

**1. Introduction:**

- 1.1 We support every individual's right to live and work freely, and oppose all forms of modern slavery.
- 1.2 We also recognise the important role that all businesses can play in positively contributing to the reduction and ultimate elimination of modern slavery practices.
- 1.3 This is Retail Food Group Limited's first Modern Slavery Statement (Statement).
- 1.4 In preparing this Statement, we have engaged with appropriate organisational representatives to review and assess modern slavery related risks within our operations and supply chain, and to frame our approach to mitigating modern slavery risks.
- 1.5 FY20 was influenced by a number of challenges, particularly the emergence of the COVID-19 pandemic and its unavoidable impact. Whilst we have implemented a number of measures during this disrupted period to better review, assess and respond to modern slavery risks, we appreciate more can be done and are committed to continuous improvement to better ensure that our policies, procedures and operations more effectively assess, review and remediate the risk of modern slavery practices should they be identified.
- 1.6 All references in this Statement to RFG, the Company, we, our or us means a reference to Retail Food Group Limited and its controlled entities (the Group).

**2. Our Reporting Entities:**

- 2.1 As at 30 June 2020, the Group incorporated the following reporting entities:
- a) Retail Food Group Limited ACN 106 840 082;
  - b) WDM Holdings Pty Ltd ACN 614 185 198; and
  - c) ACN 125 810 059 Pty Ltd ACN 125 810 059 (formerly Hudson Pacific Corporation Pty Ltd)
- 2.2 This Statement represents a joint statement on behalf of each of the reporting entities identified above.
- 2.3 Retail Food Group Limited is the ultimate holding company of the RFG group of companies. WDM Holdings Pty Ltd is a holding company within the Group. ACN 125 810 059 Pty Ltd previously operated the Hudson Pacific Foodservice business and is the holding company of DC Tarmac Pty Ltd ACN 096 193 887, which previously operated the cheese processing business 'Dairy Country'.

**3. Structure & Operations:**


- 3.1 RFG is an ASX listed (ASX:RFG) global food and beverage company headquartered in Queensland employing approximately 340 people. It is the ultimate holding company of the Group, which comprises c.250 domestic or international subsidiaries involved in various aspects of the Group's operations.

3.2 RFG is Australia’s largest multi-brand retail food franchise manager, and is the owner of iconic brands including Gloria Jean’s, Donut King, Crust Gourmet Pizza, Brumby’s Bakery, Michel’s Patisserie, Cafe2U and The Coffee Guy. Additionally, the Company is also a roaster and supplier of high quality coffee products, supplied under the Di Bella Coffee brand.

3.3 RFG also previously maintained a Manufacturing & Distribution Division which incorporated:

- a) The wholesale procurement and distribution business trading under the name Hudson Pacific Foodservice (HPC). The HPC business was disposed of by the Group in January 2020 and no longer forms part of the Company’s operations; and
- b) The cheese processing and tolling business trading under the name Dairy Country. The Dairy Country business was disposed of by the Group in October 2020, and no longer forms part of the Company’s operations.

3.4 Consequently, during FY20 (or parts thereof, as the case may be) the Group’s operating divisions incorporated the following franchise brand systems or businesses:

Franchise Operations	
Bakery Café Division	  
Coffee Retail Division	  
QSR Division	 
Wholesale Coffee Operations	
Di Bella Coffee	
Manufacturing & Distribution (discontinued operations)	
Manufacturing & Distribution	 

3.5 The entirety of RFG’s Manufacturing & Distribution Division was classified as discontinuing operations in the Company’s FY19 financial statements (Accounts). The Dairy Country business was reclassified as continuing operations in FY20, however, in the Company’s most recent (1H21) Accounts, was again reclassified as a discontinuing operation given its disposal during that period. Whilst this Statement extends to our previous Manufacturing & Distribution Division operations, given these have been discontinued and no longer form part of the Group’s business, this Statement necessarily focusses of the Group’s continuing franchise and coffee businesses.

