

**Woolworths Group’s response on ethical sourcing and supply chain human rights**

Woolworths has set out a public commitment as part of our **2020 Corporate Responsibility Strategy** to improve our ethical sourcing approach, including supply chain human rights (<http://crs.woolworthsgroup.com.au>). **Commitment 16** of that strategy states that: “*We will focus on a best practice compliance system according to the Global Social Compliance Program. We will collaborate with peak organisations to improve workers’ lives.*”

A Group-wide review project has recently commenced to address how the Group will meet this commitment. It will run throughout FY18, and is aligned with the contents of the ACCR draft resolution.

We will publish our **2017 Corporate Responsibility Report**, setting out progress against this and other corporate responsibility commitments, in late September 2017.

ACCR Draft Resolution Requests	Woolworths Current Position	Woolworths In Progress (completed end FY18)
<p>1. Report annually to shareholders, at reasonable cost and omitting proprietary information, on our company’s due diligence process for identifying, analysing and addressing potential and actual adverse human rights impacts (HRDD Assessment) throughout our group’s operations and supply chains. The report should address the following:</p>	<p>Woolworths published its 2020 Corporate Responsibility Strategy on 3 February 2017. The strategy includes Commitment 16 related to supply chain human rights.</p>	<p>Woolworths publishes an annual Corporate Responsibility Report on its progress towards meeting its 2020 Corporate Responsibility goals.</p> <p>The 2017 report, setting out FY17 performance and progress against the commitments in the strategy, will be published at the end of September 2017.</p>
<p>a. Human rights principles used to frame the HRDD Assessment</p>	<p>The Woolworths Group Ethical Sourcing Policy uses the framework and principles adopted by the International Labour Organisation (ILO) and the principles of the United Nations Universal Declaration of Human Rights. A copy of the policy is available on the Woolworths Group website.</p>	<p>Our Group-wide review project will include an update of our Ethical Sourcing Policy. This review will include considering the human rights principles framework to be applied.</p> <p>We expect to bring the final policy to the Board in early 2018. Once finalised, we will publish the revised policy on our website.</p> <p>Our current position is aligned with the ACCR’s recommendation to use the UN Guiding Principles on Business and Human Rights. The Woolworths ethical sourcing policy will be further enhanced in line with these principles.</p>



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<p>b. Frequency of HRDD Assessments</p>	<p>Our program of work is continuous, with assessments undertaken based on the level of risk, determined by our human rights risk framework.</p>	<p>We will review our human rights risk framework each year, including reviewing country / product / purchasing arrangement risks. The outcomes of this exercise will determine the areas of focus for each year.</p> <p>Our initial assessment will review potential human rights risks through the full scope of value chain: inside our organisation, tier 1 suppliers down to raw material suppliers, and also including distribution and warehousing.</p>
<p>c. Methodology used to track and measure performance</p>	<p>To track and measure performance, we currently report publicly in our annual Corporate Responsibility Report on the outcomes of the ethical audits we have undertaken across the Group during the year (percentage approved / conditionally approve / at risk), and the severity of the non-conformances found (percentage high / low / critical).</p>	<p>We will continue to use our audit program and audit results as our primary tools to track and measure performance.</p> <p>To lessen the burden of audits and to align the industry on key issues, our updated approach to ethical sourcing supports mutual recognition of audits (in line with global best practice). The goal of mutual recognition is to satisfy the needs of many through a common audit framework and sharing network. The ability to measure and track progress at an industry level is more powerful than siloed approaches by individual organisations.</p>
<p>d. Nature and extent of consultation with relevant stakeholders (including trade unions) in connection with the HRDD Assessment</p>	<p>Woolworths regularly consults with our suppliers, for example during FY17 we held a series of supplier roadshows in Australia and Asia, including Shenzhen, Bangkok and Shanghai. These roadshows covered our supplier excellence standards, specific industry standards and codes of practice, including our ethical sourcing policy and specific code of practice for employing or engaging overseas workers, which applies</p>	<p>The supplier segmentation work currently being undertaken as part of our ethical sourcing review includes specific supplier surveys as part of the information collection phase to build a more insightful view of risk. This has been undertaken with our tier 1 suppliers in China and is being expanded to other parts of the Group.</p>



