



Frequently Asked Questions – Website

Q: What is the Coles Group Ethical Sourcing Code?

A: Coles Group is committed to the safe and ethical manufacture and supply of merchandise sold through its retail outlets or services attained through service providers to ensuring we integrate good corporate behaviour into every aspect of our business. The intent of the Code is to generate Vendor and team member commitment to the sourcing of ethically produced products or provided services.

Q: What does the Code actually mean?

A: It means that Coles Group plans to only do business with Vendors who meet fair and safe standards in the treatment of their employees and in the manufacture of their product or provided service.

Some Vendors will already adhere to the standards set out in the Coles Group Ethical Sourcing Code. For those that don't, we request that they make necessary arrangements to comply with the standards and if the Vendor does not comply within the specified timeframe or show a willingness to cooperate, Coles Group Limited reserves the right to deregister that Vendor.

Q: Why is the Code being introduced?

A: Coles Group wants to ensure that products we sell or the services we provide are made or delivered in good and safe working conditions, national laws are obeyed and that the basic human rights of workers are respected.

In addition, the new Code is in line with our company Values of Integrity, Respect and Recognition, Passion for Excellence and Working Together.

Q: What standards does it cover?

- A: ► Employment practice: such as child labour, living wages, working hours, forced labour, discrimination, disciplinary action and the freedom of association.
- The Workplace: health and safety, accommodation and equipment safety.
- Management Controls: compliance with local laws, environmental standards and controls and ethical standards.

Q: How is it different to the Australian Home Workers Code of Practice?

A: The Australian Home Workers Code of Practice applies specifically to Australian textile manufacturers. The Coles Group Ethical Sourcing Code applies to all Coles Group Vendors in Australian as well as abroad.

Q: How will this Code affect Vendors to Coles Group?

A: All Vendors will be required to commit to the Code through amendments to our standard Terms and Conditions.

Over time vendors will be asked to audit their facilities according to the Code's regulations. On a day-to-day basis vendors are responsible for monitoring and regulating compliance with the Code for each of their facilities. In addition, compliance with the Code will be independently audited to ensure compliance.

Q: What if a Vendor already adheres to a similar policy with another major Vendor or adheres to a number of international codes?

A: Coles Group's Ethical Sourcing Code is very similar to those of major international retailers. A number of international codes are recognised by Coles Group and will be accepted and endorsed by the Coles Group Ethical Sourcing team to avoid unnecessary costs and duplication.

The alternative codes we accept are detailed in the Policy and Procedures document which is available on the Internet. Alternative codes will be reviewed by ESC Coordinators to ensure compliance levels are appropriate.

Q: Who is the main contact at Coles Group regarding the Ethical Sourcing Code?

A: Ethical Sourcing responsibilities sit with the ESC Coordinator within each Coles Group brand. The ESC Coordinator will manage all audits, monitoring and reporting and will work with the buying teams to ensure the Code is applied.

Q: Who are the CGL Band Coordinators?

- A: ► Kmart – Alexis Smith
alexis.smith@kmart.com.au
- Coles – Rebecca Jackson
rebecca.jackson@coles.com.au
- Target – Shaun McGrath
shaun.mcgrath@target.com.au

Q: What happens if a Vendor fails to comply with the Ethical Sourcing Code?

A: Where a Vendor breaches the Code or fails to meet the required standards, Coles Group is committed to working with them to rectify the situation. Should a vendor fail to show commitment to the Coles Group Ethical Sourcing Code or is unable to comply, Coles Group Limited reserves the right to deregister that Vendor.

Q: Where can I find additional information on Coles Group's Ethical Sourcing Code or how can the Ethical Sourcing Code Team be contacted?

A: A booklet detailing our Code and the other international standards has been produced in partnership with the SGS Group, our preferred third party audit partner.

The Coles Group Ethical Sourcing Code, the Policy and Procedures document and other relevant material is available on the Coles Group Internet: http://www.colesgroup.com/BusinessPartners/codes_and_practices.asp or contact the Coles Group Ltd Ethical Sourcing Code Team at: <mailto:cgleesc@colesgroup.com.au>

Q: Who is the SGS Group and what is Coles Group Limited relationship with them?

