

2019 MODERN SLAVERY STATEMENT FOR WESFARMERS

Wesfarmers Limited (Wesfarmers/the Group) opposes slavery in all its forms. This statement is made in accordance with the United Kingdom's *Modern Slavery Act 2015* and the Australian *Modern Slavery Act 2018*. It applies to and describes the steps taken by Wesfarmers, its continuing wholly owned businesses and Australian Gold Reagents (a 75 per cent owned business, controlled by Wesfarmers)¹ during the financial year ending 30 June 2019 to seek to minimise the risk of modern slavery² occurring in our businesses or their supply chains³.

Our businesses as at 1 December 2019¹ are:

Bunnings



Kmart Group



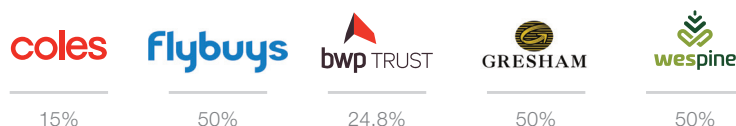
Industrials



Officeworks



Other Interests



“Wesfarmers recognises that safeguarding human rights across our operations and supply chains is an area of great importance to our team members, shareholders, customers and the communities where we operate. 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 with which we may be involved, directly or indirectly, overseas or at home”

– Michael Chaney AO, Chairman.

A consultation process with our wholly-owned subsidiary businesses was undertaken to draft this statement. Each business prepares an annual ethical sourcing and modern slavery report for its divisional Audit, Risk and Compliance Committee and these are consolidated into an annual modern slavery and ethical sourcing 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 of our businesses includes details of suppliers audited, training undertaken and any significant changes to their programs. Information from those reports as well as examples of initiatives undertaken during the year are included in this statement.

This statement is reviewed by external legal firms and senior management of each division and approved by the Wesfarmers Board of Directors.

OUR STRUCTURE, OPERATIONS AND SUPPLY CHAIN

From its origins in 1914 as a Western Australian farmers’ cooperative, Wesfarmers has grown into one of Australia’s largest listed companies. With headquarters in Western Australia, our diverse business operations cover: home improvement; apparel, general merchandise and office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, and industrial and safety products. The businesses owned or controlled by Wesfarmers together employ approximately 105,000 people in Australia, New Zealand, the United Kingdom, Portugal, and several countries in Asia including Bangladesh and China. Wesfarmers is owned by approximately 484,000 shareholders.

During the financial year ending 30 June 2019, the Group repositioned its portfolio by demerging 85 per cent of the Coles business and divesting its interest in the Bengalla coal mine, the Kmart Tyre and Auto Service (KTAS) business and its investment in Quadrant Energy. This statement extends to Wesfarmers’ continuing wholly owned businesses and Australian Gold Reagents (a 75 per cent owned business, controlled by Wesfarmers).¹

Each division of Wesfarmers has its own independent duty to respect human rights in all areas of its operations.

Wesfarmers’ businesses have large, diverse supply chains. In the financial year ending 30 June 2019, Wesfarmers paid its more than 14,500 tier one suppliers⁵, from more than 20 countries, AU\$29.6 billion (including discontinued operations). Our suppliers are very important to us; without suppliers our businesses cannot operate. We focus on choosing the right suppliers. There are a number of diverse factors which inform who we choose. These factors include quantitative factors such as price, quantity, quality and lead times and qualitative factors such as values alignment, capacity for us to be a meaningful customer and whether the supplier works with other large, global brands (as this can assist in reinforcing values alignment).

Strong relationships with our suppliers is a key focus. Many suppliers have been working with our businesses for many decades. Some of our businesses have strategies to rationalise their supplier numbers, particularly in relation to own brand product, so they can focus on developing more meaningful and effective commercial relationships with fewer suppliers. We recognise that long dated purchasing commitments may help our suppliers invest in technology and enhance their capabilities. Likewise, by placing planned, predictable orders with adequate lead times, we may reduce the risk of outsourcing in our supply chain.

Our businesses directly source products for resale and not for resale as well as services. Products for resale are finished products such as home improvement products, clothing, general merchandise and office supplies, predominantly sourced by our retail businesses. Products not for resale may include items such as IT equipment that supports our operations, retail store fit out materials as well as raw materials used in processes undertaken by our industrial businesses. Services we procure include IT services, cleaning and transport logistics. All products and services carry the risk of modern slavery in their supply chains. We have identified some products and services which carry an increased level of modern slavery risk such as horticulture, timber, cleaning contractors and cotton, which we explain below.

