

At Coles we are committed to addressing the concerns that resonate with our stakeholders, with particular focus on the issue of climate change. Recognising the pivotal role that forests play in mitigating climate change, this document aims to outline the initiatives Coles is undertaking to safeguard forests across our Coles Own Brand supply chains. Through highlighting the milestones achieved, we aim to demonstrate our proactive stance and commitment to sustainable practices in preserving our planet's ecosystem.

We work closely with Non-Governmental Organisations (NGOs), our suppliers, and internal teams to identify the key products and sourcing regions in our supply chain that have the greatest impact on forests and the pathways available to protect them. Where possible, we utilise globally recognised and industry leading, independent, third-party certifications and verifications to secure sustainable products in our Coles Own Brand supply chains and drive traceability. Whilst this document is limited to Coles Own Brand, we also aim to set an example and provide inspiration to our proprietary suppliers who are sourcing high priority commodities and assist them on this journey towards more environmentally sustainable supply chains.

## Why it Matters

Forests cover around one-third of all land on Earth and are essential to the health of our planet. They support biodiversity, are critical to the sustenance, culture and livelihoods of 1.6 billion people, and play a vital role in safeguarding the status of our climate by sequestering carbon<sup>1</sup>. Coles recognises that deforestation is a driver of embedded emissions within our supply chain and is a risk to our planet's health and a contributor of climate change.

Much work has been done to monitor and measure forests in Australia. In line with this, Coles is evaluating forest definitions currently used in Australia for their relevance and measurability. We are engaging with NGOs, our suppliers and industry groups, to develop a monitoring and reporting system to support this.

## Our Approach

Coles aims to work with our farmers, suppliers, and industry partners to reduce our impact on the environment and help our customers make more responsible choices. In 2022 and 2023 we conducted a review of our Coles Own Brand products, mapping potential environmental impacts associated with deforestation, water security and soil health by commodity and then progressed this work to complete deeper assessments on key commodities to enhance our existing Sustainable Sourcing Programs. We are completing this work in partnership with our suppliers and NGOs to help reduce future environmental impacts and mitigate deforestation.

As such, we have identified the below supermarket Coles Own Brand<sup>2</sup> commodity supply chains for deforestation risks:

- Beef
- Cocoa
- Palm Oil
- Soy in livestock feed
- Timber, pulp and paper

For each identified high priority Coles Own Brand supply chain, we have detailed below our achievements and planned efforts to supporting sustainable production and the exclusion of deforestation.

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<sup>1</sup> <https://www.unep.org/explore-topics/forests/why-do-forests-matter>

<sup>2</sup> Does not include Coles Own Brand products sold at Express and Coles Liquor; Coles Own Brand pet food; Goods Not For Resale (GNFR); and Exclusive Proprietary and Proprietary branded products

<b>Palm Oil</b>	
	<p>Since 2015, all Coles Own Brand <b>food and drink</b> products that contain palm oil, kernel and derivatives, sold at Coles Supermarkets, have supported the production of sustainable palm oil.</p> <p>Suppliers using palm oil in our Coles Own Brand products are required to:</p> <ul style="list-style-type: none"> <li>• Obtain Roundtable on Sustainable Palm Oil (<a href="#">RSPO</a>) Supply Chain Certification for its own supply chain; or</li> <li>• Be able to demonstrate RSPO Certification for each palm oil ingredient that is incorporated into the Coles Own Brand product.</li> </ul>
<b>Achievements</b>	<p>We are exploring traceability options to facilitate improved verification of deforestation.</p> <p>We are progressively converting non-food ingredients to RSPO physical supply chains. In calendar year 2023 more than 90% of palm oil utilised in our Coles Own Brand non-food products contain or support the production of sustainable palm oil.</p> <p>For the remaining ~10% of non-food products which contain conventional palm oil, we are currently purchasing RSPO 'book and claim' credits to offset palm oil use while we continue to transition these products. Our target is to have all our Coles Own Brand non-food products containing palm oil, kernel and derivatives hold RSPO supply chain certification.</p>
<b>Key Partnerships</b>	<p>Coles is a member of RSPO, as well as, the Retailers Palm Oil Group (RPOG), a coalition of companies who have the common aim of using sustainable palm oil in their products.</p>
<b>Timber Pulp &amp; Paper</b>	
<b>Achievements</b>	<p>Since 2020, all Coles Own Brand timber, pulp and paper products have sourced material from forest plantations independently certified to the Programme for the Endorsement of Forest Certification (<a href="#">PEFC</a>) or Forest Stewardship Council® (<a href="#">FSC®</a>) certification schemes; or from post-consumer recycled fibre.</p>
<b>Key Partnerships</b>	<p>Coles has a Programme for the Endorsement of Forest Certification (PEFC) usage license and is a Forest Stewardship Council® (FSC®) Promotional License Holder (PLH).</p>
<b>Cocoa</b>	
<b>Achievements</b>	<p>Since 2020, all Coles Own Brand single ingredient cocoa and cacao has been independently certified or verified to either <a href="#">Fairtrade</a>, <a href="#">Rainforest Alliance</a> or <a href="#">Cocoa Horizons</a>.</p> <p>Since December 2023 all Coles Own Brand products that contain cocoa and cacao have been produced using independently certified or verified ingredients from either the Fairtrade, Rainforest Alliance or Cocoa Horizons programs.</p>
<b>Key Partnerships</b>	<p>Coles is a licensee of Fairtrade, Rainforest Alliance and Cocoa Horizons.</p>

For **Beef** and **Soy** we have been developing roadmaps to address the deforestation risks in these supply chains. The below articulates the steps towards confirming achievements.

<b>Beef</b>	
<b>Achievements</b>	<p>Coles sources beef from across multiple cattle producing regions of Australia. We recognize that our producers are responsible stewards of the land and aim to showcase this through the assessment of our directly sourced<sup>3</sup> beef supply chain presented below.</p> <p>Preliminary analysis utilizing satellite imagery verified by <a href="#">CiboLabs</a> and utilizing national Australian Beef Sustainability Framework (<a href="#">ABSF</a>) definitions, has confirmed that our directly sourced cattle<sup>3</sup> can be verified as consigned from a property free from Primary Forest loss (from a 2020 baseline for the financial year 2022).</p>
<b>In Progress</b>	<p>Coles is continuing to develop a beef roadmap to prevent deforestation in our direct supply chain and govern our beef sourcing processes.</p> <p>Coles will also continue to collaborate with Australian industry frameworks such as the ABSF and with beef suppliers to preserve the environment and maintain productive landscapes.</p>

<b>Soy sourced for livestock feed</b>	
<b>In Progress</b>	<p>Soy used as animal feed in our supply chain largely originates in South America, where there has been links to deforestation.</p> <p>We have engaged with our suppliers and industry to understand the impacts of our soy supply chains and we are building a roadmap and policy to address the deforestation risks.</p> <p>Our initial efforts will focus on soy sourced for key volume supply chains such as poultry and salmon where our assessment indicates this represents up to two thirds of soy demand for livestock feed based on industry data.</p> <p>The proportion of soy sourced for human food and drink is minimal in comparison to animal feed volumes and is predominantly sourced from Australia and Asia which is deemed as low-risk<sup>4</sup> for deforestation.</p> <p>Coles will continue to develop the roadmap and engage with suppliers to address deforestation risks in those supply chains.</p>

We will continue to update this document as we progress our initiatives in this space.

Date: June 2024

<sup>3</sup> Sourced directly from farm by the Coles Livestock team.

<sup>4</sup> <https://soe.dcceew.gov.au/biodiversity/pressures/threats-and-key-threatening-processes>