



# KFC MODERN SLAVERY STATEMENT

## 2020

This voluntary statement is made on behalf of the following reporting entities:

1. Kentucky Fried Chicken Pty Ltd (KFCPL)
2. KFC ADCO Limited ACN 083 047 992 (KFC Adco)
3. ACN 085 239 998 Pty Ltd (ACN 085)  
(collectively, “KFC Australia”)

This Statement sets out KFC Australia’s commitment to prevent modern slavery in our operations and supply chain. Although KFC Australia is not required to report until 2021, this voluntary statement relating to the 2019 calendar year has been prepared as part of KFC’s proactive approach to responsible business conduct. Information current as at 14 August 2020.

# INTRODUCTION



**RICHARD WALLIS**  
MANAGING DIRECTOR  
KFC AUSTRALIA

A handwritten signature in white ink that reads "Richard Wallis". The signature is fluid and cursive, written over a dark background.

We are proud to publish our first modern slavery statement as part of our compliance with Australia's Modern Slavery Act (Cth). KFC commenced our journey in 2019 to gain further transparency across our supply chains, and we have worked collaboratively with our supply and franchise partners to embed our systems, processes and requirements.

Whilst many see KFC as a food business, we see ourselves as a people business. We put our people first in everything we do, and this extends beyond our teams through to our suppliers and franchise partners and their people.

Across the spectrum of our supply chain, we are committed to ensuring that the treatment of people is paramount. We have a long and deep history with many of our supply partners. We believe you can't get much better than what's already in our backyard and that's why we proudly source local Aussie ingredients where possible.

Our first modern slavery statement reflects our work on this initiative over the past year across the business and across our supplier and franchise partner network. We have made progress on our governance structure, raising awareness on this global issue and improving transparency around the risks of modern slavery in our supply chain and operations. We are committed to continuing to work on strengthening our structure and initiatives to ensure that our "people first" mentality continues to remain at the heart of our business and supply chains.

# OUR APPROACH

KFC Australia is committed to conducting business in an ethical, legal and socially responsible manner. As part of our obligations under the Modern Slavery Act 2018 (Cth) (MSA), we are taking steps to identify, and eliminate the risk of modern slavery occurring within our operations and supply chain. We will report on these steps as part of our annual reporting obligations under the MSA.

All KFC Australia employees, suppliers and KFC franchisees to whom the MSA reporting obligations apply, are expected to understand and comply with the MSA.

The recent global COVID-19 pandemic has had a significant impact on some areas of KFC Australia's supply chains, and operations have been affected. As we move through this crisis and into recovery, KFC Australia will continue to work with our supply partners to understand the impact of the pandemic on their supply chains. Following on from our comprehensive risk assessment work undertaken with our first-tier suppliers, we've focused our resources on starting the conversations on the results from our initial risk assessments. We are committed to expanding our engagement and risk assessments further over the next 12-18 months.

## Key Achievements



2019 commenced our journey - joined the Sedex online platform to gain greater transparency on our food supply chain.



Food and Paper supply partners were invited to join Sedex and share their results with us on the platform and received incredible support from them in coming onto the platform and sharing their results.



Adopted a modern slavery policy and a whistleblower policy



Established a modern slavery working group to set up our corporate governance structure to support our work on reducing the risk of modern slavery in our business and our operations



Conducted a high-level view of our non-core suppliers and have worked to raise awareness across our business units to upskill our department representatives on modern slavery

# WHO WE ARE



KFC Australia is part of the global KFC chicken restaurant brand and has a rich, decades-long history of success and innovation. It all started with one cook, Colonel Harland Sanders, who created our world-famous Kentucky Fried Chicken recipe more than 75 years ago – a list of 11 secret herbs and spices scratched out on the back of his kitchen door. Today, the brand still follows his formula for success, with real cooks breading and freshly preparing delicious chicken by hand.



**1968**

First KFC opened in 1968 in NSW. There are 680 restaurants in Australia including 51 Company Owned stores.



**36,000**

KFC restaurants employ approximately 36,000 team members between KFCPL and KFC franchisees.



**4000**

KFCPL employs 4000 direct staff across its Company Owned stores and its Restaurant Support Centres in NSW, VIC and SA



**65**

Franchisor of 65 franchisees who own 92.5% of KFC restaurants in Australia.



**49,000**

KFC Australia and its related entities are subsidiaries of Yum! Brands. Yum! Brands has over 49,000 restaurants in 145 countries and is listed on the New York Stock Exchange