Our businesses source from a range of locations with the largest volume of product sourced from China, Bangladesh, Australia, New Zealand, India, Thailand and Vietnam. Except for Australia and New Zealand, global risk and strategic consulting firm Verisk Maplecroft classifies these countries as ‘high’ or ‘extreme risk’ for human rights risks⁴. Our approach to the management of modern slavery risk reflects an awareness of heightened risk in certain countries. Kmart’s factory partner list is here and Target’s factory partner list is here.

OUR DUE DILIGENCE PROCESS

Wesfarmers’ businesses have adopted a risk-based approach to modern slavery due diligence and have mainly focused on tier one factories in our supply chains who are supplying own brand products (approximately 3,700 factories) and increasingly local suppliers of branded products. Given their importance to our businesses, we have also considered broader rights considerations for our direct team members relating to equality, fair pay and safety (approximately 105,000 team members across our businesses).

When we began our ethical sourcing work several years ago, we recognised that own brand products for resale was the area where we could make the most significant contribution and focused our efforts accordingly. Goods not for resale, national brands and services supply chains have also been identified as carrying modern slavery risks and we have extended our work to focus on those areas this year.

The following diagram outlines the process for producing a cotton garment for our apparel businesses with the cutting and sewing of final garments considered the tier one supplier.



Source: Textile Exchange

Our aim is to ensure that human rights are understood, respected and upheld across our supply chain. We expect our partners and stakeholders to adhere to ethical business conduct standards which are consistent with our own, and we are committed to working with them to fulfil this common goal.

OUR POLICIES

The policies and frameworks that support the Group’s day to day operations are designed to make sure all relevant universally recognised human rights are safeguarded.

Consistent with the principles in our Code of Conduct, Wesfarmers is committed to complying with the laws and regulations of the countries in which our businesses operate and making positive economic, social and environmental contributions to society, consistent with the principles of honesty, integrity, fairness and respect. We prohibit discrimination and forced, trafficked and child labour and are committed to safe and healthy working conditions, including the right to freedom of association and collective bargaining.

We have a Group-wide Ethical Sourcing and Modern Slavery Policy, which sets the minimum standards expected of our divisions. All Wesfarmers businesses have developed policies appropriate to their industries and their suppliers are expected to adhere to the policies.

A key focus of the Group is ensuring that each of our divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by a Group-wide operating cycle and governance framework.

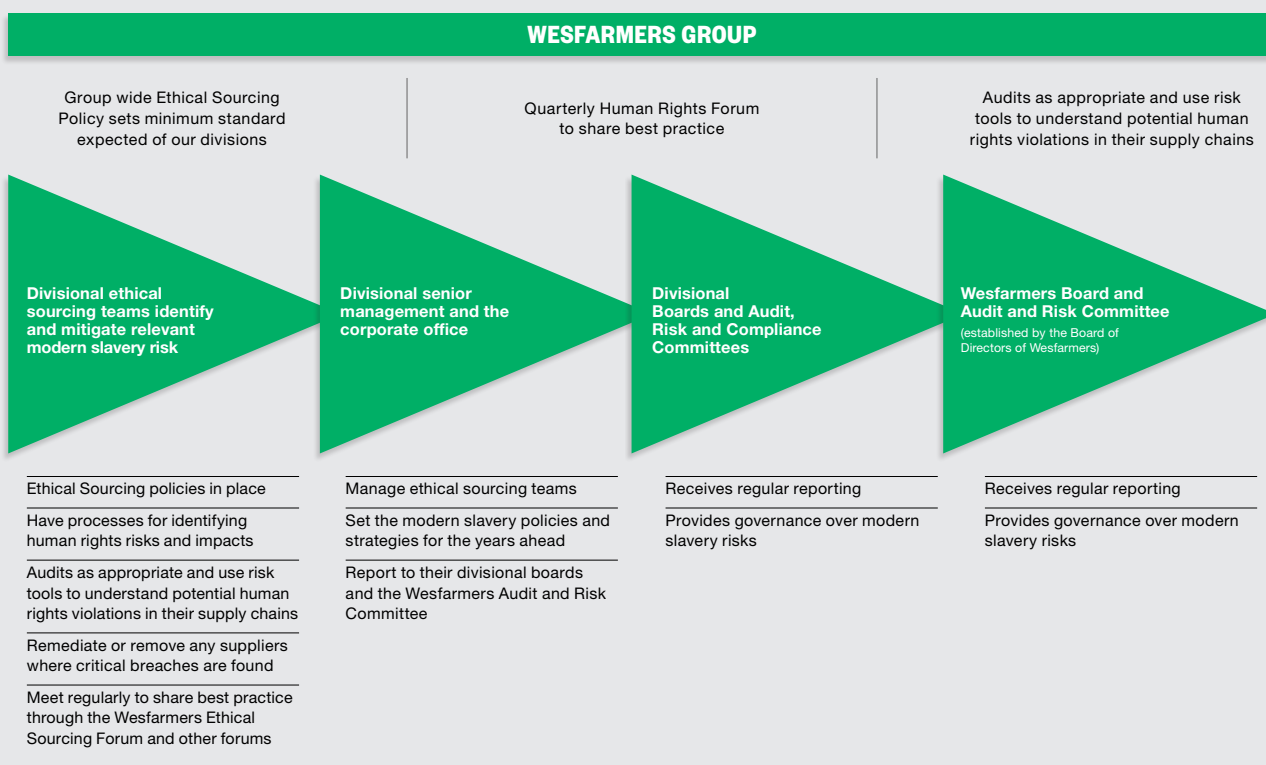
Our governance of modern slavery risks is set out below.

