

MODERN SLAVERY STATEMENT 2021



independent liquor group

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1. Introduction

This statement has been approved by the Board of Directors of Independent Liquor Group (Suppliers) Cooperative and Independent Liquor Group Distribution Cooperative, and is made in pursuant to Section 54 of the Modern Slavery Act 2018. This statement covers the following entities within the Independent Liquor Group:

- Independent Liquor Group (Suppliers) Cooperative Limited
- Independent Liquor Group Distribution Cooperative Limited
- ILG Retail Pty Ltd (subsidiary of Distribution Cooperative)

At Independent Liquor Group, we are committed to ensure the success and longevity of independents in the liquor industry, empowering our members with the strength and benefits of belonging to Australia's largest member-owned liquor cooperative. Our Core Values are



It is part of our Core Values to protect vulnerable people from the devastating impacts of modern slavery and compliance in accordance with the Modern Slavery Act 2018 is not only the right thing to do, but also is what expected of us.

We are committed to and aware of our responsibility to take comprehensive steps to safeguard the impact we have on people through our procurement. This commitment extends to our subsidiary Independent Liquor Group Retail Pty Ltd.

In all of our activities, we recognize human rights of people within Australia and internationally and we are committed to demonstrating the utmost transparency in our governance and operations, to work in partnership with our suppliers to maintain high standards of ethics and vigilance on the role we play to support eradicating modern slavery.

Despite the difficulties COVID has brought to the Business in 2021, we have sourced the funding to employ a full-time Company Secretary to maintain, review and further develop our Governance and Risk Framework and incorporate Anti-Slavery Policy into these frameworks.

In 2022, we will continue the fight for human rights and against modern slavery and commit to the following activities:

- Business Unit Training and continue to raise awareness of Modern Slavery within the Cooperative
- Design and implement a better feedback mechanism for suppliers to provide information and report risks of Modern Slavery if any
- Assess the practicality of effectiveness measurements and incorporate changes into a broader evaluation framework
- Implement Anti-Slavery and Responsible Sourcing Policy throughout the Organisation and its controlled entity.
- Monitor ongoing impacts of COVID-19 on our supply chain and prioritising small beverage suppliers as they may not have enough resources in identifying/managing potential modern slavery risks.
- Design and Prioritise the rollout of strategies in managing risks and prioritising country and products most at risk.

Chris Grigoriou
Chairman

Paul Esposito
CEO

2. Modern Slavery and Our Commitment

This statement applies to The Independent Liquor Group (ILG) and its associated entities and outlines the activities the Group undertaken to prevent engaging in modern slavery as regulated by the Modern Slavery Act 2018.

Modern Slavery is defined in the Modern Slavery Act (Cth) 2018 as conduct which would constitute:

1. an offence under Division 270 or 271 of the Criminal Code; or
2. an offence under either of those Divisions if the conduct took place in Australia; or
3. trafficking in persons, as defined in Article 3 of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, done at New York on 15 November 2000 ([2005] ATS 27); or
4. the worst forms of child labour, as defined in Article 3 of the ILO Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, done at Geneva on 17 June 1999 ([2007] ATS 38).

Examples of what constitutes Modern Slavery is forms of slavery such as servitude, trafficking in persons, forced labour, debt bondage, forced marriages, sale of and/or sexual exploitation of children or sale of children for forced labour exploitation, where victims are forced to work out of fear of violence and/or intimidation.

3. Our Structure, Operations and Supply Chain

3.1 Our Structure and Operations

Australia's largest liquor co-operative, The Independent Liquor Group was in-cooperated in March 1977, as a member owned organisation of licensed liquor stores, hotels, registered clubs and restaurants working collectively to obtain the best service and benefits whilst maintaining their own autonomy and independence. Membership to the Co-operative allows the return of all surpluses to members in the form of subsidised wholesale prices and patronage rebates.

The ILG's two Cooperative structure was adopted in 2000 with the objective to build our first distribution centre in Glendenning and to better service our members: The ILG Suppliers Cooperative and the ILG Distribution Cooperative co-exist since 2000 and provide financial support to each other in order to fulfil our principal activity - the acquisition of liquor and related products from its members for wholesale sale.

We employ 135-141 staff members depending on seasonal fluctuations and have three distribution centres located in Erskine Park Business Centre, Western Sydney in New South Wales, Richlands in Brisbane, Queensland and Mount St John in Townsville, North Queensland. Via ILG Retail Pty Ltd, the Group also operates retail bottle shop business in Bacchus Marsh, Victoria and in Banksia, New South Wales.

3.2 Our Suppliers

Our direct supply chain (Tier One Suppliers) assists us with activities in wholesale, distribution of alcoholic beverages or non-alcoholic beverages within NSW, QLD and VIC.

Our Tier One Beverage Suppliers (those we purchase alcoholic and non alcoholic beverages directly) are all registered to operate within Australia with Liquor Wholesale License and therefore subject to the compliance of Modern Slavery Act 2018.

