

# Responsible Sourcing Program

Supplier Guidelines

# Responsible Sourcing Program

## Introduction

In July 2018, Woolworths Group (herein Woolworths) launched its Responsible Sourcing Program,

This guidance document is designed to help suppliers understand our Responsible Sourcing Program and our expectations for doing business with Woolworths.

Suppliers are required to ensure that the Woolworths Responsible Sourcing Policy and Standards are met throughout their supply chain, including downstream manufacturing sites.

## Our Responsible Sourcing Program

Our Responsible Sourcing Program is framed by the following key documents:

- **Responsible Sourcing Policy**
- **Responsible Sourcing Standards, and its addendums:**
  - The Labour Hire Addendum
  - The Child Labour Addendum
  - The Child Labour Addendum

## Responsible Sourcing Policy

All suppliers are required to comply with our Responsible Sourcing Policy. This includes suppliers of Own Brand, exclusive brands and vendor-owned branded products. The Responsible Sourcing Policy replaces our previous Ethical Sourcing Policy and is available on the Woolworths Group website in the "Our Responsible Sourcing Program" section.

## Responsible Sourcing Standards

Our Responsible Sourcing Standards (herein "Standards") are the way that we implement the Policy commitments. The Responsible Sourcing Standards apply to all of our suppliers globally who are in scope of the program (please refer to the Policy for a list of supplier categories in scope).

We expect our suppliers and our suppliers' suppliers (our upstream supply chain) to be committed to the same standards as we are.

All in-scope suppliers and their sites must comply with the Standards as a condition of business. Compliance with the Standards is verified through our third party "Mutual Recognition (MR)" audit and/or Self Assessment Questionnaire (SAQ) process described below.

## Additional requirements | Addendums to the Standards

A number of additional stand alone documents are referenced within the Standards document and outline specific requirements that suppliers should be aware of and are required to implement under trading terms. They are available to read in full on our "Respecting Human Rights page" [here](#).

**1) The Labour Hire Addendum – Woolworths Requirements for Labour Providers in our Australian Supply Chain**

In February 2019, we released an Addendum to the Standards, Requirements for Labour Providers in our Australian Supply Chain. The Addendum outlines specific requirements relating to the engagement of labour providers by participants in our horticulture supply chain.

Specific requirements include the expectation that all suppliers comply with relevant labour hire requirements including State licensing laws.

**2) The Child Labour Addendum – Woolworths Child Labour Prevention and Remediation Requirements**

In June 2022, we released specific requirements for the prevention and remediation of Child Labour as an extension of guidance that previously existed on Child Labour within the Standards. These requirements must be read and understood by all suppliers and upheld in conjunction with Standard no. 6 | Child Labour.

**3) The Responsible Recruitment Addendum – Woolworths Responsible Recruitment Requirements**

In April 2022, Woolworths further strengthened our position on responsible recruitment when we joined the Consumer Goods Forum Human Rights Coalition (the Coalition). As members of the Coalition, we have re-committed to uphold the Priority Industry Principles<sup>1</sup>, which are considered <sup>1</sup> core standards to address key drivers of forced labour:

- Every worker should have freedom of movement
- No worker should pay for a job
- No worker should be indebted or coerced to work

The Responsible Recruitment Requirements should be considered by all suppliers engaging foreign migrant workers either directly or indirectly in their operations. However, Woolworths will take a proactive, risk-based, and phased approach to rollout and supplier verification.

**Our risk assessment process and due diligence framework**

Based on our supplier risk assessment, sites in scope of the Standards are placed into one of four segments – minimum, moderate, priority or specialised. The risk assessment considers a number of factors including country risk, third-party audit data and the nature of Woolworths’ commercial relationship. The assigned segment defines a site’s Responsible Sourcing due diligence requirements and is communicated to suppliers as part of the supplier onboarding process. Existing suppliers have visibility of their assigned segmentation by logging on to the relevant Woolworths supplier compliance database [PLMS, SPHERE, FOODS CONNECTED etc] – If the supplier does not have access to the appropriate database or experiences difficulties, the supplier should contact the relevant technical support team or [responsiblesourcing@woolworths.com.au](mailto:responsiblesourcing@woolworths.com.au) for referral to the relevant team.

