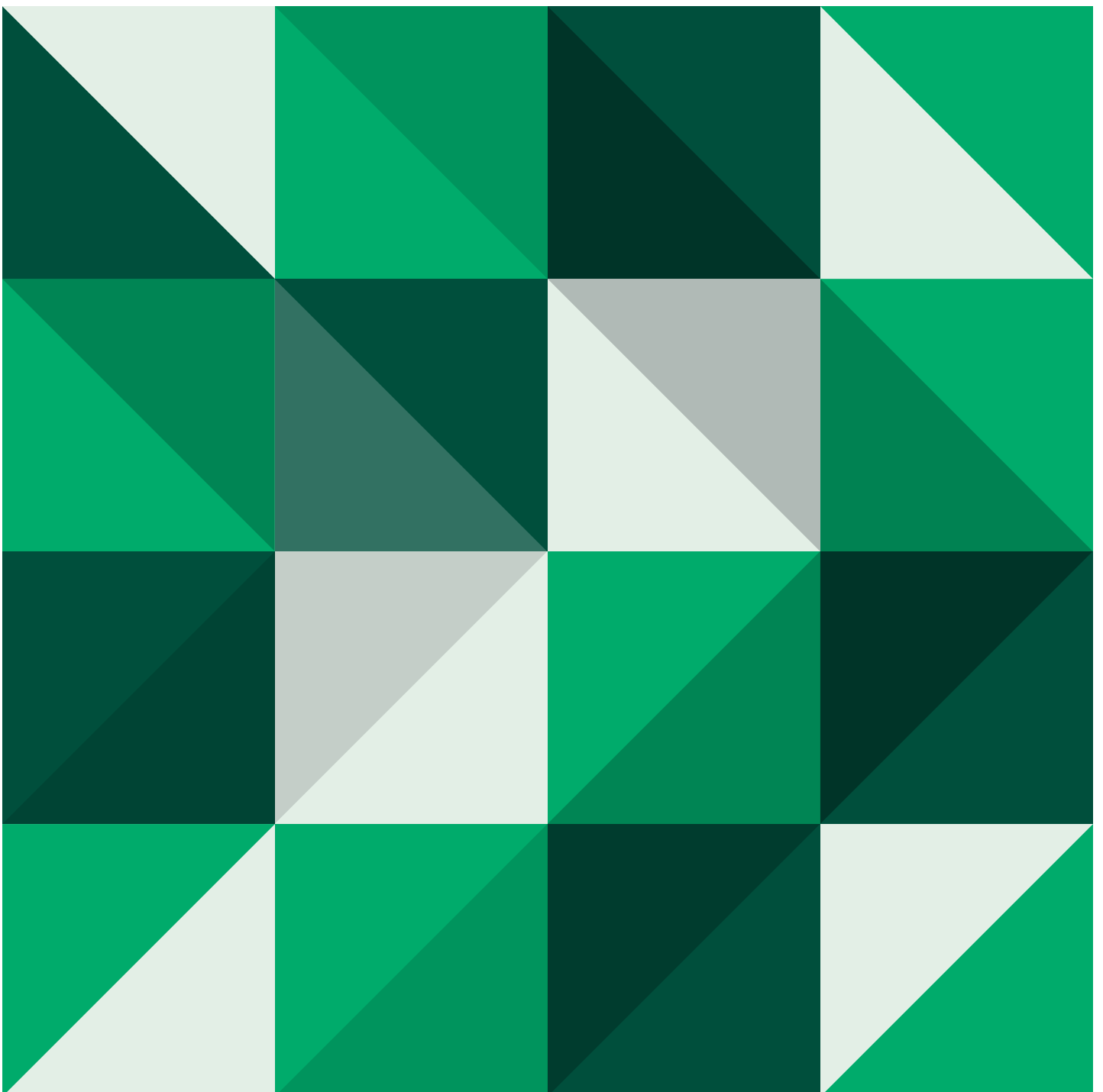


# Modern Slavery Statement 2021



## About this Statement

This Modern Slavery Statement (Statement) is made in accordance with the *Australian Modern Slavery Act 2018 (Cth)*. It applies to and describes the steps taken by Wesfarmers and its subsidiaries (Group) during the financial year ending 30 June 2021 to mitigate modern slavery in the Group's businesses and supply chains.

This Statement is submitted as a joint statement on behalf of all reporting entities<sup>1</sup> (Appendix A) within the Group.

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### Bunnings



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### Kmart Group



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### Officeworks



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### Chemicals, Energy and Fertilisers



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### Industrial and Safety



**Adelaide Tools** was acquired by Bunnings Group in April 2020 and has been integrated into the Wesfarmers reporting processes and procedures for the 2021 financial year. Modern slavery and human rights training was delivered to the leadership team and letters of amendment were sent during the 2021 financial year to Adelaide Tools' suppliers, requiring compliance with the Bunnings Code of Conduct.

**Catch** was acquired in August 2019 and has been included in the Wesfarmers reporting processes for the 2021 financial year. Catch is part of the Kmart Group and a process framework has been developed to integrate Catch own-brand suppliers into the Kmart Group Ethical Sourcing Program. Full implementation of these processes will take place in the 2022 financial year.

**Covalent Lithium** is 50 per cent owned by Wesfarmers. Work is underway, but not yet complete, for Covalent Lithium to work within the Wesfarmers Chemical, Energy and Fertilisers' Ethical Sourcing Program and Wesfarmers' reporting processes and procedures.

<sup>1</sup> Reporting entities are defined in the *Australian Modern Slavery Act 2018 (Cth)* as an entity which has a consolidated revenue of at least \$100 million for the reporting period, if the entity is an Australian entity at any time in that reporting period or carries on business in Australia at any time in that reporting period.

## Wesfarmers Modern Slavery Statement

Each of Wesfarmers' divisions, including all reporting entities, were consulted in the development of this Statement. As part of the consultation process, each division prepared an annual ethical sourcing and modern slavery report for its divisional board, which was then consolidated into an annual ethical sourcing and modern slavery report for the Wesfarmers Audit and Risk Committee, a sub-committee of the Wesfarmers Board.

The annual ethical sourcing and modern slavery report completed by each division includes details of suppliers audited, training conducted, emerging risks and divisional ethical sourcing programs. Information from those reports, as well as examples of initiatives undertaken during the year, form the basis of this Statement.

Before it was reviewed and approved by the Wesfarmers Board, this Statement was reviewed by Wesfarmers Group Managing Director, Chief Financial Officer, Group General Counsel, Executive General Manager of Corporate Affairs, divisional Managing Directors, Group Chief Risk Officer and an external legal firm.