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	<p>to our domestic supply chain in Australia and New Zealand.</p> <p>Woolworths is in regular contact, as appropriate, with the Fair Work Commission, trade unions etc on matters concerning working conditions within our own operations.</p>	
<p>e. Nature and operation of grievance mechanisms available to individuals and communities whose enjoyment of human rights is adversely affected by our company's activities or through our supply chains, including the existence of whistleblower protections and support available to those reporting adverse impacts (for example, by trade unions or lawyers)</p>	<p>The employee <i>Speak Up</i> and <i>Vendor Speak Up</i> services are a channel for Woolworths team members and trading partners to raise suspected breaches of law or of accepted business practices, policies or procedures directly with a party that is external to Woolworths and can bring a fresh and independent perspective to the matter.</p> <p>To guarantee independence, an external provider (currently Deloitte) is responsible for its operation.</p> <p>The <i>Speak Up</i> service functions through a confidential telephone, internet, email, mail and fax service. Telephonic submissions made to the <i>Speak Up</i> service are dealt with by call centre operators who are specially trained to gather and record sensitive information. All concerns are then documented and a report is sent to a nominated independent Woolworths representative to escalate.</p> <p>The <i>Speak Up</i> service should be used where the individual is of the view that their dealings with any Woolworths business division or employee may have created or are likely to create issues such as:</p> <ul style="list-style-type: none"> <li>• Fraud, corruption or behaviour that threatens others</li> <li>• Product safety risk</li> <li>• Breach of competition, fair trading or consumer</li> </ul>	<p>As part of our ethical sourcing review the <i>Speak Up</i> service will be evaluated for its effectiveness as a grievance mechanism available to report human rights impacts, or whether other grievance mechanisms should be inbuilt.</p>



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	<p>protection laws</p> <ul style="list-style-type: none"> <li>• Theft</li> <li>• Conflicts of interest</li> <li>• Secret commissions or bribes</li> <li>• Improper disclosure of confidential information</li> <li>• Bullying</li> <li>• Harassment</li> <li>• Health &amp; safety breaches.</li> </ul>	
<p>f. Where actual adverse human rights impacts are identified through the HRDD Assessment, the nature of those impacts, and actions taken by our company in response, including in remedying adverse human rights impacts</p>	<p>Woolworths has a process in place for breaches of our ethical sourcing policy, which involves the formation of an internal cross-functional team (including representatives from the Commercial / Quality / Sustainability and Legal departments) to conduct an internal investigation and determine the appropriate course of action with the supplier. This may include:</p> <ul style="list-style-type: none"> <li>• A temporary or permanent stop trade</li> <li>• Issuance of a breach notice</li> <li>• Notifying Fair Work or relevant authorities of any illegal activity</li> <li>• Additional Ethical Audits being undertaken with the supplier.</li> </ul> <p>Woolworths is a member of the 2015 Australian Business Pledge against Forced Labour. Members have acknowledged a responsibility to prevent forced labour from occurring in their supply chain. The pledge includes a clear commitment by members to identify whether forced labour occurs in their supply chains and to address any confirmed instances. When incidents of forced labour are identified, the pledge commits members to: “focus on effective collaboration with our suppliers, aid agencies and other relevant parties,</p>	<p>Addressing instances of forced labour and other human rights violations is likely to incorporate elements of remediation as well as measures aimed at preventing instances from re-occurring. However, effective remedy is a complex and relatively poorly developed area of human rights policy and practice, and a consensus on how companies can utilize their leverage to support effective remedy within their supply chain is yet to emerge.</p> <p>In this context, Pledge members have commissioned a project (to be completed by November 2017) to seek research and recommendations to underpin a debate on the appropriate role for members in supporting effective remedy when instances of forced labour or other human rights abuses are identified within their supply chains. Given the nature of Pledge members, the research will encompass both the local and international contexts; and give consideration to the amount of leverage companies have to influence outcomes on remedy in different circumstances. Effective remedy requires effective multi-stakeholder engagement</p>



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	rather than exiting the supplier relationship”.	and an industry collaborative approach. Defining an approach to remediation is part of the current ethical sourcing review project. We are also planning to establish a ‘retailer roundtable on human rights’ to enable collaboration on these issues. The exact scope of this will be defined by November, including whether it will be broadened beyond retail and if there is interest from other retailers to join.
g. How the results of the HRDD Assessment are incorporated into company policies and decision-making, including in contracting practices.	Our country and product risk information determines the Own Brand suppliers subject to ethical audits. For vendor-brand suppliers, our ethical sourcing policy forms part of our terms of trade.	As part of our ethical sourcing review project, we will review the ethical sourcing policy, and develop related guidance such as a supplier code of conduct.  This will outline any implications for buying / sourcing decisions including when a supplier relationship might be put on hold or ended.
2. Make the report available to shareholders on our company’s website annually, no later than 90 days before our company’s AGM for the relevant year.	Woolworths currently reports on progress annually through our public Corporate Responsibility Report. This year’s report is due for release in late September. We are also committed to improving the disclosure of related information on our website.	The likely introduction of a Modern Slavery Act in Australia will also require Woolworths to produce a public annual statement covering this type of information. Woolworths appeared before the Joint Standing Committee on Foreign Affairs and Trade, to support the introduction of an appropriately-drafted Modern Slavery Act in Australia.