

colesgroup



2020 Modern Slavery Statement

Coles Group Limited
ABN 11 004 089 936

Key FY20
human rights
initiatives

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In this Statement, the terms 'Coles', 'our business', 'organisation', 'we', 'us' and 'our' refer to Coles Group Limited and its controlled entities collectively.

Unless otherwise stated, this Statement covers the period from 1 July 2019 to 30 June 2020 (the Reporting Period or FY20). Where figures are specified to be as at 28 June 2020, they align with financial performance data available for the retail calendar year ended 28 June 2020.

Development and adoption of Coles' first Human Rights Strategy	Board-endorsed risk appetite statement including key risk indicators to measure performance	Increased Board oversight of the Ethical Sourcing Program, with updates provided at each scheduled Board meeting since December 2019
Enhanced the governance framework for the Ethical Sourcing Program	Invested in additional Ethical Sourcing Program resources and appointed an in-house social compliance auditor	Ethical Sourcing Program moved to central Risk and Compliance function to leverage group approach and align with broader risk program
Introduced a third-party risk management framework for goods not for resale suppliers covering ethical and responsible sourcing, subcontracting, anti-bribery and health and safety	Became a signatory to the United Nations Women's Empowerment Principles	Formed the Ethical Retail Supply Chain Accord in partnership with the Shop, Distributive and Allied Employees' Association (SDA), the Transport Workers' Union (TWU) and the Australian Workers' Union (AWU)
Delivered Sunraysia region farm worker education session in partnership with the United Workers Union and industry	Launched online training covering modern slavery and ethical sourcing for our team members	Added Fair Farms – a fresh produce certification scheme – to the Ethical Sourcing Program, providing choice for Australian produce suppliers to demonstrate compliance with Coles' requirements

Introduction

Our vision is to become Australia’s most trusted retailer and to grow long-term shareholder value. We know that our commitment to protecting workers in our business and extended supply chain is central to achieving this aim. Coles is committed to assessing and addressing risks of modern slavery and human rights within our organisation and throughout our extended supply chain in accordance with our own corporate values, our stakeholder expectations, community expectations and the law.

Modern slavery is a severe violation of human rights. It occurs when a person is coerced into work and exploited for personal or commercial gain. Under Australian and international law, it includes offences such as forced labour, servitude, child labour, deceptive recruiting and debt bondage.

Coles vigorously supports each individual’s right to live and work freely.

This statement has been prepared in accordance with the Australian *Modern Slavery Act 2018* (the Modern Slavery Act). It describes the risk of modern slavery in our own operations and our supply chains during the year ended 30 June 2020 (the Reporting Period) and details the steps Coles and its subsidiaries have taken to minimise this risk and the effectiveness of these steps.

The following Coles entities are considered reporting entities under the Modern Slavery Act:

Coles Supermarkets Australia Pty Ltd

Eureka Operations Pty Ltd (trading as Coles Express)

Liquorland (Australia) Pty Ltd

This statement has been made on behalf of the above entities as well as all other controlled entities of Coles Group Limited¹. It has been reviewed and approved by the Directors of all reporting entities and the Coles Board.

1 A full list of Coles’ subsidiaries is published in Coles’ 2020 Annual Report.

Our commitment – a message from our Chairman, and Managing Director and Chief Executive Officer

James Graham AM
Chairman



Steven Cain
Managing Director and
Chief Executive Officer



Our human rights commitment

At Coles, we are committed to respecting human rights across everything we do. People are central to our business, and we impact the daily lives of many – our customers, our team members, our suppliers, workers in our extended supply chain and the communities in which we live and work.

Whether it’s working in our operations or our supply chain, making a purchase or investing in our business, we want our stakeholders to know that we make every effort to operate our business and source our products ethically, sustainably and responsibly.

We are committed to:

- Ensuring human rights are understood, respected and upheld in accordance with internationally recognised human rights principles
- Respecting the human rights of workers throughout our supply chain. We expect our partners and everyone in our supply chain to have the same commitment
- Striving to eliminate the potential for labour and human rights issues in our supply chains and operations, highlighting areas of risk and ensuring we make responsible buying decisions
- Robust governance of human rights in our operations and our supply chain
- Listening to the experiences of the most vulnerable by encouraging dialogue and consultation, including a key focus on worker voice and engaging with our stakeholders
- Maturing our operational-level grievance mechanisms to ensure they are accessible, predictable, equitable, transparent, rights-compatible, legitimate and a source of continuous improvement
- Recognising the important role played by human rights defenders and being responsive to our stakeholders, Coles supports and welcomes discussion on challenges and our opportunities to improve our respect for human rights
- Creating experiences for our customers that value their unique needs and circumstances
- Serving our customers safely and without discrimination, respecting their privacy and prioritising accessibility for all

Our business structure, operations and supply chain

Our business

Coles is a publicly listed company. While Coles has a long history, with our first store opening in Melbourne in 1914, Coles re-listed on the Australian Securities Exchange in November 2018 following demerger from Wesfarmers.