EY has provided limited assurance over the content of this Modern Slavery Statement and the ethical sourcing audit program data it includes. The EY assurance statement on the Wesfarmers website sets out further information on the scope of this assurance.



|   |   |  |
|---|---|--|
| <h2>1914</h2> <p>Origins in 1914 as a Western Australian farmers' cooperative, now one of Australia's largest listed companies</p>  | <h2>Headquartered in Western Australia</h2>                                 | <p>More than 483,000 shareholders</p> <h2>483,000</h2>  |
|  <p>Diverse business operations cover home improvement and outdoor living; apparel and general merchandise; office supplies; industrial businesses in chemicals, energy and fertilisers, and industrial and safety products and services</p> | <h2>28,000</h2> <p>Extensive supply chains with almost 28,000 suppliers</p>  | <h2>114,000</h2> <p>One of Australia's largest employers with almost 114,000 team members</p>  |

## INTRODUCTION

This is Wesfarmers' sixth Modern Slavery Statement. It summarises the steps taken by Wesfarmers and each business in the Group to identify, mitigate and manage the risk of modern slavery in its operations and supply chains. Modern slavery includes slavery, servitude, forced labour, forced marriage, the worst forms of child labour, debt bondage, deceptive recruiting for labour or services and human trafficking.

Wesfarmers recognises modern slavery rarely occurs in isolation. It forms part of other complex challenges and systems, including gender and racial discrimination, weak rule of law and low wages. Where possible, Wesfarmers' businesses seek to work in collaboration with industry-wide initiatives, government and non-government organisations to scale impact and promote a coordinated approach to tackling complex modern slavery issues.

## WESFARMERS STRUCTURE, OPERATIONS AND SUPPLY CHAINS

The majority of Wesfarmers' operations are located in Australia and New Zealand. Wesfarmers' divisions have team members located in Bangladesh, China, Dubai, India and Indonesia.

The Group's businesses directly source products for resale and products not for resale as well as services. Procurement of goods for resale, goods not for resale and services are all considered to be part of the Group's supply chains.

1. Goods for resale are finished products and may include home improvement products, clothing, general merchandise and office supplies, sourced by Wesfarmers' businesses.
2. Goods not for resale may include items such as IT equipment that supports the Group's operations, retail store fit out materials, uniforms, industrial parts, equipment and raw materials used in processes undertaken by the Group's industrial businesses.
3. Services may include services the Group procures such as IT services, cleaning and transport logistics.

Wesfarmers' businesses source from a range of locations with the largest value of own-brand product sourced from (in alphabetical order) Australia, Bangladesh, China, India and Indonesia.

The Group's retail businesses do not own the factories where products are made, but instead engage third-party suppliers to manufacture the majority of products. The Industrial and Safety division manufactures some of its own product, including apparel, signage and gases. WesCEF manufactures chemicals and fertilisers and produces gases. By buying from manufacturers in Australia and overseas, Wesfarmers' businesses support economic development in the countries where they source. Suppliers to Wesfarmers' businesses employ many thousands of people.

## GOVERNANCE

The Wesfarmers Audit and Risk Committee has responsibility for overseeing the Group's response to modern slavery risks. Modern slavery risk management is a standing item on the Wesfarmers Group Risk Profile and is discussed by the Board and the Wesfarmers Audit and Risk Committee. The Board approves the Group's *Ethical Sourcing and Modern Slavery Policy*. The Audit and Risk Committee receives regular reporting on modern slavery risk management.

The Wesfarmers *Ethical Sourcing and Modern Slavery Policy* sets the minimum standards expected of the Group's divisions to mitigate the risk of modern slavery in their supply chains.

The Wesfarmers Leadership Team reviews emerging risks and opportunities, leads stakeholder engagement and facilitates the sharing of best practice throughout the Group. Each divisional board and each divisional management team has responsibility for identifying and managing any material risks in accordance with the Group's Risk Management Framework. Divisional audit, risk and compliance committees also oversee modern slavery risks relevant to that division. Divisional ethical sourcing teams meet regularly in the Wesfarmers Human Rights Forum to share best practice and develop cross divisional strategic plans.

# Risks of modern slavery practices in Wesfarmers' operations and supply chains



Wesfarmers actively monitors the risk of modern slavery occurring in its operations and supply chains. Wesfarmers recognises modern slavery in the context of broader human rights risks as modern slavery is considered a subset of labour rights, in turn a subset of human rights. Human rights risks are a material inherent risk in the Group's risk profile.

In the 2021 financial year, Wesfarmers engaged a third-party human rights consultant to conduct a salient human rights issues assessment across the Group. This assessment included:

- Discussions in cross-functional human rights working groups
- Overarching human rights and modern slavery risk management gap analyses
- Human rights risk mapping for operations, supply chains and other business relationships
- An assessment of each risk based on scale, scope, irremediability and likelihood of potential or actual human rights impact.

The findings of this risk assessment illustrated at a general level how the Group may impact human rights in its operations and supply chains. Supporting labour rights of workers in its value chain was listed as one of the six most salient human rights issues for Wesfarmers.

Importantly, the review and future work plans highlight progress made in the 2021 financial year along with the importance of the suite of actions we have taken to address identified modern slavery risks. No individual actions eliminate modern slavery risks and accordingly we recognise the need for continued vigilance and we expect that our strategies will continue to evolve.

Each division will use the issues assessment findings and recommendations to further improve existing human rights due diligence processes and procedures in the 2022 financial year.

## WESFARMERS OPERATIONS

The Wesfarmers salient human rights issue assessment identified that a key human rights issue for the Group's divisions is maintaining safe and fair workplaces for its team members in its operations. The operations of the Group's divisions are primarily conducted in low modern slavery risk countries, such as Australia and New Zealand. The Wesfarmers divisions monitor and address human rights issues in their workforces under the various policies and procedures, including the *Wesfarmers Code of Conduct and Diversity and Inclusion Policy*.

At 30 June 2021 around 87 per cent of the Wesfarmers workforce was covered by collective agreements with the remaining 13 per cent employed via individual agreements. These agreements confer minimum pay and entitlements, in compliance with legal requirements, and typically provide for consultation regarding significant operational changes.

Wesfarmers recognises the right of team members to negotiate collectively, with or without the involvement of third parties.

Wesfarmers has assessed the risk of modern slavery in its operations as low because its workforces are predominantly in low-risk countries and maintain robust human resources policies and grievance mechanisms, which create greater transparency of modern slavery issues.

# Risks of modern slavery practices in Wesfarmers' operations and supply chains cont.

## WESFARMERS SUPPLY CHAINS

The Group's supply chains are complex and multi-tiered. There is less visibility of the risk of modern slavery in complex, multi-tiered supply chains that span across various countries. This can limit the ability to have clear oversight of working conditions, which creates a greater risk of modern slavery issues.

A key inherent modern slavery risk identified for all the Group's businesses is suppliers not complying with Wesfarmers' labour standards, including dangerous health and safety practices, excessive working hours, unpaid work, below legal minimum wages, forced labour, child labour and limited or no freedom of association.

The following areas of the Group's supply chains have been identified as higher risk from a modern slavery perspective.

