

4 September 2023

Mr Chris Leptos, AO
Independent Reviewer - Food and Grocery Code of Conduct

Sent via email: chris@leptos.com

Dear Chris

Thank you for taking the time to visit Coles Store Support Centre and meet with me and members of the Coles team to share your insights on areas where we can improve our ways of working with our suppliers.

We are genuinely committed to understanding any areas of concern for our suppliers so that we can work to resolve them. As we discussed, Coles has recently held separate supplier forums for our packaged and fresh suppliers and has received comprehensive feedback on a range of topics from our suppliers in the recent Advantage Survey. We have been actively seeking feedback so that we can identify and address areas that are important to our suppliers.

In relation to the key matters you raised, I have provided our responses below and would like to assure you that we have listened, and we are taking action. We will continue to monitor and work on these areas throughout the year.

Deductions from invoice without consent

Coles is committed to paying our suppliers in full and on time and our policy does not allow deductions without our supplier's consent. Supplier responses to your 2022 survey identified approximately 3% of Coles suppliers had concerns about deductions from invoice without consent, and we agree this is not acceptable.

Our investigation of prior issues raised by suppliers in this area has indicated that issues can sometimes arise in relation to deductions which have been agreed with a supplier, but which due to the timing or appearance of the deduction on a remittance can create misunderstandings. Nonetheless, we do not want any supplier to have these sorts of concerns.

Over recent years, we have invested in a number of initiatives to both resolve issues that might impact the way suppliers are paid and to improve our ability to investigate issues promptly. This has included work such as simplifying agreements to reduce the potential for incorrect payments, moving to electronic invoicing, decreasing payment times in some areas (our small suppliers have payment terms of 28 days, with a significant portion of small suppliers on 14 days) and reviewing processes in our Accounts team. I am pleased that our action to date has been effective, noting a reduction in suppliers reporting this issue from 9% in your 2021 report, to 3% in your 2022 report, but acknowledge there is further work we need to do.

Further action planned this year to address this issue includes:

- A review of the end-to-end Accounts Payable process for our supermarkets, including both automated and manual processes.
- An independent root cause analysis of query types registered with our Accounts Investigation team.
- Improving response times when a supplier raises a concern, by exploring potential areas for automating our accounts query process through the supplier portal.
- A new process to ensure senior leaders in our commercial team have visibility of unresolved invoice issues raised by suppliers. Specifically, unresolved invoice issues will be escalated to the relevant commercial General Manager (GM) for review if not resolved in 14 days.

Supplier Portal Effectiveness

As we discussed, we are in the early stages of building and developing our supplier portal which was launched in June 2022. Currently our portal has the functionality to provide our suppliers with access to essential information such as policies and processes, provides ability for suppliers to self-manage their profiles including contact details, provides access to complimentary reports for commercial results and supply chain planning, and manages submission and tracking of cost price alteration requests.

Our legacy portal (which will be migrated at a later date) allows suppliers to view their claims, remittances and upcoming transactions, and manage account details. Our future plans for our supplier portal include adding the ability for suppliers to submit and manage queries to Coles, plan promotions, and manage range reviews and new product submissions.

We have been seeking feedback from suppliers as we develop our supplier portal. This has included having supplier representatives from many categories provide feedback each month as the portal develops, obtaining feedback from portal demonstrations and receiving feedback directly from our portal which allows suppliers to rate their experience. To the extent that you have conveyed some suppliers have had difficulties with these platforms, we are seeking to ensure we do not have similar issues with our portal by building and developing it in consultation with our suppliers.

Access to data for small suppliers

I appreciate your insights in relation to small suppliers and their desire for additional data to better support them with strategy and planning. We currently provide our supermarket suppliers access (at no cost) to product related commercial and supply chain performance and planning data relevant to the products they supply. Following our discussion, we will investigate whether additional complimentary data can be made available and are making inquiries with some of our small suppliers as to what data they would find most beneficial.

Building supplier confidence to raise issues with Coles, the Arbiter or Independent Reviewer

We have in place a supplier complaints policy and also a whistleblower policy which prohibits any negative behaviour or consequences to a supplier who raises a complaint. Coles leadership has regularly reinforced this message with our commercial team members, and the Coles Arbiter addresses our team regularly, and has also reinforced this policy.

Our compliance team which has an independent reporting line from the commercial team to our Chief Legal and Safety Officer, have informally monitored supplier engagement following a complaint for many years. Following our meeting, we have now updated this process so that:

- Following notification by the Coles Arbiter that a complaint has been made (either formally or informally), in circumstances where the supplier has not elected to remain confidential, our Executive General Manager (EGM) of Fresh or Packaged (as relevant) who currently report directly to the CEO, will contact our supplier and provide both their own contact details and the contact details of the Risk and Compliance GM. The supplier will be invited to contact either the EGM or the GM (whose reporting line is independent to the commercial team) if they have any concerns, at any time about their trading relationship with Coles following their complaint.
- Both the relevant Coles EGM and the GM of Risk and Compliance will monitor the trading relationship of the supplier following a complaint.

I would like to thank you for making the time to walk us through the feedback you have received about our business. Please do feel free to contact me at any time if there are any issues you become aware of that we need to act on. We look forward to continuing to engage with you on how we can further build constructive relationships with our suppliers.

Yours sincerely,



Leah Weckert
CEO and Managing Director

cc the Hon Jeff Kennett, AC