



Subway Systems Australia Pty Ltd

# Modern Slavery Statement 2023

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## 1. Introduction

This is the third Modern Slavery Statement (“MSS”) published by Subway Systems Australia Pty Ltd (“Subway”) in accordance with the requirements under the *Modern Slavery Act 2018* (Cth) covering the reporting period 1 January 2022 to 31 December 2022. It outlines the approaches we continue to take (and any improvements made) in identifying and mitigating modern slavery in our operations and supply chain. Subway continues to recognise the global challenge of preventing and eradicating modern slavery and human trafficking including the increased vulnerability brought upon by the Covid-19 pandemic.

The reporting entities covered by this MSS are:

- Subway Systems Australia Pty Ltd (ABN 79 009 277 034) – the franchisor of the Subway® system in Australia;
- Subway Realty Pty Ltd (ABN 55 009 277 374) (“SRPL”) – the affiliated leasing entity of Subway Systems Australia Pty Ltd; and
- Subway Franchisee Advertising Fund of Australia Pty Ltd (ABN 21 071 190 317) (“SFAFA”) – an entity which manages the advertising and marketing fund for Australian Subway® franchisees.

Subway remains committed to ensuring its employees (both direct and indirect) and those employees engaged in its supply chain and operations network receive the same rights and freedoms as those championed for in Australia.

As set out in our earlier MSS, Subway recognises there is an inherent risk of modern slavery across its operations, products and supply chain and continues its commitment to identifying and mitigating these risks as they emerge and evolving its’ approach accordingly

It would be remiss not to mention the Covid-19 global pandemic and its impact across the Subway® brand both in Australia and globally. Covid-19 brought significant impacts on an individual level, an economic level, and a societal level, some of which are ongoing and evident in the day-to-day.

For Subway, the availability of supply and delay in supply of products within the supply and operational chains was one of the greater impacts experienced.

As Covid-19 moves towards recovery, Subway continues to work with its supply and operational chain partners to understand the impacts and consider available solutions moving forward.

## 2. Structure and operations

The Subway® franchise system first launched in Australia in 1988 and has been operating for 35 years. The Subway® franchise was founded in the United States of America in 1965 and in present day, has



locations operated by independent franchisees in over 100 countries equalling over 37,000 Subway® restaurants globally, with over 1200 locations in Australia.

Subway, as franchisor, supports franchisees and their business(es), in exchange for royalty and advertising fees, by providing:

- product innovation and value
- restaurant operations guidance
- digital and information technology assistance
- development
- leasing assistance
- brand marketing and advertising

Subway IP LLC (“SIP”) licences the Subway® name, Subway® trademark and other trademarks and intellectual property rights to Subway for the Subway® franchise system in Australia. Subway is a wholly owned subsidiary of Subway International Holdings B.V. (“SIHBV”), an entity within the global Subway® group.

There are various office locations worldwide with the global head offices located in Milford, Connecticut, USA and Miami, Florida, USA. In Australia, our office is in Fortitude Valley, Queensland.

In terms of operations, Subway requires its franchisees in Australia, by virtue of the franchise agreement and operations manual, to use approved suppliers, products and services, to prepare, offer and sell the Subway® menu items in their Subway® restaurants. This is to help ensure a consistent guest experience and high quality of products served across all Subway® restaurants within Australia with suppliers that meet our Vendor Code of Conduct.

### 3. Supply Chain

As a global brand, Subway® has a matrixed and diverse supply chain and operations. Subway® franchisees purchase product from numerous approved suppliers globally through organisations known as Independent Purchasing Cooperatives/Companies (IPCs) in major regions local to their Subway® restaurant(s). IPCs are located in (for example):

- United States of America (“NAIPC”)
- Europe (“IPCE”)
- Latin America and the Caribbean (“LACIPC”)
- Asia Pacific (“IPC Asia Pacific”)
- Middle East and Africa (“IPCMESA”).

IPCs are franchisee-owned and operated organisations which identify product and supply chain partners for the Subway® franchise system. IPC Asia Pacific procures the following products and services on behalf of Subway® franchisees in Australia:

- food and beverage products, packaging, handling, preparation and storage equipment
- restaurant development and construction resources



- restaurant technology services
- restaurant maintenance products
- restaurant apparel
- legal and human resource services
- delivery aggregator partners
- technology development partners
- finance services

Although the IPCs are franchisee-owned and operate independently of SIP, SIHBV and Subway, and take their own measures to comply with all laws and legal obligations including modern slavery, Subway remains committed and continue to work closely with the IPCs, namely IPC Asia Pacific, to help ensure suppliers and products are ethically sourced and meet our high standards for quality and safety., as well as adhering to our Vendor Code of Conduct which may be accessed here: <https://www.subway.com/en-us/sustainability/building-stronger-communities/serving-our-communities>.

Products and services are also procured by SFAFA on behalf of Subway® franchisees in Australia including:

- marketing creative services
- digital media services
- media planning and booking services
- public relations services

## 4. Risks of modern slavery

Given the scale and complexity of its operations and supply chain matrix globally, Subway continues to recognise and acknowledge there will inevitably be modern slavery risks including but not limited to, involuntary servitude, forced labour, the worst forms of child labour and debt bondage.