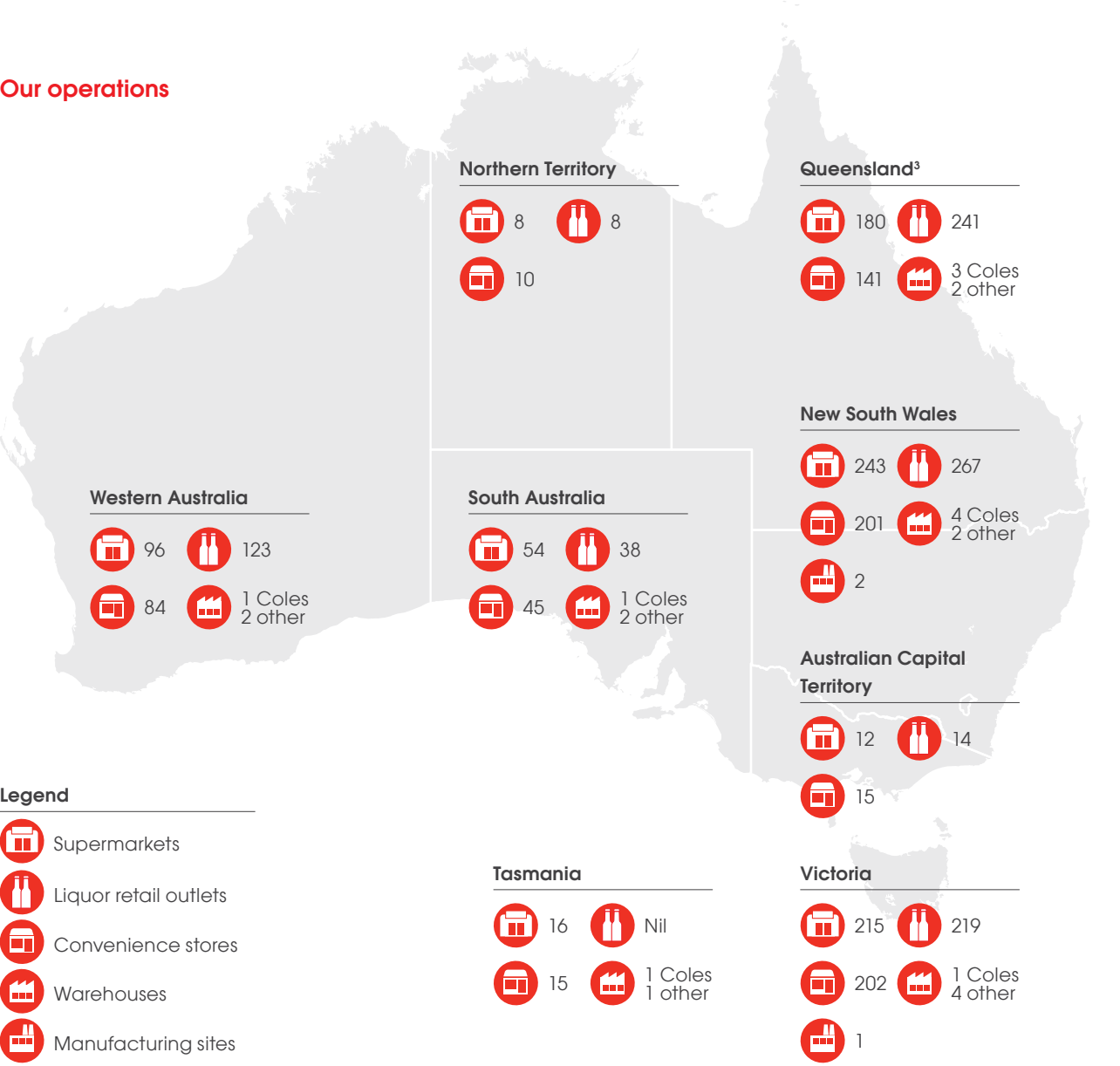
Coles is a leading Australian retailer, providing customers with everyday products including fresh food, groceries, household goods, liquor, fuel and financial services through our store network and online platforms. Our store support centre is in Victoria and we have presence in all Australian states and territories. In March 2020 we established a small operation in Shanghai to support Coles’ export business, including the establishment of two foreign registered entities.

Our brands



2 QVC and Flybuys are reporting entities and will submit their own modern slavery statements under the Modern Slavery Act 2018.

Our operations



Australia-based team members

118,000+
with 4 based in Shanghai

Freehold property assets (approximate)

\$680m

Team members with trade union membership

40%

Customer transactions per week

20m

Credit card customers (approximate)

330,000+
and 350,000+ insurance policy holders

Countries exported to

30

3 Queensland liquor retail outlets are assets of Queensland Venue Co. Pty Ltd, but are operated by Liquorland (Australia) Pty. Ltd. under an Operations Agreement.

Our supply chain

Our operations rely on, and are supported by, a large, dynamic and complex supply chain. We have over 10,000 suppliers of goods for resale and many more indirect suppliers.

Despite our global network of suppliers, we have an Australian-first sourcing policy. In FY20, 96% of fresh produce, by volume, was sourced from our supply partners from all over Australia, excluding floral, nuts, dried fruit, sauces, dressings and packaged salads. 100% of fresh lamb, pork, chicken, beef, milk and eggs and 100% of Own Brand frozen vegetables were Australian grown.

During the financial year ended 28 June 2020, we paid over \$29.9bn to our suppliers for goods and services.

Our supply chain can be broadly grouped into the following categories:

1	Suppliers of goods for resale (proprietary suppliers)	Proprietary suppliers provide goods for resale which are labelled with a trademark not owned by Coles.
2	Own Brand suppliers	Own Brand suppliers manufacture goods badged with a Coles-owned trademark.
3	Goods not for resale suppliers (GNFR)	Goods not for resale suppliers are suppliers of goods or services to Coles which are not intended for sale to customers. They include goods such as transport vehicles, equipment used in our stores, packaging materials, office stationery, marketing and services such as cleaning, security, trolley collection, labour and professional services.
4	Indirect suppliers	Indirect suppliers supply both goods and services to proprietary suppliers, Own Brand suppliers and goods not for resale suppliers. Indirect suppliers do not have a direct trading relationship with Coles.

Coles publishes a summary of the countries from which Own Brand products are sourced on colesgroup.com.au. We also publish a full list of the sites which manufacture our Mix-branded apparel range.

Paid to our suppliers for goods and services

\$29.9bn+

Suppliers of goods for resale

10,000+

Fresh lamb, pork, chicken, beef, milk and eggs sourced in Australia

100%

Fresh produce sourced in Australia

96%

Excluding floral, nuts, dried fruit, sauces, dressings and packaged salads

Our modern slavery risks

We recognise that modern slavery risks can occur in both our Australian and overseas supply chains. With a highly complex and diversified supply chain portfolio, we use several different tools and databases to help us identify which countries, sectors, products and services pose the greatest modern slavery risks. Tools and data sources used include:



Sedex is one of the world’s leading ethical trade service providers, working to improve working conditions in global supply chains.



Fair Farms is a program providing support and training of farm employers and a pathway to independent third-party audit and certification of fair employment practices.



StaffSure is a certification scheme which makes it simple for business, government and workers to find and partner with reputable Workforce Service Providers such as labour hire companies, professional contracting firms and private employment agencies.



Dow Jones delivers actionable information and applications specifically for compliance requirements and workflows related to anti-money laundering and counter-terrorism financing, sanctions, anti-bribery and corruption and international trade compliance.



SAP Ariba is a market-leading supplier risk solution that allows us to tailor risk views and alerts to our business.

We do not rely solely on any one of these programs to identify risk in our supply chain. We also use intelligence gathered from public sources (including NGO reports and regulatory investigations) and insights obtained via

our grievance mechanisms and union engagement to undertake our own risk assessment and analysis of our supply chain. Our monitoring program also informs our internal risk assessment.

