

WOOLWORTHS GROUP



Responsible Sourcing Program

Supplier Guidelines

Introduction

In July 2018, Woolworths Group (WoW) launched its Responsible Sourcing Program, establishing both the business and supplier expectations for social compliance.

As Woolworths, we own relationships with our suppliers, but it is our suppliers who own the relationships with the sites that produce the products we sell. This guidance document is designed to help suppliers understand our Responsible Sourcing Program and our expectations for doing business with WoW.

Our Responsible Sourcing Program

Our Responsible Sourcing Program is framed by two key documents:

- Responsible Sourcing Policy
- Responsible Sourcing Standards

We have also published an Addendum to the Standards:

- Requirements for Labour Providers in our Australian Horticultural Supply Chain

Responsible Sourcing Policy

All WoW suppliers are required to comply with our Responsible Sourcing Policy. This includes own brand, exclusive brands and vendor-owned brands. The Responsible Sourcing Policy replaces our previous Ethical Sourcing Policy: www.woolworthsgroup.com.au/icms_docs/189697_responsible-sourcing-policy.pdf

Responsible Sourcing Standards

Our Responsible Sourcing Standards (“Standards”) are the way that we implement the Policy commitments. The Standards apply to all direct suppliers, other than suppliers of branded goods and services, and our fresh food supply chain.

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’ audit process described below: www.woolworthsgroup.com.au/icms_docs/189698_responsible-sourcing-standards.pdf

Addendum to the Responsible Sourcing Standards

In February 2019 we released an Addendum to the Standards, *Requirements for Labour Providers in our Australian Horticulture Supply Chain*. The Addendum outlines specific requirements relating to the engagement of labour providers by participants in our horticulture supply chain: www.woolworthsgroup.com.au/content/Document/Woolworths%20Group%20Responsible%20Sourcing%20Addendum_FINAL.pdf

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 WOW’s commercial relationship. The assigned segment defines a sites’ Responsible Sourcing due diligence requirements and is communicated to suppliers as part of the supplier onboarding process.

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Due Diligence Framework		ALL	MINIMUM	MODERATE	PRIORITY	SPECIALISED
8. Annual Unannounced Site Visit ¹					✓	✓
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	✓	✓	✓	✓	✓	✓

¹ Selected based on risk assessment.

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

Changes and exceptions

A sites' 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, Woolworth's will communicate any new program requirements.

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

- an audit 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 SAQ should be seen as a baseline assessment of current social compliance practices. Where there are gaps WoW 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.

WoW will mutually recognise SAQs from the third party schemes listed below. Suppliers not affiliated to any scheme will receive a link to the WoW 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, we mutually recognise third party programs to help reduce suppliers' compliance burden. We accept seven national and global schemes that were selected based on their coverage, governance, relevance to our at-risk supply chain and alignment to our Standards. The 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)
- 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 Group Responsible Sourcing Manager. The seven schemes will be reviewed and any major changes, including the addition of new schemes, will be communicated to suppliers.

Step 1: Selecting a mutual recognition 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. WoW does not mandate which scheme to select however, once selected, suppliers must not change programs until zero tolerance or critical non-conformances are closed. We encourage suppliers to stay with the same scheme to better demonstrate and track continuous improvements. Suppliers are responsible for:

- Selecting and engaging its 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
- Participate in scheme required training program
- Ensuring audit reports do not expire and new reports are submitted to WoW prior to expiry

Failure to meet MR-scheme requirements may result in suspension or termination of business with WoW.

Step 2: Submitting a valid mutual recognition audit

Mutual recognition (MR) audits are considered valid if:

- They are in date and meet the requirements of the MR audit program.
- In the first instance, suppliers must submit a full audit report, not just a CAP or close audit.
- WoW accepts the MR schemes' governance of certification bodies (CBs).
- AS Sedex does not manage CBs, we only accept SMETA audits from the following firms:
 - **For sites in Asia:** UL, Intertek, SGS and Elevate
 - **For sites in Aus NZ:** Ausqual/Ausmeat, BSI, SGS, Intertek, Elevate, Assure Quality
 - **For the rest of the world:** SGS, Intertek, UL, Elevate, BSI, SAI Global and DNGVL

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From FY21, all CBs must maintain their Association of Professional Social Compliance Auditors (APSCA) membership and all auditors to our RS program must be on one of three APSCA pathways: Associate Social Compliance Auditor (ASCA); Registered Auditor (RA); or Certified Social Compliance Auditor (CSCA). For more information see: www.theapsca.org/apsca-member-auditors