**\$2.9m**

The KFC Youth Foundation in Australia has raised over \$2.9m since 2018

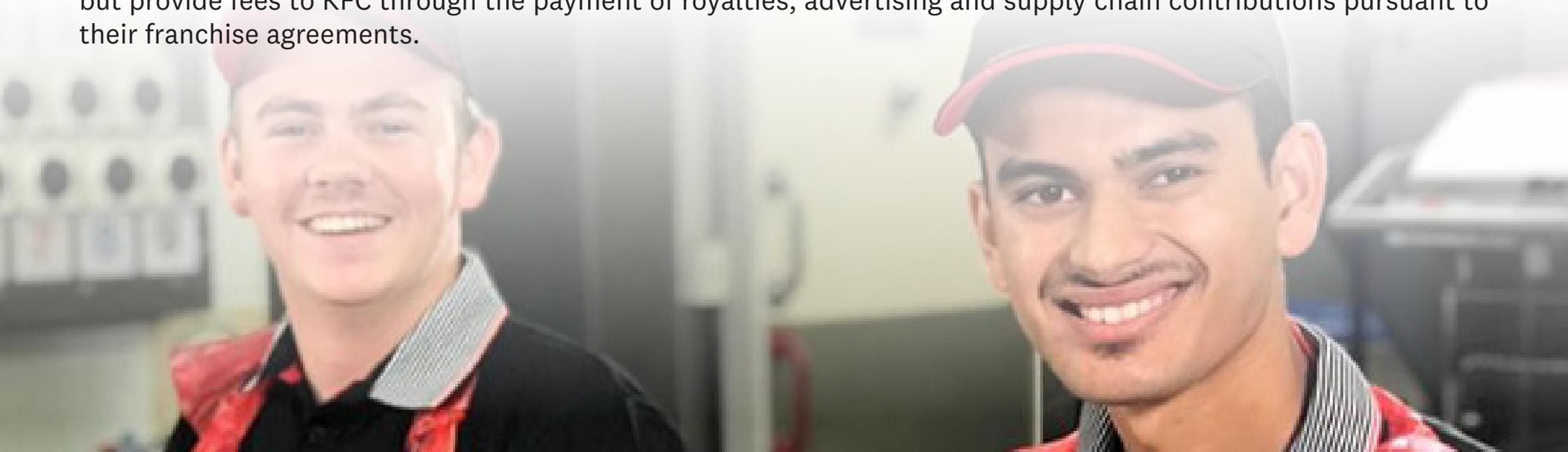
# OPERATIONS AT KFC AUSTRALIA

## FRANCHISING, OPERATING AND SUPPORTING OUR RESTAURANTS

KFCPL's operating business consists of both operating the KFC restaurants that KFCPL directly owns, and licensing, in its capacity as franchisor, the KFC system, system property and trademarks to KFC franchisees in Australia and New Zealand. KFCPL's operations also include the provision of certain supply chain management services for franchisees and the provision of certain advertising and marketing services for KFC Adco. In addition, KFCPL from time to time sources IT equipment and services for KFC restaurants, along with building and construction materials and maintenance services.

KFCPL's operations in Australia require the support of various internal departments, primarily located at KFCPL's RSCs, including development, operations, food innovation, marketing, supply chain, legal, corporate affairs, finance, human resources, and information technology.

KFCPL Franchisees do not comprise part of KFC's operations and supply chain for the purposes of MSA reporting but provide fees to KFC through the payment of royalties, advertising and supply chain contributions pursuant to their franchise agreements.



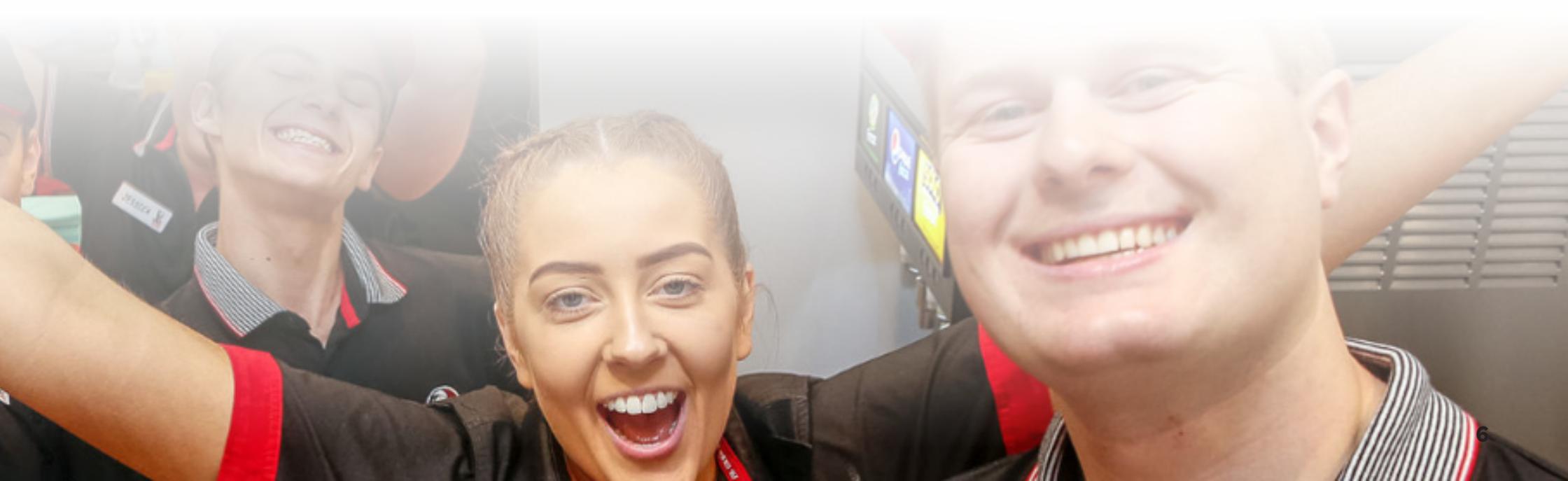
# OUR OPERATIONS

## RISK ASSESSMENT

### Identifying risks in our operations

KFC takes the safety and proper employment of its team members very seriously, both at its Company owned restaurants and at the restaurants owned and operated by our franchise partners. We have a robust existing framework in place for communication, and training on workplace rights and conditions and mandate compliance with all relevant labour legislation and standards within our franchise agreements.

In 2020, KFC Australia and its franchisees implemented a workforce management software solution that manages time and attendance functions for all KFC restaurants ensuring all our employees and the employees of our franchisees are paid correctly in accordance with the KFC National Agreement 2020. KFC also has centralised training programs that train our team members on how to operate our equipment in restaurant, provide world class customer service and also on ethical behavior and our KFC service standards.



# OUR OPERATIONS

## RISK ASSESSMENT

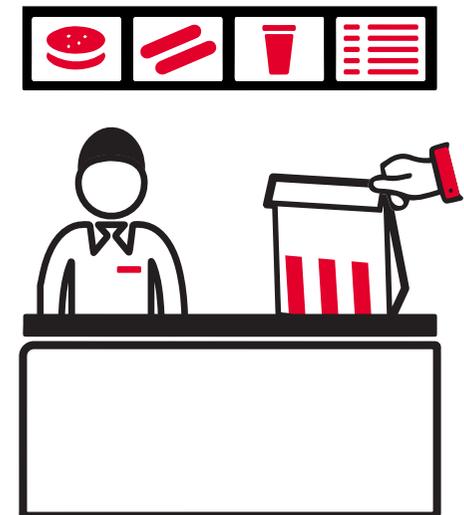
To further support our commitment to food safety compliance KFC has third party auditors that verify that KFC brand standards and food safety practices are adhered to at all of its restaurants and these audits are carried out at all KFC restaurants on a regular basis. These auditors have powers to inspect files on team members and can conduct random checks to ensure that team members are of working age. In addition, our people excellence coaches assigned to our KFC Australia restaurants also review these records, check that team members are of working age and conduct reviews of staff rosters in stores.

### Assessment of risk in our operations

We consider there to be a low risk of modern slavery within our corporate staff who are employed at our RSCs. More broadly, our employees are all paid in accordance with market conditions, or the relevant award and applicable legislation and we have in place processes to ensure that staff are legally entitled to work, including that they are of legal working age.

Whilst we acknowledge that there is an inherent risk of employment of vulnerable workers due the nature of our industry and demographic of our workforce, we also consider the risk of modern slavery to be present in our Company owned restaurants to be low.