A: The SGS Group is the global leader in inspection, verification, testing and certification services. The Coles Group Limited Ethical Sourcing Code has been developed in consultation with SGS.



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Q: “Vendor” How far down the vendor supply chain will the audit team need to access for the CGL ESC audit assessment?

A: We will audit down your supply chain to where the product or service becomes recognisable to one of our CGL brands. Focus will be on the primary facility or manufacturer and their controls of sub contractor used. The intent is to identify their compliance with ethical sourcing:

- 1) Social accountability policy for their subcontractors’ control.
- 2) Internal screen audit and annual monitoring audit records on social compliance.
- 3) Commitment letter for the subcontractors to commit to CGL Ethical Sourcing Code and legal requirements.

Q: When is a “CGL Certificate of ESC Compliance” or “CGL Letter of ESC Endorsement” issued and how long are they valid for?

A: Vendors who achieve the sectional pass rates against all breach types when audited using the Coles Group Limited ESC Audit Document will be issued a “Certificate of ESC Compliance”. The Certificates will remain valid for a period of 18 months from the date of issue unless otherwise withdrawn or extended.

Vendors who have submitted non-Coles Group Limited audits to demonstrate code-of-conduct compliance will not be eligible for the Certificate of ESC Compliance. Rather, a Vendor’s commitment to ethical sourcing will be recognised by a less formal “Letter of ESC Endorsement”. Letter of ESC Endorsement; validation period is determined by the recognised non-CGL code audit that has been accepted, this is why our code does not specific a time frame. 12 months from the date of the non-CGL code accreditation is in line to the majority of non-CGL accepted codes.

Q: “Vendor” As your overseas agencies “Coles Group Asia” (CGA) have accredited audit personnel, can the CGA auditor issue a certificate or endorsement letter if the facility passes the CGL ESC audit?

A: At this point in time the CGA audit does not qualify for the “Certificate of ESC Compliance” or “Letter of ESC Endorsement”. CGA audit is a preparation for the accredited final third party audit – this is an opportunity for the Vendor to get their facility in order before the accredited final third party audit. An accredited third party auditor must be used to give this CGL ESC independent credibility.

Q: If the facility passes the CGA initial audit, when should the accredited third party auditor (SGS) conduct the final assessment?

A: The final audit is for credibility of our assessment process. The vendors may request the CGA audit to prepare or they may select the final audit immediately. If they select SGS or another recognised auditor before their facility is ready the CAP may be large and more onerous work will be required for follow up corrections – not to mention the additional expense for the numerous follow up audits.

Q: If the facility fails the CGA initial audit, when will the accredited third party (SGS) be requested to conduct the final audit?

A: Preliminary results are to be sent to the relevant brand ESC Coordinator – in the ESC Procedural guidelines there are suggestions of how to correct non-conformances and there are time frames specified depending upon the non-conformance. When we get SGS involved; depends on the Vendor and their non-conformance/s. However, SGS should be involved in the earliest stages to also help the Vendor resolve the problems. SGS are well experienced and are considered to be our experts.

Q: If any one of breach code (E.g. Zero Tolerance, Critical, Significant, Major or Minor) cannot meet the required %, does it mean the audit result is “failed” and the facility needs to be re-audited?

A: This really depends on who did the audit. If it was CGA, we should be working with the Vendor to address issues to prepare for final SGS audit – give the vendor the opportunity to fix problems and then hand over to SGS. If SGS identified the failure result, the guidelines specify the time frames to fix compliance issues. Follow up audits by SGS would be required to confirm CAP points are being addressed. All these reports and CAP details should be communicated to the relevant brand ESC Coordinator for review.

Q: If a facility has ever passed other kinds of audits conducted by SGS or other third party auditors, can they apply for the “CGL Letter of ESC Endorsement” directly?