### Product and service category

Wesfarmers divisions have identified some products and services that carry a higher level of modern slavery risk, such as electronics, timber, services provided by potentially vulnerable workers (such as cleaning and security contractors) and commodities, such as cotton. The *country of sourcing table* adjacent outlines key risks and products in top sourcing countries.

### Third-party labour

Wesfarmers has identified an increased risk of modern slavery among people who are employed by third-party labour hire companies or through complex labour value chains. Third-party labour hire companies may be contracted to provide call centre, distribution centre, cleaning, maintenance and security services and to work in horticulture facilities.

### Shipping and transport providers

The Group's divisions have classified downstream distribution providers, freight forwarders, maritime cargo shipping companies and charter vessels as high risk for modern slavery. This classification reflects various factors, including:

- That they involve offshore locations, many of which are in higher-risk countries
- The highly fragmented and multi-national regulatory regime that governs the shipping industry
- Practical limitations associated with effective enforcement and monitoring of work practices and conditions on board vessels.

### Country of sourcing:

Modern slavery risk is heightened by sourcing particular products from certain countries.

| COUNTRY    | RISK  | EXAMPLE OF PRODUCT/SERVICE SOURCED   |
|------------|---|--|
| Australia  | Migrant labour exploitation   | Cleaning, maintenance and security contractors                               |
| Bangladesh | Excessive overtime  | Apparel  |
| Cambodia   | Human trafficking   | Apparel  |
| China      | Freedom of association, excessive overtime, forced labour at factory level, raw materials | Apparel, electronics, general merchandise, industrial parts, office supplies |
| India      | Forced labour, bonded labour, migrant labour exploitation                                 | Apparel, general merchandise   |
| Indonesia  | Forced labour, excessive overtime, bonded labour, migrant labour exploitation             | Apparel, general merchandise   |
| Malaysia   | Forced labour, bonded labour, migrant labour exploitation, excessive overtime             | IT products, office supplies, electronics, general merchandise               |
| Thailand   | Migrant labour exploitation, excessive overtime   | General merchandise  |
| Turkey     | Migrant labour exploitation, excessive overtime   | Apparel, general merchandise   |
| Vietnam    | Excessive overtime  | Apparel, general merchandise, office supplies, electronics                   |

## CASE STUDY

### Supporting the establishment of a Modern Slavery Act in New Zealand

Wesfarmers is supportive of the establishment of a Modern Slavery Act in New Zealand.

In March 2021, Bunnings, New Zealand Safety Blackwoods and Workwear Group signed a joint letter alongside over 80 New Zealand companies encouraging the New Zealand Government to instigate an inquiry into a potential New Zealand Modern Slavery Act.

The open letter requests a commitment to consider introducing legislation requiring businesses to collaborate to address modern slavery. The letter was presented to the Hon Michael Wood, Minister for the New Zealand Workplace Relations and Safety, and was facilitated by Minderoo initiative, Walk Free, Trade Aid and World Vision New Zealand.



# Actions taken to address identified modern slavery risks

## POLICIES

The policies and frameworks that support the Group's day-to-day operations require Wesfarmers and its divisions to respect and safeguard universally recognised human rights. Consistent with the principles in its *Code of Conduct*, Wesfarmers is committed to complying with the laws and regulations of the countries in which its businesses operate and making positive economic, social and environmental contributions, aligned with the principles of honesty, integrity, fairness and respect. The Group's policies prohibit any activities involving modern slavery and commit to safe and healthy working conditions, including the right to freedom of association and collective bargaining. Wesfarmers is a signatory to the *United Nations Global Compact* (UNGC) and draws upon the key principles of the *United Nations Universal Declaration of Human Rights* (UDHR) and *International Labour Organisation* (ILO) Core Labour Standards within Group policies.

Each Wesfarmers division has developed modern slavery policies appropriate to its industry, which are updated as appropriate to seek alignment with evolving international best practice.

Each Wesfarmers division works with suppliers to source goods and services in a manner that aligns with its policies. Wesfarmers' businesses encourage their suppliers to promote better practices and continuous improvement, require their suppliers to comply with their policies' minimum standards and provide the Wesfarmers businesses with rights of termination if the supplier is unable or unwilling to work towards full compliance with those minimum standards. While not all these minimum standards are directly relevant to modern slavery, they reflect and are important to Wesfarmers' holistic approach to human rights due diligence and ethical sourcing.

## DUE DILIGENCE PROCESSES

Wesfarmers' businesses have adopted a risk-based approach to modern slavery due diligence that is guided by the *United Nations Guiding Principles on Business and Human Rights* (UNGPs). The Group's businesses have mainly focused on tier one suppliers in their supply chains that are supplying own-brand products and products that are directly imported. Increasingly, Wesfarmers' businesses have also focused on local suppliers of branded products, goods not for resale and services.

### Mapping our supply chains

Wesfarmers divisions map their tier one suppliers to prioritise business and sustainability issues across their complex supply chains and examine traceability of raw materials they source.

Where possible, the Group's divisions are mapping beyond their tier one suppliers for high-risk products. Wesfarmers recognises that mapping suppliers beyond tier one is a complex and ongoing process; it will take time for the Group to complete a tier two and tier three mapping exercise for high-risk products. Increased transparency among tier two and other suppliers is however an important mitigant to modern slavery risks.

The Group also works closely with suppliers, industry associations and other stakeholders to pilot traceability approaches and map material sources so we can have confidence the materials in our products are responsibly produced.

### Onboarding suppliers

While each of the Wesfarmers divisions manages its own ethical sourcing programs, all businesses are required to follow a risk-based approach when deciding whether to conduct detailed due diligence on a supplier, based on factors including the goods or services, country of origin and supplier.

Before any business contracts with a new supplier, the business assesses the risk profile of that supplier against the divisional criteria and requires high-risk suppliers to complete a risk assessment questionnaire and/or be independently audited. Suppliers are assessed to identify the risks of the supplier breaching the ethical sourcing and modern slavery policy of the relevant Wesfarmers division. Wesfarmers' businesses have different processes to guide their engagement with suppliers.

## IN THE 2021 FINANCIAL YEAR:

- Building on the visibility **Kmart Group** has over all own-brand and licensed brand tier one suppliers, Kmart Group has committed that by July 2022, it will identify and publish 100 per cent of tier two processing facilities that produce Kmart and Target own-brand clothing, towel and bedding products. By the end of the 2021 financial year, Kmart Group's publicly disclosed supplier list included the tier two and three processing facilities being used by the suppliers supplying over 50 per cent of Kmart Group own-brand clothing, towel and bedding products.
- **Bunnings** continued to use the Supplier Ethical Data Exchange (Sedex) platform to map tier one manufacturers, covered by its ethical sourcing program. To gain visibility beyond tier one suppliers, Bunnings continued mapping its timber supply chains, through the responsible timber sourcing program, which maps timber sourced back to the forest in which it is grown.
- **Workwear Group** continued to map its supply chain beyond tier one suppliers by initiating contact with top garment suppliers and mills by volume and requesting verification of cotton sourcing in its supply chain.
- **Bunnings, Officeworks, Blackwoods, NZ Safety Blackwoods, Bullivants, Workwear Group, Coregas and Greencap** continued to use Sedex as a secure platform to share information with tier one manufacturers covered by their respective ethical sourcing programs, including risk assessments, audit reports when required and evidence of remediation of any issues identified.
- **Officeworks'** suppliers continued to be assessed for brand risk according to the management of ethical and responsible sourcing risks. Brands that could prove they have a robust and ongoing program to identify, manage, remediate and mitigate ethical sourcing risks did not have to disclose the manufacturing site of their products. All other suppliers, including factories that produce Officeworks own-brand products or goods not for resale, disclosed the manufacturing site of their products and completed an independent audit when requested.
- **WesCEF** engaged an independent third-party ethical sourcing consultant to review its supplier approach and develop a tiered risk assessment to the identification and management of ethical sourcing and modern slavery risks.

