



2021 Modern Slavery Statement

for Loyalty Pacific Pty Ltd

Policy Statement

Flybuys is pleased to be making its second modern slavery statement, building on the work delivered in our first reporting period and continuing to learn more about our supply chain and operations and any associated risks.

Loyalty Pacific Pty Ltd (**Flybuys**) opposes modern slavery in all forms. Flybuys is committed to the highest standards of conduct and ethical behaviour in our business activities and to promoting a culture of honest and ethical behaviour, corporate compliance, and good corporate governance. This statement is made in accordance with the Australian *Modern Slavery Act 2018* (Cth).

The Reporting Entity - Flybuys

Flybuys' business structure has not changed during its financial year ending 27 June 2021 (the **current reporting period**). Flybuys is an Australian proprietary company limited by shares. From 2011 until November 2018, Flybuys operated as a business unit of Coles Group, where sourcing fell under the scope of the Coles Group processes and procedures. Following the demerger of Coles and Wesfarmers in 2018, Wesfarmers retained a 50% stake in Flybuys and Coles Group holds the other 50% stake.

Flybuys is headquartered in Melbourne, Victoria with its registered office in Perth, Western Australia. As at the end of the current reporting period, Flybuys has 230 employees in Australia with its head office in Melbourne and a co-working space in Sydney.

This is the second modern slavery statement prepared by Flybuys. It describes the steps Flybuys has taken during the current reporting period to minimise the risks of modern slavery¹ occurring in our operations and supply chains, and also reports on the progress made against commitments Flybuys set out in our first modern slavery statement for the financial year ending 28 June 2020 (the **first reporting period**). Recognising that addressing modern slavery risks is a process of continuous improvement, this statement also looks at Flybuys' plan for future action.

¹ The term modern slavery is used to denote practises defined in the Modern Slavery Act 2018 (Cth) (**MS Act**) and includes eight types of serious exploitation: servitude, slavery, forced labour, forced marriage, the worst forms of child labour, debt bondage, deceptive recruiting for labour or services and trafficking.



Our Structure, Operations and Supply Chain

Our Operations

The Flybuys loyalty program has been running since 1994 and has approximately 8 million active members.

With no participation fees, the Flybuys program is capable of generating significant benefits for members based on points earned from their everyday shopping activities. Flybuys members take many millions of rewards each year. There are over 2,000 rewards to choose from, from around 30 suppliers. Members can redeem their points for a range of different things such as for money off shopping at participating partners, flights and accommodation, Velocity Frequent Flyer points, gift cards, merchandise and donations to selected charities. During the current reporting period, Flybuys launched the new Flybuys Rewards Store which improved the member experience when redeeming online with added features such as shopping cart functionality and rewards tracking for the majority of rewards.

Flybuys points can be collected across 21 participating brands including retailers such as Coles Supermarkets, Kmart and Target. Flybuys also allows members to collect points via its financial, insurance and travel services partners. 11 of our participating brands are also affiliates of Flybuys (i.e. either shareholders or owned or operated by shareholders of Flybuys).

Flybuys considers that a good member experience is the core of our business and is focused on providing a service that members value. We seek to achieve this by collaborating with a wide range of leading companies, ensuring members earn meaningful rewards for participation, and offering simple, transparent processes for points earning and reward redemption.

In addition to operating the Flybuys loyalty program, Loyalty Pacific Pty Ltd also has a business-to-business data arm which operates under the registered business name "Unpacked by Flybuys" and supplies data services to third parties. There is no supply of services back to Flybuys.

Our Supply chain

During the current reporting period there have been no notable changes to the nature of the Flybuys supply chain, which includes approximately 263 active first tier suppliers. Our business improvement initiative of implementing a new vendor onboarding process (as noted later in this statement) resulted in a recalibration of the active vendors list during the current reporting period. Our suppliers continue to be predominantly located in Australia, with some suppliers based in the United States, United Kingdom and Asia Pacific.