During the Reporting Period, Coles completed a risk assessment to understand the modern slavery risks within our operations and our supply chain. We also identified other broader human rights risks which could be indicative of increased modern slavery risk. Table 1 describes the results of this assessment for the countries / sectors most prevalent in our operations and supply chain.


This assessment of modern slavery risk comprised an assessment of country risk and sector / commodity risk. For example, Sedex provides this assessment of risk using several indicators, including but not limited to:

- Forced Labour Index;
- Children’s Rights in the Workplace Index; and
- ITUC Global Rights Index.

For our internal operations, where inherent risk of modern slavery could be evident, we have a robust suite of resources, policies and procedures (refer to page 11) as well as a number of grievance and whistleblowing channels to ensure we can identify and mitigate any potential risk of modern slavery before it occurs. Because of these processes and the continued engagement with our Coles team members, we have assessed the risk of modern slavery in our own operations as very low. Notwithstanding this assessment, Coles will continue to monitor, review and assess risk across our internal operations, including assessment of our manufacturing and supply chain operations.

We have assessed that there is a risk of modern slavery being present in our extended supply chain due to the geographical locations from which products and raw materials are sourced. In the next reporting period, Coles intends to conduct further review and assessment into call centre operations that service our business as part of our extended supply chain.

Table 1 – Modern slavery risks

COUNTRY	MODERN SLAVERY RISK OR INDICATORS OF MODERN SLAVERY	SECTORS AND INDUSTRIES AT HIGHER RISK
Australia	 <ul style="list-style-type: none">Bonded labourExploitation of migrant workersDeceptive recruitmentUnderpayment of wages	Supply chain Horticulture (fruits and vegetables); viticulture, meat processing; construction; cleaning; trolley collection; security services; labour hire. Our operations Meat processing; food manufacturing; warehousing; cleaning; trolley collection (particularly where non-permanent resident migrant workforce is higher); security services.
China	 <ul style="list-style-type: none">Forced / bonded labourDeceptive recruitmentExploitation of migrant workersChild labourUnderpayment of wagesExcessive working hours	Horticulture (vegetables); aquaculture (seafood); manufacturing (homewares, electrical goods, apparel, beauty products); store fixtures and fittings.
Europe and the United Kingdom	 <ul style="list-style-type: none">Forced / bonded labourDeceptive recruitmentExploitation of migrant workersUnderpayment of wages	Dairy (cheese); horticulture (fruit); processed meat (bacon).
India	 <ul style="list-style-type: none">Forced / bonded labourDeceptive recruitmentExcessive working hoursUnderpayment of wages	Grains (rice); tea and coffee; manufacturing (apparel, homewares).
Mexico	 <ul style="list-style-type: none">Forced / bonded labourExcessive working hoursUnderpayment of wages	Horticulture (fruit, vegetables).
New Zealand	 <ul style="list-style-type: none">Bonded labourExploitation of migrant workersDeceptive recruitmentUnderpayment of wages	Horticulture (fruits, vegetables); meat processing (seafood, poultry); viticulture (wine).
Thailand	 <ul style="list-style-type: none">Forced labourHuman traffickingDeceptive recruitmentExploitation of migrant workersExcessive working hoursUnderpayment of wages	Aquaculture (fresh, frozen and canned seafood); grains (rice); horticulture (fresh and canned fruit).
United States	 <ul style="list-style-type: none">Forced labourExploitation of migrant workersDeceptive recruitment	Aquaculture (fresh seafood, canned fish); horticulture (fresh and dried fruit).
Vietnam	 <ul style="list-style-type: none">Forced labourDeceptive recruitmentExploitation of migrant workersExcessive working hoursUnderpayment of wages	Manufacturing (apparel); horticulture (fruit); aquaculture (fresh and frozen seafood).

Our farmers are among the hardest workers in Australia and so are the workers on their farms. It is therefore important that we are working with farmers, labour hire organisations and industry bodies like the National Farmers Federation, the unions, government and the broader industry to ensure the people who have grown, picked, packed, delivered and stacked this food are treated ethically and fairly.

Exploitation of migrant and undocumented workers

Risk of exploitation increases when there is a reliance on a migrant workforce or undocumented workers. This is particularly so for those hired through third party labour-hire companies where it is more challenging for both the hiring company and the end customer to identify deceptive recruitment practices.

Several factors contribute to this risk including exploitation of visa requirements, employment contracts not translated into the workers’ native language and lack of understanding of legal rights in the country where work is being undertaken.

Within our own operations, migrant workers are represented in our directly employed team member population as well as labour we source through third party providers. While many of our migrant workforce are permanent residents, we also have migrant workers on other visa types including working holiday and student visas. Coles recognises the increased vulnerability of migrant workers. However, based on our management processes, including working rights checks (both initial and ongoing) and onboarding procedures, we do not consider there is a risk of modern slavery to migrant workers in our own operations.

In our supply chain, utilisation of migrant workers is prevalent especially in the horticulture, cleaning, trolley collection, security and manufacturing sectors both locally and offshore. Some of these sectors also carry higher risk for the utilisation of undocumented workers who are at even higher risk of exploitation.

Impact of COVID-19 on modern slavery risks

We recognise that COVID-19 has impacted modern slavery risks.

Our operations:

- During COVID-19, Coles undertook additional fast-tracked recruitment. During this process, Coles’ recruitment governance processes continued to operate and as a result, risks to workers onboarded during this period were mitigated.

Our Australian supply chain:

- Our discussions and engagement with unions are invaluable and have alerted us to some of the unique challenges faced by undocumented workers in Australia and the increased vulnerability of these workers during the COVID-19 pandemic. These included: the reluctance of these workers to access health-care or medical assistance for fear of being identified as an illegal or undocumented worker; the inability to socially distance or isolate given working and housing conditions; and other general safety-related issues such as lack of personal protective equipment.
- Migrant or undocumented workers may also not have been able to safely return to their home countries because of the impact on travel and therefore could have been more vulnerable to human rights offences.

Across our supply chain broadly:

- We have been restricted in our ability to assess and address risks in our supply chain, the main cause of this being the restriction of movement as set by the relevant governments in the areas our suppliers operate in. This has resulted in auditors not being able to discharge auditing related work and Coles team members being able to visit sites less often.
- Lack of auditor availability during the pandemic challenged suppliers’ ability to obtain auditor verification to be able to close out non-conformances.
- In some instances, suppliers required longer lead times to complete their required actions given disruptions to their business operations.