In 2019, KFC Australia reviewed all existing employment related policies and procedures and conducted a gap analysis for modern slavery risks. We will use this gap analysis to set our priorities for our teams going forward as we work to address and implement strategies to reduce our risk of contributing to or being directly linked to modern slavery in our operations.



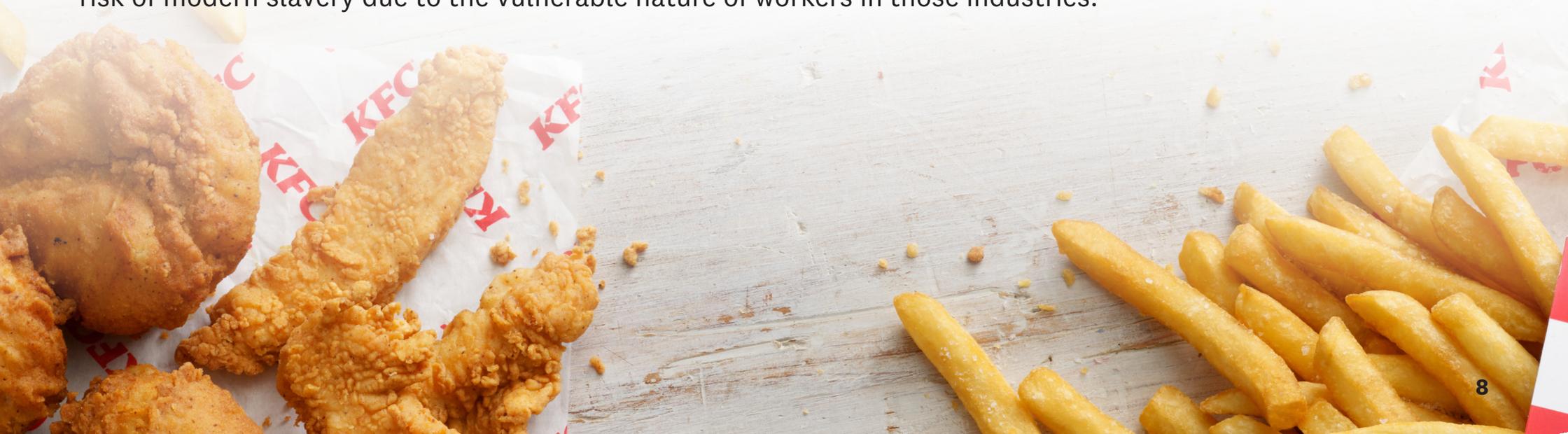


# IDENTIFYING RISK IN OUR FOOD AND PAPER SUPPLY CHAIN

Under the KFC Franchise Agreements, KFC Franchisees are required to use goods and services that have been approved by the KFCPL to prepare, market and sell products in their KFC restaurants to ensure quality and consistency of KFC products sold throughout the KFC franchise system.

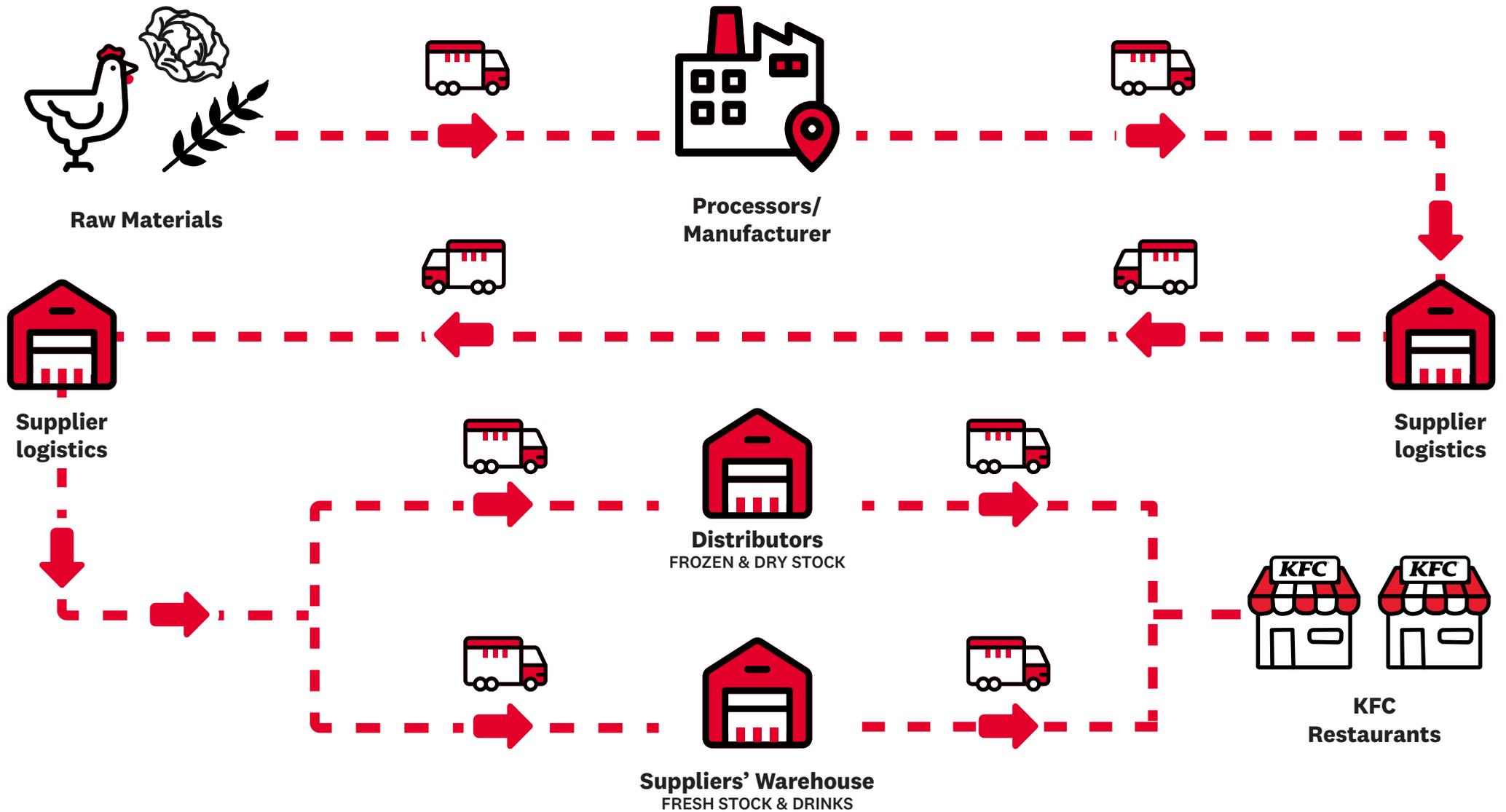
In order to assist with this consistency, KFCPL conducts sourcing and purchasing negotiations for food and packaging items for its own restaurants and also on behalf of franchisees (on the basis that supply and distribution arrangements negotiated by KFC are made available by approved suppliers and distributors to franchisees).

