

# MEMBER BRIEF

## FGCC COLES – EARLY SETTLEMENT DISCOUNT UPDATE

### Issue:

AFGC recently wrote to Coles providing feedback from member companies relating to Coles' handling of early settlement discounts.

### Background:

Following the introduction of the Food and Grocery Code of Conduct (FGCC) a number of AFGC member companies have raised concerns on two specific aspects of early settlement discounts offered by Coles:

- 1) Where an early settlement discount has been agreed, suppliers are being paid in line with standard payment cycles and not the agreed early settlement time line.
- 2) Suppliers who no longer wish to participate in the discounted early settlement arrangement are being informed by Coles either that such a change is to be treated as a price increase request or that it is not possible to alter the payment parameters.

The concerns were further explored by the AFGC through the recent industry poll on payments and subsequently raised with the Coles Code Compliance Manager.

The position the AFGC presented to Coles was that early settlement is an optional service provided by Coles for which a price (the early settlement discount) is paid, and accordingly should be delivered as agreed (or else not charged if not delivered) and may be discontinued if the service is no longer required.

### Coles Response:

The following is Coles response to both queries:

- 1) Issue: Where an early settlement discount has been agreed, suppliers are being paid in line with standard payment cycles and not the agreed early settlement time line.**

Response: Coles seeks to ensure that it meets all obligations with regards to paying suppliers on time.

Settlement discount is an amount that is negotiated and agreed by Coles and its suppliers for the agreed payment terms.

If any Coles supplier feels that they have not been paid in accordance with the Grocery Supply Agreement (GSA), we would encourage them to contact our Accounts Investigation team who will investigate. If an instance is identified where Coles has paid

outside the agreed payment terms, and the delay is the result of Coles, settlement discount will be immediately refunded.

Coles continues to work on reducing complexity in its payment processes as evidenced by the publication of our process in the Payments Policy section of the Coles Supplier Portal. Additionally, we are working on simplifying the operation of payment terms.

**2) Issue: Suppliers who no longer wish to participate in the discounted early settlement arrangement are being informed by Coles either that such a change is to be treated as a price increase request or that it is not possible to alter the payment parameters.**

Response: Coles seeks to ensure the terms of GSAs are successful for both our suppliers and Coles.

Coles understands that suppliers' positions can change and terms may no longer suit a new situation or circumstance. We encourage any supplier who seeks to change their terms to contact the relevant Coles category manager. In certain circumstances, Coles may support a renegotiation of trading terms. However, it is important to note that individual components of the GSA cannot be looked at in isolation and any discussion will focus on the agreement as whole.

Coles will reinforce with its Merchandise team the correct process where a request is received to alter commercial terms.

**Company Action:**

Member companies should note two specific aspects of the above response:

- Where Coles fails to meet the early settlement discount terms they have committed to refund the discount. To ensure your business is not the cause of any delay member companies should make sure invoicing is in accordance with your GSA and the retailer requirements.
- Coles consider the early settlement discount part of the GSA and any re-negotiation of the discount would require a full re-negotiation of the agreement.

Based on the commitments made by Coles as summarised in this brief, companies that continue to have issues with early settlement discounts should raise those specific issues with Marnee Nugent or the Commercial GMs with whom they deal.

At any time member companies are encouraged to provide further detail on this or similar practices to either Chris Preston ([chris.preston@afgc.org.au](mailto:chris.preston@afgc.org.au)), Samantha Blake ([Samantha.blake@afgc.org.au](mailto:Samantha.blake@afgc.org.au)) or myself.

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