



Supplier Guidance

Addressing Overtime Hours

Introduction

Overtime is a complex issue and a challenge across many industries. Suppliers depend on their workforce to produce goods to fulfill customer orders, and many workers want to work overtime to earn additional wages. However, the combination of these factors can lead to excessive working hours that can lead to non-compliance with local laws and customer requirements, and most importantly workers' well-being.

Excessive overtime can also negatively impact a supplier's operations because it can lead to lower quality and productivity, dissatisfied workers and high worker turnover.

The purpose of this supplier guidance document is to help our suppliers:

1. Understand Woolworths' Responsible Sourcing Standards for overtime hours
2. Use a checklist to help monitor overtime management systems
3. Make continuous improvements to internal systems to prevent excessive overtime
4. Understand how to communicate with Woolworths when overtime exceptions may be required

1. Understanding Woolworths' Standards

Woolworths expects our suppliers to align their practices to achieve compliance with our Responsible Sourcing Standards. However, we recognize our suppliers are in different places within their social responsibility maturity journey. This is why we are focused on supplier transparency and their commitment to continuous improvement to achieve compliance incrementally. In the event a supplier is not yet in compliance with our standards, we expect:

- Our responsible sourcing team is notified so we can work together to develop a plan;
- Full transparency about working hours and wages;
- Demonstrated improvement based on audit results;
- The supplier is in compliance with our overtime exception criteria defined in WOW's Standard 13.4 to protect worker well-being.

WOW's Standard 13.3 limits the regular working hours employees can work to 48 hours or the allowable limits set by local law or collective bargaining agreements (CBA). If there is a difference between the defined limit, WOW expects facilities to comply with whichever limit is stricter (the defined lower limit).

Working hours are the amount of time employees spend working on behalf of their employer.

Regular working hours limit the amount of non-overtime hours an employee works per week.

WOW's Standard 13.4 limits the number of overtime hours an employee can work to 12 hours per week (limiting the total number of hours employees can work to 60 hours) or legal limits.



In certain situations, WOW does grant exceptions to its overtime requirements if:

- It is permitted by national law or CBA;
- Appropriate safety measures are implemented to protect workers; and
- Suppliers can demonstrate and prove exceptional circumstances.

Exceptional circumstances can be related to production peaks, accidents or emergencies.

Overtime is the number of hours an employee works beyond the normal work week. Different countries, local laws and/or collective bargaining agreements may define different limits.

Production peaks are considered defined as a 17-week-period (one-third of the year) when overtime may be permitted. This 17-week exception is an industry norm dating back to 1996 when the Apparel Industry Partnership was established, which is known today as the Fair Labour Association.

Accidents are considered to be any type of incident at the facility which has impacted production (e.g. fire, power outages, flooding, natural disasters).

Emergencies are considered to be any type of event that has interrupted and/or impacted production (e.g. strikes, worker shortages due to illnesses, delays in receiving component materials).

All **overtime must be voluntary**, which means workers have the right to refuse overtime work without fear of retaliation, disciplinary actions or punishment (**Standard 13.2**).

WOW's Standard 13.6 requires workers are provided with at least 1 rest day for every 6 days consecutive work period or required by applicable law or CBA, whichever is stricter.

Rest days are a continuous period of not less than 24 hours during which an employee is not scheduled to work.

WOW's Standard 13.7 requires that workers are provided reasonable meal and rest breaks in accordance with local laws.

Rest breaks are an uninterrupted period where the worker is not required to work during their shift.

Meal breaks are breaks when workers are able to eat a meal and are not required to work.

WOW's Standard 13.8 requires suppliers to comply with national/local laws for workers' entitlements to public and annual holidays.

Public holidays are nationally recognized days when businesses and institutions are closed based on local law.

Annual holidays are paid time off granted by employers for employees to take. The number of days should align with the local local law.

WOW's Standard 13.1 requires suppliers to keep complete time attendance records for each worker

for at least 12 months, or longer if required by law.