- 3.6 The disposals referred to in Paragraphs 3.2 to 3.5 formed part of a broader turnaround plan focused on returning the Group to a stable and growing organisation which provides greater profitability opportunities for its franchise network. Commenced in FY18, this strategy was underpinned by a six point plan which aimed to:
- a) Refocus the Group on its core retail food and coffee operations, and divest or discontinue non-core business units;
  - b) Strengthen RFG's balance sheet to improve financial stability;
  - c) Redesign RFG's organisational structure to refocus resources on brand, franchise partners and customers, and implementing initiatives to consolidate supply chains for a more efficient and agile business;
  - d) Improve domestic franchise business performance through strategic initiatives, including a focus on product innovation, quality and marketing to drive foot traffic and revenue for franchisees;
  - e) Leveraging Di Bella Coffee's competencies to profitably service external markets, whilst continuing to support franchise and master franchise partners; and
  - f) Driving growth in RFG's franchise business by leveraging a healthy franchise network as a platform for new store sales, increased franchise renewals and targeted international franchise network expansion.
- 3.7 The past three years have therefore witnessed a significant period of transformation for the Group which has incorporated considerable and ongoing restructuring and operational improvement initiatives, divestment of non-core business units, the consolidation of all franchise-facing business units into a dedicated internal retail division, the delivery of tangible cost of goods improvements for franchise partners, and the 1H20 recapitalisation of the Group.
- 3.8 The Group's operations are principally based in Australia. Certain of RFG subsidiaries manage the Group's USA business operations, which include coffee roasting and supply operations, and management of the Group's USA based franchise network. The Group does not maintain a permanent physical presence outside of the jurisdictions noted above and its international franchise network is predominantly operated by master franchise partners who have been granted a licence to use certain intellectual property, and otherwise identify with, brands owned by the Group.
- 3.9 RFG maintains its registered office at Level 11, 2 Corporate Court, Bundall Qld 4217, and its principal headquarters at Level 4, 35 Robina Town Centre Drive, Robina Qld 4220.
- 3.10 Further information regarding RFG may be found on its website: [www.rfg.com.au](http://www.rfg.com.au).

#### **4. Our Franchise Business:**

- 4.1 Fundamental to RFG's turnaround plan is an unwavering commitment to our franchise and master franchise partners. We have a firm appreciation of the fact that we will succeed where our franchise and master franchise partners succeed.
- 4.2 As at 31 December 2020, RFG's franchise business incorporated:
- a) c.950 fixed sites or mobile units across all Australian States and Territories; complemented by
  - b) c.600 outlets across 59 licensed international territories in 46 countries.
- 4.3 The vast majority of domestic franchised businesses are owned and operated by independent franchise partners who are responsible for the day-to-day operation of their businesses.

- 4.4 Save for the United States of America (where an RFG subsidiary operates as franchisor and franchised outlets are owned and operated by independent franchise partners consistent with domestic operations), RFG's international network is operated by master franchised partners who have been granted the right or licence to establish and operate retail outlets, or to grant sub-franchisees a franchise to establish and operate retail outlets, identified with brands owned by the Group.
- 4.5 As noted above, as at 31 December 2020, RFG's international network contemplated 59 licensed territories across 46 countries. RFG's international network is therefore diverse, and incorporates licensed operations within:
- a) Central America;
  - b) The United Kingdom and Europe;
  - c) Asia;
  - d) The Middle East & South Africa; and
  - e) The Pacific.
- 4.6 RFG does not maintain a permanent physical presence within these territories, and retail outlets operated within them are owned or operated by master franchise partners or their sub-franchisees who are responsible for the day-to-day operation of them.

For the purpose of this Statement, our franchise partners, master franchise partners and their sub-franchisees do not form part of the Group, its operations or supply chain. We do however appreciate the risks of potentially being linked to modern slavery within their operations or supply chain and require that they comply with our Policy Regarding Modern Slavery Practices (refer paragraph 7.1 below).

## **5. Our Coffee Business:**

- 5.1 In addition to its franchising operations, the Company maintains a wholesale coffee roasting and supply business which trades under the name 'Di Bella Coffee'.
- 5.2 Di Bella Coffee primarily operates within the wholesale coffee industry, roasting and supplying quality coffee and allied products for the independent foodservice and grocery channels. Additionally, Di Bella Coffee produces custom blends for use with the Group's domestic and international franchise networks and for third party retailers or wholesalers.
- 5.3 Historically the Group's coffee business has incorporated roasting operations situated in Sydney, Brisbane, Auckland (NZ) and Los Angeles (the USA).
- 5.4 As part of a significant restructure of the business commenced in FY20, Di Bella Coffee centralised the entirety of its domestic coffee roasting operations at its Sydney facility. More recently, Di Bella Coffee:
- a) Has decommissioned its Auckland roasting facility and transitioned wholesale coffee supply for its New Zealand based licensed network to an independent roastery; and
  - b) Is in the process of establishing third party roasting services for a large portion of its international franchise network, which will also see the ultimate decommissioning of Di Bella Coffee's Los Angeles facility.