Based on a high level review of our suppliers, we identified that our Food and Paper Suppliers operate in industries such as agriculture, meat processing, textiles, logistics and manufacturing and in countries such as China and countries in South East Asia that are at risk of being directly linked to or indirectly contributing to the risk of modern slavery due to the vulnerable nature of workers in those industries.

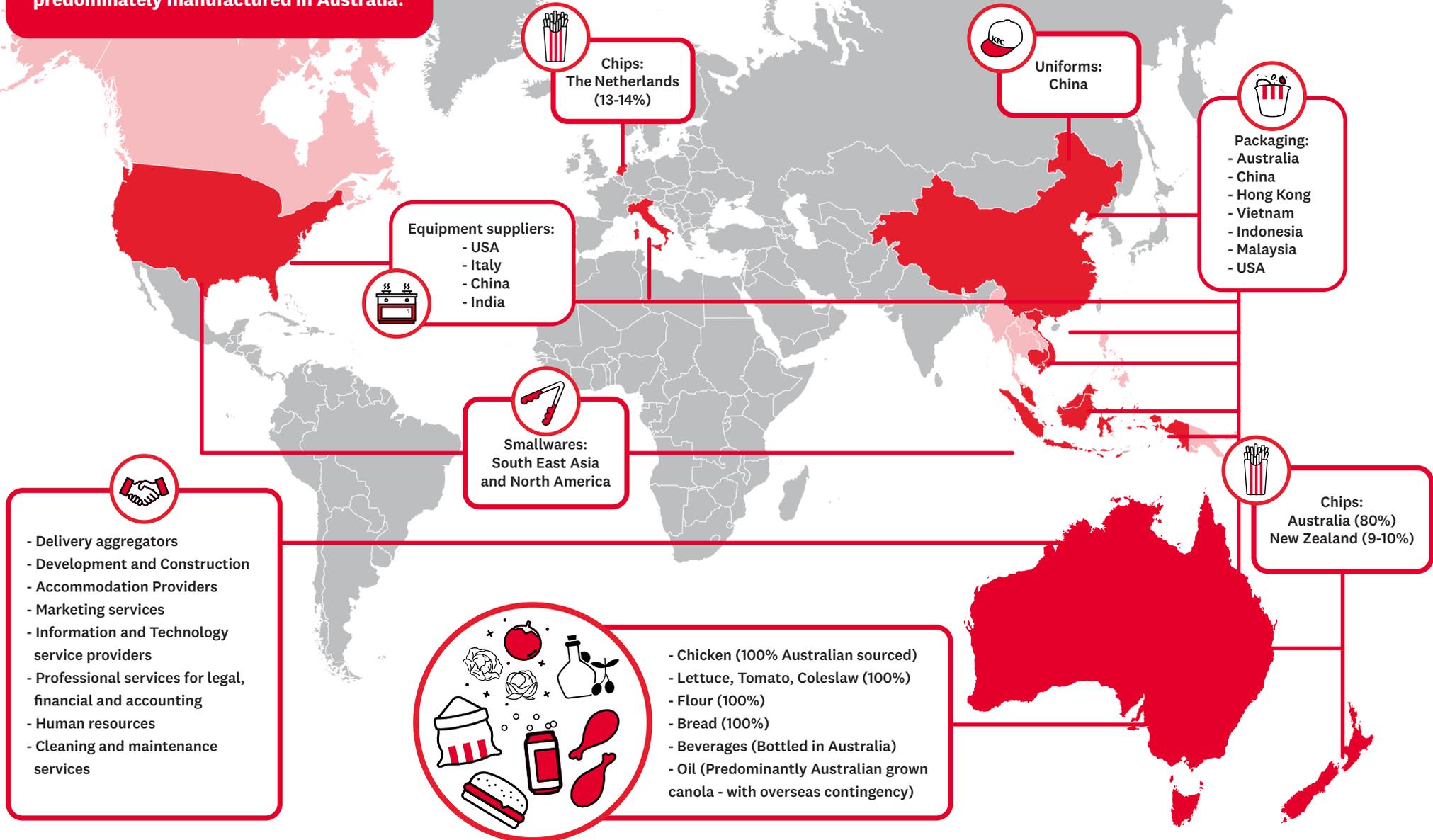


# OVERVIEW OF SUPPLY CHAIN

## FOOD AND PAPER SUPPLY CHAIN INTO OUR RESTAURANTS



**92% of KFC Australia's goods directly provided to KFC restaurants by KFC's direct Food and Paper Suppliers are predominately manufactured in Australia.**



\*Map has been modified

# MAPPING OUR SUPPLY CHAIN

## FOOD AND PAPER SUPPLY CHAIN



The SAQs collected data from suppliers on above four pillars.

### Using Sedex to gain greater transparency on our supply chains

In February 2019, in order to further understand the potential risks of modern slavery in our supply chains, KFC Australia became a member of responsible business organisation Sedex. We engaged with Sedex's team to help us shape the development of the KFC anti-modern slavery compliance project.

### What is Sedex?

Sedex is a responsible business trade membership organisation acting to improve working conditions in global supply chains by helping businesses achieve full end-to-end supply chain transparency. It began in 2004 as a data platform to help suppliers share data with multiple customers – “Sedex” stands for “Supplier Ethical Data Exchange”. Sedex is now a global company and network, servicing over 60,000 members across 180 countries.

Sedex provides a collaborative platform, risk assessment and audit methodology (SMETA) for gathering and sharing responsible sourcing data about supply chains. Sedex combines open source data from Verisk Maplecroft indices on inherent risks within countries and industries with site-specific information to create a “combined risk rating” – a risk score for each supplier site.