Due Diligence Framework		ALL	MINIMUM	MODERATE	PRIORITY	SPECIALISED
8.	Annual Unannounced Site Visit <sup>1</sup>				✓	✓
7.	Implementing a Corrective Action Plan				✓	✓
6.	Sharing Audit Report			✓	✓	✓
5.	Mutual Recognition Audit Schemes			✓	✓	✓
4.	Supplier Self-Assessment		✓			
3.	Training and Education		✓	✓	✓	✓
2.	Responsible Sourcing Standards		✓	✓	✓	✓
1.	Responsible Sourcing Policy	✓	✓	✓	✓	✓

Figure 1: Responsible Sourcing Due Diligence Framework according to site risk segmentation

## Changes and exceptions

A site's risk segmentation may change based on a number of factors including an updated risk methodology, third party information or audit results. If your site's assigned risk segment changes, Woolworths will communicate any new program requirements.

Regardless of segmentation, Woolworths may request verification at any time including, but not limited to:

- an audit (including unannounced) or a site visit
- results from third party corrective action plans or verification
- involvement in an investigation or remediation of grievances
- capacity building or training

### Demonstrating Compliance: Minimum risk sites

Suppliers in the minimum risk segmentation must complete a self-assessment questionnaire (SAQ). The SAQ will be sent to suppliers at the time of onboarding or registering a new site and must be completed prior to trade commencing. The Woolworths SAQ will need to be completed annually, when prompted by a systems reminder or sooner if/when any major changes happen in a company that impact SAQ responses. The SAQ should be seen as a baseline assessment of current social compliance practices. Where there are gaps Woolworths will work with suppliers to develop the skills and tools to meet requirements. In some instances, the results of a SAQ may lead to further due diligence. Woolworths will recognise SAQs from the mutually recognised third party schemes listed below. Suppliers not affiliated to any scheme will receive a link to the Woolworths SAQ.

### Demonstrating Compliance: Moderate, Priority and Specialised site risk audits

Suppliers in the moderate, priority and specialised risk segmentations are required to submit a social compliance audit. Recognising many of our suppliers are already a part of a third party social compliance scheme, Woolworths mutually recognises third party programs to help reduce suppliers' compliance burden. Eight national and global schemes, selected based on their coverage, governance, relevance to our at-risk supply chain and alignment to Woolworths Standards are accepted.

These schemes are:

- amfori BSCI (only reports graded A, B and C)
- Supplier Ethical Data Exchange (Sedex) and SMETA (Approved Certification Bodies only)
- Social Accountability SA 8000
- International Councils of Toy Industries (ICTI) Ethical Toy Program
- Worldwide Responsible Accredited Production (WRAP)
- GLOBALG.A.P Risk Assessment on Social Practice (GRASP)
- NZGAP Social Practice Add-on (New Zealand only)
- Fair Farms (Australia only)

We will not accept any other industry or retailers' social compliance programs, certifications or audits to demonstrate conformance with our Standards. Any exceptions must be in writing and approved by the relevant Responsible Sourcing Manager. The eight schemes will be reviewed as required and any major changes, including the addition of new schemes, will be communicated to suppliers.

### Step 1: Selecting a mutual recognition (MR) scheme

Suppliers that are not part of an existing scheme are able to choose a program based on industry and location. Other customer requirements may also be a consideration. Woolworths does not mandate which scheme to select; however, once selected, suppliers should not change programs until zero tolerance or critical non-conformances are closed. Suppliers are encouraged to stay with the same scheme to better demonstrate and track continuous improvements. Suppliers are responsible for:

- Selecting and engaging their MR scheme of choice
- Joining the program and paying any required fees
- Completing and maintaining the MR-scheme's self-assessment questionnaire (or similar)
- Arranging and participating in all necessary preliminary and follow-up inspections and audits
- Following the program's prescribed corrective action or remediation plans
- Participating in schemes' required training programs
- Maintaining the validity of the chosen scheme's accreditation

Keeping Woolworths informed of any delay in audit

- Submitting the copy of the latest audit reports ideally 7 days before the expiry date for the Woolworths team to review.

Failure to meet MR-scheme requirements may result in suspension or termination of business with Woolworths. It is important to plan for the audit ahead of the expiry date to ensure the accreditation does not lapse.

## **Step 2: Submitting a valid mutual recognition audit**

Audits are considered valid if they are:

- In date and meet the requirements of the respective scheme's audit program (less than 12 months old, usually).
- The full official audit report, not only a Corrective Action Plan (CAP) summary.
- Conducted by certification bodies (CBs) recognised by Woolworths or the MR schemes' governance.