**6. Our Supply Chain & Modern Slavery Risks Associated With It:**

- 6.1 Given the nature of its business, during FY20 RFG operated an extensive global supply chain which contemplated approximately 1,650 direct suppliers (excluding one-time vendors and intergroup accounts). Of this number, approximately 550 related to the Group's now discontinued Manufacturing & Distribution Division businesses (ie Hudson Pacific Foodservice and Dairy Country).
- 6.2 We co-ordinate the supply chain for our domestic franchise network, sourcing and specifying products which we approve for use or sale within franchised businesses. Franchise partners must obtain these products from us or from suppliers who we approve. This is to ensure the quality and consistency of products and suppliers throughout each of our brand networks.
- 6.3 Our franchise agreements also provide franchise partners with scope to seek our approval of alternative products or suppliers.
- 6.4 We also supply coffee and ancillary products to our franchise network via the Di Bella Coffee business.
- 6.5 Whilst we supply, or arrange for the supply, to our international network of certain key products (principally coffee and ancillary products), our master franchise partners are principally responsible for:
- a) Establishing and maintaining the supply chain which services their licensed territory with goods or services necessary to enable the proper operation of retail outlets consistent with our brand system standards; and
  - b) Appointing reputable custom agents, freight forwarders, distributors, suppliers and other service providers necessary to maintain the supply chain within their licensed territory.
- 6.6 Food, beverages and packaging represents the largest category of supplier spend within our franchise networks and discontinued wholesale distribution business. The indirect supply chain from which these items originate includes the farms or plantations on which raw materials are grown, the factories which process these materials, and the transportation services involved in the supply chain.
- 6.7 Our supply chain also incorporates the provision of distribution services, and at a corporate level, the procurement of certain professional services, including from legal, financial and commercial advisory firms.
- 6.8 Relevant categories of products or services incorporated within our supply chain include:
- a) Key supplies:
    - Food & beverages products (including ingredients for products);
    - Packaging and related goods;
    - Distribution services;
    - Uniform providers;
    - Equipment and shopfit services;
  - b) Other supplies:
    - Marketing services;
    - Project management services;

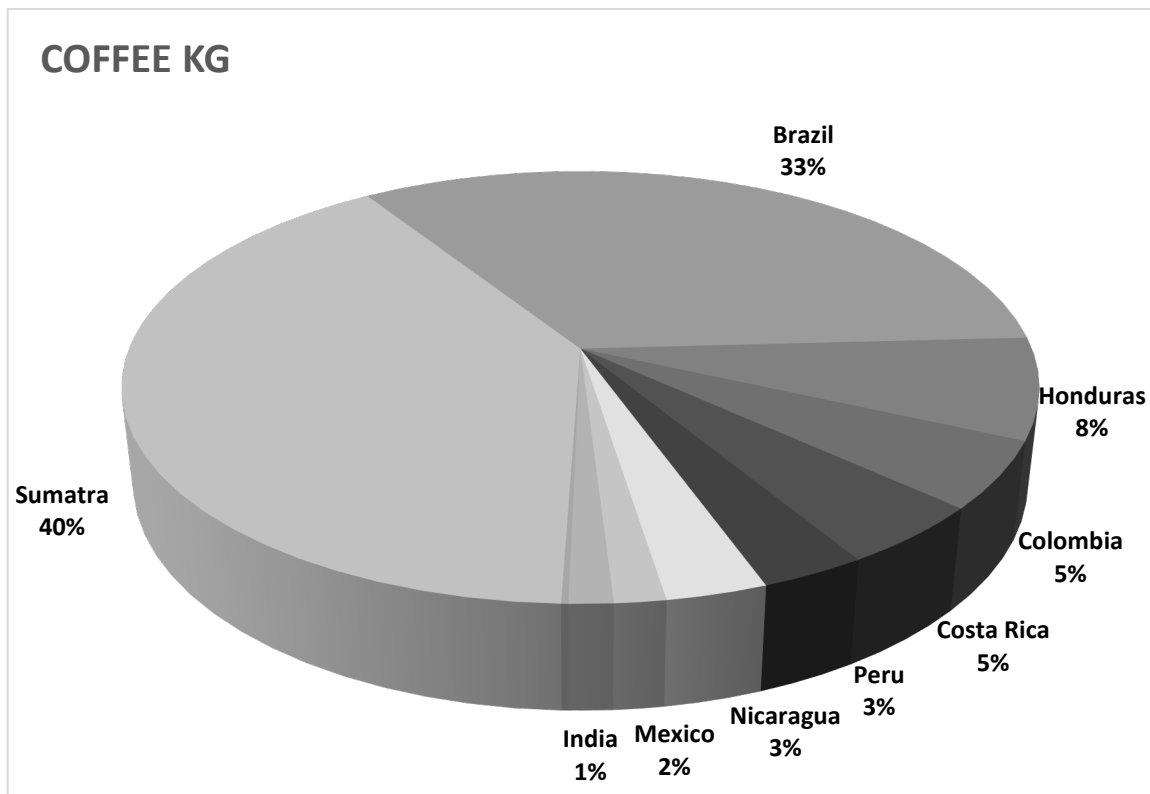
- Suppliers of retail and commercial premises;
- Information & technology services; and
- Professional advisory services.

