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## **RESPONSE TO SHAREHOLDER RESOLUTION**

Woolworths Group Limited (Woolworths) provides the attached update on its response to the shareholder-requisitioned resolution to be considered at its 2018 AGM on 21 November 2018.

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## RESPONSE TO SHAREHOLDER RESOLUTION

Woolworths Group Limited (Woolworths) provides this update on its response to a two-limb shareholder-requisitioned resolution at its 2018 AGM into labour rights in its fresh food supply chain, sponsored by the Australasian Centre for Corporate Responsibility (ACCR), the National Union of Workers (NUW), and LUCRF Super (2018 Proposal). The Board recommends that shareholders do not support the resolution.

Consistent with its commitment to transparency and shareholder discussion, Woolworths will allow a reasonable opportunity for questions at the AGM, and will publish the proxy votes on the 2018 Proposal, even if the first limb of the 2018 Proposal is not approved.

### 1. Background

The 2018 Proposal refers to a resolution that was proposed by the ACCR before the 2017 Woolworths AGM (2017 Proposal) but was subsequently withdrawn. The 2017 Proposal called for increased disclosure of Woolworths' due diligence processes for identifying, analysing and addressing human rights matters throughout its operations and supply chains.

Woolworths issued a public statement on 22 November 2017 in connection with the withdrawal of the 2017 Proposal, stating that Woolworths would:

- *“work collaboratively towards the implementation of an agreed pre-qualification programme for labour-hire providers to ensure that all labour providers who wish to operate in Woolworths' direct fresh food supply chains comply with labour and human rights standards;*
- *support workers in Woolworths' supply chains:*
  - *to be educated about their workplace rights, including their right to join a labour union of their choice;*
  - *to have access to an effective grievance mechanism to ensure that human rights violations are reported, investigated and remediated; and*
  - *to be protected if they report human rights violations” (2017 Announcement).*

In the past year, Woolworths has taken significant steps to better understand and manage human rights risk in its global supply chain. The Responsible Sourcing Program, launched in July 2018, is the framework through which this risk is managed. It includes a new Responsible Sourcing Policy and Standards, which are available at [http://www.woolworthsgroup.com.au/Responsible\\_Sourcing](http://www.woolworthsgroup.com.au/Responsible_Sourcing)

### 2. Assessment of 2018 Proposal

The key assertion in the Explanatory Notes to the 2018 Proposal is that Woolworths has not reached agreement on a mechanism to implement the matters in the 2017 Announcement.

This does not recognise the actions undertaken by Woolworths in response to the 2017 Proposal.

The table on the next page:

- compares the scope of the 2017 Announcement and the 2018 Proposal; and
- summarises what Woolworths has done in response to the 2017 Announcement (and therefore the 2018 Proposal).



Action	2017 Announcement	2018 Proposal	Commentary
Agree labour-hire pre-qualification program	Work collaboratively with the NUW and other interested stakeholders	Reach and give formal effect to an agreement with the NUW	Woolworths has launched the Woolworths' Responsible Sourcing Standards (July 2018), which apply to all of Woolworths' fresh food supply chain. In addition, Woolworths has engaged with the NUW, over a period of 10 months, on what <b>additional</b> standards on labour-hire should apply to Woolworths' fresh food supply chain. These discussions are ongoing. At the time of the 2017 Announcement Woolworths never envisaged or promised to enter into a written agreement with the NUW.
Support education of workers in supply chain about their workplace rights	Support education of workers, including right to join a union of their choice	Ensure trade union involvement in education programs	The <a href="#">Woolworths Responsible Sourcing Standards</a> address these matters (clauses 10.1, 10.2 and 17.6). Given the overarching principle of freedom of association, Woolworths does not believe it can or should <i>mandate</i> trade union involvement to its suppliers (or to its suppliers' suppliers, such as labour-hire providers).
Support access to an effective grievance mechanism	Supported, to ensure violations reported, investigated and remedied	Ensure trade union involvement in grievance mechanism	The Woolworths Responsible Sourcing Standards (clause 11) address these matters. Suppliers are required to maintain grievance mechanisms for workers. The Standards also provide guidance on the characteristics of effective grievance mechanisms. Where a worker chooses to be represented by a particular union or industrial association, Woolworths' expectation is that the supplier will recognise and engage with that representative. Woolworths believes that its position is in alignment with the NUW on this matter.
Protect workers if they report human rights violations	Supported, to be protected if they report human rights violations	Ensure trade union involvement to ensure workers are protected and supported to raise concerns	The Woolworths Responsible Sourcing Policy states (section 4) "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." The Policy includes details of the Supplier SpeakUP Service. Woolworths has a program of work to enhance Supplier SpeakUP for farm labourers to lodge concerns. Where a worker chooses to be represented by a particular union or industrial association, Woolworths' expectation is that the supplier will recognise and engage with that representative in any grievance process.