WOW's Standard 13.2 requires suppliers maintain and communicate a working hours policy to all workers. Workers may refuse overtime work without any fear of retaliation, disciplinary actions, or punishments.

WOW's Standard 13.5 requires suppliers to have management systems in place to monitor, determine and remediate excessive working hours to demonstrate management and control of working hours.

WOW's Standard 13.9 requires suppliers to have a reliable system to keep accurate and complete time records.

WOW's Standard 13.10 requires suppliers to provide a functioning and reliable timekeeping system that allows workers to record their own hours (e.g. punch in, swipe card, etc.).

The above standards are focused on management systems and processes to help communicate hour requirements and track and monitor working hours, breaks and rest days.

Time attendance records are logs of the hours individual employees work that are used to track hours worked and ensure wages are paid accurately.

A **working hour policy** defines the company's expectations around working hours to govern its operations.

Retaliation occurs when an employee is fired or receives negative consequences for a protected activity, such as refusing to work overtime.

Management systems are a set of policies, processes and procedures used by a company to ensure it remains compliant with customer requirements or local laws.

Time keeping system track working hours, overtime, vacations and absences for all workers.

2. Management Checklist

We recognise the challenges of overtime and the complexity of the root causes. The following checklist is designed to help you review your current practices against the identified best practices above to make sure you have the appropriate controls in place to help you to address overtime hours and reduce the associated risk to your business and workers' well being.

- You have a working hour policy and supporting procedures.
- You have effectively communicated your working-hour policies and procedures to employees.
- You are aware of and comply with applicable law related to working hours, leave (including laws about child and young workers) and overtime.
- You have a reliable and accurate time keeping system to record the number of hours (regular and overtime) worked by employees that is verified by employees.
- You have a process to review all overtime by department and month to identify root causes behind the overtime to put solutions in place to reduce and eliminate non-compliances.
- You have conducted a root cause of any non-compliances identified in previous audits as part of your corrective action plan.

- ❑ You have a process to review production capacity plans before accepting customer orders and confirm delivery dates to ensure you have available resources to meet deadlines without requiring overtime.
- ❑ You ensure that workers understand that all overtime is voluntary and that they are not penalized if they decline to work overtime.
- ❑ If you use piece-rate systems, you can show that the minimum daily quota is achievable by most employees within an eight-hour shift.
- ❑ You give employees at least one rest day every week.
- ❑ You give workers reasonable breaks during shifts - especially, if an employee's shift is six or more hours.

3. Continuous Improvement Guidance

Understand local regulatory requirements on working hours, rest days and leave

- Identify the latest local law for the province and/or country the facility operates in for:
 - Working Hours:
 - *This includes hourly, weekly and monthly regular and overtime working hour limits and any restrictions (e.g. age).*
 - *If the local law working hour limits exceed Woolworths Standards, the supplier is expected to use Woolworths' Standard because it is the lower standard and offers greater protection to workers.*
 - *If local law limits for working hours are less than Woolworths standards, the supplier is expected to apply the local law to offer greater protection to workers. .*
 - Meal and rest breaks.
 - Public and annual leave.
 - Rest days.

Create a working hours policy

- Facilities should have a working hour policy that:
 - Limits the number of hours employees work during the week to align with regular and overtime daily and weekly limits.
 - Includes meals and rest breaks and public and annual leave.
 - Defines if and how the company will manage and approve any exceptions to the daily, weekly or monthly limits.
 - States employees will not be required to work overtime involuntarily, and will not be punished, retaliated against or penalized in any way for refusing to work overtime.
- The policy should be reviewed and updated as needed based on changes to local law.

Develop procedures to support the working hour policy

Procedures provide guidance on how employees are expected to implement the company's policy into their ways of working.

The procedure should include details on:

- How the company defines working time based on the working hours policy.
- Which categories of employees (i.e. age or gender) are affected by working hours rules.
- The work hours schedule and how time will be recorded.
- Pay for weekday, weekend, and holiday overtime according to the law.
- How employees can take advantage of leave benefits like sick, holiday and vacation time.
- Rules regarding rest days, rest breaks and meal breaks.