# MAPPING OUR SUPPLY CHAIN

## FOOD AND PAPER SUPPLY CHAIN

### KFC Food and Paper suppliers invited to join SEDEX

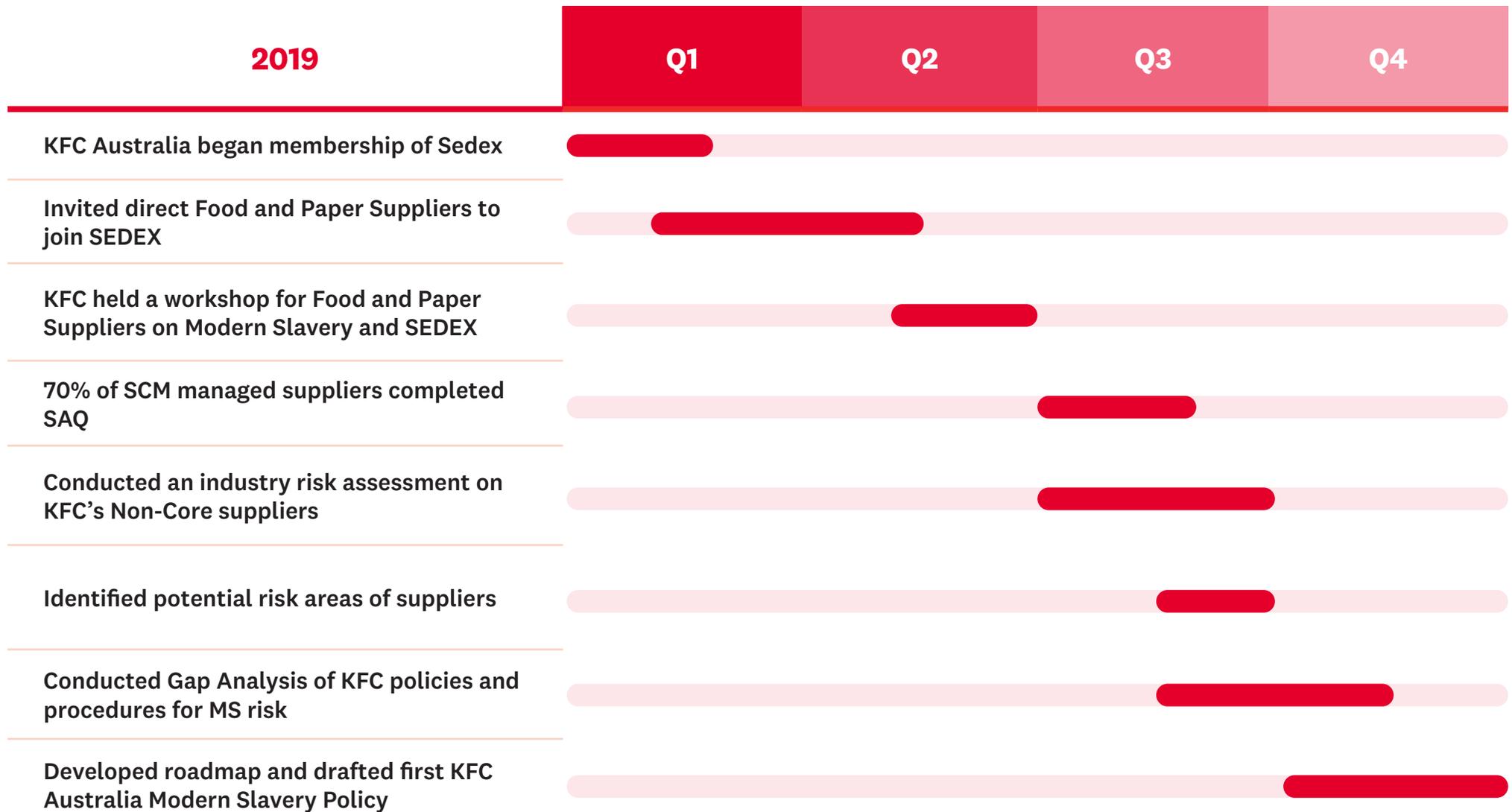
In March 2019 we invited our direct Food and Paper Suppliers to join Sedex and complete a self-assessment questionnaire (SAQ) for each of their sites. The SAQ collects data on four areas: Labour Standards, Health & Safety, Business Ethics and Environment. In this first step, we focused on mapping our first-tier suppliers who either manufacture or distribute the end products used in our KFC restaurants.

Following the completion of SAQs by each supplier, and factoring in their answers, each site received a “combined risk rating” to provide an indication of a supplier’s potential modern slavery risk. KFC uses these ratings to understand the risk of modern slavery in our supply chain.



58% of those living in Slavery are in 5 countries: India, China, Pakistan, Bangladesh, Uzbekistan

# TIMELINE OF KFC'S 2019 ACTIONS TO MAP THE POTENTIAL RISK OF MODERN SLAVERY IN OUR FOOD AND PAPER SUPPLY CHAIN



# MAPPING OUR RISK

## FOOD AND PAPER SUPPLY CHAIN

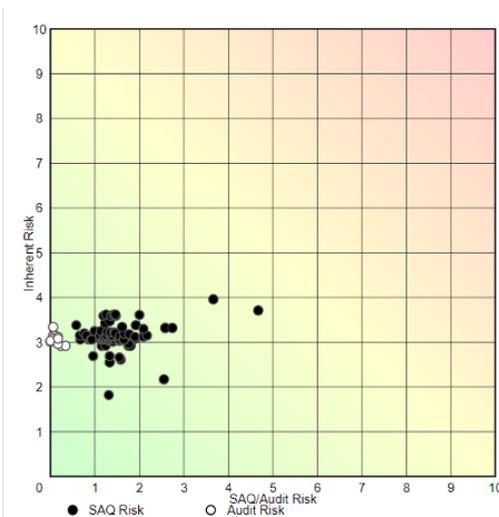
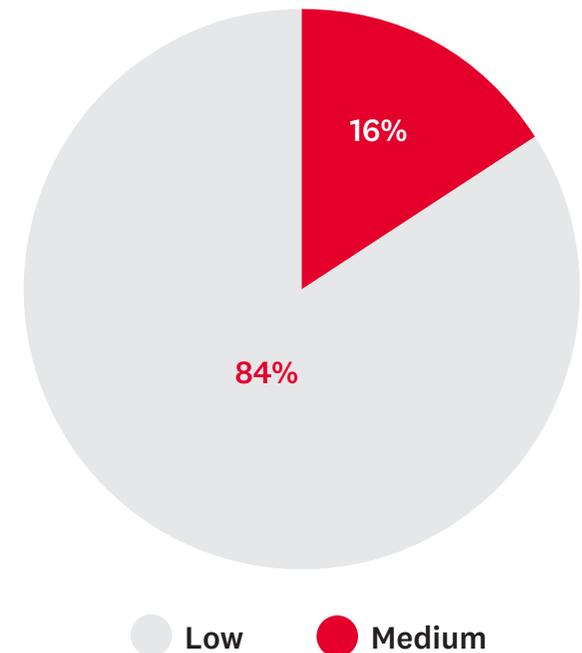
**70%** of invited sites completed 100% of their SAQ

**Uniforms, Produce** and **Meat** processing sites received 'medium' risk rating on SEDEX

**84%** of sites who completed their SAQ received a "low" combined risk rating on Sedex.

**Excluded** sites that did not currently supply any goods or services to KFC Australia

### COMBINED RISK RATING OF FOOD AND PAPERS SUPPLIERS



**No** sites received a "high risk" combined risk rating on Sedex

Source: SEDEX Risk Assessment Tool – KFC Food and Paper Supply Chain

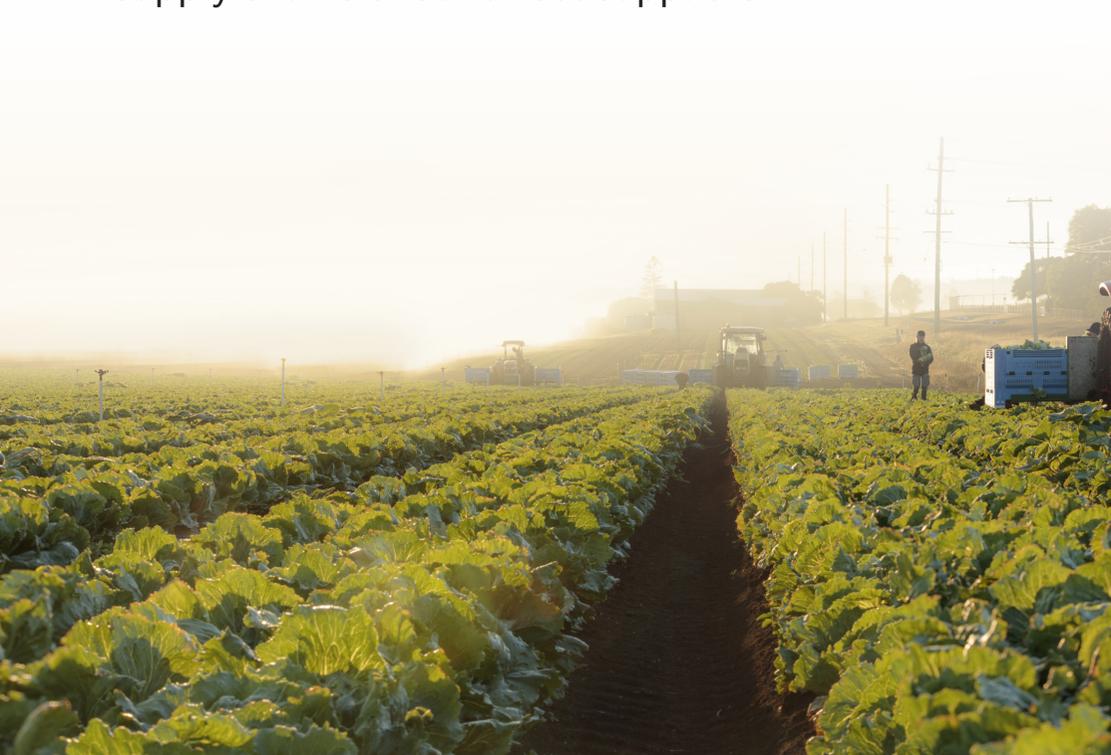
# ASSESSING OUR RISK

## FOOD AND PAPER SUPPLY CHAIN

From these initial results, we are more cognisant of the inherent and apparent risk on the textile, agriculture and meat processing industry, and by extension our suppliers who operate in those industries due to the vulnerable nature of their workforce, the repetitive production process and the competitive pressures of those industries.

We are also aware that we do not have data on the distribution, packaging and produce suppliers who have not yet completed their SAQ at time of publishing this statement.

We also recognise that reliance on the combined risk alone is limited to the extent that it looks at the potential risk of modern slavery at the site level of each of our direct suppliers, but does not offer further insight into the supply chains of our direct suppliers.



# ASSESSING OUR RISK

## FOOD AND PAPER SUPPLY CHAIN

Finally, we have assessed that there is a risk that KFC Australia may be linked to potential modern slavery in the operations and supply chains of its KFC Franchisees. However, we are not aware of any actual instances of modern slavery and have provided information to our largest franchisees about modern slavery and their obligations under the MSA.

We recognise that there will inevitably be modern slavery risks below our first-tier suppliers that will be difficult to detect but our aim is that in the long term, our influence on our direct suppliers in our first tier supply chain will influence the level of modern slavery risks in the lower tiers of their supply chain.

# MAPPING RISKS

## NON-CORE SUPPLY CHAIN

As part of its operations, KFCPL sources goods and services from non-food suppliers. The majority of our Non-Core suppliers are based in Australia providing services to our RSC and KFC restaurants in Australia.



## KFC'S NON-CORE SUPPLIERS

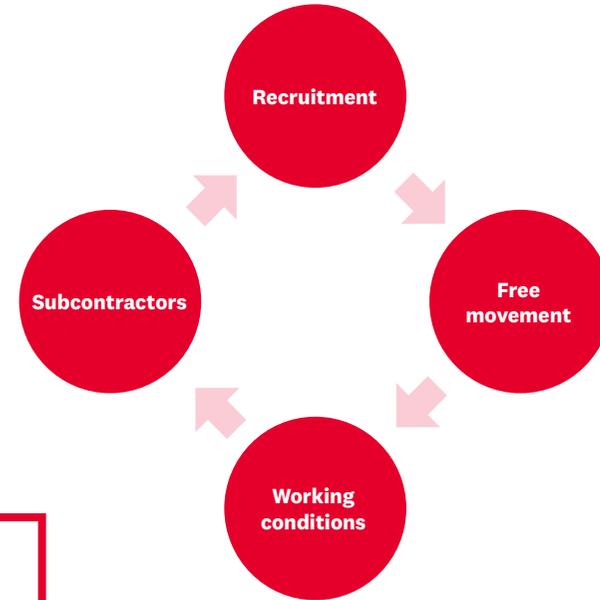
Category	Origin
Equipment	Italy, U.S.A, China, India and the Philippines
Development and Construction	Australia - mapping further
Key raw materials and construction materials used in our KFC restaurants	Australia - mapping further
Accommodation providers	Australia
Marketing Services	Australia
Information and technology service providers that provide direct support to KFC's restaurants and RSCs and support our ecommerce channels	Australia
Professional services for legal, financial and accounting	Australia
Human resources	Australia
Cleaning and maintenance services	Australia
Delivery aggregator services	Australia