In addition, our in-house social compliance auditor has been unable to conduct on-site audits since late February 2020.

Actions to assess and address risk

Our approach to modern slavery is company-wide. We have a robust governance structure that oversees the management of modern slavery risks across our own operations and our supply chain. Our Ethical Sourcing Program, including the assessment and mitigation of modern slavery risks, has been a focus of our business for several years. The key roles and responsibilities of our governance structure for human rights and ethical sourcing are outlined below.

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. Since December 2019, ethical sourcing has been a standing item on each Board meeting agenda.

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.

Executive management

Human Rights Steering Committee

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. The Committee met five times during the Reporting Period.

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.

Chief Legal & Safety 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 products.

Chief Executive – Liquor

Oversees the procurement of goods for resale in Liquor including sourcing of Liquor Own Brand products.

Management

General Manager, Risk and Compliance

Has oversight of the Head of Compliance and the Ethical Sourcing Team and reports to the Chief Legal & Safety Officer.

Head of Compliance

Has oversight of the Ethical Sourcing Team and reports to the General Manager, Risk and Compliance.

Operations

Ethical Sourcing Team

The Ethical Sourcing Team is responsible for administration of the Ethical Sourcing Program and works in partnership with functional business units to execute actions.

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.

The team includes an in-house certified auditor (as certified by the Association of Professional Social Compliance Auditors) to manage the ethical audit program.

Functional Teams


While everyone at Coles shares the responsibility of ensuring that our goods and services are procured ethically, our category teams, procurement teams and product technologists have the direct relationship with our suppliers and are responsible for the day-to-day execution of the Ethical Sourcing Program.

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.

People and Culture Team

The People and Culture team is responsible for ensuring systems and controls exist to prevent modern slavery in our own operations.

Our policies

Our  **Ethical Sourcing Policy**, together with our Ethical Sourcing Supplier Requirements set out our expectations of suppliers to comply with labour rights, human rights, environmental and health and safety obligations, and business integrity (governance).

Our policy and requirements are based on internationally recognised codes of practice, including:

- Ethical Trade Initiative (ETI) Base Code
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights
- UN Universal Declaration of Human Rights
- Global LGBTI Standards for Business
- Children’s Rights and Business Principles
- OECD Guidelines for Multinational Enterprises
- UN Human Right to Water and Sanitation
- Convention on Migrant Workers
- UN Global Compact’s Ten Principles
- UN Women’s Empowerment Principles

Compliance with our policies and procedures (which include our Ethical Sourcing Policy and Supplier Requirements) is built into our standard trading terms









and conditions. We expect suppliers to impose similar expectations on their own supply base. Collectively, these documents outline our expectations of suppliers and our requirements in relation to:

- 1 Forced / bonded labour
- 2 Child labour
- 3 Harsh or inhumane treatment
- 4 Wages and benefits
- 5 Working hours
- 6 Freedom of association and collective bargaining
- 7 Subcontracting and indirect suppliers
- 8 Safe working conditions
- 9 Discrimination
- 10 Regular employment
- 11 Illegal labour
- 12 Environment
- 13 Business integrity
- 14 Reporting and documentation
- 15 Grievance mechanisms and remediation

Our Ethical Sourcing Policy is reviewed annually and requires approval by the Coles Board.

Our policy and requirements are available on our website at colesgroup.com.au and also published on our supplier portals.

Policies / documents which support our modern slavery program:

-  **Code of Conduct**
-  **Anti-bribery and Corruption Policy**
-  **Whistleblower Policy**
-  **Ethical Sourcing Program Guidance**
-  **Ethical Sourcing Remediation Framework**
-  **Child Labour Remediation Requirements**
-  **Forced / Bonded Labour Remediation Requirements**
-  **Diversity and Inclusion Policy**

Our actions

Our Human Rights Strategy

In March 2020 the Coles Board endorsed our Human Rights Strategy. This was developed with support from external human rights experts and followed team member interviews and workshops.

As part of the strategy development, we identified and categorised our key (salient) human rights risks under six themes:

- labour rights;
- right to health and safety;
- right to equality and freedom from discrimination;
- Indigenous rights;
- cultural rights; and
- right to dignity and justice.

We recognise that modern slavery risks are more likely to exist where human rights principles are not respected. Our strategy focuses on systems and processes to prevent, mitigate and remedy actual or potential adverse human rights impacts under the areas of compliance, work culture, people and technology, governance, remediation and stakeholder engagement.

Coles puts people’s welfare at the centre of everything we do. We believe that respect for human rights is essential to achieving Coles’ vision to become the most trusted retailer in Australia and to fulfil our purpose to sustainably feed all Australians and help them lead healthier, happier lives.

Key human rights focus areas

Right to protection of privacy	Right to dignity and justice	Right to legal remedy for violation of rights
Freedom from discrimination and harassment in employment	Right to enjoy just and favourable conditions of work	Right to safety
Right to health (physical & mental)	Right to decent work	Freedom from discrimination on the basis of protected attributes

Managing our risks

Our own operations

Coles’ operations are predominantly based in Australia, with only a very small operation based outside of Australia in Shanghai, China. While Coles’ risk assessment identified that modern slavery and human rights risks may exist in our operations (as outlined in Table 1 – Modern Slavery Risks), we have assessed that risk to be very low. This assessment is based on the supporting structures, policies, programs and processes we have in place. These include, but are not limited to:

- processes to ensure all Coles team members hold working rights in Australia and to ensure compliance with visa conditions where applicable;
- training for team members covering fundamental governance principles, including our code of conduct, grievance mechanisms, workplace behaviours;
- significant resources dedicated to human resource management;
- high union membership and engagement; and
- resources, systems and processes to administer team member payments.

Our supply chain

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

Our Ethical Sourcing Program targets the areas of our supply chain that have a higher risk of modern slavery or human rights issues being present. We actively manage these risks through our Ethical Sourcing Program, which applies a higher level of due diligence and monitoring where increased risks (for example, high use of labour hire or migrant workers) are present and where we have the most leverage to facilitate positive change.

The scope of our Ethical Sourcing Program has evolved and expanded since the program’s establishment in 2005. During the Reporting Period, we commenced expanding the scope of our Ethical Sourcing Program coverage to include Liquor and GNFR suppliers. For Liquor, an exercise to map the supply chain was completed with onboarding in-scope suppliers onto the program planned for early FY21. For GNFR, we built a bespoke third-party risk management assessment framework (supported by the SAP Ariba technology platform) to standardise the risk assessment of suppliers upon contract renewal or introduction to Coles. Suppliers with ethical sourcing risk indicators – such as the provision of high-risk goods or services or operations based in high risk countries – will be onboarded onto the Ethical Sourcing Program at contract renewal. The average contract term for goods not for resale and services suppliers is three years.