Develop and Implement a Timekeeping System

Develop a timekeeping system—such as timecards or other record of working hours, including overtime—for all workers (permanent, contracted or temporary) to accurately track their working hours whether paid by piece or hour. It is considered best practice for employees to personally record the start and end times of their workdays because it creates a level of worker oversight.

A timekeeping system benefits employers because it:

- Tracks actual hours not just the scheduled hours to monitor compliance with regular workweek, overtime hours and rest days as defined by local law.
- Helps the facility maintain accurate time records as required for audits.
- Identifies if any employees may exceed working hours limits to adjust schedules if possible.
- Includes worker validation as a cross-check to confirm that the time recorded is correctly.
- Makes sure workers are paid overtime in accordance with local/national laws or regulations.
- Creates a transparent system for the fair distribution of overtime hours to ensure all workers have an equal opportunity.

Maintain Time Records

Woolworths expects suppliers to maintain time records for employees for at least 12 months, or longer if required by law.

Conduct Training

All employees should be trained on the working hour policy and procedures. This includes:

- Individuals responsible for managing working hours.
- Educating managers and workers on the normal working hours and overtime limits, the timekeeping system and the process to report errors in time reporting.
- Special training for managers and supervisors on working hours for children and young workers (which are usually different) to help ensure these workers are not put at risk of working overtime or of working during time periods when they legally cannot work.

Special Guidance if Using Piece Rates

If a facility uses a piece-rate or other incentive system, make sure that it is allowable under local law and the minimum daily production quota is achievable by most employees within an eight-hour shift. This will help ensure that employees do not have to work unreasonable overtime to earn sufficient wages, and avoid potentially breaching minimum wage laws.

Rest Days

Make sure all employees are given at least one rest day (equal to 24 consecutive hours) each week, and as required by local law. If employees are scheduled to work on a rest day due to scheduling demands, facilities should give them an alternative rest day within the same week or the one immediately after, as in accordance with local law.

Breaks

- Review local law and identify what type of workday breaks, and the frequency and length of the breaks employees are entitled to. If local law doesn't specify workday breaks, facilities should give their employees at least one uninterrupted work break if their shift is six or more hours.
- Schedule breaks for the middle of a worker's shift. A reasonable duration for coffee and tea breaks is commonly 10 to 30 minutes; for meal breaks it is 30 minutes to two hours.
- Bathroom breaks should be given as and when needed by the worker and are different to work and meal breaks. Some employees may require more frequent bathroom breaks, for example when pregnant or due to medical conditions.



Production Capacity Planning

- Create procedures to review capacity planning for each order before confirming a delivery date with customers.
- Capacity planning involves identifying the capacity required to fulfill the order (e.g. number of production lines, and number of workers) and reviewing it against the facility's available capacity to ensure there are available resources to meet this deadline without requiring workers to work overtime.

4. Requesting Overtime Exceptions

In the event a facility is facing exceptional circumstances based on WOW's defined criteria, a supplier should proactively request an overtime exception from Woolworths. This transparent communication will allow Woolworths to partner with your facility to either grant an exception or work with you to find an alternative solution to support fulfillment of the orders without requiring overtime.

To request an exception please email the following information to Woolworths RS team and copy your commercial team contact (buyer, category manager or sourcing manager).

If you are in Asia, please email responsiblesourcingasia@woolworths.com.au.

If you are operating anywhere else, please email responsiblesourcing@woolworths.com.au.

Your email should include:

- Supplier Point of Contact Name
- Supplier Point of Contact Email Address
- Facility Name
- Facility Location
- Woolworths Supplier ID number
- Explanation of what the exception ask is (i.e. number of hours, length of time for the exception)
- Explanation of why the exception is needed (i.e. natural disaster, in response to COVID production delays)
- Identify if there is a collective bargaining in place at the facility and provide a copy if applicable