

## MODERN SLAVERY STATEMENT 2020

### Collins Foods Limited

This is the first Modern Slavery Statement (**Statement**) for Collins Foods Limited (the **Company**) which is made pursuant to the requirements of the *Modern Slavery Act 2018* (Cth). It relates to the reporting period that commenced on 29 April 2019 and ended on 3 May 2020.

The content of this Statement is to outline our approach to ensuring that the Company has robust frameworks and processes in place to minimise the risk of modern slavery within our operations and supply chains.

## 1 About our business

- 1.1 Collins Foods Limited is a KFC franchisee in Australia and Europe, a Taco Bell franchisee in Australia as well as the owner of Sizzler restaurants in Australia and the franchisor for Sizzler in Asia. The KFC and Taco Bell brands are two of the world's largest restaurant chains and are owned globally by Yum!
- 1.2 Within Australia, we are the largest franchisee of KFC restaurants. We currently operate 240 KFC restaurants throughout Australia. As well as Australia, we own KFC restaurants in Germany (17) and the Netherlands (23).
- 1.3 We also operate 12 Taco Bell restaurants in Queensland and Victoria as well as nine Sizzler restaurants in Australia. For future reporting years, our nine Australian Sizzler restaurants closed on 15 November 2020. In addition, we are a franchisor of the Sizzler brand in Asia, with 75 franchised restaurants, predominantly in Thailand, but also in China and Japan. For future reporting years, our China restaurants have been closed.

## 2 Our reporting entities

Collins Foods Limited (the **Company**) is a publicly listed ASX company (ASX:CKF), with our headquarters in Brisbane. The Company is made up of the following reporting entities as defined under the Modern Slavery Act 2018:

- (a) Collins Foods Limited (ACN 151 420 781);
- (b) CFG Finance Pty Limited (ACN 151 677 351);
- (c) Collins Foods Holding Pty Limited (ACN 113 801 648);
- (d) Collins Foods Finance Pty Limited (ACN 113 833 391);
- (e) Collins Foods Group Pty Limited (ACN 009 937 900);
- (f) Collins Restaurants Queensland Pty Limited (ACN 009 988 381);
- (g) Fiscal Nominees Company Pty Limited (ACN 166 936 278);
- (h) Collins Restaurants West Pty Limited (ACN 009 701 179);
- (i) Collins Restaurants South Pty Limited (ACN 612 129 781).

## 3 Our structure, operations and supply chain

- 3.1 This joint Statement covers the activities of Collins Foods Limited and its owned or controlled entities (Group).
- 3.2 Our operating business includes the following:
- (a) **KFC Australia** – we own and operate 240 KFC restaurants under a franchise agreement with Kentucky Fried Chicken Pty Limited (KFC AUS Franchisor).
  - (b) **Taco Bell** – Taco Bell is a quick service restaurant that offers Mexican-inspired food. We are a franchisee in Australia operating 12 restaurants under a franchise agreement with Taco Bell Restaurants Asia Pte Ltd (Taco Bell Franchisor).

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- (c) **Sizzler Australia** - Sizzler was a dine in restaurant that provided steak, seafood, chicken dishes, BBQ ribs, combination meals and burgers. This included a salad bar that offered soup, salad, pasta, fresh fruit and a desert bar. We owned and operated nine restaurants within Australia during the Statement period. All Australian Sizzler restaurants were closed on 15 November 2020.
- (d) **Sizzler Asia** - Collins Foods is the franchisor for Sizzler restaurants in Thailand and Japan. In addition, Collins Foods is in a joint venture with the Minor Group for restaurants in China, where each party holds a 50% share. Franchise agreements are in place with the Minor Group (Sizzler Thailand and China); and R&K Food Service Company Ltd (Sizzler Japan) whom operate these restaurants.
- (e) **KFC Europe** – The Group own and operate 40 KFC restaurants in Germany and the Netherlands under franchise agreements with the franchisor (KFC Europe Franchisor). Companies are registered in the Netherlands, Germany and the United Kingdom with consolidation into Collins Foods Holding Pty Ltd.
- (f) **Restaurant Support Centres** – Our Restaurant Support Centres (RSC) support our restaurants owned by the Group, by providing finance, human resources, information technology, marketing, construction and maintenance, supply chain and food safety services.

