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Why Kmart Australia will continue to support Bangladeshi suppliers

By Guy Russo, Managing Director, Kmart Australia

Following the tragic Bangladeshi factory collapse, governments, regulators and the media have rightly zeroed in on what responsibility major retailers that source goods from these places have in improving safety and, more broadly, helping to lift these communities out of poverty.

As a company that sources goods from Bangladesh, Kmart Australia welcomes this discussion. However, it is important that the Australian community – many who are our customers – know the facts about how we operate in developing countries, and why abandoning workers and their factories, for Kmart, is not an option.

Kmart Australia has sourced manufactured goods from Bangladesh for many years through agents and we established our own team, who deal direct with factories there, in 2012. Our business supports the operations of over 30 Bangladeshi garment makers who employ thousands of people.

There are risks working in countries where industry standards, management skills and training, and rules and regulations are significantly less than what we are accustomed to here at home.

To address this Kmart, and other responsible companies, have long had in place strict ethical sourcing codes of conduct to uphold standards and protect the workers who make the products we sell. On behalf of Kmart Australia, we don't always get this right but I can wholeheartedly say that we rectify any issue urgently, and we adjust our operations and way of thinking immediately where required.

Only factories that meet our safety and social compliance standards are awarded Kmart business. Regular formal and informal audits are conducted by international audit businesses, and we have zero tolerance of bribery, child and forced labour, physical and sexual abuse, as well as inadequate safety standards, unsafe buildings and unauthorized subcontracting. These zero tolerances also cover sweatshop working and slave labour.

In January and May this year, Kmart audited all of our supplier factories in Bangladesh. Auditors revealed some factories in high-risk environments that are therefore no longer eligible for Kmart business. Factories with lower risk infractions were put on notice and given the chance to make improvements.

Kmart takes compliance very seriously. Noncompliance has seen us cease doing business with many factories in the last 12 months that have breached our zero tolerance laws. Fortunately, we have our own office and a dedicated team in Bangladesh, supported by a close team in Delhi, China and Australia who deal directly with suppliers, share knowledge and are investing in building long term strong and sustainable relationships.

Given the searing images from April's factory collapse, it is understandable that media and groups are critical of big brands doing business in developing countries because of the poor standards that lead to such tragedies.

However, there are many positive strides that haven't received much focus.

I was inspired during one of my recent visits to see safety measures you'd find here at home: dedicated safety officers wearing bright yellow jackets, floor staff supporting workers in raising safety matters, identifiable and unobstructed exits, readily available fire equipment, regular safety meetings to air ideas and complaints, and factory owners placing their desks in the middle of the floor to give confidence to their workers about the structural integrity of their workplace.

This is all clear evidence that the factories we support in Bangladesh are making changes to improve safety and reduce risks for their workers. These are the benchmarks we expect, demand and want to see in all factories we do business with and in my view the only way their businesses can grow for the benefit of everyone.

It also helped me conclude that continuing to support responsible factories with our business is the right thing to do. Abandoning them would be disastrous for the manufacturers we have invested in and the thousands they employ, predominantly women with families to support.

Every stakeholder we talk to in Bangladesh has urged us not to withdraw and governments are doing their part to support improvements. The Bangladeshi government is working with industry bodies, employers, labour organizations and international standards bodies to establish a proper workplace standards and compliance framework. The Australian government has also given financial support for economic governance, health and education.

For our part, as well as stepping up an already vigorous auditing regime, Kmart has signed and strengthened the International Accord on Fire and Building Safety in Bangladesh. Along with Target, Kmart was the first Australian retailer to sign the Accord.

Wages are intrinsic to the ongoing discussion about working conditions and living standards. Our customers rightly want assurance that the low prices they pay for Kmart products aren't at the expense of illegal wages paid to garment workers in developing countries. I would like to assure them that they aren't.

Kmart's strict requirement for supplier factories is that they must pay at least the minimum rate to all workers or we will not do business with them. Many of our supplier factories already pay well above the minimum rate, and Kmart strongly supports proposed changes to Bangladeshi regulations that would see the minimum wage for garment workers rise from 60% to 100%.

Wage and living standard disparities between Australia and developing countries raise legitimate questions about whether we should be paying more for goods to support higher wages overseas.

Creating employment and lifting people out of poverty through sustained economic development is vital, and something myself and Kmart Australia unashamedly supports. The last thing Bangladeshi garment workers need is for Australian consumers to give in to demands for bans and product boycotts, especially when available evidence shows Bangladeshi factories, for the most part, are committed to making improvements.

There is nothing wrong with Kmart, and other responsible retailers, sourcing low-cost products from Bangladesh, adding a margin to cover costs, and passing on the benefits to consumers in the form of lower prices, provided responsible steps are taken to ensure workplace safety and remuneration standards are maintained.

Six hundred million people in China over the past three decades have been lifted out of poverty through a similar approach.

Through our sustained and responsible support, Kmart will be striving for a similar result in Bangladesh and other developing countries we operate in and will operate in going forward.

We are in a very privileged position, and the Kmart Australia team and I will take every opportunity we can to assist and support the factories where we operate to be the best business operators they can be.

Yours sincerely,

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