## CASE STUDY

### Managing the risk of modern slavery in shipping supply chains by strengthening contracts with carriers

For more than 12 months, Wesfarmers has closely monitored the now widely reported humanitarian risks to global shipping seafarer welfare attributable to COVID-19.

To mitigate the risk of modern slavery in our shipping supply chains, we engaged our shipping partners on these issues.

To address the issue of crew changes, during the year, Wesfarmers wrote to all its carriers who confirmed they are working within the International Maritime Organisation framework, together with various ILO and other maritime labour conventions, to protect the health and welfare of seafarers.

Wesfarmers engaged Human Rights at Sea, a United Kingdom based global not-for-profit, to advise on appropriate contract clauses to include in head agreements with carriers to further assist in safeguarding the human rights of seafarers.

In the 2021 financial year, Wesfarmers reviewed and enhanced the modern slavery clauses in our shipping contracts. We continue to engage these partners regularly on this issue, seeking confirmation that their practices and controls are adequate.

# Actions taken to address identified modern slavery risks cont.

## AUDITING SUPPLIERS

To mitigate the risk of modern slavery and unethical practices occurring in supply chains, Wesfarmers' divisions apply their own modern slavery and ethical sourcing audit programs that take a risk-based approach to suppliers of products and services.

Where non-compliance with the Wesfarmers *Ethical Sourcing and Modern Slavery Policy* is identified at a supplier site, the supplier is required to remediate the issue within a reasonable timeframe. If the supplier remediates the non-compliance, it is deemed to be an 'approved' supplier site. If the supplier is not willing or able to address a critical breach or it is considered a 'business critical breach' such as bribery or forced labour violation, the Group's business may exercise its rights to terminate their relationship with that supplier. Whenever a division terminates a relationship with a supplier due to an identified 'business critical breach', relevant information is promptly shared across the Group. In this way, the audit process is contributing to remediating supplier non-compliance and improving conditions for workers.



<sup>1</sup> There were 2,066 active suppliers covered by the audit program as at 30 June 2021.  
<sup>2</sup> Suppliers may be audited every two years if they have no previous findings.  
<sup>3</sup> In the 2021 financial year, there were 386 critical breaches across 138 suppliers.

During the 2021 financial year, the Group's divisions identified 386 (2020: 340) critical breaches across 138 (2020: 105) suppliers. Identifying critical breaches helps identify potential modern slavery and ethical sourcing risks and Wesfarmers believes it is something all businesses should publicly report on, to continually improve and have a greater impact. The majority of critical breaches included allegations of excessive overtime, underpayment of wages, lack of transparency (record keeping and documentation), poor safety (building and fire) and unauthorised subcontracting.

In line with Wesfarmers' autonomous business model, our divisions set different thresholds for reporting critical breaches. In the 2021 financial year, the Wesfarmers divisions have achieved greater alignment by using the Sedex Members Ethical Trade Audit (SMETA) classifications as a baseline for defining critical breaches and setting their respective reporting thresholds. The SMETA 'business critical' classification has been adopted for reporting purposes by all divisions. The definition for SMETA 'critical breaches' has been adopted by Bunnings, Officeworks, Industrial and Safety and WesCEF. Kmart Group has developed its own definition for critical breaches and it is disclosed on the Wesfarmers website under *Basis of Reporting*.

## RESOURCING

Each division has a dedicated ethical sourcing team in place to proactively manage ethical sourcing and human rights risks. Merchandise and procurement team members responsible for managing supplier relationships are central to the approach taken in all divisions in the management of ethical sourcing and human rights risks.

Kmart Group has teams in Bangladesh, China and India; Blackwoods has a team in China; and Workwear Group has teams in Bangladesh, China, India and United Arab Emirates. Having in-country teams helps Wesfarmers' businesses to understand potential ethical sourcing and modern slavery risks and builds strong links with suppliers, government and non-government organisations in the countries they source from.

Throughout the 2021 financial year, in-country teams, including local ethical sourcing capabilities, were important as international travel was not possible with COVID-19 restrictions. Our in-country teams continued to undertake local supplier visits and audits, when required and as conditions permitted.

## TRAINING AND CAPACITY BUILDING

The Group maintains an ongoing focus on ethical sourcing and modern slavery training and capacity building of all relevant team members, including senior management, the directors and other relevant team members such as merchandise and sourcing teams whose purchasing decisions may impact workers' rights. The Group's divisional buying and sourcing teams are kept up to date on ethical sourcing and human rights commitments and how actions may impact workers' rights through training, collaboration, information sharing and capacity building. Cross-functional teams in the Group's businesses regularly collaborate through human rights forums to share lessons learned and improve knowledge. The findings from the Group's divisional audit programs and stakeholder engagements are included in training to ensure the divisions continue to improve understanding of ethical sourcing and human rights.

The Group's divisional ethical sourcing teams also deliver training on ethical sourcing requirements to third-party auditors, suppliers and factories, so they understand ethical sourcing risks and the standards expected by Wesfarmers' businesses to prevent or mitigate such risks.

## IN THE 2021 FINANCIAL YEAR:

### Team members:

Select **Bunnings, Officeworks, Blackwoods, NZ Safety Blackwoods, Bullivants, Workwear Group, Coregas, Greencap, WesCEF and Wesfarmers Corporate Office** team members completed business specific online modern slavery and human rights training designed to ensure the team understand their role and responsibility in supporting the ethical procurement of goods and services. Training outlined what modern slavery is, what team members can do to protect and safeguard human rights and identifying modern slavery risks in the workplace.