Subway has taken a systematic approach to assessing risk and has categorised into three areas of focus: geographic, industries and supplier management systems.

### 4.1 Geographic

Subway and IPC Asia Pacific continue to endeavour to locally source ingredients, products and equipment. However, if any of those items cannot be procured from a local source in terms of quality and value, they are sourced regionally or globally. Subway and IPC Asia Pacific recognise sourcing products from other countries, particularly those located within Asia Pacific, increases the risk of modern slavery due to several countries within Asia Pacific being deemed a high risk due to inadequacies in local governance, legislature and/or the inherent nature of the industries.

Subway and IPC Asia Pacific continues to use the above to understand, identify and minimise risks of modern slavery within the supply chain and operations. Subway and IPC Asia Pacific continue to evolve our approach as we gain a better understanding of those risks.



## 4.2 Industries

Subway and IPC Asia Pacific initially identified four industries, when combined with their geographic origin, present higher risks of modern slavery (particularly if located outside of Australia). These risks remain and we continue to acknowledge the lesser transparency a business has the further down the supply chain it goes and the difficulties that come with that.

The identified industries are:

Agricultural	Subway relies on the agricultural industry for the production and supply of food and beverages served in Subway® restaurants in Australia. Due to the seasonal nature of work involved in growing, producing and manufacturing food and beverages along with the labour force, the agricultural industry carries a higher risk of modern slavery.
Fishing	Subway relies on the fishing industry for supply of some of the food items served in Subway® restaurants in Australia. Due to long-established practices and lack of regulation, particularly in some South-eastern countries in the Asia Pacific region, the fishing industry carries a higher risk of modern slavery.
Textile Production	Subway relies on the textile industry for supply of apparel worn by persons working in Subway® restaurants in Australia and other textile items relating to the restaurant fit out. The apparel industry, has for a long time been fraught with labour challenges, predominantly in poorer, less regulated countries. The repetitive and competitive nature of work involved in textile manufacture along with the vulnerable nature of the workers, means the textile production industry carries a higher risk of modern slavery.
Quick Service Restaurant	Subway® franchisees in Australia rely on the workforce to assist them in operating a Subway® restaurant. Due to the vulnerability of the workers employed across the Quick Service Restaurant industry, high attrition of workers and the continued uncertainty and impact from Covid-19, the risk of modern slavery remains albeit low due to the measures in place to identify and mitigate that risk (see further below) in conjunction with Australian workplace legislation.

## 4.3 Supplier management systems

Subway and IPC Asia Pacific continue to assess modern slavery risk based on the shared existing human rights policies and processes of suppliers/businesses within our supply chain and operations. The measures do vary with some suppliers applying robust risk mitigation measures. Those suppliers



who don't take a robust approach or independently review their anti-corruption or anti-slavery measures, are at a higher risk of modern slavery being present within their business and are therefore more closely monitored through our audit programme.

## 5. Mitigating risks

### 5.1 Supplier approval process and Code of Conduct

Subway requires all approved suppliers to agree to, and comply with, our Vendor Code of Conduct ("Vendor Code"). Alternatively, an approved supplier must confirm their own practices and policies meet or exceed those set out in the ("Vendor Code").

The Vendor Code requires all suppliers to comply with all laws and obligations relating to modern slavery and human trafficking in location/region/country in which they operate. The Vendor Code strictly prohibits any and all forms of modern slavery and human tracking and also contains provisions on both anti-bribery and anti-corruption. The Vendor Code sets out the reporting process a person must take for a suspected violation of the Vendor Code.

### 5.2 Supplier auditing

Subway continues its commitment to identifying any emerging risks in conjunction with its regular food safety and quality assurance auditing activity. Subway continues to work with supplier partners throughout its supply and operations network to mitigate any potential risks and gain further transparency.

### 5.3 Franchisee auditing

Subway continues its commitment to ensuring any person working in a Subway® restaurant receives their pay and wage entitlements according to Australian workplace law. Subway upholds this commitment by educating franchisees around their requirements as employers and also conducting both proactive and reactive employment audits of Subway® restaurants in Australia. If the circumstance requires, employment audits may include interviews with restaurant workers as well as reviews of employment agreements and payslips to identify any potential contraventions of Australian workplace law. Additionally, a Subway® Workplace Hotline is available for restaurant workers (or their parent/guardian) to report any concerns they may have about their employment or treatment whilst working in a Subway® restaurant.

### 5.4 Training

Subway continues its commitment to raising and improving awareness (realising that, for many, this is a relatively unknown topic):

- about modern slavery, human trafficking and other corporate social responsibility issues within the supply chain and operations; and
- about modern slavery within our system and to coordinate with IPC Asia Pacific to implement training within procurement programs.

### 5.5 Overarching accountability

Subway is committed to human rights and treating all people with dignity and respect and expects all employees, franchisees and suppliers, regardless of cultural, social, and economic context, to uphold the same commitment.