# MAPPING RISKS

## NON-CORE SUPPLY CHAIN

In 2019, we also embarked on a process of mapping the risk in our Non-Core Suppliers supply chains. We engaged external advisors to assist us with this analysis. We assessed the Non-Core Suppliers against three contextual categories:

- country and sector context;
- workforce demographics; and
- the characteristics of risk management processes or controls.



An employment/labour standards lens was also applied to classify suppliers as high, medium or low risk. To conduct this exercise, we reviewed our annual spend in 2019 on our Non-Core. Suppliers by business unit and assessed the key areas of modern slavery risk, namely by reference to:

- recruitment;
- free movement;
- working conditions; and
- third party workforce (suppliers/subcontractors).

We also reviewed the control mechanisms in place to mitigate risks identified in the above analysis.

# ASSESSING OUR RISK

## NON-CORE SUPPLY CHAIN

In the process of assessing our 2019 Non-Core Supplier spend, we identified that there is a risk that our Non-Core Suppliers to KFC Australia have risks in their own supply chains that we are not aware of.

We are currently conducting a risk assessment of our Non-Core suppliers and will look to further explore the supply chains of suppliers identified as high and medium risk to ascertain all the countries and regions where those KFC's Non-Core Suppliers operate.

We will look to further explore the supply chains of those suppliers and depending on our initial risk assessment, will ask these suppliers to complete our modern slavery questionnaire and if required, to join the SEDEX platform and complete the supplier questionnaire.



Category	Risk Assessment	Findings
Equipment	Medium/High	Invite identified high/medium risk suppliers onto SEDEX for further risk assessment
Development and Construction	Medium/High	There is a need to focus on risk in the area of construction and development due to the nature of the workforce and subcontracting in this industry. Consider developing guidelines to assist procurement decisions and oversight of subcontractors in construction industry
Accommodation providers	Medium	Given the nature of this industry and demographic of workforce, there is a need to establish onboarding and monitoring procedures for these providers
Marketing Services	Low	Risk considered low in professional agencies and activation events. Additional consideration on how we verify the sourcing of our merchandise such as promotional shirts may be required
Information and technology service providers that provide direct support to KFC's restaurants and RSCs and support our ecommerce channels	Low	Develop guidelines to assist procurement decisions in relation to IT hardware and software support services
Professional services for legal, financial and accounting	Low	Risk considered low due to the nature of services provided and demographic of workforce
Human resources	Low	Risk considered low due to the nature of services provided and demographic of workforce
Cleaning and maintenance services	Medium/High	Given the nature of this industry and demographic of workforce, there is a need to establish onboarding and monitoring procedures for these providers
Delivery aggregator services	Medium/High	To address this risk, we have included contractual provisions requiring compliance with modern slavery legislation and our Code of Conduct. We are in the process of understanding how their operations might contribute to modern slavery practices.

# ADDRESSING RISKS - ACTIONS TAKEN

## 01 UPDATED CONTRACTS

We have updated the terms of our contracts with our Food and Paper Suppliers to include provisions requiring our suppliers to comply with the modern slavery legislation and to sign up to Sedex. We are reviewing the key contracts on foot that will require amendment

## 02 DELIVERED TRAINING

Delivered SEDEX training to the Food and Paper Suppliers and the KFC Supply Chain team. Delivered Modern Slavery Training and risk assessment training to the Modern Slavery working group.

## 03 IMPLEMENTED POLICY

In January 2020, KFCPL and KFC Adco adopted a formal Modern Slavery Policy and Whistleblowing Policy which made available a completely confidential helpline and confidential disclosure form online available 24/7 to encourage our employees to whistle blow in safety.

## 04 CODE OF CONDUCT

Updated the KFC Supplier Code of Conduct specifically address compliance with modern slavery, illegal workplace practices and illegal workers. The Franchise Policies Manual was amended to require franchisees to provide their suppliers with a copy of KFC's Supplier Code of Conduct.