### Suppliers:

**Bunnings and Officeworks** partnered with ethical consultancy firm ELEVATE to provide business specific training to select direct suppliers. Types of training included delivering e-learning modules, providing practical guidance to factory management relating to ethical business practices, managing working hours and production volumes; and creating safe workplaces to support the containment of COVID-19.

| DIVISION              | 2021                                 |   |                                   |
|-----------------------|--------------------------------------|---|-----------------------------------|
|                       | Number of people trained (suppliers) | Number of people trained (team members) | Total hours of training delivered |
| Bunnings              | 328                                  | 1,392                                   | 951                               |
| Kmart Group           | 2,566                                | 1,142                                   | 3,924                             |
| Officeworks           | 30                                   | 425                                     | 181                               |
| Industrial and Safety | 84                                   | 804                                     | 730                               |
| WesCEF                | -                                    | 91                                      | 91                                |
| Corporate             | -                                    | 89                                      | 45                                |
| <b>Group total</b>    | <b>3,008</b>                         | <b>3,943</b>                            | <b>5,922</b>                      |



# Actions taken to address identified modern slavery risks cont.

## GRIEVANCE MECHANISMS

Wesfarmers provides grievance mechanisms to identify and escalate issues consistent with our *Whistleblower Policy*. This policy applies to (and supports grievance reporting by) all directors and team members within the Wesfarmers Group and external whistleblowers, including suppliers and their employees and relatives. Wesfarmers continues to build human rights awareness and knowledge among team members, encouraging them to voice their concerns without fear of retribution and with full confidentiality. A key focus for the Group is to provide workers within our operations and supply chains with avenues to report issues or concerns that are guided by the UNGPs.

### IN THE 2021 FINANCIAL YEAR:

- **Officeworks** worked with suppliers to strengthen internal grievance channels. Based on feedback from worker surveys, it was found that Officeworks' own-brand factory workers preferred to raise grievances through their supervisor rather than an external hotline. E-learning modules have been deployed to supervisors at two Officeworks own-brand factories as a trial, with plans for further roll out in the 2022 financial year.
- **Bunnings** continued expanding the Speak Up grievance mechanism to cover more than 20,000 workers at 119 supplier factories in China. Speak Up is an anonymous service managed by a third party and can be accessed by factory workers through multiple channels, which are available in English and Mandarin.
- As part of their audit programs, **Blackwoods** and **Workwear Group** continued conducting worker interviews as an additional layer of support provided to employees and workers within their supply chains to raise concerns anonymously.
- **Kmart Group** boosted supplier communications regarding its factory worker grievance mechanism. The mechanism is publicised to factory workers via posters in local languages, that all own-brand retail merchandise suppliers are required to display in their factories.

## STAKEHOLDER ENGAGEMENT

Collaboration with industry-wide initiatives, government and non-government organisations is an important strategy to better manage modern slavery risks.

Many third-party organisations, such as Corporate Human Rights Benchmark and Baptist World Aid, provide ratings on the Group's performance. These help to drive the Group's program to reduce modern slavery risks.

Wesfarmers' divisions work collaboratively with non-government organisations on a range of projects. This year, non-government organisations engaged with the Group on ethical sourcing and human rights generally as well as formally through structured collaborations. The Group participates in and supports a range of initiatives that aim to improve working conditions in suppliers' factories, as set out on the following page.

## CASE STUDY

### Forced labour

Wesfarmers' divisions continue to identify best practice opportunities and ways to further engage, identify and remediate the instances of modern slavery within their operations and supply chains.

During the year, **Bunnings, Kmart Group, Officeworks, Blackwoods** and **Workwear Group** engaged an ethical consultancy firm to support each business to refine their approach to identification and awareness of forced labour and to deepen their understanding of the ILO's 11 Indicators of Forced Labour. The approach focused on three key areas:

- **Review of supplier pre-qualification processes:** each business' supplier pre-qualification approach was reviewed leading to more robust processes being incorporated into the existing framework. This included more nuanced forced labour questions and new, improved tools to support observation during visits to supplier sites.
- **Forced labour training:** forced labour awareness training was delivered to key team members, including in-country sourcing teams outside of Australia. As a result of this work, divisional teams gained a deeper understanding of the forced labour indices and strengthened their approach to tackling forced labour within the supply chain.
- **Modern slavery remediation review:** a modern slavery remediation review was undertaken for Bunnings, Kmart Group and Blackwoods' approach to remediation, taking account of best practice and incorporates the ILO's 11 Indicators of Forced Labour.

Bunnings, Kmart Group, Officeworks, Blackwoods and Workwear Group will continue their work on strengthening their approach to identifying forced labour with the ethical consultancy firm in the 2022 financial year.

## Actions taken to address identified modern slavery risks cont.

| ORGANISATION  | PARTICIPATING BUSINESS   |
|---|--|
| <p><b>ACT (Action, Collaboration, Transformation)</b></p> <p>A ground-breaking agreement between global brands, retailers and trade unions to transform the garment, textile and footwear industry by achieving living wages for workers through collective bargaining at the industry level</p>      | <p><b>Kmart Group</b></p>  |
| <p><b>Association of Professional Social Compliance Auditors (APSCA)</b></p> <p>The industry association created to support individuals and organisations by promoting the use of independent social compliance audits as a tool to advance workplace conditions globally</p>                         | <p><b>Bunnings, Officeworks, Blackwoods, New Zealand Safety Blackwoods, Bullivants, Workwear Group, Coregas and Greencap</b></p> |
| <p><b>Better Cotton Initiative (BCI)</b></p> <p>A global not-for-profit organisation overseeing the largest cotton sustainability program in the world. BCI's sustainable cotton practices include robust standards prohibiting forced labour and promoting decent working conditions</p>             | <p><b>Kmart Group and Workwear Group</b></p>   |
| <p><b>Cleaning Accountability Framework (CAF)</b></p> <p>An organisation that brings businesses, unions, government and workers together to help raise the conditions of cleaners in Australia. Officeworks is a member of the retail working group</p>   | <p><b>Officeworks</b></p>  |
| <p><b>Collaborative Advantage</b></p> <p>A platform for New Zealand ethical and sustainable sourcing practitioners to discuss and share best practice approach to modern slavery and ethical sourcing</p>   | <p><b>Bunnings, Blackwoods and New Zealand Safety Blackwoods</b></p>   |
| <p><b>Ethical Clothing Australia (ECA)</b></p> <p>An accreditation body working collaboratively with local textile, clothing and footwear businesses to protect and uphold the rights of Australian garment workers</p>   | <p><b>Blackwoods and Workwear Group</b></p>  |
| <p><b>Forest Stewardship Council (FSC)</b></p> <p>In addition to sustainable forestry practices, FSC standards consider social and economic wellbeing of workers, to ensure harvesting sites are free from forced or bonded labour</p>  | <p><b>Bunnings, Kmart Group, Officeworks and Blackwoods</b></p>  |
| <p><b>International Labour Organisation (ILO)/International Finance Corporation Better Work Program</b></p> <p>An organisation to improve working conditions and respect of labour rights for factory workers</p>   | <p><b>Kmart Group</b></p>  |
| <p><b>Programme for the Endorsement of Forest Certification (PEFC)</b></p> <p>An international, non-profit, non-government organisation that promotes sustainable forest management</p>   | <p><b>Bunnings</b></p>   |
| <p><b>Sedex stakeholder initiatives</b></p> <p>Involvement in Sedex initiatives to support the evolution of the platform and identify best practice opportunities, including the ANZ Advisory Group, Data Framework Taskforce, Grievance Mechanism Approach, Audit Framework and API Beta Program</p> | <p><b>Bunnings, Blackwoods, New Zealand Safety Blackwoods and Workwear Group</b></p>   |
| <p><b>The Accord on Fire and Building Safety in Bangladesh</b></p> <p>An independent agreement designed to ensure a safe working environment in the Bangladesh garment industry</p>   | <p><b>Kmart Group and Workwear Group</b></p>   |
| <p><b>United Nations Global Compact Network Australia (UNGCA) Modern Slavery Community of Practice</b></p> <p>A group that shares emerging best practice to build common capability in addressing modern slavery human rights risk management among Australian businesses</p>                         | <p><b>Bunnings, Kmart Group, Officeworks, Blackwoods and Wesfarmers Corporate Office</b></p>                                     |