KEY AREAS OF ACTION IN 2019

We are committed to continuing to improve our modern slavery risk identification and mitigation. We continue to meet and work with external expert stakeholders and partners to ensure we are constantly improving our management of ethical sourcing. Following that work, and as part of our ongoing focus on improvement, we have made progress in the following areas:

- **Expanded ethical sourcing and modern slavery scope:** We expanded our ethical sourcing and modern slavery approach to include goods not for resale and services across the Group. This expansion in scope also means that our industrial businesses have increased their focus on ethical sourcing and modern slavery and have developed their own frameworks;
- **Resourcing to tackle modern slavery risks:** All our divisions and the Corporate Office reviewed current resourcing dedicated to tackling modern slavery risks and made appropriate adjustments;
- **Modern slavery governance:** We developed an enhanced Ethical Sourcing and Modern Slavery Policy as well as reporting template that sets higher standards expected of our businesses and their suppliers and captures the maturity of our businesses’ approach to ethical sourcing and modern slavery;
- **Modern slavery risk embedded into mergers and acquisitions due diligence:** A checklist has been developed with modern slavery as an item to consider in relevant business development due diligence processes;
- **Modern slavery standards embedded into Group procurement decisions:** Modern slavery review processes have been included in all Group-wide tender processes and contracts; and
- **Modern slavery training:** We have developed an online Modern Slavery training module at our Corporate Office which will be rolled out across parts of the Group in the coming year.

Our governance of modern slavery risks



POTENTIAL MODERN SLAVERY RISKS

The table below outlines the key identified potential modern slavery risks for our businesses.

POTENTIAL MODERN SLAVERY RISK	HOW WE IDENTIFIED THE MODERN SLAVERY RISK		
<p>Non-compliance with our labour standards in the supply chain including health and safety, working hours, wages, forced labour and child labour, and freedom of association.</p>	<p>Our businesses have different modern slavery risks depending on various factors including the level of human rights protection and enforcement in the countries where they operate or source from, use of labour hire and outsourcing practices.</p> <p>Country of sourcing: We have identified the following major country/region risks which we manage:</p>		
	Country	Risk	Example of product/service sourced
	Australia	Migrant labour exploitation	Cleaning contractors
	Bangladesh	Excessive overtime	Apparel
	China	Freedom of association, excessive overtime	Apparel, general merchandise, office supplies
	Indonesia	Unlawful deposits taken due to migrant recruitment practices	Apparel, general merchandise
	Malaysia	Bonded labour via passports being held, unlawful deposits taken due to migrant recruitment practices	IT products
	Middle East	Migrant worker exploitation	Raw materials for industrial processes
	Thailand	Migrant worker exploitation	General merchandise
	Turkey	Refugee exploitation	Apparel
Vietnam	Excessive overtime	Apparel, general merchandise	
<p>Non-compliance with broader human rights in our direct operations which can be connected to or indicative of modern slavery risk, including team member rights to equality, fair pay and safety.</p>	<p>Labour hire: There is an increased risk of unfair working conditions for people who are employed by third party labour hire companies. These third party labour hire companies may be contracted to provide call centre, distribution centre and cleaning services as well as work in horticulture facilities.</p> <p>Outsourcing: There is an increased risk of unfair working conditions for people when operations are outsourced and we do not have clear oversight over who is supplying the end product.</p>		
	<p>Team member safety is our highest priority and we are seeing the benefits of a relentless focus on providing safe workplaces. However, we acknowledge that if any team member is injured at work, then our safety performance requires more focus. Australia has a gender pay gap of 14.1 per cent⁶. Since 2010, a Group review of gender pay equity has been conducted annually, with results reviewed by the Board and divisional Managing Directors. The 2019 review showed the following gaps, reflecting positive progress on last year at both the general manager level and the manager and senior professional level:</p>		
	Level	Gender pay gap %	
General managers	7.1%		
Senior managers	5.3%		
Managers and senior professionals	3.3%		
<p>We have identified that some level of discrimination based on gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or other areas of potential difference is a potential risk in any business. While these issues are not modern slavery, they could be indicative of modern slavery risk and we monitor and address them as part of our operations and under our other policies including our Code of Conduct, Equal Employment Opportunity Policy and Inclusion Policy. Approximately 57 per cent of our team members are employed on a permanent basis, with the remainder employed on a casual basis. In addition to our team members, our divisions engage contractors in a range of roles. There are seasonal variations in employment numbers, with a peak throughout the Christmas/summer period in line with the broader retail industry. We have identified that workforce composition may be indicative of potential risk in any business. While these issues are not modern slavery, we monitor and address them as part of our operations.</p>			