A: It depends on the kind of audit (similarity to the CGL ESC), validity date and content of the report. Reports should be evaluated by the relevant brand ESC Coordinator. If it’s not acceptable, the facility should apply for CGA audit or a third party accredited audit.

Q: For piece-rate workers, is it acceptable that the monthly wage fulfils legal requirement, but some single days wage does not meet minimum wage criteria?

A: Wage and OT compensation of piece-rate worker could be verified on monthly base.

Q: Is it acceptable for a facility to show softcopy payroll to auditors for verification?

A: Yes, it’s workable. But a worker/s acknowledgement record should also be available.

Q: “Vendor – based on seminar” If we implement CGL Ethical Sourcing Code since this seminar, can we only provide the records since this month for audit in future?

A: Facility should provide recent one-year records for audit. But you can show the improvement since this seminar, which will be taken into account.



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Q: “Vendor – based on seminar” Is it the final version of the CGL ESC documents that we take today?

A: Yes. But it could be updated whenever necessary, the most up to date version can be viewed or obtained at http://www.colesgroup.com/BusinessPartners/codes_and_practices.asp

Q: “Vendor – based on seminar” Can you offer the Chinese version booklet?

A: Yes, We have taken this into considerations upon the feedback from the seminars and a Chinese version can be viewed or obtained at http://www.colesgroup.com/BusinessPartners/codes_and_practices.asp

Q: “Vendor – based on seminar” Can we have a copy of the PowerPoint file used by the seminar tutor?

A: No, it's for tutorial only and it is not necessary. The CGL ESC details in full can be viewed or obtained at http://www.colesgroup.com/BusinessPartners/codes_and_practices.asp

Q: “Vendor – based on seminar” What are CGL requirements on facility attendance records?

A: The attendance record should show the In/Out time (including lunch break). Meanwhile, the payment record should reflect the correct working hours.

Q: How are the audits set up and charged?

A: An audit by CGL is free. In relation to audits by SGS please refer to SGS quotation.

1. Proactive Audit conducted by CGA (Coles Group Asia):

- ▶ Designed to prepare Vendors for formal SGS audit
- ▶ Free of Charge
- ▶ No endorsement letter or certificate will be issued
- ▶ SGS or other authorised body still required to undertake formal audit

2. Initial Audit by SGS:

- ▶ Formal audit conducted by SGS
- ▶ Costs associated with Audit paid by the Vendor
- ▶ ESC Certificates will be issued when facility satisfactorily passes requirements outlined in CGL Ethical Sourcing Code Procedural Guidelines

3. Accreditation Submission:

- ▶ Please refer to Appendix A from Coles Group Ltd Ethical Sourcing Code Procedural Guideline for recognised audit formats and bodies

Vendors should obtain SGS audit pricing information at time of booking audit.

Below is only an indication of pricing structure as of 17/5/06 for your reference.

There are a total of three parts for an audit price; they are audit man-day cost, travelling man-day cost and reporting man-day cost;

1. Audit man-day cost:

Employees < 100 – 1 man-day charge
Employees > 101 to 2000 – 2 man-day charge
Employees > 2001 – 3 man-day charge

If the employee numbers are from 101 to 2000, SGS will need two man-days to conduct audit. (USD 400 per man-day special offered for Coles Group Vendors, total cost for two man-day is USD 800)

2. Travel man-day: Based on the travel distance and need time.

One-way < 2 hours – no additional charge
One-way 2-4 hours – additional 0.25 man-day charge (USD 100)
One-way 4-6 hours – additional 0.5 man-day charge (USD 200)
One-way 6-8 hours – additional 0.75 man-day charge (USD 300)
One-Way > 8 hours – additional 1 man-day charge (USD 400)

SGS will assign the most nearest colleagues to conduct the audit

3. Reporting Man-day:

0.5 man-day (USD 200) – set prices

** The total audit cost is Audit man-day cost + Travelling man-day cost + reporting man-day cost.

If the facilities size and location are different, SGS will need the actual information for official quotation.