## **Sedex (SMETA) Audits**

Please note that Sedex (SMETA) Audit must be performed by the following Woolworths approved firms:

- **For sites in Asia:** UL, Intertek, SGS, LRQA (Elevate), Bureau Veritas, TUV SUD
- **For sites in Aus/NZ:** Ausqual/Ausmeat, BSI, SGS, Intertek, LRQA (Elevate), DQS, QIMA, Qualspec, SAS Globe, Arche Advisors.
- **For the rest of the world:** SGS, Intertek, UL, LRQA (Elevate), BSI, DN-GVL, DQS, QIMA, Bureau Veritas, QIMA and Qualspec (API).

If your Sedex (SMETA) Audit is carried out by any other firm, please contact the RS team by email with the name of the certification body and a full copy of the audit attached.

- Woolworths reserves the right to reject an audit report not carried out by the below approved Certification Bodies if the report quality is not adequate.

**Scheme-specific information**

MR-scheme	Specific Woolworths Requirements
amfori BSCI	<ul style="list-style-type: none"> <li>All sites with a BSCI report must be members of the BSCI platform.</li> <li>Ensure your Woolworths Responsible Sourcing Specialist is aware of your "Database ID" number (DBID) and where appropriate select Woolworths as the RSP Holder.</li> <li>Woolworths only accept BSCI reports graded A, B and C.</li> </ul>
Sedex SMETA	<ul style="list-style-type: none"> <li>Please connect with Woolworths on Sedex via our company reference number: <ul style="list-style-type: none"> <li>WGL ZC293159401 (when factories are based in Asia and the Indian subcontinent)</li> <li>Woolworths Food Australia ZC1041297, (when factories are based in the rest of the world) PLEASE NOTE: Sites applying for a SMETA audit must be Sedex members</li> </ul> </li> <li>Woolworths accepts SMETA pillar 2 or pillar 4 audits.</li> <li>SMETA reports are only accepted from Woolworths approved CBs (see above).</li> <li>Audits, unless otherwise indicated, must be within one year of validity. Exceptions will be considered based on Woolworths' grading criteria (see below).</li> </ul>
SA8000	<ul style="list-style-type: none"> <li>While SA8000 certificates are valid for three years, the scheme conducts certification and surveillance reports.</li> <li>Please ensure Woolworths has the most up-to-date report. We generally expect the latest report to be within one year of validity.</li> <li>Please submit the SA8000 certificate along with the full audit report.</li> </ul>
ICTI Ethical Toy	<ul style="list-style-type: none"> <li>Please share your full ICTI report along with the certificate.</li> </ul>

**Program**

WRAP	<ul style="list-style-type: none"> <li>Please share your full WRAP report along with the certificate.</li> </ul>
GlobalGAP GRASP	<ul style="list-style-type: none"> <li>GlobalGAP &amp; GRASP Add-on reports and certificates must be submitted.</li> <li>Accepted only for agriculture, horticulture and aquaculture suppliers.</li> </ul>
NZGAP Social Practice Add-on	<ul style="list-style-type: none"> <li>NZGAP Social Practice Add-on reports and certificates must be submitted</li> <li>Accepted only for horticulture suppliers in New Zealand.</li> </ul>
SA8000	<ul style="list-style-type: none"> <li>While SA8000 certificates are valid for three years, the scheme conducts certification and surveillance reports.</li> <li>Please ensure Woolworths has the most up-to-date report. We generally expect the latest report to be within one year of validity.</li> <li>Please submit the SA8000 certificate along with the full audit report.</li> </ul>
Fair Farms	<ul style="list-style-type: none"> <li>This scheme is specific to agriculture &amp; horticulture suppliers in Australia.</li> </ul>

**Step 3: Sharing your audit with Woolworths**

Woolworth manages responsible sourcing and quality audit requirements in its own compliance platform. If you are a new supplier that is not yet registered to have access to our systems, please contact your Woolworths representative who will organise your access. More information on how to upload audits and certificates will be shared with you. Alternatively, please email valid reports to your responsible sourcing specialist:

- In Asia: [responsiblesourcingasia@woolworths.com.au](mailto:responsiblesourcingasia@woolworths.com.au)
- In New Zealand: [responsiblesourcing@countdown.co.nz](mailto:responsiblesourcing@countdown.co.nz)
- Australia & rest of world: [responsiblesourcing@woolworths.com.au](mailto:responsiblesourcing@woolworths.com.au)

### Mutual Recognition Audit Outcomes and Corrective Action Plans

All MR audits will be reviewed by Woolworths and receive a responsible sourcing audit outcome. We call this process “equivalency grading” as it allows us to standardise our supplier assessments across all eight mutual recognition schemes. The ratings are as follows:

Woolworths grading	Green	Amber	Purple	Red
Grading criteria	≤5 Minor non-conformances	≤10 Major and/or ≥6 Minor or ≥ 1 Moderate non-conformances	≥1 Critical and/or ≥11 Major non-conformances	Any Zero Tolerance non-conformance
RS Status	Approved to trade	Approved to trade	Approved to trade – conditional on the agreement of an action plan to close non-conformances	May lead to temporary suspension, pending investigation

#### Definition of severity of non-conformances:

- **Zero tolerance:** Under our Responsible Sourcing Program, zero tolerance is the term used to describe the most serious forms of non-conformance in our supply chain. These are non-conformances against Woolworths’ Responsible Sourcing Policy, Standards and associated Addendums that we consider to be an egregious breach which, if not remedied, may result in a suspension and/or termination of our relationship with that supplier. These include: modern slavery (or modern slavery indicators) and exploitative conduct including, but not limited to, forced labour, deceptive recruitment, child labour, human trafficking and debt bondage, bribery and corruption, mental or physical harassment or abuse, discrimination, and egregious health and safety breaches.
- **Critical:** A severe breach of the standard or local law which represents imminent or critical threats to workers’ safety, or which constitutes a critical breach of workers’ human rights or ethical business standards.
- **Major:** An absence or breakdown of the social compliance system, a systematic or material breach of the standard or local law which poses an imminent and immediate, but not life-threatening, threat to workers’ safety or human rights.
- **Moderate:** A breach of the standard or local law which represents a danger to workers or an infringement of workers’ human rights. The impact is less than those imposed by “Major” issues.
- **Minor:** An isolated failure or oversight which represents low risk to workers. A minor issue is not a systematic failure which can be reversed immediately.

#### Red audit outcome (Zero Tolerance)

- A red audit outcome is considered a zero-tolerance breach of the Standards.
- Where necessary, agreed actions may be recorded on a Management Action Plan (MAP). This is a mutually agreed set of actions with a focus on root cause and improvement of management systems in order to address them.
- In cases of systemic violations, a site may be required to undertake a third party capacity development program at their own expense.
- Consistent with our assisted compliance principle, if we believe that there is both commitment from the supplier to remedy and avoid recurrence, and capability to do so, we will usually continue to work with them unless there is any repetition.
- If a supplier is unable or unwilling to remedy their non-compliance within a specified timeframe, we may suspend and/or terminate our relationship with that supplier. When considering terminating the relationship with the supplier, we will assess whether this is likely to have adverse human rights impacts on workers.

- Sites whose third-party certification has been revoked may be rated as red and suspended until certification can be reinstated.
- Sites must be reaudited by a third party to close audit non-conformances resulting from a red audit outcome.

#### Purple audit outcome

- A purple audit outcome identifies sites where there is a critical violation of the Standards.
- A site is considered conditionally approved to trade, pending agreement of a corrective action plan to remedy non-conformances. The site will only move to an approved-to-trade status following the closure of the Critical audit findings.
- Woolworths will actively follow up with suppliers to close non-conformance audit findings.
- A site with a purple audit outcome will also be prioritised for a Woolworths site visit.
- Consecutive purple audits may result in a regrading to red status while a root cause investigation is conducted.

#### Amber audit outcome

- A purple audit outcome identifies sites where there is a critical violation of the Standards.
- Amber sites are approved to trade, subject to any further findings or information.
- Non-conformances must be closed according to the mutual recognition scheme's rules.

#### Green audit outcome

- A green audit outcome indicates a high level of compliance to the Standards.
- Non-conformances must be closed according to the mutual recognition scheme's rules.

#### Reaudit schedule

All suppliers must maintain audits/certification requirements as per their MR scheme. **Where a scheme does not define an audit schedule**, the following applies:

- **Red** – immediate follow up or investigation usually resulting in an audit within 3-6 months (based on violation)
- **Purple** – annual audit and a Woolworths site visit (unannounced, semi-announced or announced)
- **Amber** – annual audit
- **Green** – audit every two years. Following two consecutive green initial audit outcomes, required audit frequency shifts to every three years.

Please note that the frequency of audit required by Woolworths may differ from the Sedex recommended frequency. Based on Woolworths' own risk analysis, the site may require a different grading.