Table 2 below describes the current scope of our Ethical Sourcing Program. Suppliers and sites captured by this program scope are referred to as ‘suppliers’ and are identified as ‘in-scope’.

Table 2 – Ethical Sourcing Program scope

BUSINESS AREA	CATEGORY OF GOODS	PRODUCTION TIER
Supermarkets and Express	Own Brand	<ul style="list-style-type: none">• Direct vendors of final product (Tier 1)• Packing / manufacturing to final retail form (Tier 2)
	Fresh Produce (unprocessed fruit, vegetables and flowers) – including those bearing a proprietary brand label	<ul style="list-style-type: none">• Direct vendors of final product (Tier 1)• Packing / manufacturing to final retail form (Tier 2)⁴
Liquor	Own Brand, Export	<ul style="list-style-type: none">• Direct vendors of final product (Tier 1)• Bottling sites (Tier 2)
	Exclusive Liquor Brands	<ul style="list-style-type: none">• Direct vendors of final product (Tier 1)• Bottling sites (Tier 2)
Goods Not for Resale (GNFR)	Contracted suppliers of high-risk services/goods (including but not limited to cleaning, trolley collection, security, transport, construction and catalogue distribution)	<ul style="list-style-type: none">• Direct vendors of final product / service (Tier 1)• Sub-contractors (Tier 2) – selected circumstances
	Contracted suppliers with operations in high risk countries	

4 Farms which pack produce on-site are captured by the scope of the Ethical Sourcing Program. In cases where the farm harvests produce then sends it to a packhouse, only the packhouse and supplier of final product are on the program.

We recognise that risks exist in categories of goods not currently captured by our Ethical Sourcing Program. While the focus for the next Reporting Period is on embedding the program in Liquor and GNFR, we also plan to review the risks associated with other key risk areas to guide consideration of further expansion of the program scope over the coming years.

At the end of the Reporting Period there were 2,165 Supermarkets and Express suppliers in-scope of the Ethical Sourcing Program. This includes both direct vendors of final product (Tier 1) and packing / manufacturing sites which produce product to its final retail form (Tier 2).

Due diligence and monitoring of suppliers includes a regular assessment of indicators of modern slavery risks. These assessments include supplier questionnaires, site visits, union insights, ethical audits or review of concerns raised through one of our grievance mechanisms.

Supplier questionnaires

We utilise a small number of third-party systems and databases to guide and streamline the supplier risk assessment process. The initial phase of risk assessment requires suppliers to complete a questionnaire managed through platforms such as Sedex, SAP Ariba or Fair Farms. There are several purposes for these questionnaires, including: to obtain key factual data about the supplier's operations which can be used to support risk assessments outside the platform; to allow the system itself to generate an initial risk profile; and to provide a repository of suppliers and key details to assist program administration.

Audit Program

Once supplier risk is identified, suppliers may be required to undertake an ethical audit. In most circumstances, suppliers assessed as high risk will require an audit every 12 months and a supplier assessed as moderate risk will require an audit every two years.⁵

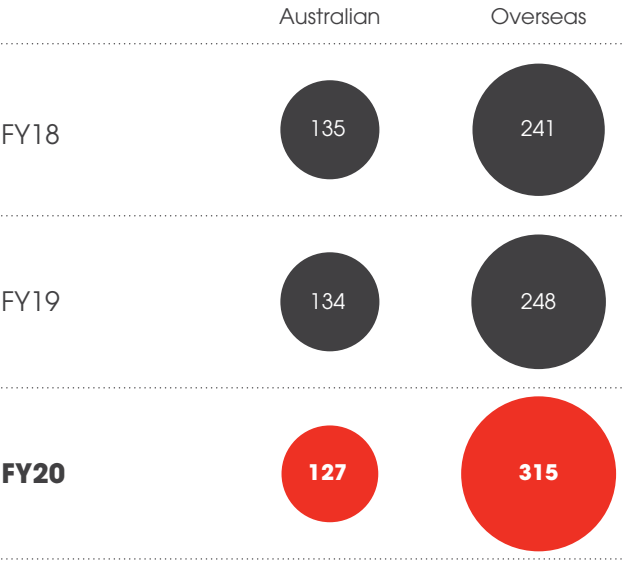
In most circumstances where an audit is required, the supplier will directly engage with an independent audit body to commission the audit. Coles accepts a number of audit formats including, but not limited to, SMETA and Fair Farms. We recognise that our suppliers will often supply to multiple businesses who may each require an audit to be completed. Mutual recognition of audits is an important aspect of our program, and balances the importance of risk monitoring with the cost, resource and operational impact of audits on suppliers.

Coles also reserves the right to conduct its own audits, or to directly engage an audit body to complete an audit. Audits may be announced, unannounced or semi-announced. In February 2020, Coles appointed an in-house certified social compliance auditor (as certified by the Association of Professional Social Compliance Auditors) to manage the ethical audit program.

During the Reporting Period, 442 ethical audits were conducted on in-scope Supermarkets and Express suppliers. To ensure accuracy in reporting, the number of audits stated as undertaken is calculated based on active suppliers at the closure of the Reporting Period (i.e. suppliers which Coles had current, pending or ongoing plans to order from). Suppliers that were supplying during the Reporting Period but were made inactive (i.e. Coles had no future or ongoing plans to order from) in the system prior to the reporting close were not included in the calculation of this number.

As Coles' reporting systems mature over the coming years, we will aspire to include all audits completed.

Number of ethical audits of Coles suppliers by financial year



FY18 and FY19 numbers have been updated from figures disclosed in our 2019 Sustainability Report to include all audits conducted during these years (not a subset of audits) and to state the FY in which the audit occurred.

COVID-19 Response – Our team

As felt across the world, COVID-19 presented a range of new challenges for Coles and for our extended supply chain. As a supermarket retailer, we had to ensure we continued serving the communities we operate in to ensure Australians had continuous access to food and essential items.

Protecting our team members' health, both physical and mental, throughout this period remained paramount. To be effective, we quickly adjusted our ways of working, for example by:

- providing additional personal protective equipment to team members and implementing social distancing measures in all stores;
- providing hand sanitiser at our registers for team members to supplement regular handwashing; and
- launching a company-wide mental wellbeing program for team members during COVID-19, including extending our partnership with The Resilience Project to provide educational videos and other resources to support team members' mental wellbeing. 110,000 mental health packs were sent directly to team members to support them and their families. The program consisted of three, 21-day health and wellbeing challenges to build positive mental health and wellbeing.