ACTIONS TAKEN TO ADDRESS KEY IDENTIFIED MODERN SLAVERY RISKS

We undertake the following actions to mitigate the key potential modern slavery risks identified above.

POTENTIAL MODERN SLAVERY RISK	ACTION
<p>Non-compliance with our labour standards in the supply chain including health and safety, working hours, wages, forced labour and child labour, and freedom of association.</p>	<p>Carefully selecting which suppliers to work with</p> <p>While all our businesses manage their own ethical sourcing programs, in line with Wesfarmers' policy, all businesses are required to follow a risk-based approach when making the decision to conduct detailed due diligence on a supplier, based on factors including the goods or services, country of origin and vendor. Before we contract with a new supplier, we assess its risk against our criteria and require high-risk suppliers to complete a risk assessment questionnaire and/or be audited. We investigate the supplier to understand risks of human rights breaches. Where appropriate we consider whether there may be any sanctions in place against that supplier or the country in which it is located.</p> <p>Our businesses have different roadmaps to guide their strategies for working with suppliers:</p> <ul style="list-style-type: none"> – Bunnings, Officeworks and Industrial and Safety utilise the Supplier Ethical Data Exchange (Sedex) to streamline ethical and human rights compliance and monitoring. Sedex houses risk assessment information and social compliance audit sharing across its platform. This maintains visibility and drives consistency across supply chains; – Bunnings has conducted a materiality assessment to identify its approach for the next 5 to 10 years. The program will transition beyond supplier compliance with a focus on fair contract labour rights, responsible recruitment, education and training to support their factories and suppliers for the long term; – Following a review during the year, Kmart and Target have implemented an ethical sourcing on-boarding process, supported by mandatory ethical sourcing audits for new high-risk suppliers and a vendor endorsement process for lower risk suppliers. Suppliers must meet minimum standards before they are approved; – WesCEF is in the early stages of developing its roadmap and this will remain a focus in the coming year; – The Industrial and Safety risk model for on-boarding suppliers categorises them into high- or low-risk based on inherent country and product factors, with high-risk suppliers requiring mandatory social compliance audits and low-risk suppliers undertaking a desktop review prior to approval; and – Officeworks requires all suppliers to undergo a risk assessment, which includes providing suitable evidence of an effective ethical sourcing program or the supplier joining Sedex and completing appropriate third party ethical sourcing audits.
	<p>Communicating our Ethical Sourcing and Modern Slavery Policy to suppliers</p> <p>We will work with suppliers to source goods and services that align with our Ethical Sourcing and Modern Slavery Policies. Under their policies, our businesses must, as far as practicable, encourage their suppliers to promote best practice and continuous improvement, use terms in their operational and supplier contracts that require their supplier to comply with the following minimum standards and provide our businesses with rights of termination if the supplier is unable or unwilling to work towards full compliance with those minimum standards:</p> <ul style="list-style-type: none"> – No forced or bonded labour; – No child labour; – Transparent record-keeping of wages and benefits; – Working hours must comply with applicable local laws; – No discrimination; – No harassment or abuse; – Workers should have freedom of association and access to grievance mechanisms and recourse; – Suppliers shall provide a safe and hygienic working environment that is without risk to health, taking into consideration knowledge of the relevant industry and any specific hazards; – No bribery; and – Environmental compliance. <p>While not all these minimum standards are directly relevant to modern slavery, they are important to Wesfarmers' holistic modern slavery and ethical sourcing approach.</p>