The opening of our new head office premises towards the end of the first reporting period involved onboarding new suppliers for facilities services such as cleaning and security.

While redemption of loyalty points makes up a large category of spend within the Flybuys supply chain, the majority of points redemptions are made for "money off shop". These are either redeemed directly at the point of sale of certain Flybuys affiliates or as Flybuys dollars (which can then be used as money off shop at certain Flybuys affiliates). Only a small portion of points redemptions are made for purchases of goods and services from rewards suppliers. These redemptions are generally made through the Flybuys Rewards Store, the Flybuys app and via the Flybuys Service Centre.



In order to manage and support the Flybuys Loyalty Program, Flybuys procures the services of technology suppliers and this makes up another large category of spend in our supply chain. During the current reporting period there has been an increase in our use of staff augmentation services. The majority of staff sourced via augmentation services were located in Australia and a small number based in India and New Zealand. Staff augmentation was used in relation to IT specialists and analytics specialists. New supply contracts for labour hire were based on either Flybuys' standard terms or negotiated supplier terms, which all include clauses in relation to modern slavery compliance.

Spend on marketing activity to support the Flybuys Loyalty Program also forms a large category of spend in the Flybuys supply chain and includes spend on professional marketing services as well as print and promotional goods services providers.

Flybuys has small spend categories for professional services as well as stationary and food and beverages.

Identifying the risks of modern slavery practices in our operations and supply chains

In the first tier of Flybuys' supply chain, Flybuys considers that the risk of modern slavery continues to be relatively low. Drawing on a number of internationally available resources including the Global Slavery Index and the 2020 List of Goods Produced by Child Labor or Forced Labor², we acknowledge that there are areas of our supply chain that may pose higher risks of modern slavery. These include technology and IT suppliers, property maintenance, security and cleaning services. Flybuys also acknowledges that there are increased risks in the shipping and logistics industry as a result of the COVID-19 pandemic. However, as a result of a review of our supply chain, we assessed this as a low risk in terms of the first tier of Flybuys supply chain on the basis that Flybuys only uses Australia Post and Australian based couriers for shipping services and does not generally require overseas shipping or logistics services. Flybuys recognises that some of its suppliers are likely to use international shipping services and will seek to engage with its suppliers to gain greater visibility of these risks deeper within its supply chain in upcoming reporting periods.

During the current reporting period there has been an increase in our use of staff augmentation services for IT specialists. Flybuys recognises that the staff augmentation industry generally has a higher risk of forced labour, however we note that the majority of specialists engaged by Flybuys via augmentation services were based in Australia, which significantly moderates the risk of forced labour. For a minority of specialists based overseas, Flybuys engaged with those specialists via suppliers based in Australia with whom appropriate contracts are in place. Flybuys has also engaged with two key suppliers of labour hire services as part of the supplier questionnaire due diligence exercise.

As identified in our statement for the first reporting period, many of our suppliers who provide products for points redemption obtain those products from countries considered at higher risk of modern slavery according to the Global Slavery Index. We have continued to engage with those suppliers during the current reporting period, particularly as we transitioned our rewards partners onto our new rewards platform and to our revised supplier agreements (which have been updated to address modern slavery compliance).

² Global Slavery Index in particular at <https://www.globalslaveryindex.org/2018/findings/country-studies/australia/> and The 2020 List of Goods Produced by Child Labor or Forced Labor, U.S. Department of Labor; Trafficking in Persons Report, U.S. Department of State



The COVID-19 pandemic continues to pose an increased risk of modern slavery across global supply chains. During this reporting period, we updated our **Supplier Questionnaire** to include questions which specifically address the COVID-19 pandemic so we could better understand what impact the pandemic may have had on our suppliers. Based on the majority of responses received, it appeared that whilst the COVID-19 pandemic has had some impact on our suppliers in relation to their workforce (such as due to lockdowns), our suppliers did not report an increased risk of modern slavery. Most of the service based suppliers who responded were able to transition their personnel to working from home arrangements which resulted in continuity of service, including those suppliers who we engaged in relation to staff augmentation. We will continue to monitor modern slavery risks associated with the pandemic over the next reporting period and in particular will be monitoring any increased risks associated with the supply of hardware to Flybuys.

Actions taken by Flybuys to assess and address the risks of modern slavery in our supply chain and operations

Assessing risk – our due diligence processes

The Flybuys modern slavery working group is led by the Flybuys legal and procurement teams who are supported by external human rights experts. During the current reporting period the working group prepared a modern slavery compliance plan which documented key actions for completion in the current reporting period.

During the current reporting period, Flybuys utilised the risk assessment tools developed during the first reporting period to deepen our engagement with suppliers assessed as at higher risk of modern slavery in the first reporting period. For example, this guided our engagement with the facilities management and cleaning suppliers in our new office complex.

The outcome of this assessment of suppliers at higher risk of modern slavery has enabled Flybuys to prepare the plan for supplier consultation.

Supplier consultation process

During the first reporting period, Flybuys' focus was to consult and engage with our overseas suppliers and our redemption providers via the supplier consultation process, which incorporates a questionnaire seeking information about supply chains and work practices. This process is an important way for us to gain further information about our suppliers and understand whether there may be any risks of modern slavery in their operations and supply chain.

During the current reporting period, in addition to pursuing engagement from the small number of suppliers who did not respond to our request for information during the first reporting period, we focused the due diligence process on the following suppliers: office suppliers, staff augmentation service providers and marketing and ancillary marketing product service providers. Selection of these categories of suppliers was based on a risk rating which Flybuys applied to the supply chain, taking into account the factors set out above.



We were pleased with the level of engagement and noted that many of our suppliers either have in place or are developing their own protocols and policies to address modern slavery risks.

Vendor onboarding process

During the current reporting period Flybuys implemented a new vendor onboarding process which incorporates modern slavery considerations into the due diligence process. This will further assist Flybuys in monitoring risks of modern slavery in its supply chain and allow Flybuys to engage with suppliers at an even earlier stage to ensure appropriate remediation steps are put in place if any risks are identified.

Addressing risk – our policies, procedures and training

During the current reporting period, Flybuys finalised and implemented a **Responsible Procurement Policy** and a set of **Supplier Minimum Standards**, which were both prepared in draft form during the first reporting period and subsequently approved by the Flybuys Board. These documents were rolled out within the organisation and are located on the Flybuys employee online portal.

Wherever possible, when any new suppliers are engaged we utilise our standard form contracts and documents, which contain modern slavery clauses. These impose contractual commitments on our material suppliers to require them to meet minimum standards related to prevention of modern slavery and ongoing due diligence in their supply chains. We have been pleased that suppliers engaged over the course of the current reporting period have been generally supportive of such inclusions in the contracts. This was the case when Flybuys issued new contracts to all of its rewards suppliers, with many of whom Flybuys has had a long term business relationship, as a result of the launch of the new Flybuys Rewards Store during the current reporting period. All suppliers executed contracts which contain relevant clauses addressing modern slavery and a contractual commitment to meeting the Supplier Minimum Standards.

The Flybuys **Whistleblower Policy** sets out a process for Flybuys representatives to raise concerns about improper conduct. Under the Whistleblower Policy persons are required to report failures of persons to comply with legal or regulatory obligations (such as modern slavery and human rights law), as well as conduct potentially damaging to Flybuys (which could include unsafe work practices and modern slavery risks). Under the Whistleblower Policy, contact details are provided for concerns to be raised, which includes an anonymous hotline managed by a third party. The Whistleblower Policy is available publicly on the Flybuys website and is also on the Flybuys employee online portal. In addition, there is a mandatory training module for all Flybuys employees to support employees in understanding when and how to report misconduct and to maintain a culture that encourages the reporting of wrongdoing. Over the current reporting period, Flybuys has not received any complaints in respect of modern slavery.