Scheme specific information

MR-scheme	Specific WoW Requirements
amfori BSCI	<ul style="list-style-type: none"> All sites with a BSCI report must be members of the BSCI platform Ensure your WoW Responsible Sourcing Specialist is aware of your "Database ID" number (DBID) and where appropriate select WOW as the RSP Holder. WoWs only accept BSCI reports graded A, B and C.
Sedex SMETA	<ul style="list-style-type: none"> Please connect with WoW on Sedex via our company reference number: ZC1041297 WoW accepts SMETA pillar 2 or pillar 4 audits SMETA reports are only accepted from WoW approved CBs (see above). Audits, unless otherwise indicated must be within one year validity. Exceptions will be considered based on WoW's grading criteria (see below).
SA 8000	<ul style="list-style-type: none"> While SA 8000 certificates are valid for three years, the scheme conducts certification and surveillance reports. Please ensure WoW has the most up-to-date report. We generally expect these to be within one year validity. Please submit the SA8000 certificate along with the full audit report
ICTI Ethical Toy Program	<ul style="list-style-type: none"> From January 2020, WOW will only accept audits conducted using the 2018 audit checklist. Please also submit the ICTI certificate alongside the full audit report
WRAP	<ul style="list-style-type: none"> Please share your full WRAP report along with the certificate
GlobalGAP GRASP	<ul style="list-style-type: none"> GlobalGAP GRASP reports and certificates must be submitted Accepted only for agriculture, horticulture and aquaculture suppliers WoW also accepts the NZGAP Social Practice Standard
Fair Farms	<ul style="list-style-type: none"> All suppliers are required to have an initial baseline audit Due to auditor availability, WoW will prioritise higher risk suppliers for audit based on: <ul style="list-style-type: none"> commodity geography (including hotspot regions, regulatory oversight) seasonality suspected or known red flag sites raised via third parties

Step 3: Sharing MR audits

Product Lifecycle Management System (PLMS) is WoW's platform for managing supplier compliance for both quality & responsible sourcing. If you are a new supplier that is not yet on PLMS, please contact your Woolworths representative who will organise your access to the system. PLMS is currently being updated to store and grade all MR-scheme audits to the WoW Standards. More information on how to upload audits and certificates will be shared with suppliers in early 2020. In the meantime, please email valid reports to your responsible sourcing specialist:

- In Asia: responsiblesourcingasia@woolworths.com.au
- Rest of world: responsiblesourcing@woolworths.com.au

Mutual Recognition Audit Outcomes and Corrective Action Plans

All MR audits will be reviewed by WoW and receive a responsible sourcing audit outcome. We call this process 'equivalency grading' as it allows us to standardise our supplier assessments across all seven mutual recognition schemes. The style of rating for Responsible Sourcing is similar to Woolworths Supplier Excellence program for Quality Assurance. The ratings are as follows:

WoW grading	Green	Amber	Purple	Red
Grading criteria	0- 5 minor or moderate non-conformances	1- 10 Major and /or 6 or more minor/moderate non-conformances	1 or more Critical and/or 11 or more Major non-conformances	Zero Tolerance non-conformance
RS Status	Approved to trade	Approved to trade	Conditionally approved to trade	Temporary suspension pending investigation

Red audit outcome

- A red audit outcome is considered a zero-tolerance breach of WOW’s Standards. This includes but is not limited to forced or child labour, bribery, deceptive recruitment or debt bondage, any immediate threats to life, forced excessive and unpaid overtime, and denial of access.
- This will typically result in a cease of trade while WOW conducts an investigation. This length of the cease of trade is dependent upon the severity of the issues and whether both parties can agree to terms to remediate the findings within a defined timeline.
- If suppliers do not remediate a zero tolerance finding or demonstrate a willingness to improve, this will result in termination of supply.
- In cases of systemic violations, a site may need to enter a third party capacity development program as part of the corrective action plan.
- Red ratings may be used to suspend sites whose third-party certification has been revoked.
- Sites must be reaudited by a third party to close audit non-conformances.

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.
- WoW 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 WoW site visit.
- Consecutive purple audits may result in a downgrade to red while a root cause investigation is conducted.

Amber audit outcome

- An amber audit outcome identifies sites with general non-compliance to the Standards.
- Amber sites are approved to trade.
- Non-conformances must be closed according to scheme rules.

Green audit outcome

- A green audit outcome indicates a high level of compliance to the Standards.

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 rule applies:

- **Red** - immediate investigation/ or audit within 3-6 months (based on violation)
- **Purple** - annual audit and an unannounced WoW site visit
- **Amber** - annual audit
- **Green** - audit every two years. Two consecutive green outcomes and audit shifts to every three years

Unannounced Site Visits

Unannounced site visits are part of our due diligence framework for the most higher risk suppliers and sites. Priority and Specialised sites are in scope of our unannounced visits program. Audit results (red and purple grading) and other red flag indicators will trigger an unannounced site visit.

Special Audits

WOW reserves the right to conduct an audit and/or request a site to be audited outside of the WOW's 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, WOW may direct an audit firm to act on our behalf. The scope will be at the discretion of WOW, and the cost may be borne by the supplier or Woolworths based on the nature of the suspected breach.