COVID-19 Response – Our communities and supply chain

Just as the protection of our team members is a high priority, we also have a responsibility to safeguard and support all members of the public and workers in our extended supply chain. Key activities during COVID-19 included:

- Hiring additional team members. Our overwhelming need for operational support, coupled with the challenging employment climate at the time, led us to partner with other businesses to offer employment to their workers and to the general public.
- Introducing social distancing measures (limiting store capacity and appropriate distance markings on floors) and hand sanitising facilities for use by customers upon entry.
- Introducing Community Hour – a dedicated hour before stores opened to the general public, allowing access for the more vulnerable members in our communities to secure the items they needed.
- Introducing purchase limits on high demand items to improve availability and ensure fair distribution.
- Launching Coles Online Priority Delivery Service, a priority service for vulnerable members of our community who were unable to attend stores to purchase their groceries.
- Issuing communication to our direct suppliers of goods for resale in our supermarket operations, to reinforce the importance of ensuring workplace health and safety measures are implemented in response to COVID-19 risks, including in respect to labour hire workers and accommodation provided to workers.

⁵ For some industries, a standard ethical audit is not fit for purpose. For these industries, Coles will apply a different model of monitoring. This could include a bespoke audit focused on areas or risk, ongoing screening of suppliers through a platform such as Dow Jones Risk Centre, or regular engagement with the supplier. Examples of industries where a standard ethical audit may not be suitable are suppliers with extremely short-term annual operations (such as Alaskan salmon canneries), some areas of service provision or labour hire provision, and suppliers with very small operations.



Assessing the effectiveness of our actions

We assess the effectiveness of our actions in several ways, including through regular reporting to the Coles Board, the Audit and Risk Committee and the Human Rights Steering Committee. This reporting includes progress against our key risk indicators, which measure conformance to our program requirements. We also seek independent review of our program to provide further guidance on the effectiveness of our actions. For example, in 2016, and again in 2019, Coles commissioned an independent assessment of our Ethical Sourcing Program covering the core areas of Executive Support and Governance, program implementation and supplier monitoring.

Ethical Sourcing Program participation

At the end of the Reporting Period, there were 2,014 Supermarkets and Express suppliers participating in our program⁶. This represents 93% of in-scope suppliers. By suppliers participating in the program and conducting annual assessment questionnaires, we are able to monitor and evaluate our supply chain performance, providing remedial support where required. Coles continues to work on ensuring all suppliers meet our participation requirements.

Ethical audit findings

Coles closely monitors non-conformances uploaded by auditors into Sedex for ethical audits of Coles suppliers. Our focus is on findings which are rated critical (including those classified as business critical or critical) and major. During the Reporting Period, 1,328 non-conformances uploaded by auditors into Sedex were classified as major or higher by the auditor⁷.

While non-conformances identified during these audits have not identified any confirmed cases of modern slavery, we look at certain issues as potential indicators of modern slavery. Table 3 on page 17 is a summary of the type of non-conformances identified during ethical audits of Coles suppliers.

The non-conformances are grouped into 14 categories as defined by the Sedex's SMETA audit framework. The categories capture multiple scenarios which fall under the sub-header of that category. For example: Business Ethics references the policies and processes that prevent bribery, corruption or any type of fraudulent business practices; Environment relates to a business' policies and activities that relate to environmental laws as applied by their governing bodies; Discipline / Grievance can include anything from access to confidential grievance mechanisms, lack of policies and procedures to support anonymity to more serious issues of suspected or confirmed instances of abuse or inhumane treatment. Regarding the category of Children and Young Workers, these critical non-conformances related to the systems that verify workers' age and which require improvement. No non-conformances were raised for the use of child labour in our supply chain.

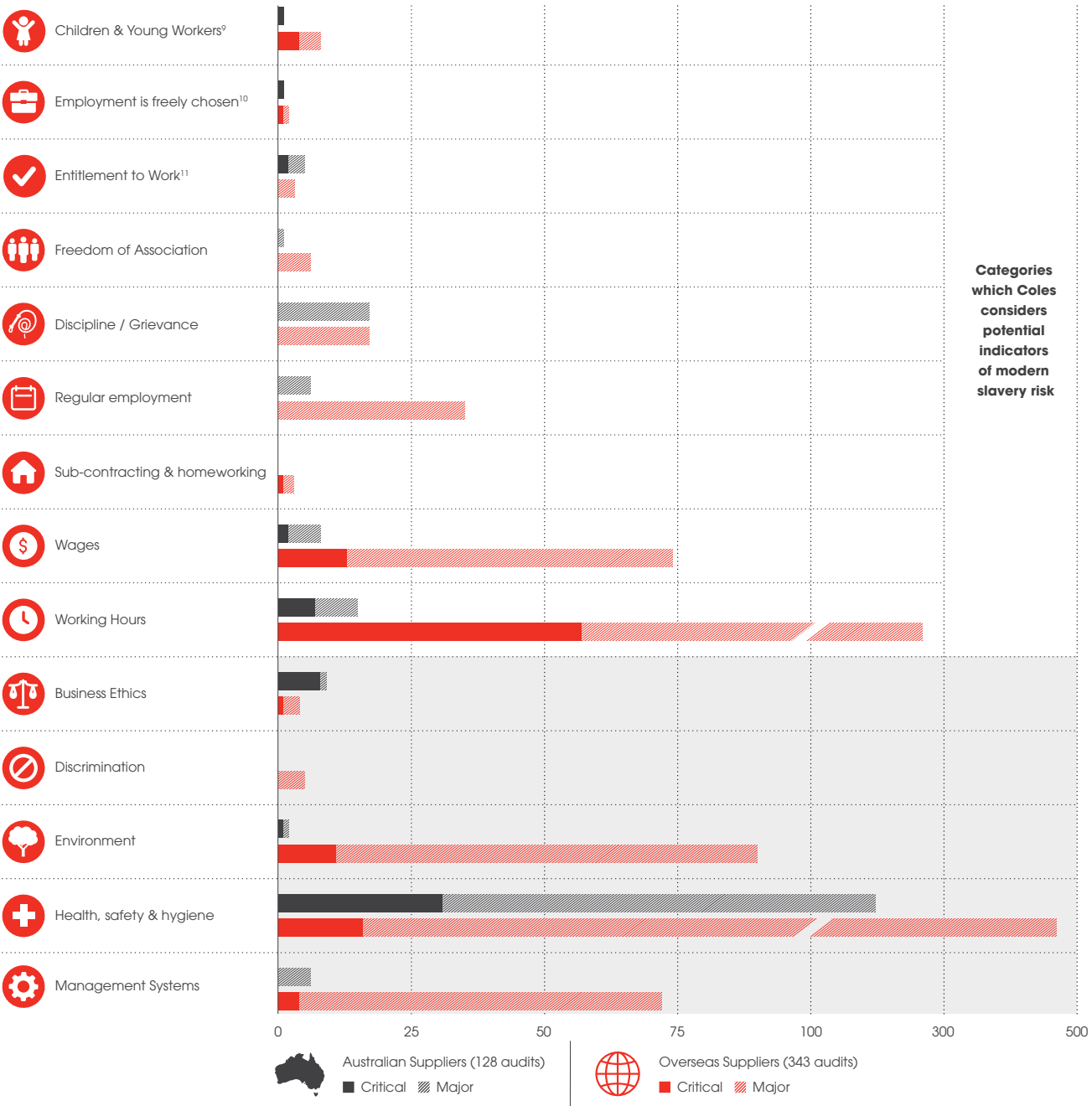
A full list of definitions can be located in the SMETA 6.1 Measurement Criteria document on the Sedex website.