3.3 KFC and Taco Bell are subsidiaries of Yum! Brands, Inc., based in Louisville, Kentucky.

3.4 As a franchised business for KFC and Taco Bell, our franchisors provide support for marketing, development, food innovation, supply chain and information technology services in exchange for service fees. In addition, we have a local supply chain team that managed core suppliers for our Sizzler Australia restaurants.

3.5 Our KFC Australia restaurants' supply chain for core items is co-ordinated by our franchisor, Kentucky Fried Chicken Pty Limited. The Company holds the administration relationship with each supplier and has oversight in the selection of core suppliers used. Pursuant to our franchise agreement with KFC AUS Franchisor, the franchisor conducts sourcing and purchasing negotiations for core supply chain items (as listed below). In addition, we have a franchise agreement with Taco Bell International. Core suppliers for Taco Bell are managed in partnership with Taco Bell International.

3.6 Our Europe KFC restaurants core suppliers are managed by KFC Europe, a subsidiary of Yum! Brands, Inc. Collins Foods Limited does not transact directly with these core suppliers. KFC Europe core suppliers are required to register with SEDEX and complete the Self-Assessment Questionnaires (SAQs).

3.7 Our supply chain includes the following products and services:

- (a) **Core suppliers** that provide product and services to our restaurants, including:
  - (i) food and beverage suppliers;
  - (ii) packaging;
  - (iii) distribution partners and delivery aggregators; and
  - (iv) uniform providers.
- (b) **Non-core** suppliers, including:
  - (i) suppliers of equipment used in our restaurants;
  - (ii) development and construction suppliers;
  - (iii) accommodation providers;
  - (iv) marketing agencies;
  - (v) information technology;
  - (vi) professional services providers of legal and financial services;
  - (vii) human resources; and
  - (viii) cleaning and maintenance services.

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## 4 Modern slavery risks

### Operations

4.1 We acknowledge that there is an inherent risk of employment of vulnerable workers due to the nature of our industry, and risks surrounding wage compliance. We recognise that team members working in our restaurants and our restaurant support centres must be:

- (a) treated fairly and with respect;
- (b) of working age and be working of their own free will; and
- (c) paid in accordance with the relevant award and applicable legislation.

In Australia, we have in place robust processes and controls to manage these risks. Accordingly, we consider that there is a low risk of modern slavery in our restaurants and Restaurant Support Centre.

4.2 In addition, we have a number of policies and procedures in place to support and protect our staff, that include the following:

- (a) Group Code of Conduct;
- (b) Anti-Discrimination Policy;
- (c) Bullying and Harassment Policy;
- (d) Ethics and Integrity Policy;
- (e) Group Whistleblowers Policy (including access to an independent Ethics and Integrity Hotline);
- (f) Grievance Resolution Procedure;
- (g) Diversity and Inclusion Policy; and
- (h) Recruitment & Employment of Young Workers Policy.

### Supply chain – core suppliers

4.3 The supply chains for the food, beverage and agriculture sector have an inherently higher risk of modern slavery due to the nature of the work necessary in the production, processing, packaging and transport of the product. Modern slavery risks are predominant during the production, packaging and processing stages, which is when the highest amount of seasonal, base-skilled labour is required.

4.4 Collins Foods Limited is a member of SEDEX (Supplier Ethical Data Exchange). SEDEX is a global not-for-profit membership organisation, incorporated in the UK and is an ethical data exchange which ensures that ethical standards are monitored and measured, and best practice is shared across the industry.

4.5 We have commenced onboarding and registering our Australian operations core suppliers on SEDEX, including food and beverage suppliers, packaging, distribution partners and uniform providers. Suppliers will be required to complete Self-Assessment Questionnaires (**SAQs**). We will then use SEDEX to review the SAQs to enable us to make a risk assessment of suppliers. As noted above, our Europe KFC restaurant core suppliers are managed by KFC Europe, who require direct suppliers to register with SEDEX and complete the SAQs. Suppliers are able to update their responses to the SAQs at any time to reflect any changed circumstances (for example, any improvements). If there is a change to the risk assessment of the Supplier as a result of the update, this is notified to all members of the SEDEX platform that are connected to that Supplier.

4.6 This risk assessment tool provides a modern slavery risk rating for each supplier facility that we then use to determine whether we need to carry out any third-party audits. Third party audits provide us with a neutral, unbiased and factual report that we then use in conjunction with the SAQs to provide a big picture review of the supplier.

4.7 The SAQs collect data across four key pillars:

- (a) **Labour Standards:** includes questions on wages, working hours, children and young employees, freedom of association, non-discrimination, forced labour and human rights. This forms the basis of the data used for the modern slavery risk assessment rating;

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- (b) **Health & Safety:** includes questions on management, training, emergency and fire safety, and worker health;
- (c) **Environment:** includes questions on environmental management, waste, raw materials, water, energy and pollution; and
- (d) **Business Ethics:** includes questions on bribery and corruption.

4.8 Our Australian Franchisor, KFC Australia, has performed a risk assessment of the results of food and paper direct suppliers that are registered on SEDEX. These are the same suppliers that Collins Foods utilises. The results of KFC Australia’s review of food and paper suppliers SEDEX risk rating was Low or Medium. There were no direct suppliers that received a High combined risk rating. We will continue to onboard Collins Foods’ core suppliers onto SEDEX. This risk assessment has been performed on direct suppliers, and there is a possible risk deeper within the supply chain.

4.9 As mentioned earlier, our Europe KFC restaurants core suppliers supply chain is managed by KFC Europe. KFC Europe direct suppliers are required to register with SEDEX and complete the SAQs. We anticipate that the supply chain of our Europe KFC restaurants for our core suppliers will reflect those in Australia. There have been no reports of “high risk” responses SAQs for the Company’s core suppliers.

#### **Non-core supplier industry analysis**

4.10 High level risk assessments were performed across our non-core suppliers that we have direct contact with (direct suppliers). The criteria for assessment was based on supplier industry and product and services provided; supplier country of origin, and other risk management criteria.

4.11 Australian operations - our direct (tier one) suppliers are predominately located in Australia (99.95%). Our assessment of risk of these suppliers is based upon their industry. Some of these supplier’s supply goods and services out of another jurisdiction. At this stage we have limited understanding of our suppliers’ suppliers and this Statement does not reflect any jurisdictional or other risk in our suppliers’ supply chains, except to note that we are aware that it exists. The expenditure paid to overseas suppliers (0.05%) related to supplies procured from the UK, USA, Mexico, Germany, Netherlands and India. This includes, one supplier based in India, who supplied equipment to our Taco Bell restaurants.

4.12 European operations – our direct suppliers are based in the Netherlands, Germany, France, Belgium, UK, Ireland and USA. The majority of our international spend is in countries with low prevalence of modern slavery (reference: the Global Slavery Index 2018). However, we recognise that our supply chain potentially crosses countries and sectors that may carry risks through our upstream suppliers.

#### **Sizzler Asia operations**

4.13 We appreciate that there is a risk that we are linked to modern slavery in the operations and supply chains of our franchisees globally. We are not aware of any of our franchisees engaging in modern slavery.

4.14 As a franchisor in Asia, we have a supplier approval process in place that includes a framework to assess, review and audit suppliers. We endeavour to work with the franchisee and strengthen the supplier risk assessment process across modern slavery risks and understand that this process means that we are linked to the risk of those suppliers.

## **5 Our actions to assess and address modern slavery risks**

### **Policies and procedures**

5.1 During the reporting year, we focused upon developing a framework to manage modern slavery risk. Our approach to managing modern slavery risk is supported by a number of policies and procedures. Our policies include:

- (a) Group Code of Conduct;
- (b) Supply Chain Management Code of Conduct;
- (c) Anti-Discrimination Policy;
- (d) Bullying and Harassment Policy;
- (e) Ethics and Integrity Policy;

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- (f) Group Whistleblowers Policy (including access to an independent Ethics and Integrity Hotline); and
- (g) Grievance Resolution Procedure.

5.2 Our **Ethics and Integrity Policy** states that all reports of illegal or unethical conduct will be investigated where possible and refers to the Ethics and Integrity Hotline as an avenue to escalate issues for investigation.

5.3 Our **Supply Chain Management Code of Conduct** – at Collins Foods we are committed to conducting our business in an ethical, legal and socially responsible manner. The Supply Chain Management Code of Conduct outlines the rules and standards of conduct that apply to third parties in the Group’s food production and supply chain. This code of conduct is also provided to all new suppliers and provided with new and revised contracts and to all suppliers when updated.

### **Supplier contract terms and conditions**

5.4 We have updated our supplier contract terms for conditions to include provisions requiring compliance with modern slavery legislation. These are being incorporated in new supplier contracts and supplier contract renewals.

### **Education and awareness**

5.5 During the reporting period, we delivered training to key personnel on modern slavery and how to assess risks with procurement with suppliers and understand the key signs of modern slavery. In addition, relevant staff have undertaken SEDEX training to help with the risk analysis of suppliers.

### **Due diligence and remediation**

5.6 As outlined above, Collins Foods has adopted SEDEX to assist in its assessment of supplier risk for our core suppliers. We have also undertaken an industry level assessment of our non-core suppliers. On the basis of this process, we will identify priority high risk suppliers that require further investigation. Where a non-core supplier is identified as high risk through this process, we will look to further explore the supply chains of those suppliers, and if required, to join the SEDEX platform and complete the supplier questionnaire.

5.7 Collins Foods has a Group Whistleblower Policy and a Grievance Resolution Procedure that allows staff to raise concerns in a confidential manner. This channel is available for reporting modern slavery concerns. Where grievances or concerns are raised, we investigate and address them as appropriate. In FY2021, we will consider what steps we will take in the event that the risks are not adequately mitigated by our suppliers.

## **6 How we assess the effectiveness of our actions**

6.1 In the short term, we are assessing the effectiveness of our program by virtue of:

- (a) The comparison of our supplier risk assessments year on year; and
- (b) The percentage of staff who have been trained in modern slavery.

6.2 The development of a more detailed assessment process will occur in FY2021 once further actions have been developed. This will include the setup of a process to provide for regular engagement and feedback between key areas of our operations of the Group.

6.3 The Group has implemented a risk management process to assist in the identification, assessment, mitigation and monitoring of risks, including the risks of modern slavery. This will continue to be developed as we better understand our modern slavery risk.

## **7 Consultation process**

7.1 We have engaged with our franchisor in Australia, Kentucky Fried Chicken Pty Limited, who is also required to comply with the *Modern Slavery Act 2018* (Cth), and where we share a number of common suppliers. We also engaged with our KFC Europe Franchisor that is required to comply under the UK laws on modern slavery.

7.2 We have commenced working with SEDEX to assist with onboarding of our core suppliers within our supply chain.


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7.3 Over the next year we will further consult with our Sizzler Asia franchise partners to understand their processes for managing modern slavery risk and collaborate where appropriate. This will allow us to include further information and reflect the modern slavery risks relevant for Sizzler Asia in addition to Australian and European operations in future reporting.

## 8 Conclusion

This is an ongoing commitment by the Group to gain visibility into the risks of modern slavery in our operations and supply chains and to embed processes within our business to strengthen our management controls to mitigate these risks.

This statement was approved by the Board of Collins Foods Limited, the directors of each of the reporting entities detailed in section 2 of this Statement and signed by a member of the Board of Collins Foods Limited on behalf of all reporting entities.

<b>Signed</b>	
<b>Name</b>	Robert Kaye SC
<b>Role</b>	Chair, Collins Foods Limited
<b>Date</b>	1 December 2020

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