#### Site visits

Site visits are part of our due diligence framework. Visits may be by the responsible sourcing team or a third party auditor and aim to build a deeper understanding of the root causes of issues found through audits. Site visits may be required as additional due diligence.

#### Unannounced site visits

Priority and Specialised sites are in scope of our unannounced visits program. Audit results (red and purple grading) and other red flag indicators may trigger an unannounced site visit to aid Woolworths in identifying and resolving business critical issues.

#### Special audits

Woolworths reserves the right to conduct an audit and/or request a site to be audited outside of Woolworths' standard audit requirements. These audits may be announced, semi-announced or unannounced based on the circumstances warranting special audit.



In the event a special audit is triggered as part of an investigation, Woolworths may direct an audit firm to act on our behalf. The scope will be at the discretion of Woolworths, and the cost may be borne by the supplier or Woolworths based on the nature of the suspected breach.

**Changes to your site**

The Responsible Sourcing Program focuses on a suppliers’ site or factory that manufactures or produces the product that Woolworths purchases. Woolworths must be informed of any changes such as:

- a change of address, when the site of production moves
- any significant change to the site (addition of new buildings, extensions or renovations that alter exit routes etc).
- a change of company name that affects any license to operate.

The site will undergo a new risk assessment, that may lead to the site requiring a new audit ahead of the usual schedule.

**Subcontracting**

We go to great effort to choose suppliers for the quality of their goods and services, and the way they conduct their business, particularly with respect to responsible sourcing. This can be undone if suppliers use unauthorised subcontractors that do not meet our Standards. In simple terms, when a Woolworths supplier pays another business (a subcontractor) to do all or some of the work, this is subcontracting.

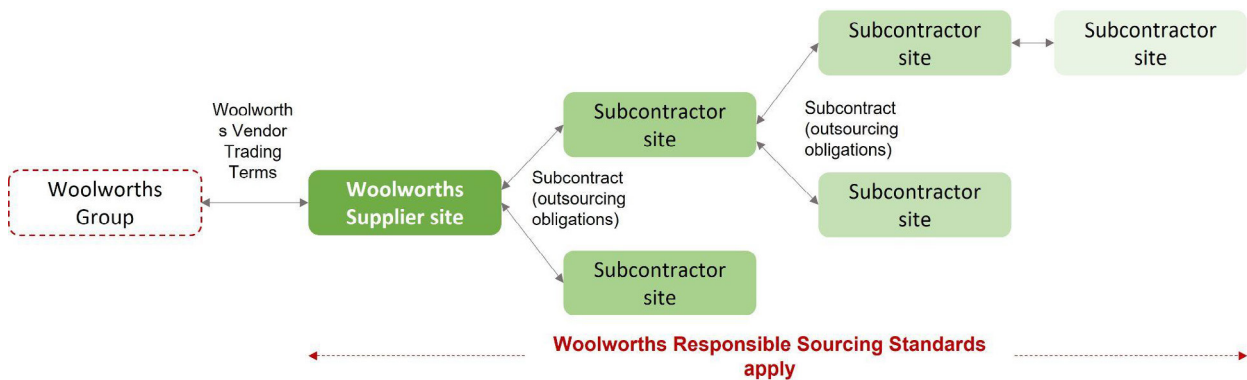
Woolworths standard contracts generally adopt the following principles:

- suppliers must get our consent before subcontracting;
- suppliers must make sure subcontractors are suitable and capable of performing the obligations being passed to them, and will be able to meet Woolworths standards and requirements;
- suppliers will always be responsible for their obligations, even if they choose to subcontract some or all of those obligations to subcontractors.

**Figure one** captures the most basic arrangement.

- The subcontractor could supply the whole product or service to the Woolworths Supplier, or part of the product or service.
- In this case, Woolworths will have a set of Vendor Trading terms with the Woolworths Supplier, and expects the Woolworths Supplier has entered into its own contractual arrangements with the subcontractors where it has communicated the standards and policies of Woolworths, including the Responsible Sourcing Policy and Standards.