# Actions taken to address identified modern slavery risks cont.

## REMEDIATION

Wesfarmers understands remediation is multifaceted and its divisions are focused on supporting suppliers in their ability to remediate concerns highlighted through audit results, grievance mechanisms and worker voice channels.

The Group's divisions work in partnership with their suppliers and manufacturers on ways to remediate concerns beyond the standard approach of closing out areas of audit non-conformance. This can be achieved through additional targeted capacity building or training, through open discussions with the manufacturer, with changes to sourcing (including review of responsible purchasing practices and open costing models), or involvement in industry-based initiatives.

### CASE STUDY

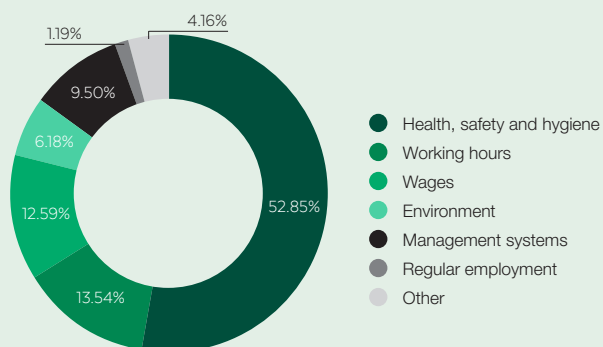
#### Remediation in Blackwoods

**Blackwoods** supported ethical consultancy firm ELEVATE, in partnership with the *Responsible Labour Initiative* (RLI) on Project Safeguard, a multi stakeholder initiative to tackle bonded labour in the Personal Protective Equipment (PPE) industry.

The initiative focuses on responsible recruitment policies, migrant worker engagement, manager education and worker voice and exploitation mitigation measures. Blackwoods' support was in an advisory role and through advocacy with its suppliers to join the program.

Throughout the year, 73 per cent of non-conformances identified within the Blackwoods ethical audit program were remediated. The outstanding identified non-conformances are on a path to remediation, with commitments given by their supplier partners. The most common non-conformances identified were related to health, safety and hygiene, working hours and wages.

#### Non-conformances remediated within 2021 financial year



### CASE STUDY

#### Kmart Group making progress on living wage commitments

**Kmart Group** is committed to working with partners to achieve a living wage for factory workers. A living wage is the minimum income necessary for a person to meet their basic needs as well as that of their family, including some discretionary income.

Kmart Group's living wage efforts are focused through its membership of ACT, a living wage collaboration between international brands and retailers, and IndustriALL Global Union, the international trade union federation.

A key initiative of ACT is its *Global Purchasing Practices Commitments*, aimed at developing a common set of purchasing practices that will support the movement towards living wages in the apparel industry.

The commitments cover five broad areas for brands, including that purchasing prices detail negotiated wages as itemised costs. The commitments also address fair terms of payments, order demand planning and forecasting, undertakings around training on responsible sourcing and buying, and strategies for responsible exit.

Kmart Group has committed to fully implementing ACT's Global Purchasing Practices within suppliers of own-brand apparel and footwear by December 2023.

In the past year, Kmart Group has established a project team to drive the implementation of changes required to meet this commitment. This project team has been focused on the following activities:

- The development and implementation of a new open costing sheet for suppliers to itemise and ring-fence labour costs. Approximately 80 per cent of suppliers have now submitted open costing in the new format
- Continued roll-out of enhanced planning and forecasting mechanisms with strategic and core suppliers to improve accuracy of forecasts and maximise capacity planning in factories
- The development and implementation of a responsible exit strategy and procedures in accordance with the *ACT Responsible Exit Policy and Checklist*, to manage the end of a commercial arrangement
- Commenced implementation of the ACT purchasing practices baseline assessment with the team and suppliers. Feedback from the survey will be used to measure progress toward Kmart Group's 2023 commitments and identify further opportunities for improvement.

# Actions taken to address identified modern slavery risks cont.

## CASE STUDY

### Bunnings approach to remediation

In accordance with the *UNGPs*, **Bunnings** works collaboratively with suppliers and manufacturers to remediate issues and instances of non-conformance.

Bunnings focused on remediating issues identified through third-party audits and concerns raised by workers through the Bunnings' Speak Up program.

In the 2021 financial year, 138 manufacturing sites remediated more than 1,300 non-conformances identified via third-party audits. This improved working conditions for more than 50,000 workers in 15 countries. The most common types of remediated issues related to worker health and safety, wages and working hours.

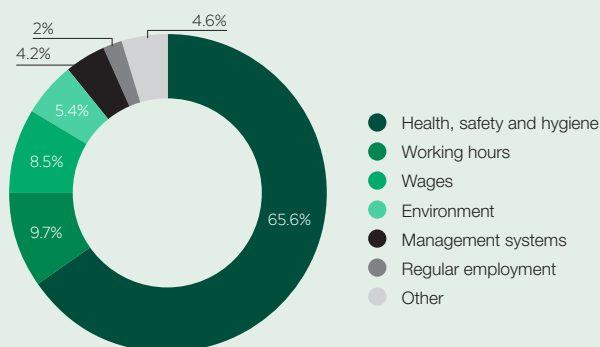
To enable access to remediation outside the standard audit cadence, Bunnings' Speak Up program also allows workers to anonymously raise concerns in real time. In the 2021 financial year, the Speak Up trial was rolled out to 119 manufacturing sites, providing access to remedy for more than 20,000 supply chain workers.

Bunnings' Ethical Sourcing Program is regularly reviewed in response to emerging human rights and modern slavery risks. During the financial year, Bunnings' Modern Slavery Remediation Requirements were revised to include the ILO's 11 Indicators of Forced Labour. The requirements outline basic preventative measures suppliers should take to minimise this risk as well as remediation actions, should a case of forced labour be identified. The 11 indicators represent the most common signs or audit findings that point to the existence of forced labour.

In line with the *UNGPs*, Bunnings also recognises the importance of preventative initiatives, such as supplier capacity building. In the financial year, Bunnings delivered free e-learning working hours training to 95 suppliers and transparency and ethics training to 215 suppliers. The training is targeted to factory managers and outlines practical guidance to ensure Bunnings' standards are understood and upheld throughout the supply chain.