New factory buildings and extensions

The Responsible Sourcing Program focuses on a suppliers' site or factory that manufactures or produces the product that Woolworths purchases. If your site or factory of production moves address or undergoes and significant change (new buildings are added, or current building is renovated or extended) after the audit has taken place, Woolworths must be informed of any changes and the new site must undergo the full factory approval process.

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 supplier of Woolworths Group (a WoW Supplier) pays another business (a subcontractor) to do all or some of the work that Woolworths Group has paid the WoW Supplier to do, this is subcontracting.

Figure one captures the most basic arrangement.

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

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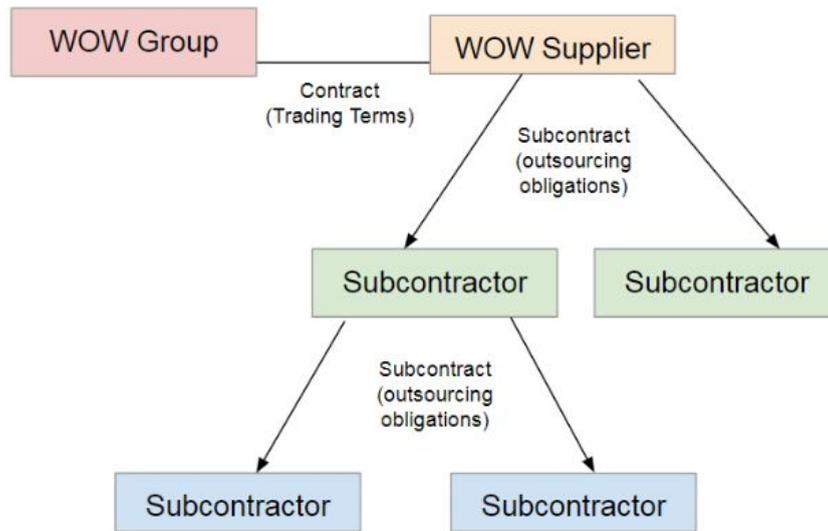


Figure 1: Basic subcontracting arrangement

This can also apply where the WoW Supplier is an agent:

- WoW 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 in **figure two**.

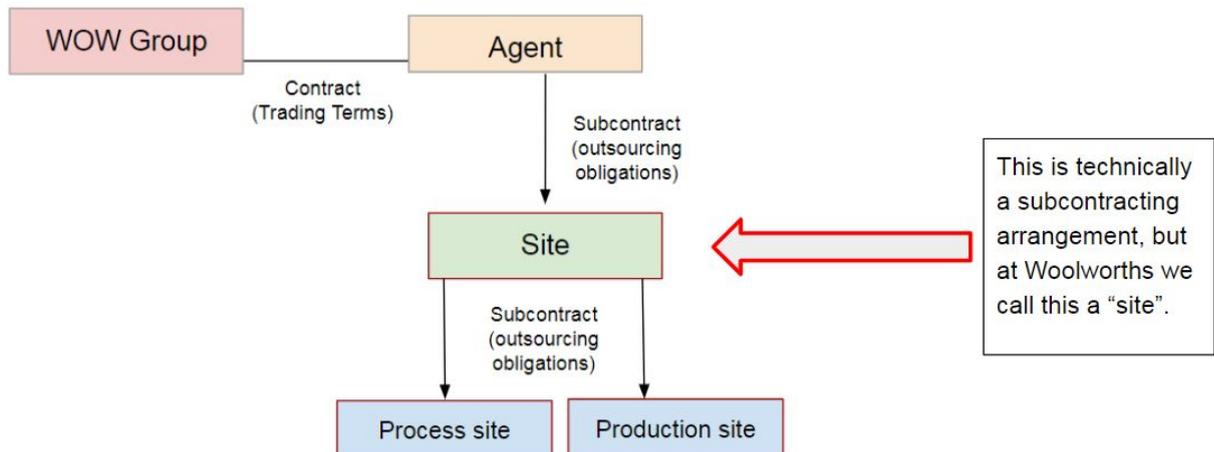


Figure 2: Subcontracting arrangement where the supplier is a sourcing / local agent

Woolworths Group 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 Group 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.

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.

Supplier Speak Up service for our direct suppliers and their team members as a mechanism by which responsible sourcing concerns can be raised anonymously. You can read more about the Supplier Speak Up and raise a concern at: WoolworthsSpeakUp.ethicspoint.com

We are similarly committed to developing 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. There are two main resources available to suppliers:

- [Supplier guidance on developing grievance mechanisms](#)
- E-learning module on managing worker feedback. All suppliers risk rated moderate and priority must complete the e-learning module. The training is available to minimum risk suppliers. A bespoke module will be rolled out for Specialised. Please contact the RS team for further information

Beyond Tier One Suppliers

The first phase (FY18-20) of Woolworths Responsible Sourcing Program will focus on first tier suppliers whom we have a direct relationship with. We believe it is important to lead by example and have our “house in order” before asking the same of indirect suppliers. 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 WoW’s 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, and will be proactive in this area as our Responsible Sourcing Program matures.