**Figure 1:** How RS Standards apply across basic subcontracting arrangements

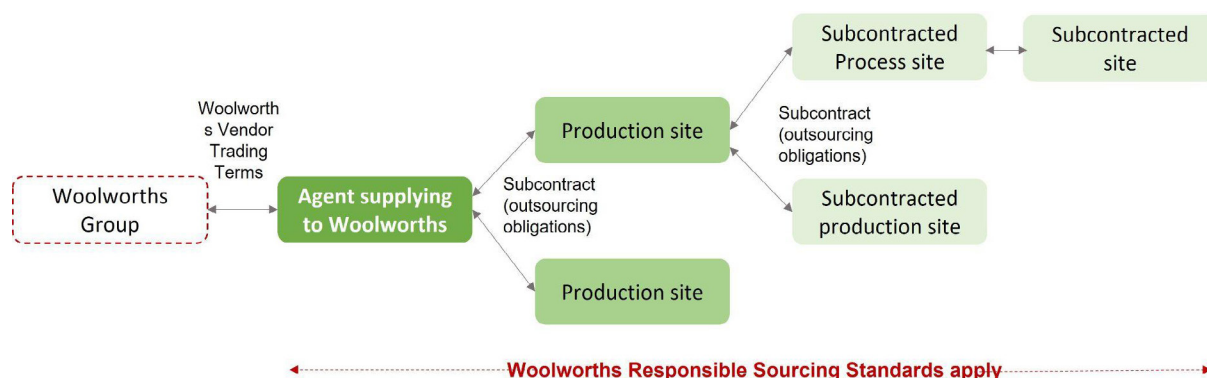


This can also apply where a Woolworths Supplier is an agent:

- Woolworths has signed the Vendor Trading Terms with an agent, who may be a local representative of a supplier based overseas, or a market agent that sources produce from growers.
- The agent may then contract a factory/growers to deliver the goods.
- This is a subcontracting arrangement, but we can also call this a “site”.

This is captured here:

**Figure 2:** Subcontracting arrangement where the supplier is a wholesaler or sourcing agent



### Supplier Speak Up

Woolworths is committed to ensuring channels are provided through which adversely affected people or communities can raise complaints or concerns without fear of retaliation, intimidation, harassment, discrimination or victimisation.

The Supplier Speak Up service is available to our suppliers and their team members as a mechanism to confidentially and, if they choose, anonymously raise any responsible sourcing concerns. You can read more about Woolworths’ Supplier Speak Up Policy, download a poster and raise a concern at: [WoolworthsGroup.com.au/SpeakUp](http://WoolworthsGroup.com.au/SpeakUp). The Supplier Speak Up Policy is also available to download on our website under the Speak Up/Whistle blower section [here](#).

We are similarly committed to develop the capacity of suppliers to provide workers with a channel to share their feedback, concerns and ideas, at their place of work. We call this site-level grievance mechanisms. More information on grievance mechanisms can be found in our additional guidance materials section below.

### Beyond Tier One Suppliers

Woolworths Responsible Sourcing Program started by focusing on first tier suppliers (suppliers with whom we have a direct relationship). However, as outlined in the Responsible Sourcing Standard, we expect that our suppliers and our suppliers’ suppliers (our upstream supply chain) are committed to the same Standards as we are. Our suppliers must be able to meet our minimum expectations and have capacity to continuously improve on key responsible sourcing indicators.

We expect our suppliers to share Woolworths’ Standards with their suppliers so that our expectations and standards are known and implemented along the supply chain. We require suppliers to be transparent about their upstream supply chain or sites and may request information to verify that our Standards are known and upheld at multiple supplier tiers.

It is our intention to work with suppliers and industry groups to help uncover and manage responsible sourcing risks. We will be proactive in this area as our Responsible Sourcing Program matures.

### Additional Guidance materials

In addition to the three requirements documents listed above, a number of stand alone guidance materials developed by the Woolworths Human Rights and Responsible Sourcing teams are available to support our Supplier partners in understanding and meeting the requirements of the Policy and Standards:

Topic	Guidance material	Relates to Standard No.
Grievance Mechanisms	<a href="#">Supplier guidance on developing grievance mechanisms</a>	11
Overtime	<a href="#">Supplier Guidance on Overtime Hours</a>	13
Auditing	Woolworths approved auditors list, map & contacts (please contact your local RS team)	NA
Labour providers	<a href="#">FAQ</a> – Addendum – Requirements for Labour Providers in our Australian Horticulture supply chain	5, 7 & 17

### Related Policies

A number of policies contain reference to the Responsible Sourcing Program and may be relevant to your product or service. These can be found listed on Woolworths Group website and should be read in conjunction with the Responsible Sourcing Policy and Standards accordingly:

- Woolworths Sustainable Soy Sourcing Policy
- Woolworths Sustainable Tea, Coffee, Cocoa & Cane Sugar Sourcing Policy
- [Woolworths Seafood Sourcing Policy](#)
- [Woolworths Responsible Cotton Policy](#)