The Vendor Code outlines our developed process for third party feedback or reporting of any concerns regarding modern slavery and human trafficking violations, or any other contraventions of the Vendor Code or any Subway® policy. A person/entity may contact our Subway® Governance and Compliance team by email 'compliance@subway.com' with the subject heading of 'Report It'. All reported concerns are taken seriously and treated with the aim of ensuring confidentiality. We have a strict no tolerance for any retribution or retaliation taken against any person/entity who has, in good faith, reported a potential or real violation or any questionable behaviour of the Vendor Code or a Subway® policy.

Subway is continually reviewing its efforts to improve this reporting procedure and the avenues by which complaints/concerns may be raised.

## 6. Remediation

Subway reinforces its expectation of suppliers to self-monitor and demonstrate compliance with the Vendor Code. Any supplier or supplier representative or supplier employee who behaves in a manner than is unlawful and/or inconsistent with the Vendor Code or a Subway® policy may be placed on a probation program requiring rectification of their business practices and implement control measures to address the non-compliance and/or behaviour. In circumstances where the non-compliance and/or behaviour is severe in nature, Subway may suspend or cease engaging services of that supplier.

### 6.1 Other relevant policies and processes

Subway is evolving its other policies and processes which aim to mitigate modern slavery as we identify opportunities to strengthen our own policies and processes and learn from other organisations including:

- Anti-bribery, Fraud and Conflict of Interest policy
- Anti-discrimination policy
- Diversity and inclusion policy
- Bullying and harassment policy
- Ethics policy
- Whistleblower policy
- Grievance resolution process
- Franchisee business reviews and ongoing training with Business Developer(s) and Subway Market Operations Territory Managers
- Subway employee background checks and visa checks.

## 7. Assessing our effectiveness against modern slavery risk mitigation

### 7.1 Suppliers

As Subway continues to monitor and review the Vendor Code and auditing processes in conjunction with working closely with IPC Asia Pacific and acknowledges that its journey to gain further transparency across the supply chain is a timeless one. Subway also acknowledges there is further opportunity within the journey to improve the ways in which we identify and mitigate the risk of modern slavery. Subway continues to take the following measures:

- Reviewing and updating all policies, codes and procedures to ensure they meet best practice.
- Implementing additional scrutiny to modern slavery detection processes in supplier approval processes (where needed).
- Designating modern slavery auditing at production and manufacturing facilities outside of Australia (where needed).
- Implementing training on modern slavery with internal and external stakeholders.
- Developing and implementing measuring tools for internal auditing of Subway performance in identifying modern slavery risks.
- Enhancing (if possible) remediation process for suppliers who do not adequately mitigate their risk of modern slavery or action identified examples of modern slavery within their operations.

7.2 Other ways Subway has assessed the effectiveness of our actions include:

- Requesting key suppliers to complete a modern slavery auditing questionnaire to assess their progress year on year.
- Requesting and receiving (where available), copies of modern slavery statements and related policies from suppliers, to evaluate and benchmark their maturity.
- Working closely with IPC Asia Pacific who conducts regular supplier business reviews to understand changing business conditions or situations that may impact our ability to identify the risk of modern slavery in a supplier's operations and how we might evolve our policies accordingly.

## 8. Consultation

In preparing this modern slavery statement, we have done extensive internal organisational consultation to verify processes and understanding and gather input on next steps on Subway's journey towards continuous improvement.

We recognise we have an important role to play in driving ethical sourcing and helping eliminate global modern slavery and that greater transparency, collaboration and education will help to overcome these challenges.

## 9. Conclusion

Subway recognises the issues surrounding modern slavery and human trafficking are continuously changing and developing. We are still at the beginning of this journey toward robust mitigation processes and holistic governance but are committed to further strengthening the due diligence approach within a complex business model. There is no single solution to ending modern slavery and Subway is committed to looking for ways to improve and strengthen how it identifies and mitigates modern slavery risks within its complex supply chain and operations.

Looking forward into the next reporting year, Subway is committed to defining a more robust strategy with particular focus on the following areas:

- Policy implementation and effective monitoring
- Organisational training and awareness
- Internal consultation to understand areas for improvement
- Collaboration with industry leaders to identify areas of opportunity
- Improving our documentation, policies and codes in this area;
- Increasing modern slavery awareness and education;
- Continuing to work closely with internal and external stakeholders, namely IPC Asia Pacific to improve and support practices to mitigate the risk of modern slavery and human trafficking in our supply chain;
- Continuing to work with other industry leaders and collaborative groups in this area to understand their approaches to modern slavery and identify any opportunities we could implement.

## 10. Statement approval

This statement was approved by the Board of Directors of Subway Systems Australia Pty Ltd on 29 June 2023.

This statement was approved by the Board of Directors of Subway Realty Pty Ltd on 29 June 2023.

This statement was approved by the Board of Directors of Subway Franchisee Advertising Fund of Australia Pty Ltd on 29 June 2023.

Signed:

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Director - Subway Systems Australia Pty. Ltd.

Dated:



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Dated:

