



Ethical Sourcing Policy



1. Purpose

Our vision is to become Australia's most trusted retailer and to grow long-term shareholder value. We commit to respecting the principles of the United Nations' (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation's (ILO) Declaration on Fundamental Principles. As a signatory to the UN Global Compact, this policy reflects its ten principles related to Human Rights, Labour, Environment and Anti-corruption.

Our Ethical Sourcing Policy (**Policy**), together with our Ethical Sourcing Supplier Program Requirements (**Program Requirements**) sets out our expectations of our suppliers regarding labour rights, human rights, environment, health and safety, and business integrity.

The size and complex nature of our supply chain makes it impractical for us to directly monitor compliance of every supplier in our extended supply chain. However, as a company that cares deeply about the welfare of workers in all areas of our supply chain, we require our direct suppliers to ensure that the standards outlined in this Policy and the supporting requirements are integrated into contracts of suppliers within their own supply chain and monitored and reviewed to assess and address risks of forced labor and human trafficking.

2. Our Policy

At Coles, we are committed to sourcing our goods and services ethically and responsibly, and we expect all our partners and suppliers to meet our standards for business integrity, labour and human rights, health and safety, and the environment.

Our Policy and Program Requirements are based on internationally recognised frameworks and instruments, including:

- Ethical Trade Initiative (**ETI**) Base Code
- International Labour Organisation (**ILO**) Declaration on Fundamental Principles and Rights at Work
- United Nations Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- United Nations Human Right to Water and Sanitation
- Organisation for Economic Cooperation and Development (**OECD**) Guidelines for Multinational Enterprises
- Children's Rights and Business Principles (UNICEF, UN Global Compact and Save the Children)
- United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families
- United Nations Global LGBTI Standards for Business

We monitor compliance with our Policy through our Ethical Sourcing Program (Program) and the conditions of compliance are contained in our Program Requirements. Through our Program, we work collaboratively with our direct suppliers, and selected suppliers within our extended supply chain, to continuously improve performance and to address any issues when they arise.

References in this Policy to:

- "suppliers" means direct suppliers to Coles and their sub-contractors and indirect suppliers as defined in section 4.19 of this Policy; and

- “workers” in this Policy and any related policies or guides, means any individual working for a Coles supplier through a contract of employment, or through a third-party labour hire service.

Where we are made aware of issues in our supply chain, we endeavour to work with our suppliers to ensure the issue is remediated for affected parties. Coles will always treat suppliers fairly and with consideration of individual circumstances. However, we cannot and will not accept unaddressed human rights or environmental abuses in our supply chain.

If a supplier is unable or unwilling to comply with the Policy and Program Requirements, or refuses to participate in the Program, Coles reserves the right to exercise its rights under the relevant supply or services agreement which may include suspension of supply or termination of the agreement where compliance with the Policy and Program Requirements is not rectified.

3. Policy Implementation

Compliance with this Policy is a condition of trade for all direct suppliers of Coles.

Where requested, suppliers (including sub-contractors, as defined in section 4.19) are required to undertake activities to demonstrate their compliance with the Policy.

These activities are outlined in the Program Requirements and may include, but are not limited to, the following:

- provide to Coles on a regular basis, information about their ethical sourcing performance, through an online supplier portal such as the Supplier Ethical Data Exchange (**SEDEX**), Fair Farms Certification or other format as prescribed by Coles;
- participate in a desktop or on-site audit, administered by Coles;
- undertake a desktop or on-site audit, administered by an independent third party, at the supplier's expense, to verify compliance with our Policy and Program Requirements; and
- participate in training and development programs.

Audits to verify compliance with our Policy will require the auditor to view and evaluate worker records including personal information. Personal information has the meaning given in the *Privacy Act 1988 (Cth)*.

Audits are performed by auditors certified by the Association of Professional Social Compliance Auditors (**APSCA**) who are governed by the APSCA Code and Standards of Professional Conduct (**Certified Auditors**), including requirements related to confidentiality.

4. Our Ethical Sourcing Standards

All suppliers must comply with the Standards set out below:

4.1. Compliance with Local Laws

- 4.1.1. All suppliers must fully comply with all local laws and regulations regarding labour and human rights, 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 the Policy.
- 4.1.2. If local laws, regulations or legal requirements differ from the elements in the Policy or Program Requirements, suppliers are expected to comply with

whichever affords the greater protection to workers.

- 4.1.3. Coles reserves the right to audit suppliers to ensure compliance with all local laws, the Policy and the Program Requirements. Audits may be announced, semi-announced or unannounced. If a supplier or sub-contractor refuses to participate in an audit without reasonable grounds, Coles reserves the right to exercise its rights under the relevant supply or services agreement which may include suspension of supply or termination of the agreement.