### 3. Engagement with the NUW

Woolworths has worked collaboratively with the NUW since December 2017 towards the establishment of an agreed labour-hire program in Woolworths' horticulture supply chain (labour-hire program). At the initial meeting held in December 2017, Woolworths and NUW both acknowledged that, given the work involved, it was expected that up to 12 months would be required to complete the development of the program. Woolworths and the NUW held five workshops and had numerous other interactions between December 2017 and September 2018, when the resolution was filed.

Woolworths believes that significant progress was made over this time, and is grateful for the contribution of the NUW towards that progress.

In September 2018 the NUW requested that Woolworths co-sign with the NUW a Memorandum of Understanding/Statement of Intent to formally give effect to the labour hire program. This was the first time a request for a written agreement had been raised. Prior to this, Woolworths had been clear that it expected that the labour-hire program would be published as an addendum to its Responsible Sourcing Standards specific to the fresh food supply chain.

Given the goodwill between the parties, and the NUW's collaboration towards developing an agreed labour-hire program, Woolworths consulted with the NUW regarding what this document could contain. These discussions are ongoing.

### 4. Woolworths' proposed requirements for third-party labour providers in our Australian Horticulture Supply Chain

Woolworths currently expects that the labour-hire program that it will implement will include the following features, which will take the form of additional Responsible Sourcing Standards applicable to Australian horticulture suppliers who wish to use labour-hire in their operations. These suppliers must ensure that they only use labour hire providers that meet one of the following criteria:

- The labour hire provider is legally registered under relevant State or any future Federal legislation related to labour hire registration; or (where no relevant legislation)
- The labour hire provider is an Approved Employer on the Australian Government's Seasonal Worker Programme;<sup>1</sup> or
- The labour-hire provider is certified via a third party scheme, currently Staffsure;<sup>2</sup> **and** the supplier has a documented process to interview a sample size of workers to ensure that the terms of any contract and the rights of the worker are being respected by the labour provider.

Woolworths will verify compliance with these criteria through our Responsible Sourcing Program due diligence process.

<sup>1</sup> Approved employer list found: <https://www.jobs.gov.au/listing-current-approved-employers>

<sup>2</sup> More information for Staffsure is available at: [http://www.staffsure.org/StaffSure/About\\_Staff\\_Sure/Home.aspx](http://www.staffsure.org/StaffSure/About_Staff_Sure/Home.aspx)



Woolworths acknowledges the changing regulatory environment in Australia regarding labour hire licensing and, as our Responsible Sourcing Program is built on the premise of continuous improvement, we will continue to monitor the effectiveness and appropriateness of these compliance conditions.

#### **5. Role of trade unions in worker education and grievance mechanism**

The 2018 Proposal also calls for Woolworths to ensure trade union involvement in worker education and grievance mechanisms. Woolworths agrees that all workers in our supply chain should have the opportunity to be educated on their rights and have the freedom to join (or not join) a union of their choice. When workers have elected to join a union, we will recognise that union as the representative of those workers and work constructively with the union to resolve any concerns raised by the union on behalf of those workers. This is clearly set out in the Responsible Sourcing Supplier Standards.

However, it is not Woolworths' responsibility to mandate to its suppliers (or their labour hire providers) that unions *must* be involved in these matters as a condition of compliance to doing business with us (except where this is required by law).

#### **6. Enhanced reporting**

The last point of the 2018 Proposal calls on Woolworths to provide ongoing specific annual disclosure in connection with the labour hire program and human rights risks in its supply chain.

Woolworths already provides detailed disclosure about the management of its sustainability risks in its 80-page Sustainability Report and on its website. Woolworths intends that its reporting will continue to update shareholders on material sustainability matters, including the implementation of the labour hire program, its impact, monitoring and (if applicable) enforcement action. However, Woolworths believes that it is not appropriate to mandate annual reporting to the level of detail requested in the resolution on an ongoing and open-ended basis.

#### **7. Woolworths Responsible Sourcing Risk Assessment**

As part of the risk assessment for our Responsible Sourcing Program, Woolworths created a specific supplier risk category called "specialised" to address the vulnerabilities facing migrant workers in our fresh horticulture supply chain. Our first step is to develop a baseline of information from suppliers through analysing data from social compliance self-assessments and audit reports. Once this baseline is established, we will be able to apply further risk segmentation. Our risk assessment methodology can be found here:

[https://www.woolworthsgroup.com.au/content/Document/WoW\\_RS%20Risk%20Assessment%20Methodology.pdf](https://www.woolworthsgroup.com.au/content/Document/WoW_RS%20Risk%20Assessment%20Methodology.pdf)