SMETA 6.1 Measurement Criteria document

As at 30 June 2020, 868 of the 1,328 non-conformances identified during FY20 audits have been remediated by the supplier and closed by the auditor on the Sedex platform. A further 367 non-conformances from audits which occurred in prior years were also closed during FY20 – including where audits were conducted prior to Coles' engagement of the supplier. Coles continues to work with suppliers to ensure the remediation of non-conformances which remained open at 30 June 2020. Some non-conformances are challenging to close out within the timeframes provided by auditors – in particular non-conformances related to overtime hours in some overseas jurisdictions. Where this is the case, Coles may allow additional time for remediation.

Suppliers who show unwillingness to remediate non-conformances or do not comply with other requirements of the program, may have supply suspended. During the Reporting Period, Coles suspended supply from three suppliers due to failure to adhere to the requirements of our Ethical Sourcing Program.

Table 3 – Audit non-conformances by category⁸



⁸ Table 3 denotes the critical (comprising both critical and business critical) and major non-conformances uploaded into Sedex by auditors following audits of Coles suppliers during FY20. Criticality ratings and non-conformance category are assigned by independent auditors, not Coles, except in instances where Coles' social compliance auditor has performed the audit.

⁹ Regarding the category of Children and Young Workers, these critical non-conformances related to the systems that verify workers' age and which require improvement. No non-conformances were raised for the use of child labour in our supply chain.

¹⁰ Regarding the category of Employment is Freely Chosen, these non-conformances related to inadequate systems and processes and an employer loan to a worker.

¹¹ Regarding the category of Entitlement to Work, these non-conformances relate to inadequate systems and processes to verify entitlement to work.

⁶ Participating suppliers are those that had registered on Sedex, had completed at least 95% of a Sedex assessment questionnaire as at 30 June 2020 and were active.

⁷ This information is reported from the Sedex platform and reflects data as at 30 June 2020. Number of non-conformances reported is the number of non-conformances as entered by the relevant certified auditor.

Coles supports the courageous efforts of human rights defenders, communities and civil society organisations to document adverse human rights impacts. We support and welcome dialogue about where we face challenges and our opportunities to improve our respect for human rights and reduce risks of modern slavery in our supply chain.

Internal training and awareness

Coles recognises that our team members who interact with our suppliers regularly can be well-positioned to identify indicators of modern slavery risks if they understand and are alert to potential red flags. During the Reporting Period, Coles developed and launched an internal online learning program covering modern slavery and ethical sourcing to assist in growing team member understanding in this regard.

Supplier capacity building and training

We have used the findings of the third-party audit reports, worker voice, multi-stakeholder engagement and site non-conformances to develop a suite of tools and training materials to support suppliers in managing risk and drive improved outcomes for workers. These documents are available to all suppliers on the colesgroup.com.au website:

- Wages and benefits remediation (Australia)
- Child labour remediation
- Forced / bonded labour remediation
- Continuous improvement supplier guidance
- Safety Instruction Guidelines and Checklist
- Worker accommodation supplier guidelines
- Cherry pickers hazard checklist
- Packing shed hazard checklist

Additionally, we have held training sessions in Australian rural and regional areas to help our horticulture suppliers understand their ethical sourcing obligations. We also conducted a free webinar training session for all suppliers on modern slavery and Coles' Ethical Sourcing Program in 2019.

Worker education

In our Australian supply chain, we are working with the Australian Workers' Union (AWU), Transport Workers' Union (TWU) and Shop, Distributive and Allied Employees' Association (SDA) to develop worker education programs aimed at reducing worker vulnerability. This approach was recommended by the Joint Committee on Law Enforcement in its Inquiry into Human Trafficking presented

to the Australian Federal Government in 2017. Worker exploitation can manifest when workers are not educated on their rights, where there is a lack of information or where language barriers are present.

We also engage regularly with the United Workers' Union (UWU) and worked together with the UWU and industry to support a worker education session in Euston NSW in February 2020. Our partnership with the UWU on ethical sourcing has provided us with valuable insights and information, particularly in understanding on-the-ground challenges for workers, especially in the agricultural sector.

Regulator engagement

We are an active member of the Fair Work Ombudsman's (FWO) Horticulture Industry Reference Group aimed at resolving industry-wide issues and identifying opportunities in horticulture. We are also supporting the development of a similar multi-stakeholder group for viticulture in Australia to address labour risks and issues.

We provide a voluntary quarterly report to the FWO detailing complaints received against Australian suppliers and the outcome of our investigations.

Stakeholder feedback

Coles' approach to managing its modern slavery risks is assessed on an ongoing basis by a broad network of stakeholders. Coles regularly receives feedback on elements of our Ethical Sourcing Program, and we use that feedback to continuously improve our program and associated outcomes. Coles' stakeholder network includes our valued suppliers, investors, NGOs, unions and benchmarking bodies such as the Corporate Human Rights Benchmark and Know The Chain.

Throughout the year Coles has heard directly from workers in our Australian supply chain, including through sessions with the UWU.