**POTENTIAL MODERN
SLAVERY RISK****ACTION****Mapping our supply chain**

To manage business and sustainability issues across our complex supply chain, we map our tier-one suppliers (see diagram above of what constitutes a tier one supplier). Where possible, we are also mapping tier two and tier three suppliers (suppliers producing components which go into a final product) for high-risk products. For example:

- Bunnings has identified the following high-risk product areas in which forced labour may be prevalent and in which it is engaging with suppliers and mapping them down to raw materials: timber, horticulture, stone and charcoal. Horticulture and stone were key focus areas for Bunnings during the year;
- Kmart and Target are examining measures that will eventually enable them to achieve traceability and transparency of cotton from spinning mill to factory for own brand clothing, towel and bedding ranges. Target and Kmart are also continuing to publish the details of all tier one factories that directly produce their own brand products;
- Workwear Group has identified the sourcing of sustainable cotton as a key high-risk area to focus on in the coming financial year; and
- Officeworks requires all factories that produce Officeworks own brand products (as well as local suppliers that are unable to provide sufficient evidence to demonstrate they have a robust ethical sourcing program in place) to disclose the manufacturing site for their products, to complete the Sedex self-assessment and to provide an independent audit when requested.

Building long-term relationships

We aim to build long-term direct supplier relationships which helps us to work over time with our suppliers to safeguard human rights. This may have a number of additional benefits. For example, a long-term relationship may provide increased certainty for our suppliers' businesses, may lead to increased efficiencies and productivity, and may result in the delivery of enhanced services and products. For example:

- Bunnings' merchandising team and buying agents are responsible for building long-term relationships (some formed more than 30 years ago) with suppliers, with a common vision towards a responsible and sustainably sourced supply chain;
- Kmart and Target have joined the ILO/IFC Better Work program as a buyer partner. The Better Work program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall. Kmart and Target's ethical sourcing team work in partnership with the Better Work program on long-term improvement plans for factories. Kmart and Target also have significant, in-country teams in China, Bangladesh and India, among other countries;
- Industrial and Safety is committed to building long-lasting supplier relationships that harbour a continuous improvement methodology. This is sustained by an established off-shore office in China (44 per cent of Industrial and Safety own-brand spend in the 2019 financial year was in China) and partnered sourcing offices in Bangladesh and India, further supporting the Industrial and Safety sourcing model by facilitating supplier interaction in local language wherever possible; and
- Many of Officeworks' supplier relationships date back to the founding of the business 25 years ago and have evolved into strategic partnerships with regular review meetings that include discussions on ethical sourcing performance.

**POTENTIAL MODERN
SLAVERY RISK****ACTION****Collaborating with other businesses, government and non-government organisations**

Collaboration with industry-wide initiatives, government and non-government organisations is an important part of managing modern slavery risks. For example:

- Bunnings is a founding member of the European DIY Retailer Association (EDRA) DIY Platform and has played an active role this year developing the mutual recognition program and collaboration in investigating and resolving modern slavery risks identified with common suppliers. This platform links DIY Hardware retailers together to share ideas on best practice in ethical and sustainable sourcing;
- Bunnings worked with Elevate and the Responsible Business Alliance during the year on a worker voice program in Malaysia sponsored by the Walmart Foundation. The program educates workers on their rights, engages factory managers to engage workers and focuses on responsible recruitment to mitigate forced/bonded labour which is prevalent within the region;
- Kmart and Target have continued their participation in Action, Collaboration, Transformation (ACT), 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 industry level linked to purchasing practices;
- Kmart, Target and Workwear Group, along with other brands and global unions, have signed an extension of the Accord on Fire and Building Safety in Bangladesh to 2021;
- Bunnings, Officeworks and Industrial and Safety gain access to several Australian and world-leading businesses as part of their Sedex membership. Bunnings has joined the Sedex audit quality working group, Sedex Members Ethical Trade Audit (SMETA), to strengthen audit firm's reporting and analytics to identify collaborative opportunities with a focus beyond compliance. By attending member events, the businesses can connect and share insights into ethical sourcing with other brands, retailers and suppliers;
- Wesfarmers, Kmart, Target and Bunnings participated in the Global Compact Network Australia's Modern Slavery community of practice sessions, providing feedback and guidance on the recent Australian Modern Slavery legislation and guidance documentation;
- Bunnings, Officeworks and Industrial and Safety support the Association of Professional Social Compliance Auditors (APSCA). Its mission is to govern and improve the standards and techniques used within the social auditing space which will support auditors to reliably identify and remediate risks; and
- Workwear Group is a certified member of Ethical Clothing Australia (ECA), an accreditation body that works collaboratively with local textile, clothing and footwear companies manufacturing in Australia. The ECA voluntary accreditation program offers practical and affordable assistance to these businesses and ensures that their Australian supply chains are fully transparent and legally compliant.

