

## 1. Introduction – a message from our Chief Executive Officer.

This is Patties Foods' Modern Slavery Statement for the 2021 financial year (**Reporting Period**), which outlines the steps Patties Foods has taken to identify, manage, and mitigate the risks of modern slavery in its operations and supply chain.

The latest Reporting Period has been a particularly challenging time, due to the COVID-19 pandemic and its associated impact on global supply chains. Patties Foods is a manufacturer of essential food products, with longstanding contractual obligations to all major Australian supermarkets, and petrol and convenience stores. Navigating the impact of COVID-19 on our business therefore meant, at times, we encountered supply chain challenges to ensure continuity of production.

Notwithstanding such challenges, our commitment to ethical sourcing at all levels of the supply chain has continued to be a priority focus area across the business, and we have made significant progress towards better understanding the risks of modern slavery in our supply chain and advancing our initiatives to address our risks. The more we have taken steps to better understand our supply chain, the more we realise how complex and global supply chains are, and the importance of conducting proper due diligence and risk assessments.

This statement has been made on behalf of our Australian based entities and prepared in consultation with relevant stakeholders within the Patties Foods group. It has been reviewed by and approved by the Board of Directors.

A handwritten signature in black ink, appearing to read "Paul Hitchcock".

**Paul Hitchcock**

Chief Executive Officer and Director.



## 2. Patties Foods – our structure, operations and supply chain.

### 2.1. Structure and operations

Patties Foods Pty Ltd (**Patties Foods**) commenced operations in 1966, in East Gippsland, Victoria, as a family bakery. It experienced continuous growth over the following decades, in particular after acquiring the iconic 'Four 'n Twenty' brand of meat pies and sausage rolls.

Patties Foods was listed on the Australian Stock Exchange in 2006. In 2016 it delisted when a major share of the company was acquired by private equity investors, with a plan to expand and pivot the business to a diversified food group producing a range of products for local and export markets.

Today, Patties Foods' product range is a growing portfolio of convenient, ready meals and snack foods. Patties' operates within 4 product categories including savoury pastries, snacking, meals and desserts.

The evolution of the portfolio has been supported by the previous acquisitions of:

- a 50% share of 'Davies Bakery' facility in Melbourne, Victoria,
- Leader Products in New Zealand – which manufactures NZ-made convenient, snack and ready meal products.
- the chilled meals business and facility, 'Australian Wholefoods', in Salisbury, South Australia;
- the 'Boscastle Pastries and Foods' business in Melbourne, Victoria;
- a large food manufacturing facility with capacity to produce ready meals and chilled pasta and sauce products in Pakenham, Victoria;
- exclusive licensing rights in Australia and NZ to Weight Watchers, Leggos chilled pasta and sauces, and Fitness Outcomes ready meals.





Patties Foods remains one of the largest pie manufacturers in the world, producing some of Australia's most famous household brands, as well as a significant private label business.

Our export markets currently include New Zealand, Asia Pacific, Japan, Taiwan and the United States of America.

Our F21 annual consolidated revenue was \$436,000,000 AUD.

## **2.2. Our labour force**

Over 1,000 workers are employed by Patties Foods and its joint ventures, primarily located in Australia, across our Victorian and South Australian operations. As the second largest employer (behind the hospital) in East Gippsland, we provide work to more than 400 employees, labour hires, and contractors in regional Victoria.

All workers, including labour hires, at the main manufacturing facility in Bairnsdale are paid in accordance with site-specific Enterprise Agreements approved by the Australian Fair Work Commission. The majority of staff at the Pakenham facility are also governed by a site-specific Enterprise Agreement. Our Enterprise Agreements prescribe generous pay and benefits, which exceed statutory minimum and Award rates.

Workers at the South Australian facility are paid in accordance with the Food and Beverage Manufacturing Award. Our head office staff in Melbourne are contracted employees who are paid market rates which are routinely benchmarked by our Human Resources team.



### 2.3. Our supply chain

Patties Foods' operations are supported by a large supply chain which has grown significantly as our product range has diversified.

During the 2021 financial year, goods and services were sourced from over 200 direct suppliers, and approximately 300 indirect suppliers<sup>1</sup> across Patties' Australian operations.

An 'Australian First' sourcing policy applies, wherever possible, to the sourcing of ingredients for our Australian operations. Our two main ingredients, which account for the majority of our raw materials spend are beef and flour. Patties Foods ensures these two main ingredients are 100% Australian - we are proudly one of the 'top five' buyers of Australian beef. Our poultry, eggs, dairy products, sugar and fresh vegetables are also procured from Australia.

However, as a manufacturer of an increasingly diverse range of food products, we procure from a growing range of local and international suppliers, at times with the assistance of brokers.

Our operations are further supported by many indirect suppliers, including labour hire workers, cleaning and security services, transport and logistics providers, waste disposal companies, and professional services such as advertising and accountancy.

### 3. Modern Slavery - expectation setting with suppliers and customers

Patties Foods is committed to identifying and eliminating modern slavery in its supply chains and operations, and clearly sets out this expectation in its:

- pre-qualification questionnaire for new suppliers;
- Trading Terms and supplier contracts, and

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<sup>1</sup> Defined by suppliers with annual spend >\$10,000 AUD.



- Ethical Sourcing policy – which all suppliers are required to sign up to (or alternatively provide equivalent assurance, such as access to their SEDEX self-assessment information.)

Our Ethical Sourcing Policy stipulates that Patties Foods:

*“...will only do business with suppliers whose workers (including the workers of any sub-tier suppliers) are treated in accordance with applicable law and regulations, present voluntarily, not put at risk of physical harm, provided with a safe workplace, lawfully and fairly compensated, allowed the right of free association and not exploited in any way, including by modern slavery (trafficking, servitude, forced marriage, forced labour, debt bondage, unlawful child labour, or deceptive recruiting for labour services.) All overtime must be voluntary.”*

In returning a signed copy of our Ethical Sourcing policy, our suppliers provide a formal undertaking that they will:

*“...take all reasonable measures to ensure that workers in their own supply chains are treated lawfully and are not victims of any form of modern slavery; and maintain oversight of employment conditions of any labour hire and sub-contracted labour.”*

Suppliers are put on notice that unreasonable refusal to sign up to our policy may result in discontinuation of the supplier relationship. One supplier has been terminated on this basis.

A Link to Patties' Ethical Sourcing Policy can be found here: -

[https://issuu.com/patties4/docs/ethical\\_sourcing\\_policy\\_final\\_2020\\_2\\_.docx](https://issuu.com/patties4/docs/ethical_sourcing_policy_final_2020_2_.docx)

#### **4. Risk Assessment - Modern Slavery within our operations and supply chain**

During the Reporting Period, Patties Foods developed a modern slavery risk register, in which we assessed categories of our main ingredients, and indirect



suppliers. The risk register was prepared cross functionally with input from our group quality assurance, procurement, legal and compliance, as well as site management where applicable, and reviewed by senior management.

We used numerous factors to assess the potential risk of modern slavery in our operations and supply chain, including known geographic and industry risks based on research and reports set out in the Global Slavery Index, whether the supplier had signed up to the undertakings set out in our Ethical Sourcing Policy, and the supply chain model involved (for example, whether the goods were procured via brokers.) We also reviewed the modern slavery statements of some of our bigger suppliers, in particular those which had not returned a signed copy of our Ethical Sourcing Policy, to understand how these suppliers are addressing the risk of modern slavery in their supply chains.

A summary of our findings is set out below.

**4.1. Our labour force**

We assess the risk of modern slavery within our labour force to be very low. This is because all workers across our Australian sites, including labour hire workers at our main facility, receive generous pay and benefits which exceed national minimum standards. Our payroll systems are externally audited annually to ensure compliance with applicable industrial instruments.

**4.2. Our supply chain – Key raw materials**

Overall, we assess the risk of modern slavery in the supply chains of the main ingredients used in our core product offerings and brands – meat, flour, and fats and oils - to be low.

Description	Source/Country of Origin	Modern Slavery Risk Assessment
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Meat (beef)	Australia (multiple suppliers)	<p>Low.</p> <p>All suppliers supply a 100% Australian, fresh product.</p> <p>Workers at our main supplier are covered by Enterprise Agreement approved by Fair Work Commission.</p> <p>All other meat suppliers have signed up to our Ethical Sourcing Policy and associated undertakings regarding modern slavery.</p>
Flour	Australia (one main supplier; one backup supplier)	<p>Low.</p> <p>Workers covered by Enterprise Agreement approved by Fair Work Commission and suppliers have signed Ethical Sourcing Policy.</p>
Fats and oils	Malaysia	<p>Low-possible.</p> <p>Our supplier is a signatory to the Roundtable on Sustainable Palm Oil, and has signed our Ethical Sourcing Policy.</p> <p>Notwithstanding the above, we acknowledge NGO and IO reports that that modern slavery is endemic in the palm oil industry in Malaysia.</p>

**4.3. Our supply chain – Other raw materials**

We are satisfied that most of our other raw materials, such as starches, fresh fruits and vegetables, sugar, and dairy present relatively low modern slavery risk. Whilst these suppliers themselves acknowledge there is some inherent risk across agricultural industries, the suppliers we use are committed to understanding and addressing their risk.

Our risk assessment identified areas of higher vulnerability based on geographical risk associated with several ingredients used in our newer product offerings. For example, we source small amounts of fruits from Pakistan, Thailand, and the



Philippines, all of which are known high risk areas according to the Global Slavery Index.

We have also identified potential risk areas where we use brokers to procure ingredients such as spices, and we were unable to verify the country of origin or manufacturer of the product during this Reporting Period.

#### **4.4. Our supply chain – Packaging**

As a food manufacturer of a range of different products, our supply chain inevitably includes large amounts of various types of packaging. By the conclusion of the Reporting Period, 72% of our packaging supplier base had signed up to the undertakings contained in our ethical sourcing policy; their commitments extend to more sustainable packaging as well as addressing modern slavery risk.

Notwithstanding, we are aware our packaging suppliers use raw materials sourced from South America, China and India, as such there is some inherent risk in their supply chains.

#### **4.5. Our supply chain – Indirect suppliers**

We assess the risk of modern slavery in the supply chains of our labour hire and transport and logistics companies, which account for the majority of our indirect supplier spend and requirements, to be low. In particular, our confidence in the Australian transport and logistics industry, which was already heavily unionised to protect workers, has been bolstered by Chain of Responsibility legislation and technological developments such as GPS tracking, which have improved worker safety. During the Reporting Period we made further queries with our cleaning and security providers, to ensure they were made aware of our ethical sourcing obligations.



We assess that there is possible modern slavery risk within the supply chains of our professional services providers, as identified in their own modern slavery reports due to offshore outsourcing of business support. However, we are confident our providers take their modern slavery obligations seriously and are taking steps to address their risk.

Similarly, we assess there is possible risk of modern slavery associated with our IT suppliers, due to inherent risk in the production of technological hardware such as laptops, and low return rate of signed ethical sourcing policies from our IT indirect suppliers.

## **5. Our actions and initiatives to address Modern Slavery Risks**

### **5.1. Internal training and education**

When the *Modern Slavery Act 2018* was introduced, Patties Foods' provided training to the Executive Leadership, Procurement, and Quality Teams on the risks of modern slavery in global supply chains, and engaged senior leads on Patties' new obligations under the Australian Modern Slavery legislation. These training materials have subsequently been provided to new staff members, as applicable, as part of their onboarding process.

Patties Foods has created a Sustainability working group to support the oversight and implementation of such initiatives. From a modern slavery perspective, the working group includes Patties' Chief Financial Officer, Legal Counsel, Group Quality Manager, Vendor Assurance Manager, and Head of Procurement.

During F21, the Sustainability working group partnered closely, where required, with:

- The Bairnsdale site management team to support the negotiation and renewal of the Enterprise agreement for that site
- a procurement officer who had responsibility to further rollout Patties Foods ethical sourcing policy; and

- our South Australian facility's management team during their SMETA 4 Pillar audit, to provide one on one coaching and mentoring regarding the group's ethical sourcing risks and initiatives.