The Flybuys modern slavery working group will continue to engage with the wider Flybuys business in the next reporting period to consider whether there may be further opportunities to improve or implement new policies and procedures.



Our training and capacity building

During the current reporting period, we launched our employee online training platform which includes a mandatory learning module on modern slavery. The modern slavery module has been completed by the majority of current team members and is mandatory for any new employees who join Flybuys. This training raises awareness of modern slavery and our anti-slavery policies and procedures. In addition to modern slavery, other mandatory training modules that have been implemented during the current reporting period which further promote ethical business practices across the organisation include whistleblowing training (as noted above), Code of Conduct training (which includes anti-bribery) and positive culture training. The Flybuys People Experience Team monitor and report to Flybuys Leadership Team members on training compliance and follow up with any individuals if training is outstanding. Flybuys will continue to monitor the effectiveness of the training and identify whether further training may be beneficial.

Remediation plan

Flybuys recognises the importance of educating and supporting its employees to not only identify potential modern slavery risks but also to understand what actions may be appropriate in the event a risk was found in the Flybuys supply chain.

During the current reporting period, a draft **Modern Slavery Remediation Flowchart and guidance note** was prepared by Flybuys and will be incorporated into the Flybuys Crisis Management Plan. Whilst it is recognised that each situation must be addressed on its merits, the Remediation Plan will be an important tool to guide Flybuys in dealing with any instances of modern slavery in our supply chain.

While still in draft, the Remediation Plan provides for Flybuys' actions in respect of safeguarding potential survivors of modern slavery, ensuring that any response is appropriate and proportionate and that survivors are appropriately remediated. Over the next reporting period, Flybuys will ensure that key employees are trained in respect of our Remediation Plan. We will also engage with our shareholders and program participants and partners to confirm they are implementing a plan of action to cease and address impacts of modern slavery where discovered or alleged to be in their supply chains.

Technology solutions

Flybuys recognises that utilising technology solutions may provide opportunities to strengthen practices and procedures in relation to identifying risks of modern slavery. During the next reporting period, Flybuys will explore what, if any, technology solutions may be available to assist us to manage and identify the risk of modern slavery.

Assessing the effectiveness of our actions

It is important for Flybuys to ensure that the actions we are taking are effective in helping to identify and mitigate the risks of modern slavery. Through the procurement team and contract managers, we continue to have an open dialogue with our suppliers which is demonstrated in the responsiveness to our due diligence processes, whether that be at the commencement of our contractual relationship or as we seek to



understand more about our suppliers through our supplier questionnaires.

As a result of the roll out of our online training program, all team members at Flybuys should understand how to identify risks of modern slavery in our supply chain and the key policies and processes underpinning Flybuys' commitment to mitigate risks of modern slavery. Completion of the mandatory training is monitored by the Flybuys People Experience Team.

As already noted, during the current reporting period Flybuys utilised an improved supplier onboarding platform, which will allow Flybuys to engage with suppliers regarding supply chain and modern slavery at an early stage. The effectiveness of implementing this new procedure as it relates to managing modern slavery risks will be monitored into the next reporting period by collating regular reports of new vendors, assessing for any potential risks identified and following up as appropriate.

Further Engagement

In preparing this modern slavery statement and continuing our activities to identify and mitigate against risks posed by modern slavery, Flybuys has consulted with external advisers for advice and to better understand opportunities for continuous improvement. We have also continued to engage with our shareholders. Flybuys is committed to continuously improving practices, procedures and education to support in identifying and eradicating risks of modern slavery from our supply chain, and will continue to engage and consult widely within the anti-slavery community to help us fulfil this commitment.

Approval

Flybuys makes this statement in accordance with section 13 of the *Modern Slavery Act 2018* (Cth) and constitutes Flybuys modern slavery statement for its financial year ended 27 June 2021. This statement was approved by the Flybuys Board on 4 August 2021.

Signed by:

Steven Cain
Chairman, Loyalty Pacific Pty Ltd

Signature:  B72193A7155140A...

Date: 21-Sep-2021