Auditing our suppliers

To mitigate the risk of unethical practices occurring in our supply chains, all businesses apply their own modern slavery and ethical sourcing audit programs to certain suppliers using a risk based approach.

Where non-compliance with our Modern Slavery and Ethical Sourcing Policy is identified, the supplier is required to remediate the issue within an appropriate period of time, depending on the nature and severity of the non-compliance. If a supplier then addresses non-compliance, it is deemed to be an 'approved' supplier site. In this way, our audit process is contributing to remediating supplier non-compliance and improving conditions for workers by addressing any issues. If a supplier site is not willing or able to address a critical breach or it is considered a severe breach, our business will stop buying from that supplier site.

Training and capacity building

We maintain an ongoing focus on training and capacity building. During the year we delivered more than 3,000 hours of ethical sourcing training to our team members.

Our buying and sourcing teams are kept up-to-date on our ethical sourcing and human rights commitments and how their actions may impact workers' rights through training, collaboration, information sharing and capacity building. For example, cross-functional teams in our businesses regularly collaborate through regular human rights forums to share lessons learned and continue to improve their knowledge. The findings from our audit program and stakeholder engagements are fed into the team's training to ensure that they improve their understanding of ethical sourcing and human rights. We also train relevant team members on how to incorporate respect for human rights into business decisions, making team members aware of the impact their actions can have on human rights. For example, we train relevant team members about the implications of making short notice purchasing decisions.

We also deliver training on ethical sourcing requirements to other relevant team members, third party auditors, suppliers and factories so that they understand ethical sourcing risks and the standards expected by our businesses.

**POTENTIAL MODERN
SLAVERY RISK****ACTION****Reporting and monitoring of grievance mechanisms**

We have established specific grievance mechanisms for workers in our supply chain. For example:

- Bunnings has expanded its team member helpline to its suppliers and their supply chain. Suppliers can access the service via website, phone line, email and QR code. Any grievances raised within the system are anonymous and investigated appropriately;
- Kmart and Target have established a factory worker grievance mechanism through their wider ethical sourcing program. The mechanism is publicised to factory workers via a poster, in local languages, that all own brand retail merchandise suppliers are required to display in their factories;
- Industrial and Safety has systems for employees and workers in its supply chain to raise concerns anonymously. As part of its audit program, worker interviews are conducted as an additional layer of support provided to those within its supply chain; and
- Officeworks re-launched its honesty helpline available for all internal team members to raise any concerns in a confidential manner.

Non-compliance with broader human rights in our direct operations which can be connected to or indicative of modern slavery risk, including team member rights to equality, fair pay and safety.

Developing team member policies and standards

We have policies which embed the importance of “respect for the rights of all”, including our team members. Wesfarmers strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or other areas of potential difference. Each division/business unit must establish and communicate policies, procedures and programs that are in line with our Equal Employment Opportunity Policy and Inclusion Policy.

Some of our businesses have gone beyond the minimum expectations set out by Wesfarmers’ Equal Employment Opportunity Policy and Inclusion Policy, to develop policies specific to their workplace. For example:

- Bunnings has updated and re-launched its Respectful Workplace Policy, as its culture is founded on values that go hand in hand with diversity, respect and innovation. Bunnings recognises that a diversity of cultures, backgrounds, experiences and education provides for a diversity of thought. In addition, Bunnings has strengthened team member training to include mental health awareness support and accessibility for all forms of disability within stores; and
- Kmart and Target updated their team member codes of conduct to include new team member standards designed to prevent modern slavery practices in their operations and supply chains. The code is supported by mandatory training requirements for all team members.

We have worked to increase the number of women at senior levels throughout the organisation and to close the gender pay gap by conducting a review of gender pay equity annually, with results reviewed by the Board and divisional Managing Directors. Any apparent gaps are analysed to understand whether such gaps can be explained with reference to market forces which may include, for example, different rates of pay in different industries and locations, the relative supply and demand for different qualifications, individual performance and experience. Our businesses also conduct their own initiatives and internal evaluations into pay equity. For instance, the Industrial and Safety businesses are placing greater scrutiny on starting salaries, to remove any gender pay gap at appointment and ensure women commence at an appropriate level.

