit and help verify the extent to which the site's policies and procedures are implemented and deliver good working conditions for the workers. Workers interviews are also essential to uncover issues such as discrimination, harassment or forced labour, which are not easily found through other stages of the audit process.

It is expected that any findings that arise from the third-party audits are to be addressed by the supplier within agreed timeframes.

### 6. Consultation and feedback

The Ethical Sourcing Policy and Ethical Sourcing Program Requirements – Services is reviewed annually in consultation with stakeholders to align with changes in regulations and reflect best practice. Through these engagements, we seek feedback on how well the policies and procedures work in practice.

To provide feedback regarding Coles' Ethical Sourcing Program Policy or Ethical Sourcing Program Requirements - Services, please contact the GNFR Coles Ethical Sourcing team at [GNFEthicalSourcing@coles.com.au](mailto:GNFEthicalSourcing@coles.com.au).