

Recommendation | Arnotts_20220217_Biscuits & Cookies

From: Elissa Xu <elissa.xu@coles.com.au>
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Date: Fri, 04 Mar 2022 14:41:05 +1100
Attachments: Summary - Arnotts.xlsx (177.96 kB)

Hi Beccy & Via,

Hope you are well. Due to the size of this request, please let us know if you would like us to set up a session to discuss this CPI. Alternatively we can discuss in Via's BCM Meeting with Aleks next week.

- We have completed the review of the request for **77 SKUs** from **Arnotts** in the Biscuits & Cookies category. We have found that **3.8% (\$8.8m in COGS p.a.) can be justified** of the request for **10.7% (\$24.6m in COGS p.a.) with a gap of \$15.8m in COGS p.a.**

Please refer to the attached file for more details (*Summary – Arnotts*). You can share this file with the supplier.

Callouts:

- The supplier provided cost allocations and claimed movements in their submission form. We have used their cost breakdowns in our analysis, rebasing for 20% as the supplier did not sufficiently account for margins
- It is unclear what 'Other Ingredients' constitutes so we have not included this in our analysis
- The supplier likely has contracts for the purchase of their inputs on a Quarterly/Annual basis. As we do not have access to the contracts, we have used spot prices which are broadly in line with the supplier's movements
- Under the [Cost Price Adjustment Policy](#), increases to fixed costs and other overheads costs are not considered, and labour is considered to the extent that they have been implemented by the supplier to meet the requirements of the Coles Ethical Sourcing Policy and any applicable laws
- Last dates of CPI are based on the supplier's submission

Reminder:

- Kindly include the CPI mailbox as a CC for your communications with the supplier on this request
- Please note that we need to send the response to the supplier's request before **19th March** to ensure we are compliant under the Grocery Code.
- **To be compliant under the Grocery Code in your response to supplier you will need to state whether you accept/partially accept/reject the supplier request for a Cost Price Increase. Please ensure you have used this language in your response.**

Next Steps:

If the prices seen in our market indices do not correlate to the price trends experienced by the supplier, they can provide us with some sort of documentary evidence to support price movements they have quoted (either in the form of contracts or invoices or any publicly available indices)

Coles is committed to protecting the confidentiality of any data provided by any supplier as part of the cost price adjustment process. However, to address any concerns they may have about the provision of confidential information the supplier may:

- Enter into a confidentiality agreement in relation to the information provided (with Coles CCT) i.e. to share invoices to confirm the cost increases
- Engage an independent third party to conduct a confidential review of the information and provide a recommendation to Coles. The identity of the independent third party is to be agreed between the supplier and Coles and the cost of such review will be shared equally by both parties.

Please reach out to us in case of any queries.

Thanks,
Elissa

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