We recognise the right of those we employ to negotiate either individually or collectively, with or without the involvement of third parties. We also believe in maximising the flexibility of workplace arrangements available to our team members and their managers. More than 85 per cent of our workforce is covered by collective agreements. Collective agreements typically include provisions for notice periods and provisions for consultation and negotiation.

Team member safety is our highest priority and we continue our relentless focus on the safety of our team members in all our operations.

ASSESSING THE EFFECTIVENESS OF OUR ACTIONS

We measure Wesfarmers businesses' performance in respect of ethical and sustainable practices through mechanisms including:

MECHANISM FOR ASSESSING EFFECTIVENESS OF ACTION	DETAILS
<p>Ethical sourcing audit programs: we measure the coverage including the total number of factories in the audit program; the number and nature of critical breaches; and the speed of remediation and improvement.</p>	<p>Total factories in audit program</p> <p>This year, our audit program covered 3,773 factories supplying to our businesses across our international and local supply chain.</p> <p>The number of factories audited this year has fallen, relative to last year, in part due to the Coles demerger. In addition, some of our businesses have continued with their strategies to rationalise their supplier numbers, particularly in relation to own brand product, so they can focus on developing more meaningful and effective commercial relationships with fewer suppliers.</p> <p>Audits are undertaken by third party audit firms from a list of our divisions' approved auditors or by our team members. Factories in the audit program are required to have a current audit certificate, which means they have been audited by us or another party whose audits we accept.</p> <p>Depending on the division's policy for auditing high-risk suppliers, these audits are typically completed before an order is placed with a supplier and if no findings are made, it will be repeated each year. If critical breaches are found, an audit will be repeated within six months depending on the situation to confirm that any findings have been addressed.</p> <p>Total number and nature of critical breaches and remediation</p> <p>During the year, we identified 127 critical breaches across 90 factories in our audit program. The major critical breaches identified included allegations of excessive overtime, transparency, safety, forced labour, unauthorised subcontracting and bribery. As set out above, where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period, depending on the materiality of the non-conformance.</p> <p>Of the 90 factories where a critical breach was identified, 75 remedied their issues immediately or had action plans that were on track at the end of the reporting period. Five factories were exited immediately, and no further supply orders were placed at 10 factories.</p>
<p>Training and capacity building: we measure the number of training hours on human rights delivered and the number of people reached.</p>	<p>We deliver training on modern slavery and ethical sourcing requirements to relevant team members, third party auditors, suppliers and factories so that they understand ethical sourcing risks and the standards expected by our divisions. During the 2019 financial year, our divisions delivered more than 3,000 hours of ethical sourcing training.</p> <p>Cross-functional teams in our businesses regularly collaborate, including through our human rights forums, to share lessons learned and continue to improve their knowledge.</p> <p>We recognise that one company cannot work on modern slavery issues in isolation, so we collaborate with government, other companies and non-government organisations (NGOs) to tackle this issue. During the year, Wesfarmers Chairman Michael Chaney represented the company at the Bali Process Government and Business Forum. He said <i>"Our participation in important forums like the Bali Process reflects the unfortunate reality that modern slavery is a growing and extremely complex problem, best tackled by a collective commitment and responsibility to bring it to an end. But companies cannot do this alone: it requires governments to recognise the problem and work with companies involved in their countries to end modern slavery."</i></p> <p>For more examples of our collaboration, refer to the information on stakeholder engagement below.</p>
<p>Effectiveness of complaints or grievance mechanisms: we capture the number of people who make whistleblower reports through our hotline and other avenues and the areas of concern.</p>	<p>We place importance on the provision of effective company-based complaints or grievance mechanisms to escalate issues wherever human rights impacts occur in our operations. We continue to build the awareness and knowledge of our team members on human rights, encouraging them to voice their concerns without fear of retribution and with full confidentiality, if required. The Wesfarmers Whistleblower Policy is public, sets minimum standards for our business and contains details of how to make a report under the policy. Each division has external and internal whistleblower grievance channels and the number and nature of the contacts are reported annually to the Wesfarmers Audit and Risk Committee. We also promote the provision and implementation of effective grievance mechanisms by our suppliers.</p> <p>Our company-based whistleblower hotlines are accessible by our team members, suppliers, the external community and stakeholders.</p> <p>This year we received around 300 reports from whistleblowers through our hotlines and direct to protected disclosure officers across the Group, which were mostly work related grievances, with other disclosures relating to potential fraud, breaches of our code of conduct, harassment, bullying and discrimination.</p>

MECHANISM FOR ASSESSING EFFECTIVENESS OF ACTION	DETAILS
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Stakeholder engagement: we regularly engage with our stakeholders to understand their expectations about our performance.