6.9 The now discontinued Dairy Country business represented a cheese processing and tolling business, where bulk cheese blocks were cut or shred on behalf of a limited number of key customers. Those suppliers ordinarily supplied the cheese products for processing. Given the nature of the product, Dairy Country's supply chain indirectly extended to the dairy farms which produced the milk from which the cheese products were produced.

6.10 Our supply chain sources from a range of locations, however, the majority of our spend is sourced from Australian based suppliers or distributors.

6.11 Di Bella Coffee, whose supply chain includes the importation and transportation of green and roasted coffee and related products such as teas, syrups, brewing equipment and tools, can be distinguished. In the foregoing context, Di Bella Coffee's supply chains include its direct suppliers together with indirect suppliers including the foreign plantations where coffee and tea is produced or processed, and the factories where equipment is manufactured.

6.12 The graph below identifies green coffee bean purchases by volume and geographic origin:



6.13 We recognise that there is a risk for modern slavery practices to have the potential to exist within our supply chain. Factoring variables such as geographic location, product/service type, industry and possible workforce demographics, we consider that this risk is inherently higher amongst food, beverage, textile and paper products.

6.14 This is particularly the case in relation to green coffee bean purchases, having regard to the geographic regions identified above, which are more susceptible to modern slavery risks due to socio-economic factors and or State fragility which may facilitate or incentivise modern slavery practices.

- 6.15 We also recognise that it may be difficult to detect the existence of modern slavery practices, particularly for products or services outside our core product/service requirements or which are sourced from outside of Australia.
- 6.16 We streamline our engagement to six (6) principle green bean suppliers, all of whom have in place their own codes concerning ethical sourcing, processes and standards against exploitation of workers and practices involving danger to health, safety and the environment.
- 6.17 In terms of employment arrangements, given controls in place to manage employment in Australia and the USA, we consider there exists a low risk of modern slavery within our own business. We do however appreciate the risks of potentially being linked to modern slavery within the operations or supply chains of our franchise partners and master franchise partners. We are not aware of any of our franchisees or master franchisees having engaged in modern slavery practices.

