

Ethical sourcing in Bangladesh and India - an executive's perspective

Wesfarmers recognises that respecting human rights across our operations and supply chains is an area of growing importance to our employees, shareholders, customers and communities. We believe there is both a moral and a business case for the steps we are taking to identify, report, address and ultimately eliminate any exploitation of vulnerable people in our supply chain, directly or indirectly, overseas or at home.

In September 2018, Wesfarmers executives including Managing Director Rob Scott, Chief Financial Officer Anthony Gianotti and Executive General Manager Corporate Affairs Naomi Flutter, travelled to Bangladesh and India to visit factories supplying garments to our Kmart and Target businesses.

This is what they observed:

1. Our team members are the first line of defence

We are investing in our people and in ethical sourcing across Kmart and Target in an integrated way. Our team members working in our Asia sourcing offices are the first line of defence, in seeking to ensure the factories supplying to us are operating ethically and in line with Kmart and Target's strict Ethical Sourcing Code.

2. Choosing the right partners is critical

We are focused on choosing the right supplier partners. Factors that inform partner choice include:

- Values alignment, particularly openness;
- Suppliers where we have the capacity to be or become a meaningful customer; and
- Whether the supplier works with other large, global brands as this usually reinforces values alignment and commitment to ethical sourcing.

3. Strong relationships with our partners is a key focus

We have a strategy to rationalise our factory numbers, and as factory numbers fall, it becomes easier to "really know" our partners. Long dated purchasing commitments help our suppliers invest in technology and enhance their capabilities. Likewise, by placing planned, predictable orders with our suppliers, we reduce the risk of outsourcing in our supply chain.

4. Ethical sourcing audit programs are well-established

We have a well-established ethical sourcing audit program through which our retail merchandise suppliers are audited against our Ethical Sourcing Code. These audits are announced or unannounced. Where non-compliance with our Ethical Sourcing Code is identified, the supplier is required to correct the issue (via a



corrective action plan) within an appropriate period of time, depending on the nature and severity of the non-compliance. If a critical breach is identified it may be necessary to discontinue our relationship with the supplier. Our audit program is supported by factory training to improve supplier capacity in meeting our ethical sourcing requirements.

5. Collaborating with third parties to deliver initiatives is integral to our strategy

We support a range of initiatives which aim to improve working conditions in our suppliers' factories including:

- **ACT:** a joint initiative of global brands and the Global Union Federation IndustriALL. Its goal is the payment of living wages in the garment, textile and footwear sector. This is to be achieved through national collective bargaining agreements at industry level supported by improved purchasing practices on the ACT member brands.
- **ILO/IFC Better Work Program:** to improve working conditions and respect of labour rights for factory workers
- **The Accord on Fire and Building Safety in Bangladesh:** to ensure a safe working environment in the Bangladeshi readymade garment industry
- **Bali Process Government and Business Forum:** contributing to inter-governmental regional processes that seek to address issues of modern slavery locally. This involves working across sectors and with regional governments to acknowledge the scale of the problem, supporting efforts to strengthen and implement policy and legal frameworks and advancing sustainable business practices over the long term.



Shahi Garments, a factory supplying Kmart in Delhi