The Bunnings Ethical Sourcing Program will expand to include additional suppliers and product categories in the 2022 financial year, accessing more workers in the supply chain.

### Non-conformances remediated within 2021 financial year



## IMPACT OF COVID-19

COVID-19 continued to create challenges for Wesfarmers' suppliers in the 2021 financial year with flow-on impacts for the Group's divisional ethical sourcing programs.

In response to significant second waves of COVID-19 in supplier countries, Wesfarmers' divisions provided support to team members and suppliers in those countries, through training webinars and sharing best practices to assist in their efforts to comply with government COVID safe workplace safety guidelines.

Wesfarmers has continued to engage fairly with suppliers, and this included maintaining orders to ensure business continuity. In some cases of supplier hardship, early access to payments was offered, acknowledging the critical role suppliers play in helping Wesfarmers' businesses meet the needs of customers.

Divisions recognised there would be delays or difficulties in scheduling ethical sourcing audits during periods of lockdown and travel restrictions, such as in India and Bangladesh, and adopted alternative approaches to audits and used Sedex Virtual Assessments to conduct audits. It is acknowledged that virtual audits do not provide the same insights as in-person audits. While the number of suppliers audited across the Group in the 2021 financial year reduced to 1,475 (2020: 1,819) the divisions maintained their audit programs, with the intent of safeguarding the rights of factory workers and to identify suppliers who may use COVID-19 as an opportunity to exploit vulnerable workers.

## Assessing the effectiveness of actions

Modern slavery is a complex issue that is best managed through multiple, diverse strategies, including in multi-stakeholder partnerships over many years.

It is difficult to measure the effectiveness of any single action Wesfarmers may take. To understand how the Group is managing the risk of modern slavery, it engages openly and transparently with diverse, interested stakeholders. The Group reviews complaints entered through grievance mechanisms, undertakes independent reviews, regularly reports internally and completes self-assessments. Wesfarmers has an internal audit program to support continuous improvement.

### AUDITING OUR PROCESSES

The Wesfarmers internal audit plan includes periodic audits of divisional ethical sourcing programs and compliance with the Wesfarmers *Ethical Sourcing and Modern Slavery Policy*. The audits are robust and reporting on addressing audit findings forms part of divisional annual reporting requirements.

#### IN THE 2021 FINANCIAL YEAR:

- A review of **Officeworks'** and **Bunnings'** ethical sourcing programs took place; audit findings were minor and of an administrative nature, with all audit findings resolved.

### EFFECTIVENESS OF COMPLAINTS/ GRIEVANCE MECHANISMS

In the 2021 financial year, Wesfarmers received approximately 395 reports via the Group's whistleblower reporting channels, including from suppliers, workers and others in our supply chains. All reports were provided to Group protected disclosure officers, and the divisions were responsible for undertaking investigations of all reported items. Appropriate remediation and actions to resolve any substantiated issue were implemented. A significant portion of this year's reports collected under the whistleblower program were work-related grievances, including allegations of harassment, discrimination, bullying or sexual harassment issues. Other reports related to potential fraud, safety issues, concerns about supplier conduct and alleged breaches of the Group's *Code of Conduct*. Those reports assessed as to be addressed under the *Whistleblower Policy* were investigated. Actions in response to substantiated serious reports against employees included termination of employment or issuing a formal warning. Where a serious report against a supplier was substantiated, the contract was either exited or terminated. Other substantiated reports that were assessed as less serious were remediated by providing training, coaching or other support.

### ONGOING MONITORING OF OUR RISKS

Wesfarmers and its divisions regularly undertake independent reviews of their approach to managing modern slavery risks to identify areas for improvement. Modern slavery and ethical sourcing are a component of the annual risk review in which Wesfarmers' divisions undertake a review of their risks and control environment. The risk profile is reviewed and discussed to ensure our view of risk is kept up to date. Critical breach reporting is discussed at quarterly divisional audit and risk committees and human rights forums. Wesfarmers' divisions are using findings from the salient human rights issues analysis conducted in the 2021 financial year to further improve existing human rights due diligence processes. Wesfarmers also leveraged that assessment to better articulate the Group's commitments regarding salient human rights.

### CASE STUDY

#### Officeworks provides a greater voice for workers

**Officeworks** is committed to ensuring that workers in its supply chain are provided a safe and healthy work environment. With thousands of products and components often being manufactured in countries where laws designed to protect workers' rights are not sufficient or adequately enforced, Officeworks acknowledges the important role it can play in upholding workers' rights.

Through a well-established ethical sourcing program that all suppliers are required to comply with, during the 2021 financial year, 489 independent ethical sourcing audits were conducted and Officeworks worked with suppliers to resolve 33 critical breaches.

Officeworks acknowledges relying on audits alone does not provide the full picture of working conditions and employee concerns. This year, Officeworks complemented a risk-based, audit-centric strategy with an outcome-focused approach to help improve worker engagement within its direct supply chain.

In the 2021 financial year, Officeworks reviewed results from worker voice surveys it arranged to enable employee voices to be better heard and more often. This involved 949 workers at six factories completing surveys to share their concerns. Through this process, issues identified included deficient internal grievance channels, poor relationships with supervisors, workers not understanding their pay and workers wanting to work less or more hours. Officeworks then worked with the supplier management teams so it could take appropriate action and embed positive change. In many cases, this involved additional training or investing in new machinery to reduce excessive working hours.

Following initial surveys and the initiatives implemented, surveys were conducted and there was an improvement in worker satisfaction of 18 per cent. In the 2021 financial year, Officeworks has helped to enable positive change to the 1,876 workers that work at the six factories involved in these surveys.

As this program continues to evolve, Officeworks will continue to work closely with suppliers to focus not only on identifying risks but sharing insights to encourage them to take more action-based approaches to addressing workers' feedback to drive positive impacts on workers' lives.

### REPORTING AND SELF-ASSESSMENT



















Each year, in their report to their divisional boards and the Wesfarmers Audit and Risk Committee, divisions report on the implementation of the Wesfarmers *Ethical Sourcing and Modern Slavery Policy* and management of related risks. Within this report, each division completes a self-assessment of its performance against the Group's modern slavery minimum standards.

The table below summarises the results of the self-assessment for the 2021 financial year, together with explanatory comments on the focus for the coming year.