## 05 WORKING GROUP

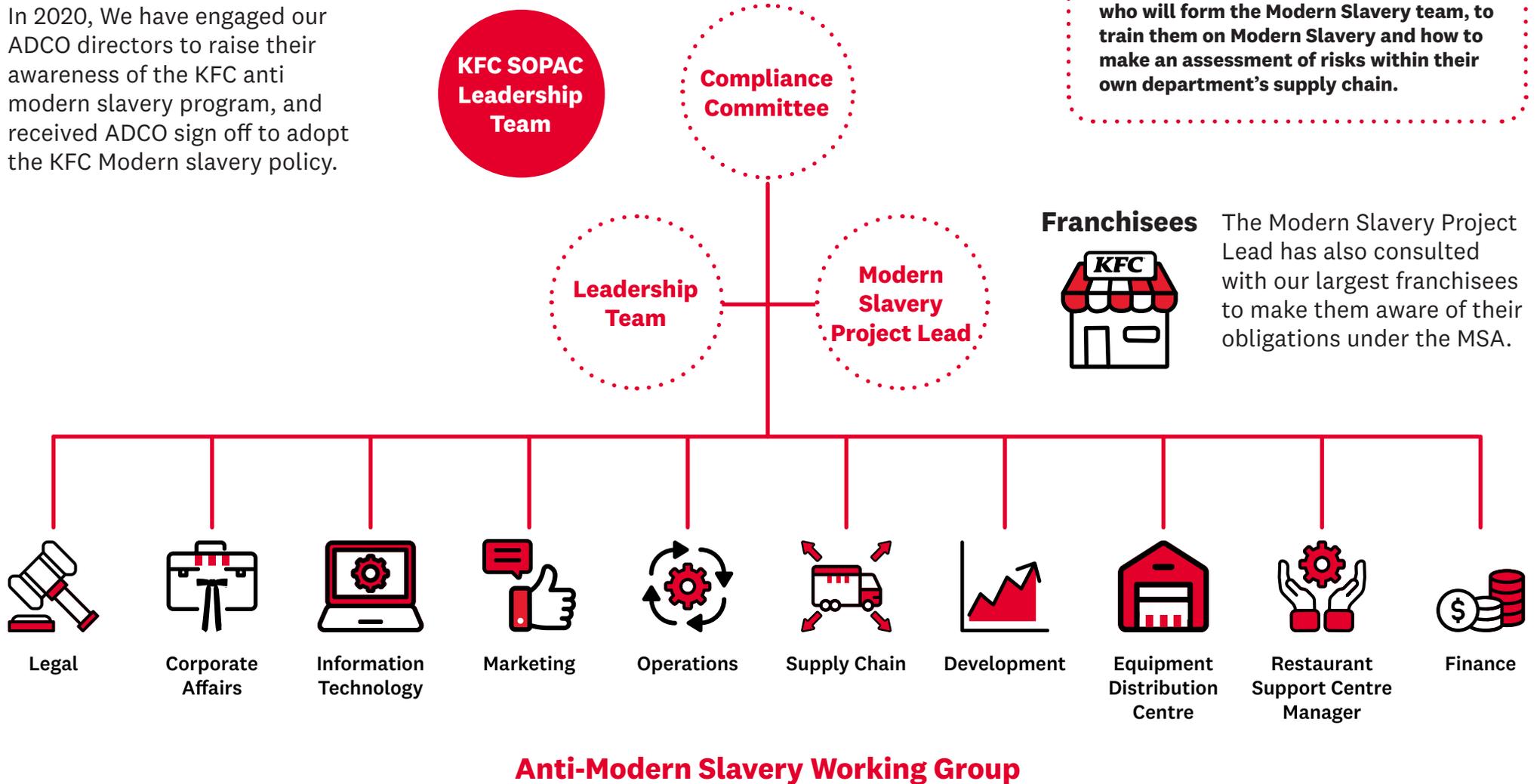
A cross-functional Anti-Modern Slavery working group has also been formed and will report into the Compliance Committee on a monthly basis to monitor and track the performance of the above initiatives and KFC will report on progress in our 2021 MSA Statement.

# CONSULTATION AND GOVERNANCE

## MODERN SLAVERY WORKING GROUP

In 2020, We have engaged our ADCO directors to raise their awareness of the KFC anti modern slavery program, and received ADCO sign off to adopt the KFC Modern slavery policy.

In 2019 and 2020, we delivered training to a representative from each department who will form the Modern Slavery team, to train them on Modern Slavery and how to make an assessment of risks within their own department's supply chain.



# OUR PATH FORWARD



Future Action	KPI
<p>Develop procedures so that we may work with the suppliers identified by the SAQ process, in order to collaborate on ways to reduce modern slavery in their supply chains, and consider what steps KFC will take in the event that the risks are not adequately mitigated by our business partners;</p>	<p>Final Procedure to be developed and rolled out to Food and Paper and Non-Core Suppliers by 2022</p>
<p>Develop and deliver training for our business team who manages the key relationships with the suppliers identified as medium risk to assist them to address and discuss the potential risks of modern slavery within their supplier relationships;</p>	<p>Training compliance for our supply chain team who manage our Food and Paper Suppliers and for the cross functional teams who manage Non-Core Suppliers</p>
<p>Raise awareness of the Australian Supply Chain Code of Conduct with both Food and Paper Suppliers and key Non-Core suppliers;</p>	<p>% of “high” and “medium” risk Food and Paper Suppliers and Non-Core Suppliers who have been sent the updated Modern Slavery policy and updated Supplier Code of Conduct and have returned evidence of acknowledgement of these policies and compliance with the code;</p>
<p>Identify the key contracts within our Non-Core and our Food and Paper Suppliers that will require specific amendments</p>	<p>% of each department’s supply chain and operational risk that have been assessed as “high”, “medium” and “low” risk suppliers</p>
<p>Receive SAQs from all Food and Paper Suppliers who currently supply KFC with goods and services by the end of 2021</p>	<p>% of Food and Paper Suppliers and key equipment suppliers onboarded onto SEDEX and rate of completion of their SAQs by 2020 and 2021</p>

# OUR PATH FORWARD

We have embarked on a journey internally to develop a cross functional road map to navigate compliance with our modern slavery obligations in the years ahead. We believe we have taken the important initial steps in raising awareness of and mitigating modern slavery risks in our operations and supply chains at KFC. We are currently in the process of aligning our internal stakeholders to develop KPIs on the effectiveness of our measures to reduce the risk of modern slavery in our operations and supply chains.

The COVID-19 pandemic has had an impact from a resourcing perspective, on our ability to further engage with our direct Food and Paper Suppliers and our Non-Core Suppliers. We are committed to further engaging with our Food and Paper and Non-Core supply chain suppliers in the next 12-18 months.



# APPENDIX

The table below indicates which section of our Modern Slavery Statement addresses the Modern Slavery Act criteria

Modern Slavery Act Criteria	Section
Identify the reporting entity	Page 1: See Front Page
Describe the reporting entity's structure, operations and supply chains	Page 4: Who we are Page 5: Operations at KFC Australia Page 9&10: Overview of Supply Chain
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls	Page 6 & 7: Our Operations – Risk Assessment Page 8: Identifying Risk in Our Food and Paper Supply Chain
Describe the actions taken by the reporting entity and any entity it owns or controls to assess and address those risks, including due diligence and remediation processes	Page 11&12: Mapping Our Supply Chain – Food and Paper Supply Chain Page 13: Timeline of KFC's 2019 Actions Page 14: Mapping Our Risk – Food and Paper Supply Chain Page 15&16: Assessing our Risk – Food and Paper Supply Chain Page 17&18: Mapping Our Risk – Non-Core Supply Chain Page 19&20: Assessing Our Risk – Non-Core Supply Chain Page 21: Addressing Risks – Actions taken
Describe how the reporting entity assesses the effectiveness of these actions	Page 23&24: Our Path Forward
Describe the process of consultation with any entities that the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)	Page 11: Mapping Our Supply Chain – Food and Paper Supply Chain Page 22: Consultation and Governance – Modern Slavery Working Group
Provide any other relevant information	Page 2: Introduction Page 3: Our Approach

## SIGN OFF

The KFC PL Compliance Committee approved this statement in November 2020

The KFC ADCO Board approved this statement in November 2020