Remediation

Where a legitimate concern or issue is raised through one of our grievance mechanisms or identified as a result of a Coles or third-party audit, we will seek to work with our suppliers, government and worker representative bodies or other not-for-profit organisations to ensure appropriate remedy is provided.

In all instances, we will seek to place the affected individual's needs first and an appropriate remedy will be determined on a case-by-case basis.

Our Supplier Guidance provides information on our remediation methodology, potential remediation actions that may be undertaken and case studies.

Our grievance mechanisms

We respect the rights of individuals who seek to defend human rights, especially in relation to modern slavery, and do not tolerate threats, intimidation, or attacks against these individuals. To support this, we provide several mechanisms for concerns and complaints to be raised confidentially and/or anonymously.

If appropriate, we will provide feedback to complainants regarding the investigation's progress and outcome (subject to considerations of the privacy of those against whom allegations are made).

We commit to not obstructing access to other remedies, including judicial or non-judicial remedies. We also support the work of and are open to working with the Australian National Contact Point (AusNCP).

During the Reporting Period, 19 complaints were received through our grievance mechanisms or engagement with industry unions. None of the issues raised through these channels related to allegations of modern slavery. As at 30 June 2020, 17 have been investigated and closed and two remain under investigation.

Most complaints received relate to the Australian produce sector, and the nature of complaints across all sectors span underpayment of wages, unfair dismissal and worker accommodation standards.

Coles has recently commenced publishing a list of complaints received at:

colesgroup.com.au

Coles Wages and Conditions Hotline

Workers within our supply chain can access the Coles Wages and Conditions Hotline by phone or email. This service can also be accessed by workers in our international supply chain, or locally where English is not a first language. Contact details for our Hotline are on our website and are available in ten additional languages. These can be accessed at our website at colesgroup.com.au.

Complaints received through this hotline are escalated to our dedicated Ethical Sourcing Team. All of these are investigated. In one case, we have decided to conduct a third-party audit to investigate the complaints raised.

Whistleblower Policy

Our Whistleblower Policy encourages the reporting of any suspected unethical, illegal, fraudulent or undesirable conduct, including suspected adverse impacts on people, communities or the environment within our supply chain.

All concerns raised are assessed to determine if and how they should be investigated. We will always seek to resolve concerns as quickly as possible, noting that concerns vary in complexity and timeframes for resolution will vary. Where remedy is necessary, this may be provided by us directly or in collaboration with third parties.

If appropriate, we will provide feedback to complainants regarding the investigation's progress and/or outcome (subject to considerations of the privacy of those against whom allegations are made).

Individuals wishing to make a complaint under the Coles Whistleblower Policy may contact a Director of Coles, Coles STOPLine, or a Coles Protected Disclosure Officer (as defined in our Whistleblower Policy).

Coles STOPLine

Coles STOPLine is a confidential hotline service run by an independent third party that all stakeholders can use to raise concerns or complaints. It is accessible by phone, fax, email, post and via the STOPLine app.

Commitments and partnerships

United Nations Global Compact	<p>In June 2019, Coles joined the United Nations Global Compact (UNGC), the world’s largest corporate sustainability initiative. The UNGC’s ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Coles also participates in the Modern Slavery Community of Practice managed by the UNGC Network of Australia.</p>
United Nations Women’s Empowerment Principles	<p>In FY20, Coles became a signatory to the United Nations Women’s Empowerment Principles, a set of principles promoting gender equality and women’s empowerment in the workplace, marketplace and wider community. The Principles will support Coles’ work towards our gender balance goals and empowering women in our workplace and communities.</p>
Ethical Retail Supply Chain Accord	<p>In November 2019, Coles announced the formation of the Ethical Retail Supply Chain Accord. This is a new partnership with three of Australia’s largest workers’ unions – the Shop, Distributive and Allied Employees’ Association (SDA), the Transport Workers’ Union (TWU) and the Australian Workers’ Union (AWU), to improve and protect the rights of all workers regardless of visa or employment status.</p> <p>Members of the Accord meet regularly to discuss the investigation of complaints and hear from workers. There is a focus on labour hire organisations and Australian farming activities, with 96 per cent of the fresh produce we sell coming from this sector.</p> <p>The Accord has identified an opportunity for more education to be provided to workers on their rights, particularly in regions that may have experienced issues in the past. We had planned to run our first Worker Rights Education session in April 2020 and to continue these face-to-face sessions throughout the year; however, the challenges presented by COVID-19 have required us to delay these sessions and we are currently reassessing how to deliver this education in alternate formats.</p>
Horticulture Industry Reference Group	<p>The Horticulture Industry Reference Group was formed following the Fair Work Ombudsman’s 2018 Harvest Trail Inquiry, in recognition of the need for a multi-stakeholder approach to address labour compliance across the horticulture industry.</p> <p>The group met quarterly during FY20 and included participants from industry, government, union, retail, labour hire organisations and suppliers. Its focus is on sharing learnings and good practice to assist participants in addressing labour compliance issues, including working conditions and wages, within horticulture supply chains.</p>

Process of consultation

All Coles entities operate under a common set of governance policies and programs. This includes the programs through which modern slavery risks in our own operations and our supply chains are assessed and addressed by Coles. A process of consultation across Coles and its reporting entities helped to guide the drafting of this statement. This included engagement with members of the Human Rights Steering Committee, General Managers heading every relevant function within Coles and the Executive Leadership Team.



James Graham AM
Chairman



Steven Cain
Managing Director and Chief Executive Officer

Appendix 1

This Modern Slavery Statement was prepared in accordance with the criteria set out in the *Modern Slavery Act 2018*.

The table below outlines where information related to each mandatory reporting criteria can be found:

Mandatory criteria for modern slavery statements	Location of information
Identify the reporting entity	Introduction (page 2)
Describe the structure, operations and supply chains of the reporting entity	Our business structure, operations and supply chain (pages 4–6)
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	Our modern slavery risks (pages 7–9)
Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	Actions to assess and address risk (pages 10–16) Remediation (page 19)
Describe how the reporting entity assess the effectiveness of such actions	Assessing the effectiveness of our actions (pages 16–18)
Describe the process of consultation with any entities that the reporting entity owns or controls	Process of consultation (page 21)
Provide any other information that the reporting entity, or the entity giving the statement, considers relevant	Key FY20 Human Rights Initiatives (page 1) Our commitment – a message from our Chairman, and Managing Director and Chief Executive Officer (page 3) Commitments and partnerships (page 20)