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Our stakeholders regularly provide feedback about our performance.

Non-government organisations

Our divisions work collaboratively with NGOs on a range of projects. This year NGOs engaged with us on ethical sourcing and human rights generally as well as formally through collaborations.

Many third-party organisations provide ratings on our performance and help to drive our program to improve our modern slavery risk and identification and mitigation. For example:

- Baptist World Aid Australia Ethical Fashion Report featured Kmart, Target and Workwear Group. The grades awarded by the report are a measure of the efforts undertaken by the rated companies to mitigate the risks of forced labour, child labour and worker exploitation in their supply chains, as well as protect the environment from the harmful impacts of the fashion industry;
- Corporate Human Rights Benchmark reviewed Wesfarmers' and more than 100 of the largest publicly traded companies in the world on a set of human rights indicators; and
- KnowTheChain benchmarked Wesfarmers and other companies' current practices. It aims to drive corporate action while also informing investor decisions.
- 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, to be achieved through national collective bargaining agreements at industry level supported by improved purchasing practices by 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 ready-made garment industry;
 - Bali Process Government and Business Forum: contributing to inter-governmental regional processes that seek to address issues of modern slavery. This involves working across sectors and with regional governments to acknowledge the scale of the problem, support efforts to strengthen and implement policy and legal frameworks and advance sustainable business practices over the long term; and
 - FSC: Bunnings and Officeworks are committed to the responsible sourcing of paper and wood products, and preferences timber from FSC certified forests. In addition to sustainable forestry practices, FSC standards consider the social and economic wellbeing of workers, working to ensure that harvesting sites are free from forced or bonded labour.

Suppliers

We are committed to engaging fairly with our suppliers and to sourcing ethically and sustainably. Building strong and collaborative relationships with suppliers is key to delivering responsibly-sourced products to our customers.

Our businesses regularly engage with workers in tier one factories in our supply chain through factory visits (announced and unannounced), our audit program and our grievance mechanisms. Through these engagements, we seek feedback on how well the policies and procedures outlined above work in practice. Several examples are cited above including:

- Bunnings works with Elevate and the Responsible Business Alliance on the worker voice program in Malaysia;
- Kmart and Target's support for industry-wide collective bargaining agreements after three years of review and consultation has been its main contribution to ACT. The Commitments aim to change purchasing practices that impede progress on living wage; and
- Officeworks undertakes shadow audits and semi-announced audits to conduct further due diligence on current audit providers and processes.

We are committed to continuously improving our modern slavery risk identification and mitigation. We will continue to track and publicly report on our progress through publishing our annual Modern Slavery Statement.



Rob Scott
Managing Director

19 December 2019

GRI Standards reference: GRI 102-9, GRI 102-10, GRI 103-1, GRI 103-2, GRI 103-3, GRI 407-1, GRI 408-1, GRI 409-1

- ¹ This Statement extends to Wesfarmers, its continuing wholly owned businesses and Australian Gold Reagents (which is 75 per cent owned and controlled by Wesfarmers). The Statement does not extend to the Coles business (which was demerged from the Group in November 2018, with Wesfarmers retaining a 15 per cent interest) nor Wesfarmers' interests in the Bengalla coal mine, the Kmart Tyre and Auto Service (KTAS) business or the Group's investment in Quadrant Energy, which were all divested during the 2019 financial year. The Statement does not extend to Catch Group or Kidman Resources (the holding company for Wesfarmers' 50 per cent interest in the Mt Holland Lithium project, which is managed by Covalent Lithium), which were all acquired after the 2019 financial year-end, or to Wesfarmers' investments in flybuys, BWP Trust, Queensland Nitrates Pty Ltd (a 50 per cent joint venture), Gresham Partners Group Limited and Wespine Industries.
- ² Modern slavery includes the crimes of human trafficking, slavery and slavery like practices such as servitude, forced labour, forced or servile marriage, the sale and exploitation of children, and debt bondage. Source: Walk Free Foundation.
- ³ 'Supply chains' is defined as suppliers and service providers to Wesfarmers and its divisions/business units.
- ⁴ Verisk Maplecroft, 2016, 'Human Rights Risk Index 2016'. Verisk Maplecroft is a global risk and strategic consulting firm.
- ⁵ Tier 1 suppliers are defined as those suppliers that supply goods or services directly to the division/business unit.
- ⁶ Workplace Gender Equality Agency (WGEA).