Below is a summary of our 313 Tier One Beverage Suppliers who we made purchase from in the last Financial Year:

- 40 Suppliers for amount less than \$10,000;
- 66 Suppliers for amount between \$10,000 and \$100,000;
- 23 Suppliers for amount between \$100,000 and \$200,000;
- 17 Suppliers for amount between \$200,00 and \$500,000
- 16 Suppliers for amount between \$500,000 and \$1,000,000
- 22 Suppliers for amount between \$1,000,000 and \$6,000,000
- 11 Suppliers for amount above \$6,000,000

Our Tier One Labour and Logistics Suppliers (agencies and companies we engage directly to assist us with distribution of beverages) are all registered to operate within Australia and therefore subject to the compliance of Modern Slavery Act 2018 and the Fair Work Act.

Our other Tier One suppliers that provides services and products to assist with our daily operations, such as accounting, IT, administration functions etc. are also registered businesses who operates within Australia.

We have undertaken a business-wide review of our direct supply chains as above and identified that the potential risks for occurrence of modern slavery is low. This is because we have only imported two champagne products from France, which was considered a low-risk country and we do not intend to continue with the importation after the stock is depleted. None of our other beverage or products are imported directly. Instead, the purchases have been made through our Tier One Suppliers, who have already implemented strict procedures in accordance with Modern Slavery Act.

However, we identified that potential risk areas may occur within our smaller suppliers which may have less resources to develop their own compliance framework. The Board will endeavor to assist these small businesses by sharing our own framework with them if needed.

The Board also will endeavor to analyse the complexity of our indirect supply chain and will work closely with our Tier One Large Suppliers in identifying potential risk areas according to the severity of risk consequences.

4. Governance, our Policies and Procedures

4.1 Governance

In line with our commitment to minimizing the risk of modern slavery and upholding

human rights in our operations and supply chains, the Board of Directors has approved the Anti- Slavery and Responsible Sourcing Policy. This Policy is available on the ILG Website.

We have also established to following governance process to provide the Board with reassurance that we are in compliance with the Modern Slavery Act 2018:

Work Health Safety & Anti-Slavery Committee:

- A cross functional committee responsible for identifying and implementing process improvements and ensuring compliance with Work Health Safety and Modern Slavery Act
- The Committee members include representatives from Procurement, Company Secretary (Chief Risk and Compliance Officer), HR Manager, Warehouse Manager and Employee representatives from three sites.

Audit and Risk Committee

- Oversees compliance in accordance with risk and compliance framework
- Oversees corporate reporting which includes the ILG Modern Slavery Statement

4.2 Policies and Procedures

ILG also has policies and procedures which have been updated to promote ethical behavior and conduct:

- Code of Conduct
- Whistleblowing Policy
- Anti-Slavery and Responsible Sourcing Policy
- Supplier Trading Agreement
- Supplier on-boarding procedures

5. Identifying and Taking Action to Address Modern Slavery Risks

5.1 Risk analysis

ILG has updated its Risk Management framework to include the management of potential risks for modern slavery and human rights breaches.

A detailed risk assessment of non-trade suppliers of services and labour has been conducted by our HR Department with labour hire agencies to understand how the contracts have been carried out and monitored in practice. We found that the risk of non-compliance is very low as these agencies are subject to strict legislation requirements including Fair Work Act.

A high-level risk assessment of the Cooperative's supply chain undertaken based industry, products and spend level found that the risk of breaching modern slavery in our supply chains are low, as majority of our trade suppliers have registered office within Australia and have submitted Modern Slavery Statements in compliance with the Act.

ILG will continue to further assess and engage Tier One Large Beverage Suppliers in identifying risk areas in the Financial Year 2021/2022. This involves identifying supplier personnel responsible for the oversight of modern slavery, requesting compliance declaration of their modern slavery due diligence, and audit reports of facilities involved in the manufacture and production of products sold to ILG.

We have also identified the risks that some of our small Trade Suppliers may not have enough governance professionals within their organisation to raise the awareness of modern slavery or to manage potential risks, due to limited resources.

ILG will assist our small business suppliers in raising the awareness of Modern Slavery Risks within their organisation, supply chains and foster the culture and best practice of risk management. We endeavor to share our policies and processes upon request by these suppliers.

5.2 Supplier and service provider requirements and procedures

In addition to the review of policies, we reviewed the adequacy of our existing trading agreement and contractual documents with suppliers and service providers to further minimize the risk of modern slavery.

This led to amendments to the contractual documentations and procedures that have applied within various departments of ILG.

- All new supplier and non-trade service agreements will include a condition that the supplier complies with the Modern Slavery Act and domestic and international labour laws
- Our supplier assessment and on-boarding process will include provision of information on labour management and compliance practices at their operational site(s):
 - Supplier's latest Modern Slavery Statement if the supplier turnover is more than \$100,000,000
 - Description re compliance of Modern Slavery Act 2018 if the supplier turnover is less than \$100,000,00, such as systems in place to demonstrate compliance, for instance Site assessments and policy documents.

Any existing supplier and service agreements that do not include appropriate modern slavery compliance requirements will be taken into account in our stakeholder engagement program as part of our due diligence process. Priority for further assessment and engagement will be given to those suppliers or service providers identified as being in medium risk category.