## Assessing the effectiveness of actions cont.

 Completed
  Focus for the coming years

| WESFARMERS MODERN SLAVERY MINIMUM STANDARDS                                    |  | BUNNINGS  | KMART GROUP   | OFFICEWORKS  | INDUSTRIAL AND SAFETY   | WESCEF  |
|--|--|---|---|--|---|---|
| <b>Accountability for modern slavery issues, with an identified risk owner</b> | The division acknowledges it is accountable for addressing modern slavery issues in operations and supplier contracts and has nominated a specified individual or role to be responsible for coordinating management of this risk  |            |            |               |              |            |
| <b>Supply chain mapping and risk assessment</b>                                | The division has assessed the risks of modern slavery across its operations  |            |            |               | <br>note 1   |            |
|  | The risk assessment has addressed the modern slavery risks of tier one suppliers   |            |            |               | <br>note 2   |            |
|  | The risk assessment has addressed the modern slavery risks of those suppliers beyond tier one who are determined by the division to be high risk   | <br>note 3 | <br>note 4 | <br>note 5    | <br>note 6   | <br>note 7 |
| <b>Onboarding and contracting</b>  | The division has performed due diligence on new suppliers to determine their risk level and control procedures in relation to ethical sourcing and modern slavery as appropriate for its business  |           |           |              |             |           |
|  | The division has a process in place to consider the supplier's ethical sourcing and modern slavery performance during the supplier onboarding  |          |          |             |            |          |
| <b>Audit and Compliance program</b>  | The division has assessed suppliers through its Audit and Compliance program to confirm compliance with the division/business units' <i>Modern Slavery and Ethical Sourcing Policy</i>   |          |          |             |            |          |
|  | The division has involved relevant personnel or external providers trained in conducting audits when required  |          |          |             |            |          |
| <b>Training</b>  | The division has ensured team members with relevant roles in relation to its modern slavery and ethical sourcing received adequate training on the policy and any supporting processes applicable to their role  |          |          |             |            |          |
| <b>Complaints mechanism</b>  | The division has an accessible and well-publicised reporting mechanism for workers in direct operations and in its supply chain to raise concerns in relation to modern slavery. The reporting mechanism allows for confidential and anonymous reporting and provides protection from reprisal |          |          | <br>note 8  | <br>note 9 |          |
|  | There is a clear process for investigating and reporting on issues raised through a reporting mechanism  |          |          | <br>note 10 |            |          |
| <b>Remediation</b>   | The division is committed to working with suppliers to remediate any breaches of its <i>Modern Slavery and Ethical Sourcing Policy</i>   |          |          |             |            |          |
| <b>Stakeholder engagement</b>  | The division has an approach to stakeholder engagement in place  |          |          |             |            |          |
| <b>Review</b>  | The division monitors and annually reviews the effectiveness of its risk management measures described above   |          |          |             |            |          |

## PLANNED FOCUS AREAS FOR THE NEXT 12 MONTHS

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- Note 1** Blackwoods, Bullivants and Greencap have completed risk assessments across their operations. NZ Safety Blackwoods, Workwear Group and Coregas are in the process of conducting risk assessments of their service providers.
- 
- Note 2** Blackwoods, NZ Safety Blackwoods, Workwear Group and Greencap have completed risk assessments across tier one suppliers. Coregas will continue to assess the risk of tier one suppliers in the 2022 financial year.
- 
- Note 3** Bunnings is focused on reviewing and expanding the current ethical sourcing program to include human rights due diligence for all tier one goods for resale, goods not for resale and service providers. Through the Responsible Timber Sourcing program, Bunnings is mapping its timber supply chains back to the forest. Bunnings is focused on expanding other high-risk raw material supply chains for additional environmental or human rights due diligence.
- 
- Note 4** By July 2022, Kmart and Target will identify and publish 100 per cent of tier two processing facilities that produce Kmart and Target own-brand clothing, towel and bedding products. The processing facilities list will be updated every six months on the Kmart and Target websites.
- 
- Note 5** Officeworks undertook work in the 2021 financial year to develop an approach for tier two supplier identification and risk assessment with ELEVATE. In the 2022 financial year, Officeworks will begin mapping of tier two sites for directly sourced strategic suppliers based on this approach.
- 
- Note 6** Blackwoods and Workwear Group have identified high-risk product categories and raw materials beyond tier one suppliers. In the 2022 financial year, NZ Safety Blackwoods, Bullivants, Greencap and Coregas will identify high-risk product categories and raw materials beyond tier one suppliers.
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- Note 7** In the 2022 financial year, WesCEF will have an increased focus on determining further high-risk suppliers for the division's audit program, which may include suppliers beyond tier one.
- 
- Note 8** In the 2021 financial year, Officeworks worked with suppliers to strengthen internal grievance channels. Based on feedback from worker surveys, it was found that Officeworks' own-brand factory workers preferred to raise grievances through their supervisor rather than an external hotline. E-learning modules have been deployed to supervisors at two Officeworks own-brand factories as a trial, with plans for further roll-out in the 2022 financial year. A confidential hotline provided by a consultancy firm on Officeworks' behalf enables Officeworks employees to report incidents on an anonymous basis involving misconduct or other inappropriate behaviour or conduct.
- 
- Note 9** Industrial and Safety has a whistleblower policy in place to support operational grievances, local labour hire and suppliers. Each business unit will further investigate appropriate worker voice mechanisms for overseas factories in the 2022 financial year.
- 
- Note 10** Officeworks' policy and process documentation for investigating and reporting on issues raised through a grievance channel will be updated in the 2022 financial year in line with the worker hotline trial.
- 

Wesfarmers recognises modern slavery is a growing and complex problem, best tackled by collective commitment and responsibility to bring it to an end. We are committed to working with all our stakeholders to fulfil this common goal and continuously improving strategies to identify and mitigate modern slavery and ethical sourcing risks. We are pleased to publish the Wesfarmers 2021 Modern Slavery Statement and commit to continuing to monitor and publicly report on our progress.



**Rob Scott**  
Managing Director  
26 August 2021

# Appendix

## APPENDIX A: WESFARMERS REPORTING ENTITIES

- AVC Holdings Pty Ltd
- AVC Trading Pty Ltd
- Bunnings Group Limited
- Catch Group Holdings Limited
- Catch.com.au Pty Ltd
- Chemical Holdings Kwinana Pty Ltd
- Coregas Pty Ltd
- CSBP Limited
- Cuming Smith and Company Limited
- Howard Smith Limited
- J Blackwood & Son Pty Ltd
- Kmart Australia Limited
- Kmart Holdings Pty Ltd
- Manacol Pty Limited
- Officeworks Holdings Pty Ltd
- Officeworks Ltd
- Target Australia Pty Ltd
- Target Holdings Pty Ltd
- The Workwear Group Pty Ltd
- The Workwear Group Holding Pty Ltd
- Ucone Pty Ltd
- Wesfarmers Bunnings Limited
- Wesfarmers Chemicals, Energy & Fertilisers Limited
- Wesfarmers Department Stores Holdings Pty Ltd
- Wesfarmers Energy (Gas Sales) Limited
- Wesfarmers Fertilizers Pty Ltd
- Wesfarmers Industrial and Safety Pty Ltd
- Wesfarmers Kleenheat Gas Pty Ltd
- Wesfarmers Limited
- Wesfarmers LPG Pty Ltd
- Wesfarmers Online Retail Holdings Pty Ltd
- Wesfarmers Retail Holdings Pty Ltd
- Wesfarmers Retail Pty Ltd

