

Drakes Supermarkets

# Modern Slavery Statement

2020



**Drakes.**

## DRAKES SUPERMARKETS

### Modern Slavery Statement

1 July 2019 to 30 June 2020

Drakes Supermarkets is the largest independent grocery retailer in Australia. Drakes Supermarkets specialises in supermarket retailing, operating in over 50 stores across South Australia and Queensland and employing over 5,500 staff nationally.

Drakes Supermarkets started in 1974 with Roger Drake purchasing his first supermarket, a three-laned store named Jack & Jill's which employed only four staff. In 1977 the first Drakes Supermarket was opened and, since then, has expanded in South Australia's and Queensland to become Australia's largest independent supermarket chain.

The strength of Drakes Supermarkets lies in operating on the principles of a family business and senior management work very hard to maintain this culture. Despite its expansion, Drakes Supermarkets has kept its focus on the important aspects of the supermarket business – the customer – by always striving to provide superior customer service. This is the Drakes Supermarkets competitive edge, along with its family values and South Australian roots.

#### Drakes Supermarkets Mission, Vision and Values

##### *Vision*

To be a world class retailer.

##### *Mission*

To provide customers with exception service, value for money, great range and an outstanding shopping experience.

##### *Core Values*

Drakes Supermarkets core values include:

- Customers – the most important people in the Drakes Supermarket business. Drakes Supermarkets will do its utmost to satisfy their needs and exceed their expectations.
- Community – pledging to give back to the community and supporting the community wherever possible.
- Growth – committed to the growth of the business and in everything we do. Operating the business in a forward planning professional and efficient manner.
- People – having the right people in the right jobs, enjoying themselves in a safe environment. Providing staff with security and a career path knowing that competent and dedicated staff are the basis of our success.
- Safety – providing a safe environment for our customers, staff and supplies and comply with all legislative requirements.
- Suppliers – valuing long-term supplier relationships.

Roger Drake values the importance of giving back to the community and firmly believes that it is the local community that contributes to the success of his business every day. An example of this giving back is the release of the Drakes Charity Showbag for sale in South Australian stores throughout the week of the Royal Adelaide Show. In conjunction with valued suppliers donating to the charity showbag program Drakes Supermarkets has raised in excess of \$1.3 Million dollars in funds for various South Australian charities.

Given people are a core value to Drakes Supermarkets, it follows that Drakes Supermarkets opposes any form of modern slavery<sup>1</sup> in its operations and supply chains.

Drakes Supermarkets acknowledges that modern slavery is a complex issue with global implications. Drakes Supermarkets has a strong internal culture whereby any legal, ethical or suspected concerns are to be reported. To that end, Drakes Supermarkets is committed to identifying and managing risks of modern slavery.

This modern slavery statement is for the reporting period of 1 July 2019 to 30 June 2020 and addresses the mandatory criteria as set out in section 16 of the *Modern Slavery Act 2018* (Cth) ("Act").

## Criteria 1 – Reporting Entity

The reporting entity for the purposes of this modern slavery statement is Drake Corporation Limited (ACN 161 067 018) ("Drakes"). This statement is made by Drakes on behalf of all entities in the Drakes group.

## Criteria 2 – Structure, Operations and Supply Chains

### Structure

Drakes is a public company limited by guarantee. Drakes is the head entity for the entities which comprise the Drakes group. All group entities are based within Australia (further detail below).

All entities in the group are subject to the same governance structure, policies and procedures and is overseen by Drakes. In addition, due to the corporate structure, Drakes and Metcash directors meet to on a regular basis, including in relation to matter such as modern slavery.

A summary of the entities in the group and their purpose are as follows:

- The key operating entities in the Drakes Group are majority owned by Drake Supermarkets Pty Ltd, which is ultimately owned by Drakes;
- 18 private companies operate Drakes retail stores including 62 Drakes supermarkets across Queensland and South Australia, two market fresh stores, two newsagency stores and 3 liquor stores;
- 1 private company operates wholesale fruit and vegetable operations in both Queensland and South Australia;

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<sup>1</sup> Modern slavery is defined under the *Modern Slavery Act 2018* (Cth) to include eight types of serious exploitation including servitude, slavery, forced labour, forced marriage, the works forms of child labour, debt bondage, deceptive recruiting for labour or services and trafficking.



# Drakes.

- 1 private company operates a meat processing facility in South Australia to supply meat to South Australian retail supermarkets;
- 1 private company operates a distribution centre;
- 4 land holding entities.
- Several joint ventures (see below for further information on the joint venture).