5.3 Training and employee awareness

Due to COVID, we were not able to conduct workshops for all employees. However, the Work Health Safety and Anti-Slavery Committee, as well as our Trading and Supply Chain Team have been trained on Modern Slavery and human trafficking awareness, risk management and our compliance process.

All employees are provided direct access to Cooperative Code of Conduct, Policies and Principles via intranet. Team leaders and Executive Managers have helped prompting awareness and understanding of modern slavery and human trafficking within their teams by incorporating this topic into team meeting agenda. This will enhance our ability in identifying and reporting issues should they arise.

6. Grievance and Remediation

The United Nations Guiding Principles on Business and Human Rights is a great resource for us to use as a guideline in dealing with modern slavery legislation breaches and human rights violations.

In the unfortunate event of breach or potential breach, we will work with our suppliers to either resolve or substantially mitigate the concerning practices. The Board of Directors will assess the level of breach or potential breach together with the consequence of these practices, and make decision on the best action required by the ILG, taking into consideration that if we terminate the contractual relationship, the livelihood of the supplier's employees would be adversely impacted.

Where zero tolerance practices such as servitude, child labour, forced, bonded, trafficked or non-voluntary labour or the use of corporal punishment is found, the supplier's contract will be terminated.

The ILG Anti-slavery Policy details the company's role in remediation. This policy is available on our website.

In addition, ILG has appointed a full-time Company Secretary in October 2021, who acts as Chief Risk and Compliance Officer and provides governance, risk and compliance advice to the Board of Directors and Management team. The Company Secretary also acts as Ethical Standards Officer and is the key contact for the Modern Slavery Policy and Whistleblowing Policy.

7. Assessing the Effectiveness of our Actions

We have integrated modern slavery risk management into our existing reporting systems and processes where we monitor and measure the effectiveness of our actions by setting key performance indicators:

- tracking employee completion of the Modern Slavery training module,
- the number and level of incidents identified through our risk mitigation process and
- the number of issues reported through our Ethical Standards and Whistleblowing process.
- Assessment of compliance with our internal supplier on-boarding and engagement processes.

8. Progress on Commitments

We continue to monitor progress against our FY2021 Commitments and have identified priorities for FY 2022.

Operations Commitments	Status and Comments
Committee Members, Team Leaders and Executive Managers training on modern slavery.	Completed in FY 21. Trained Committee Members, Senior Leaders within trading, supply chain and human resources department. Targeted team training will continue in F22.
Cooperative-wide risk assessment and due diligence on third party labour hire providers	Complete. Reviewed contracts with labour hire agencies, worked with the relevant teams (especially Warehouse and Logistics teams) to better understand how the contracts were monitored in practice, and looked for improvements.
Design and pilot a mechanism for potentially affected groups to participate in program design and evaluation	Completed in FY20. We completed suppliers' survey on their modern slavery compliance in FY2020. Continue in F22. We plan to identify a better feedback mechanism for suppliers to provide information and report risks if any.
Conduct a Cooperative-wide review of standard contracts to embed modern slavery clauses	Complete in F21. Anti-Slavery and Responsible Sourcing Policy has been adopted into our good governance and risk framework and incorporated in our daily operations. Continue in F22. Review and insert modern slavery provisions into contract templates for IT, supply chain, logistics/ delivery partner contracts. Most commonly used contracts will have a modern slavery clause.
Assess the practicality of effectiveness measurements and incorporate changes into a broader evaluation framework	Complete. Worked with Business Unit Managers to review the effectiveness of our measurements in modern slavery and aligned with our Risk Management Framework.
Commence due diligence on controlled entities in the Cooperatives ecosystem	New in F22. In F21 we designed and piloted an approach to due diligence for controlled entities. In F22 we will rollout this framework across to controlled entities

Supply Chain Commitments	Status and Comments
Implementation of Responsible Sourcing Policy	Continue in F22. We'll identify a pilot due diligence approach in one category of our products in F22 and roll out the approach to other categories in F23.
Design and deliver due diligence approach for non-trade suppliers based on category risk segmentation	Continue in F22. Ongoing work to embed human rights requirements into the Non-Trade Supplier Management Framework.
Monitor ongoing impacts of COVID-19 on our supply chain prioritising small suppliers as they may have less experts in identifying/managing potential modern slavery risks.	<p>Continue in F22. We have completed check-ins and assessment with some of our Tier One Large Beverage Suppliers in F21 and will keep working with our Tier One Large Suppliers in F22.</p> <p>We will commit to work with our small suppliers in identifying any risks and sharing our best practice policy and procedures.</p>
Design and Prioritise the rollout of strategies in managing risks and prioritising country and products most at risk.	<p>New in F22. In F21 we identified that the modern slavery risk within our Australian Supply Chain is low. However, if we further assess our supply chain where we may have indirectly purchased products imported from other countries, the risk of modern slavery might be higher than that of Australia.</p> <p>We will develop strategies to mitigate risks in extreme risk areas and the rollout of these is a priority for our team in F22.</p>

9. Further Information and Contact Us

Any questions or concerns regarding ethical sourcing and modern slavery at ILG can be directed to the Company Secretary, Susie Zhong at S.Zhong@ilg.com.au