## **7. Action Taken to Address Modern Slavery Risks:**

- 7.1 We have focussed on developing a framework to better manage modern slavery risks within our business and supply chain, supported by our Policy Regarding Modern Slavery Practices which:
- a) Demonstrates our commitment to the right of all individuals to live and work freely, together with our opposition to all forms of modern slavery;
  - b) Seeks to inform and educate in relation to modern slavery risks; and
  - c) Demonstrates our commitment to implementing and maintaining effective systems and controls to ensure we play a constructive role in helping to reduce the risk of modern slavery occurring within our business and supply chain.
- 7.2 The foregoing policy is supported by our broader policy framework, including our:
- a) Supply Partner Code of Conduct;
  - b) Group Code of Conduct;
  - c) Anti-Bribery & Corruption Policy;
  - d) Workplace Bullying Policy;
  - e) Whistleblower Policy;
  - f) Diversity Policy; and
  - g) Grievance Policy.
- 7.3 We expect each of our suppliers to share our position in respect to modern slavery, to comply with our Policy Regarding Modern Slavery Practices and to strive to reduce or eliminate modern slavery risk within their own supply chains.
- 7.4 We have updated our supplier contract terms to include provisions requiring compliance with modern slavery legislation and compliance with our Supply Partner Code of Conduct. These provisions are being incorporated within new supplier contracts and existing contract renewals.

- 7.5 We have also enhanced our due diligence processes in connection with modern slavery risk, and now require each of our key suppliers to complete and submit a Supply Partner Questionnaire which seeks information to better inform us about potential modern slavery risks within suppliers' businesses and supply chains, including information regarding suppliers':
- a) Products, raw materials and supply chain;
  - b) Workforce and labour arrangements; and
  - c) Procedures to reduce modern slavery risks.
- 7.6 The above Questionnaire must be provided prior to entry into, or renewal of, a supply agreement and data derived from it will enable us to determine whether further investigation or third party audit is necessary.
- 7.7 We also ask our franchise partners and master franchise partners to comply with our Policy on Modern Slavery Practices, and have updated our template franchise agreements and master franchise agreements to require compliance with this.
- 7.8 Given we do not have the same degree of visibility or oversight in respect to team members employed or engaged by our franchise partners as we do over our own team members directly employed by us, we have maintained an audit program to monitor wage compliance within our domestic franchise network for a number of years. This program has resulted in over 800 audits having been undertaken to date. Whilst our franchise partners' employees do not form part of our supply chain, we have expanded upon the information sought from our franchise partners as part of our audit process so that it includes information relevant to potential modern slavery indicators.
- 7.9 We note that the 2020 disposal of those businesses which formed part of our former Manufacturing & Distribution Division has also operated to simplify our supply chain and reduce our exposure to potential modern slavery risks.

## **8. Assessing Effectiveness:**

- 8.1 We are not aware of modern slavery having occurred within our business or direct supply chain, but appreciate our visibility of our extended supply chain is yet to be fully developed.
- 8.2 We remain in the early stages of implementing our response to modern slavery risks, and by extension, our ability to assess the effectiveness of that response.
- 8.3 We anticipate the development of more robust assessment processes will occur as our initiatives are further integrated within our operations and more data becomes available in response to the actions we have taken to date.
- 8.4 We are committed to enhancing our understanding of modern slavery risks within our direct and indirect supply chain and are in the process of establishing more robust processes to:
- a) Improve our visibility of modern slavery risks;
  - b) Identify suppliers which require more rigorous monitoring, particularly in higher risk geographic locations;
  - c) Establish a sustainable framework for escalation threshold and risk reporting; and
  - d) Audit or verify information relevant to modern slavery risks in our supply chain.



**9. Consultation:**

- 9.1 In preparing this statement we have consulted with key personnel amongst our procurement and supply, human resources, wage compliance, legal and finance teams.
- 9.2 We also intend to explore opportunities to engage with third party organisations, such as SEDEX, who may assist us with assessing modern slavery risk within our supply chain and otherwise the onboarding or evaluation of our suppliers.
- 9.3 Whilst their supply chains do not form part of our own (except to the extent that we supply products), we also intend to engage with our master franchise partners to better understand their processes for managing modern slavery risks within their businesses and supply chains, and where appropriate, hope to collaborate with them.

**10. Other Information:**

- 10.1 We support every individual's right to live and work freely and are opposed to all forms of modern slavery.
- 10.2 We are committed to reducing the risk of modern slavery occurring within our business and supply chain and to enhancing our processes and procedures in order to strengthen controls, and mitigate risk, in relation to this issue.

This Statement has been approved by the Board of Directors of Retail Food Group Limited, and the sole director/secretary of each of the other reporting entities identified in Paragraph 2.1 above. It is also signed on behalf of each of these entities by a director thereof.



**Peter George**  
Executive Chairman  
Retail Food Group Limited  
March 2021