Of the stores mentioned above, 27 Drakes supermarkets are in a joint venture arrangement with a third party, Metcash, a publicly listed Australian entity and 3 other supermarkets are jointly owned with third parties. A separate joint venture is in place for the ownership of a regional South Australian shopping centre of which Drakes leases, manages and operates.

Trade marks that customers associate with Drakes include:

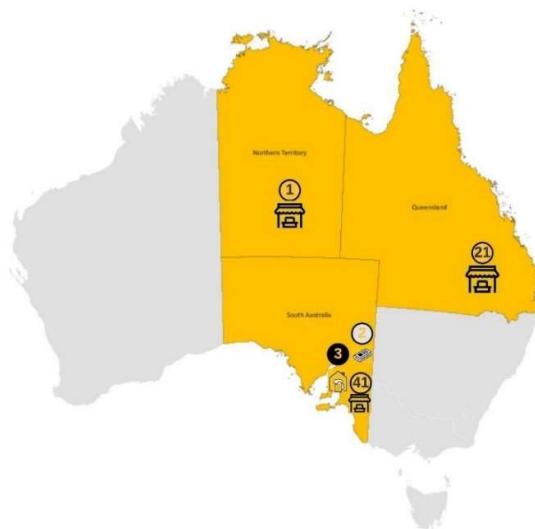


The value trade mark relates to a range of home brand products that Drakes retails.

## Operations

Drakes is a family owned business headquartered in Adelaide, Australia<sup>2</sup> with around 5,500 employees nationally.

Drakes is an independent supermarket grocer retailing in food, liquor and newsagencies and also operating a wholesale distribution business. Drakes operates 41 supermarkets, 2 newsagencies and 3 liquor stores in South Australia, 21 supermarket stores in Queensland and manages 1 in the Northern Territory.



<sup>2</sup> Drakes Head Office, Upper Level, 159 Henley Beach Road, Torrensville, South Australia

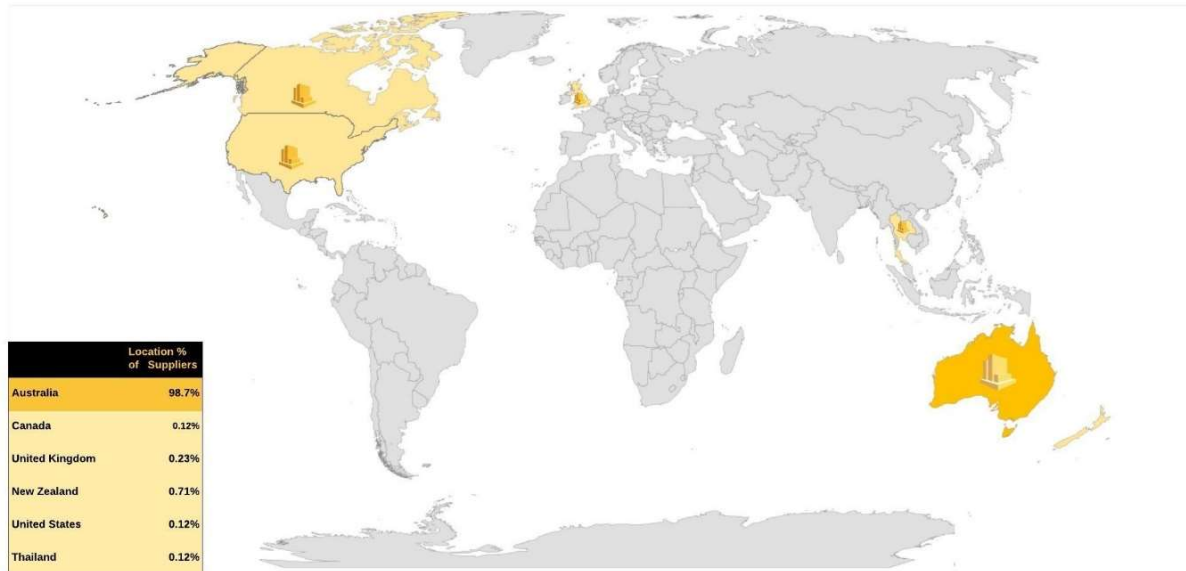


## Supplier Relationships and Supply Chain

Suppliers are integral to the operations of Drakes. Drakes supports local suppliers and maintains long-term relationships with its suppliers.

In regard to the way Drakes approaches its suppliers, Drakes recognises that lowest cost may not always equal best value and following this, acknowledges that driving down price and requesting delivery in short timeframes can contribute to heightening risks of modern slavery.

The location of Drakes tier one suppliers are as follows:



For the stores in Queensland, Metcash Food and Grocery Pty Ltd is Drakes' sole grocery supplier. The relationship with Metcash Limited is discussed in further detail in Criteria 4 below. The balance of the suppliers support the South Australian stores and Northern Territory store.

As a supermarket, Drakes sources goods for its customers to meet their daily needs. Drakes' supply chains can be summarised as follows:

### *Retail*

- Fresh produce;
- Meat and seafood;
- Dairy;
- Frozen foods;
- Pantry;
- Baby products;
- Health and beauty;
- Household cleaning and needs;

- Petcare;
- Liquor; and
- Grocery
- General merchandise.

*Ancillary Goods and Services to direct operations*

- Uniforms;
- Cleaning;
- Labour such as trolley handlers;
- Construction, repairs and maintenance;
- Office supplies; and
- Professional services to support operations such as accountants, auditors, information technology, marketing, insurance, consultants and lawyers.

### Criteria 3 – Risks of Modern Slavery

Drakes recognises that modern slavery can be present in vulnerable populations, high risk locations and high-risk industries. Given the vast number of products and services Drakes sources, it is necessary to take a targeted risk-based approach to assessing potential risks of modern slavery in its operations and supply chains. Drakes uses data such as the Global Slavery Index to assist with determining product and country risk.

#### Operations

Drakes’ operations are solely located in Australia and employees are paid in line with national employment standards. On this basis, Drakes considers that the risk of modern slavery in its operations are low. Drakes recognises that industries such as labour hire and cleaning have a high prevalence of modern slavery and to that end, Drakes identifies risk for cleaning services (a high risk industry) and trolley collectors.

#### Supply Chains

Drakes is currently implementing a scoping exercise to fully identify priority risk areas for further investigation. However Drakes understands that certain products and services can carry higher risks for modern slavery risks. See below table for risk analysis.

Country	Risk – Products/Services	Risk Analysis <sup>3</sup>
Australia	<ul style="list-style-type: none"> <li>• Fruit and vegetables</li> <li>• Construction</li> <li>• Meat processing</li> </ul>	Australia has a low prevalence and vulnerability to modern slavery. There is a low prevalence of modern slavery in Australia however there are significant risks of forced

<sup>3</sup> The modern slavery risks, statistics and figures have been obtained from the Global Slavery Index, available at <https://www.globalslaveryindex.org/>.



		labour in the agriculture, construction and meat processing industries. Australia has a good government response to modern slavery risks in Australia and in international supply chains.
Canada	<ul style="list-style-type: none"> <li>• Agriculture</li> </ul>	Canada has a low prevalence of modern slavery, with 0.048 percent of the population predicted to be living in modern slavery conditions. Sexual exploitation and the exploitation of migrant workers are the most significant risks of modern slavery for the population. The response of the Canadian government is slightly above the region average.
New Zealand	<ul style="list-style-type: none"> <li>• Fruit and vegetables</li> <li>• Meat processing</li> </ul>	New Zealand has a very low prevalence and vulnerability for modern slavery. New Zealand also has the lowest levels of vulnerability in the Asia Pacific region. The government response to modern slavery is good, with a focus on addressing modern slavery risks.
Thailand	<ul style="list-style-type: none"> <li>• Aquaculture (fresh and frozen fish).</li> <li>• Rice</li> </ul>	There is a moderate risk of modern slavery in Thailand. It is estimated that 0.89 percent of the population live in modern slavery conditions. There is also a moderate vulnerability for modern slavery, particularly in the aquiculture industry. The government response is good and above the region average.
United Kingdom	<ul style="list-style-type: none"> <li>• Dairy</li> </ul>	The United Kingdom has a very low risk, prevalence and vulnerability of modern slavery. The risks of modern slavery include human trafficking and exploitation of migrant workers. The response of the United Kingdom government is



		above the region and is active in driving.
United States	<ul style="list-style-type: none"><li>• Information Technology</li><li>• Software</li></ul>	The prevalence and vulnerability in the United States is low, with 0.13 percent of the population estimated to be in modern slavery. The risks for modern slavery are in the exploitation of migrant or undocumented workers and young unemployed workers. The United States has an above average government response which is not unexpected for the region.

In regard to these high-risk products and services listed above, almost 99% of Drakes suppliers are based in Australia, given this, modern slavery risks may present deeper in the Drakes supply chains.

Drakes understands that modern slavery is a complex, global issue and investigations will be required further down the Drakes supply chains. Particular analysis will be undertaken on the following products:

- Fish;
- Rice;
- Cocoa;
- Nuts;
- Beef
- Coffee
- Tea; and
- Uniforms.

In determining whether Drakes causes, contributes to or is directly linked to modern slavery risks, the risk may present higher in Drakes' supply chains.

- *Cause* – Drakes does not control or exclusively engage any factories overseas. Further, Drakes has its own distribution centre and wholesale arm of its business internally. Given this, Drakes is of the view that the risk that it causes modern slavery is low.
- *Contributes to* – Drakes considers it low risk that it contributes to modern slavery. This is on the basis that Drakes has robust procurement practices and liaises with its suppliers regularly as to expectations, costs and delivery timeframes. However, Drakes is inherently aware that inadvertent acts could contribute to modern slavery risks.
- *Directly linked to* – As foreshadowed above, Drakes recognises that in connection with its business relationships, such as suppliers and those entities that Drakes does not have a



direct contractual relationship with, that risks the risks of modern slavery may be higher. Accordingly, due diligence will be prioritised in this regard.

#### Criteria 4 – Actions to Address Modern Slavery

Given this is the first reporting period for Drakes, the focus for Drakes was to review current practices and to commence a gap analysis. Drakes understands the need to conduct a detailed scoping exercise and put in place risk management processes and systems. Based on this review, in the reporting period:

1. Drakes engaged a third party to provide overall guidance.
2. Engaged a third party to assist with conducting due diligence on suppliers.
3. Commenced a review of governance and policy documentation and resolved to introduce a modern slavery policy and supplier code of conduct.
4. Metcash Limited is the sole supplier for Drakes' Queensland stores. On this basis, Drakes liaised with Metcash Limited regarding the actions it had taken to address modern slavery risks including due diligence and any risks identified. Further, analysis of Metcash Limited's modern slavery statement was undertaken.
5. Resolved to introduce in the next reporting period:
  - a. A risk matrix to assess new suppliers and assess existing suppliers in order to take a targeted risk based approach to due diligence. This includes analysis of suppliers based on geographical, industry, product and spend.
  - b. A process to conduct due diligence on suppliers including due diligence screenings and issuing of questionnaires.
  - c. An employee training program.
  - d. A supplier training program.
  - e. Insert a modern slavery contract clause into all new contracts.
  - f. Remediation plan in the event that modern slavery risks are identified. Drakes specifically identifies the need to work with the suppliers in the event risks are identified and that termination of a supplier may only adversely effect those put at risk.

As well as resolving to introduce new policies and a supplier code of conduct and on-boarding procedures, Drakes already had robust reporting mechanisms in place, including a whistleblower policy, grievance procedures and codes of conduct which encourages disclosures of adverse conduct to Drakes. This encompasses risks of modern slavery.

#### COVID-19

During the reporting period the global pandemic of COVID-19 impacted the globe. Drakes quickly identified the potential ramifications of COVID-19 on its customers, employees, suppliers and communities in which it operates.

Drakes publicly took several steps to ensure its customers were looked after, whilst supply chains were disrupted and demand for certain products exponentially increased. Drakes took several steps to protect its employees, customers, community and suppliers including:

- regularly liaising with suppliers as to delivery timeframes, managing their capacity and ensuring COVID-19 safe workplaces and liaising with government as an essential service;
- implementing a COVID-19 safe workplace, ensuring our employees were safe and protected; and
- implementing a COVID-19 safe procedures for our customers including providing hand sanitiser and trolley wipes;

### Criteria 5 – Effectiveness of Actions

In the first reporting period Drakes assessed the steps required and commenced putting in place processes to implement a number of initiatives. In the next reporting period Drakes will be in a better position to assess the effectiveness of its actions.

Drakes does however recognise the need to put in place a system and process to assess its actions and intends to implement an annual audit program to assess:

1. supplier engagement;
2. effectiveness of due diligence procedures; and
3. compliance with the modern slavery policy.

Drakes intends to implement this process in the next reporting period.

### Criteria 6 – Consultation

Drakes is the head entity for the purposes of the group and all governance, procedures and policies apply to the entire group. On this basis, detailed consultation was not required through the various entities in the group.

### Criteria 7 – Further Information

As seen from the above, Drakes has no tolerance for modern slavery in its operations or supply chains. Drakes recognises that it each year it must build on the systems and processes laid to begin its journey going forward.

On this basis and at the time of writing this statement, Drakes is implementing the initiatives referred to above and looks forward to reporting on its next steps.

### Board Approval

The board of Drakes has reviewed and approved this modern slavery statement.

Signed



Roger Drake  
Chairperson

Date: 31 March 2021