### 5.2. Continued rollout of Patties Foods' Ethical Sourcing Policy

Commencing early 2020, Patties' Executive Leadership Team imposed a new requirement that, in addition to agreeing to the modern slavery clauses in our standard trading terms, all direct and key indirect suppliers must return a copy of Patties' Ethical Sourcing Policy, signed by an authorised officer of the company.

With a very large supplier base, which became even more complex during the COVID 19 pandemic as global supply chains were disrupted and we at times had to source from new suppliers, this is a long-term piece of work.

As at the conclusion of the Reporting Period,

- >96% of our main direct suppliers (defined as those suppliers with annual spend >\$500K AUD) have returned a signed copy of our Ethical Sourcing Policy or equivalent (i.e. their SEDEX registration number or their own modern slavery policy);
- Of those direct suppliers which did not sign up to our policy, two are deemed very low risk as its workers are all Australian based and covered by an Enterprise Agreement; the other is a large global organisation with its own modern slavery policies and initiatives.
- 59% of our main\* indirect suppliers have returned a signed copy of our Ethical Sourcing Policy or equivalent – and a greater number of these suppliers have



transitioned to Patties Foods' Trading Terms, which contain clauses around modern slavery and ethical sourcing commitments.

### **5.3. Establishment of a Group Vendor Assurance function**

During the Reporting Period, a dedicated Vendor Assurance and Raw Materials manager was recruited, to work directly with all suppliers (direct and indirect), brokers, third party manufacturers, third party warehouses and transport and service providers, to better understand the origin of the materials and services supplied to Patties Foods. Risks shall be identified from a food safety, environmental, welfare, social and ethical perspective, via the analysis of certificated information and on-site audits as required. This is a central function which has a reporting line independent of the procurement team.

### **5.4. SEDEX upgrade**

Patties is a member of the ethical trade organisation SEDEX, and has conducted self-assessment audits for each of its Australian manufacturing sites. Our information is available to any customers which request access.

During the Reporting Period Patties Foods' upgraded its SEDEX membership to buyer membership, arming the organisation with a platform to report and analyse data, track, and assess the ethical and social performance of suppliers which are also SEDEX members.

#### **a. SMETA 4 Pillar Ethical Audits of our Australian facilities**

During the Reporting Period, our South Australian site was subject to a 'Four Pillars' audit by an external SMETA auditor. Some minor non-conformances were identified regarding training managers on forced, bonded and child labour. We

undertook to provide further training to relevant managers, and address all issues raised. SMETA audits are booked for our two main Victorian facilities for the next Reporting Period.

#### **6. Assessment of the effectiveness of our actions, and next steps.**

Despite the above initiatives, Patties recognises that modern slavery risk inevitably exists in the agricultural and other sectors on which our business relies, particularly in second and third tiers of the supply chain.

To assess the effectiveness of our actions, we plan to:

- continue to drive our Ethical Sourcing program and expectation setting communication with all suppliers – to ultimately meet our KPI of 100% return rate of signed ethical sourcing policies / signed trading terms from total supplier base;
- monitor suppliers of high-risk ingredients which are sourced from high risk geographical areas, and request site inspections or audits where appropriate;
- Conduct an annual, cross functional, review of our modern slavery risk register;
- Address any non-conformances which might be identified when our two main Victorian facilities are externally audited by SMETA 4 Pillars auditors in the F22 reporting period;
- Investigate any complaints which may arise via our corporate whistleblowing policy;
- Strengthen supplier due diligence, utilising the skills and experience of our newly recruited Vendor Assurance and Raw Materials manager.

Where a modern slavery risk is identified through our actions, or via our corporate whistleblowing policy, we will endeavour to work with the supplier in the first instance to ensure appropriate remedy or improvement is achieved. Should we assess modern slavery risk as too high, we will change suppliers.



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This modern slavery statement is made by Patties Foods Pty Ltd for the financial year ending 30 June 2021 and was approved by the Board of Directors at the December 2021 Board meeting.

A handwritten signature in black ink, appearing to read "Paul Hitchcock", written over a dotted line.

**Paul Hitchcock**

Chief Executive Officer and Director

23 / 12 / 2021