4.2. Modern Slavery

- 4.2.1. Suppliers must comply with all modern slavery laws and regulations relevant to their jurisdiction (including local, domestic or international laws regarding labour, health, safety and the environment) and including, but not limited to the *Modern Slavery Act 2018 (Cth)* (Australia) and the *Modern Slavery Act 2015* (United Kingdom), *California Transparency in Supply Chains Act 2010* (United States) including compliance with any reporting requirements.
- 4.2.2. Suppliers must have appropriate controls in place to avoid modern slavery practices in their operations and supply chains and must not knowingly deal with third parties who engage in modern slavery practices.
- 4.2.3. All suppliers must have and maintain in place adequate policies and procedures in relation to business ethics and compliance to ensure compliance with modern slavery laws and to enforce all relevant policies and procedures where appropriate. This includes policies for reporting, investigating and remediating suspected or known breaches of modern slavery laws.

4.3. Forced/ Bonded Labour

- 4.3.1. Suppliers must not use any form of servitude, forced, bonded, involuntary prison, indentured, trafficked, or involuntary labour.
- 4.3.2. Employment must be freely chosen.
- 4.3.3. Workers must be given freedom of movement. Workers must not be required to lodge deposits or identity papers with suppliers.
- 4.3.4. Workers must be free to leave their employment after reasonable notice has been given.
- 4.3.5. Suppliers must take steps to recruit responsibly. This includes not engaging in deceptive recruiting practices, including the charging of fees or recruitment charges (or repaying any such fees charged), by providing migrant workers an understandable and accurate employment contract in their spoken language, and by holding agents and recruiters to the same standards.

The *Coles Ethical Sourcing – Forced / Bonded Labour Remediation Requirements* document (available on the Coles Group website) outlines Coles' expectations on remediation if practices inconsistent with these standards are identified.

4.4. Child Labour

- 4.4.1. 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.
- 4.4.2. 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 definition and guidance on child

labour) in the absence of strong legislative child labour protections.

- 4.4.3. In the event that child labour is identified, suppliers shall prioritise the welfare of the child, and ensure that a remediation plan placing the child's welfare as paramount will be put in place with plans to prevent re-occurrence.

The *Coles Ethical Sourcing – Child Labour Remediation Requirements* document (available on the Coles Group website) outlines Coles' expectations on remediation if practices inconsistent with these standards are identified.

4.5. Harsh or Inhumane Treatment

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

4.6. Wages and Benefits

- 4.6.1. Wages and benefits paid for a standard working week must, as a minimum meet 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 for workers and their families and/or dependents.
- 4.6.2. All workers must be provided with written, accessible, 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 they are paid.
- 4.6.3. Deductions from wages may only occur with the express written permission of the worker concerned and where permitted by law.
- 4.6.4. Deductions from wages for disciplinary measures are not permitted.
- 4.6.5. Accurate and complete records of wages and benefits paid to each worker must be maintained.

The *Coles Ethical Sourcing – Wages and Benefits Remediation Requirements – Australia* document (available on the Coles Group website) outlines additional standards for Australian Suppliers, and Coles' expectations on remediation if practices inconsistent with these standards are identified.

4.7. Working Hours

- 4.7.1. 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. Exceptions may be considered, if:
- a) permitted by national law or Collective Bargaining Agreement (CBA);
 - b) appropriate safety measures are implemented to protect workers; or
 - c) suppliers can demonstrate and prove exceptional circumstances (e.g. unanticipated and unavoidable production peaks, accidents, or emergencies).
- 4.7.2. Workers must have at least one day off in 7 days or two days off in every 14 days.
- 4.7.3. Workers must be provided with legally required breaks during their working day.
- 4.7.4. Overtime must be voluntary and compensated as prescribed by local laws,

or where local laws do not exist, overtime should be compensated in line with ETI Base Code.

- 4.7.5. Accurate and complete records of hours worked by each worker must be maintained.

4.8. Freedom of Association and Collective Bargaining

- 4.8.1. Suppliers acknowledge that workers have a right to freedom of association and to bargain collectively.
- 4.8.2. Workers have a right to join or form trade unions of their choosing. Suppliers must not prevent or disrupt the activities of trade unions and their organisation activities. No workers shall be subjected to harassment, intimidation, or retaliation for exercising their right to freedom of association and collective bargaining. Workers' representatives should have access to carry out their representative functions in the workplace.
- 4.8.3. 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.

4.9. Safe Working Conditions

- 4.9.1. Suppliers will provide plant and systems of work that are safe and without risk to health.
- 4.9.2. 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.
- 4.9.3. Workers shall be provided adequate training to perform their jobs in a safe manner, and training shall be recorded.
- 4.9.4. Where required to perform their duties, personal protective equipment must be supplied to workers by the suppliers, and workers shall be trained in its use.
- 4.9.5. Safeguards on machinery must meet or exceed local laws.
- 4.9.6. Where suppliers provide worker accommodation, it must be clean, safe and at a minimum, meet the basic needs of workers.
- 4.9.7. Workers shall have access to clean toilet facilities, clean drinking water and where appropriate sanitary facilities for food storage and preparation.
- 4.9.8. Suppliers shall assign responsibility for health and safety to a senior management representative.
- 4.9.9. Suppliers shall ensure that all health and safety procedures comply with applicable national and local laws.

The Coles Ethical Sourcing – Worker Accommodation Guidelines document (available on the Coles Group website) provides information on standards for accommodation arranged by suppliers or labour hire providers on workers' behalf.

4.10. Discrimination

- 4.10.1. Suppliers must ensure there is no discrimination in hiring, compensation, access to training, promotion, termination, or retirement based on race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status such as disability, age, marital and family status, sexual orientation and gender identity, health status, place of residence, economic and social situation.

- 4.10.2. Responsibility should be allocated to ensure women's health and rights are considered and appropriate actions are taken by management to address concerns or issues when they arise.

4.11. Regular Employment

- 4.11.1. To every extent possible, work performed must be on the basis of recognised employment relationship established through national law and practice.
- 4.11.2. Workers who have a regular employment relationship with their employer are afforded 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.

4.12. Illegal Labour

- 4.12.1. Suppliers must not use illegal labour.
- 4.12.2. Suppliers must be able to verify the legal entitlement of their employees to work in the country of employment.

4.13. Environment

- 4.13.1. Suppliers must comply with local and national environmental laws and regulations.
- 4.13.2. Suppliers must manage their waste, wastewater, and pollutants responsibly and seek to improve their environmental performance. This includes ensuring that communities' access to water is not negatively impacted by the suppliers' operations.

4.14. Land Rights

- 4.14.1. Suppliers will ensure appropriate steps are taken to identify and respect legitimate tenure rights holders when acquiring, leasing or using land.

4.15. Grievance Mechanisms and Remediation

- 4.15.1. Suppliers are to provide appropriate channels for worker and community grievances, and these channels are to be effectively communicated (for example, in spoken languages, in physical and electronic forms). These channels will be communicated in addition to building capacity and awareness around social and labour practices. The effectiveness of these channels will be assessed using stakeholder feedback.
- 4.15.2. Worker grievances are to be heard, appropriately investigated, and any required remediation taken in a timely manner. Complainants are to be informed throughout the process and informed of their options for escalation.
- 4.15.3. Channels must be provided through which adversely affected people or communities, including workers, can raise complaints or concerns without fear of retaliation, intimidation, harassment, discrimination, or victimisation.
- 4.15.4. Suppliers must not obstruct access to other remedies, including judicial or non-judicial remedies. Suppliers will also support the work of and will be open to working with the Australian National Contact Point (**AUSNCP**).
- 4.15.5. An anonymous, confidential method for all workers to raise concerns to the supplier without fear of retaliation shall be provided.
- 4.15.6. Coles respects the rights of human rights defenders, and does not tolerate threats, intimidation, or attacks against human rights defenders.

4.16. Business Integrity

- 4.16.1. Suppliers must engage professional business ethics in all dealings, and not act in any manner which, by association, may bring Coles into disrepute.
- 4.16.2. Bribery, facilitation payments, secret commissions or payments and any money laundering (whether directly involving a public official, private company or individual, and whether directly or indirectly through a third party), are strictly prohibited.

4.17. Reporting and Documentation

- 4.17.1. Suppliers must ensure that appropriate policies and documentation are in place to ensure effective ethical management practices.
- 4.17.2. The supplier must take all necessary steps to ensure that:
 - a) it is able to make relevant personal information it holds available to Coles and Certified Auditors; and
 - b) Coles and Coles' appointees may collect, use, and disclose that personal information,for the purposes of the Policy and Program Requirements, as well as any applicable agreements, laws or regulations, including providing employee personal information for compliance audits. This may include providing notices and obtaining consents where required by law for Coles and Coles' appointees to do those things.
- 4.17.3. The supplier must provide all reasonable assistance to Coles so that Coles can ensure the supplier's ongoing compliance with this Policy and any applicable agreements, laws, or regulations. This may include a site inspection or audit and/or all relevant documentation arising out of or in connection with the goods or services provided by the supplier.

4.18. Management Systems and Training

- 4.18.1. Suppliers must ensure appropriate documentation, evidence, processes, and systems are in place and continually developed to ensure effective ethical management practices.
- 4.18.2. Suppliers must provide adequate information to their employees on their rights as outlined within this Policy.

4.19. Sub-Contracting and Labour Hire

- 4.19.1. Suppliers must ensure the all its sub-contractors comply with the Policy and Program Requirements. Suppliers must document all sub-contracting relationships, seek the prior approval of Coles where required by the supply agreement prior to entering any sub-contracting arrangement, and have available for review by Coles or an independent auditor, including but not limited to records of subcontractors' names and locations.

At Coles sub-contractors include:

For Goods:

Sites contracted by Coles' direct suppliers to:

- produce Goods in their final form for retail sale;
- pack into the retail unit;
- produce in bulk in final form for retail packing elsewhere; or
- receive in bulk final form for retail packing.

Sites that significantly contribute to the final form of the Goods. Examples of processes considered to significantly contribute to the final form of the Goods include (but are not limited to):

- embellishing, pressing, fabric finishing;
- partial garment cut and trim;
- peeling, trimming, husking, de-hulling, or filleting;
- harvesting of fresh fruit, vegetables, or seafood;
- grow produce for retail sale;
- pack produce for retail sale;
- operate as an aggregator, distributor, broker, or agent supplying Goods for retail sale; and
- a co-packer.

For Services:

Sites subcontracted by Coles direct suppliers to deliver the service that Coles has contracted the direct supplier to deliver. For example, a supplier being contracted by Coles to provide cleaning, security, delivery, or similar services, and subcontracting this service to a third party provider.

- 4.19.2. Suppliers must have adequate policies and processes in place to properly manage subcontracting, to ensure that sub-contractors / labour hire providers operate in accordance with applicable laws, regulations and the Policy, and commit to respecting each of the International Labour Organisation's (ILO) fundamental principles and rights at work.
- 4.19.3. Coles' direct suppliers must ensure that sub-contracted supplier sites and/or labour hire providers undertake the relevant activities outlined in the Program Requirements. This may include registration on SEDEX, Fair Farms, or other systems as directed by Coles.
- 4.19.4. Coles reserves the right to audit subcontracted sites and / or labour hire providers. These audits may be announced or unannounced.
- 4.19.5. Where applicable, the supplier must ensure the subcontractor / labour hire provider holds a current licence / registration to undertake the stated activities and provide a copy of that licence to Coles on request.

5. Coles Grievance Mechanisms

Coles supports open and transparent working relationships, where concerns can be safely voiced. We encourage all our stakeholders to raise concerns where they observe or suspect adverse impacts on people, communities or environment within Coles' supply chain. All concerns raised are assessed to determine how they should be investigated. Where remedy is necessary, this may be provided by Coles directly, or in collaboration with third parties. We provide several mechanisms for concerns and complaints to be raised confidentially and/or anonymously. More information can be found in our Whistleblower Policy which is available on the Coles Group website.

5.1. STOPline

STOPline is a confidential hotline service run by an independent third party that all stakeholders can use to anonymously raise concerns or complaints. STOPline will refer matters to Coles for investigation, but if anonymity has been requested, will not share personal details with Coles. STOPline can be accessed in the following ways:

Phone	1300 304 550 (Australia) or +61 3 9811 3275 (Overseas reverse charge) 24 hours a day, 7 days a week service
Fax	+61 3 9882 4480 (Attention: Coles Case Manager c/o STOPline)
Email	coles@stopline.com.au
Post	Attention: Coles Case Manager c/o STOPline Locked Bag 8, Hawthorn VIC 3122 Australia
App	Search STOPline in the App Store or Google Play to download the free app and submit a complaint.

5.2. Coles Wages and Conditions Hotline

Workers within Coles' supply chain can also access the Coles Wages and Conditions Hotline via phone or email to report unfair labour practices or safety breaches. This service can be accessed by workers in our local and international supply chain.

The Coles Wages and Conditions Hotline can be accessed in the following ways:

Phone	1300 532 515 (between 8am and 8pm AEST – messages able to be left outside these hours)
Email	wageline@coles.com.au

Coles promotes its Wages and Conditions Hotline in 10 languages prevalent in our supply chain on colesgroup.com.au. Workers who wish to engage in a language other than English are encouraged to email their concern to wageline@coles.com.au. Arrangements will then be made to speak with / communicate in the chosen language.

5.3. Remediation Framework

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.

The *Coles Remediation Framework* document (available on the Coles Group website) 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.

6. Governance

Our Ethical Sourcing Program and approach to human rights is overseen by our Board and Executive Leadership Team. The responsibilities and accountabilities for ethical sourcing at Coles are outlined below:

6.1. Board

The Coles Board is responsible for the approval of Coles' Human Rights Strategy and Ethical Sourcing Policy. It receives and reviews regular reports on the status of the strategy including our program to address human rights in our supply chains. Coles senior management who hold responsibility for the day-to-day execution of our Ethical Sourcing Program are regularly invited to present to the Board on the content of the report and to answer questions. Ethical sourcing is a standing item on each Board meeting agenda.

6.2. Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board. As ethical sourcing had been identified as a material risk to Coles, it is responsible for evaluating Coles' ethical sourcing performance and the effectiveness of our ethical sourcing risk management systems and processes.

6.3. Executive Management

Human Rights Steering Committee	<p>Our Human Rights Steering Committee is a cross-functional management committee chaired by the Chief Legal Officer. The Committee guides our approach and management of human rights issues.</p> <p>The role of the Committee extends to reviewing the application of relevant legislative and regulatory requirements concerning human rights, such as the reporting requirement under the Modern Slavery Act.</p>
Chief Legal Officer	Oversees the General Manager, Risk and Compliance, the Head of Compliance, and the Ethical Sourcing team who are collectively responsible for the overall administration of the Ethical Sourcing Program.
Chief Operating Officer	Oversees the Coles Procurement function and is responsible for most procurement activity to source goods and services not for resale.
Chief Executive – Commercial & Express	Oversees the procurement of goods for resale in Coles Supermarkets and Coles Express including sourcing of Coles Own Brand Goods.

Chief Executive - Liquor	Oversees the procurement of goods for resale in Liquor including sourcing of Liquor Own Brand Goods.
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6.4. Senior Management

General Manager, Risk and Compliance	Has oversight of the Head of Compliance and the Ethical Sourcing team and reports to the Chief Legal Officer.
Head of Compliance	Has oversight of the Ethical Sourcing Team. Reports to the General Manager, Risk and Compliance.

6.5. Operational Teams

Ethical Sourcing team	<p>The Ethical Sourcing team is responsible for administration of the Ethical Sourcing Program and works in partnership with functional business units to execute actions.</p> <p>Administration and compliance include: assessing supplier risk, engaging businesses based on risk, assessing performance through self-assessment questionnaires and third-party ethical audits to identify potential human rights risks, investigating allegations of human rights abuses and working to ensure that action and remediation of risks/ issues are in line with global best practice standards.</p> <p>The team includes an in-house certified auditor (as certified by the Association of Professional Social Compliance Auditors) to manage the ethical audit program.</p>
Functional Teams	<p>While everyone at Coles shares the responsibility of ensuring that our goods and services are procured ethically, our category teams, procurement teams, contract owners and contract managers and product technologists have the direct relationship with our suppliers and are responsible for the day-to-day execution of the Ethical Sourcing Program.</p> <p>Functional teams are regularly updated on the status of the Ethical Sourcing Program and human rights commitments. Performance information is also included in training aimed at ensuring team members understand their ethical sourcing and human rights responsibilities and the impact of their actions.</p>
People and Culture Team	The People and Culture team is responsible for ensuring systems and controls exist to protect human rights in our own operations.

7. Consultation and Feedback

The Policy and Requirements are reviewed regularly in consultation with stakeholders to align with changes in regulations and reflect best practice. Through these engagements, we seek feedback on how well the Policy and Requirements work in practice.

To provide feedback regarding Coles' Ethical Sourcing Program Policy or Supplier Requirements, please contact the Coles Ethical Sourcing team at EthicalSourcing@coles.com.au.

8. Related Documents and Guides

The Policy is supported by additional guidance documents which can be accessed on the Coles Group website (colesgroup.com.au). These include:

- Human Rights Strategy
- Ethical Sourcing Program Requirements
- Safety Instruction Guidelines and Checklist
- Packing Shed Hazards
- Third Party Labour Providers
- Wages and Benefits Remediation Requirements
- Child Labour Remediation Requirements
- Worker Accommodation
- Cherry Picker Hazards
- Continuous Improvement Supplier Guide
- Forced / Bonded Labour Remediation Requirements
- Remediation Framework

The below additional documents are available on the Coles Supplier Portal:

- Supermarkets and Express Terms and Conditions
- Coles Brand Terms and Conditions
- Liquor Terms and Conditions
- GNFR Terms and Conditions of Purchase

Adopted by the Board 31 March 2021.