

## KFC MODERN SLAVERY STATEMENT 2016

We have published this statement in accordance with the Modern Slavery Act 2015. It sets out the steps that we, Kentucky Fried Chicken (Great Britain) Limited ("KFC"), have taken to prevent modern slavery and human trafficking within our business and supply chain. This statement covers the steps taken during the period between January – December 2016, and has also been extended to include activities carried out between January – April 2017.

### Our Business

KFC is a Quick Service Restaurant business operated on a part equity, part franchised model.

KFC was introduced to Britain in 1965, when our first restaurant opened in Preston. There are now around 890 KFCs in the UK and Ireland and over 24,000 team members employed by KFC and its franchisees. KFC is part of Yum! Brands, Inc. ("Yum!"). Yum!, based in Louisville, Kentucky has over 43,500 restaurants in more than 135 countries and territories, and this year was named among the top 100 best corporate citizens by Corporate Responsibility Magazine.

We understand that modern slavery - whether slavery, servitude, trafficking or forced labour, is a continual and growing global issue that can be found especially in the agri-food sector in which we operate. At KFC, we're determined not to tolerate the presence of modern slavery of any kind within our operations and supply chain. We have a corporate and personal responsibility to look for the risks, however small. KFC employees are expected to report any suspicions or wrong doing using our confidential "Speak Up" helpline, and management are expected to act upon such concerns. Our supply chain teams have a duty to report any suspicions of poor supplier ethical behaviours immediately.

### Our Supply Chain

We assure the quality of our products and wellbeing of the people working in our restaurants and supply chain by maintaining a close stable relationship with our franchisees and our suppliers; managing performance and continuous improvement of quality, service, cost, innovation and risk management.

In this statement the following definitions are used:

"Core Suppliers" means the suppliers of items that form part of our menu offering across Western Europe: Chicken, Fries, Buns, Tortillas, Beverages, Seasonings, Sauces and Packaging. This represents 80% of our food and packaging suppliers.

"Non-Core Suppliers" means the suppliers of limited time offer products and products specific to each of the markets in Western Europe.

While we are confident that our internal centralised human resources processes for recruitment minimises the risk of modern slavery or human trafficking taking place within KFC itself, our supply chain relies on our suppliers' good ethical business practices.

KFC has processes for the sourcing and management of our suppliers in order to minimise risk to our brand, the environment and the communities that our restaurants and supply chains impact. We carefully select our Core Suppliers, developing long term relationships with them that gives us the confidence that a global brand like KFC demands in its supply chain. We are aware that parts of our supply chain are predominately resourced with a seasonal, low paid, unskilled workforce and that these industries can be at risk from the exploitation of workers and modern slavery. Whilst we are confident that our sourcing practices minimise this risk, particularly in relation to our Core Suppliers, we know that risk can only be reduced if we are continually vigilant and demanding on our supply chain. In any instances where we feel there is unacceptable risk, we will contact our suppliers in writing, reminding them of our values and ethical standards, and reiterating the expectations we have when working with them. We contractually reserve the right to audit our Core and Non-Core Suppliers if the need arises.

All our Core Suppliers are contractually obliged to be able to trace food and paper products all the way back through the supply chain to the raw material origins. This can often be a complex matrix of multiple tiers of suppliers and facilities but we are confident that our Core and Non-Core Suppliers can trace their products all the way back through every facility employing a work force. We expect our Core and Non-Core Suppliers to have full details of each facility within their supply chain and provide us with the details should we wish to perform an ethical audit.

### **Labour Standards**

As a minimum, all our Core Suppliers must uphold internationally agreed standards of labour, comply with applicable national laws and work to continually improve their workplace and employment standards. This requirement applies to all employees of those suppliers including contractors, temporary workers and other non-permanent staff, including any agency workers.

### **Modern Slavery Policies**

We've got a range of pre-existing policies that contribute to our overall Modern Slavery Policy. These include our Supplier Code of Conduct and our Anti-Bribery Policy. We will shortly be issuing a Sourcing Code of Practice which will consolidate and extend these policies. All our Core and Non-Core suppliers are contractually obliged to comply with the Supplier Code of Conduct and Anti-Bribery Policy.

The issues these policies relate to include:

- Child Labour
- Coercion & Harassment
- Non-discrimination
- Health & Safety

- Involuntary Labour
- Right of Assembly
- Protection of the Environment
  - Compensation
  - Compliance with Laws
  - Membership of SEDEX\*
    - Human Rights
    - Fair Trade
  - Anti-Bribery, Gifts & Favours
  - Sustainable Sourcing
  - Whistleblowing

### **Tackling Hunger**

We support a number of community initiatives at KFC, especially those that look at solving hunger, and those that protect vulnerable children. Hunger is a direct contributing factor in the spread of modern slavery and so programmes that alleviate hunger can also help stop the spread of modern slavery.

In February 2014, KFC began developing a food donation scheme, to distribute unsold chicken to local charities. This sees our restaurants partner with local charities who arrange a pick up twice a week to collect chicken that hasn't yet been sold, but is perfectly safe to eat. By the end of 2016 we had 272 restaurants taking part in the scheme, and our goal is to have the scheme in 600 restaurants by the end of 2017.

In addition to the food donation scheme KFC's Add Hope Foundation raises money for vulnerable children all over the UK. Team members from KFC restaurants all over the country voted to select charities which are local to their community. With the Add Hope Foundation we support 16 brilliant charities across the UK including Alder Hey children's hospital in Liverpool and Noah's Ark Hospice in London. In 2016, championed by our team members, communities around the UK showed their incredible generosity and donated £1.9million to the Add Hope Foundation. Those donations are now making a huge difference to young people through our charity partners.

### **Due Diligence and Monitoring**

At the moment, all of our Core Suppliers are required to register with SEDEX\* and complete Self-Assessment Questionnaires ("SAQs"). We'll be reviewing the SAQs over the next 12 months using the SEDEX risk assessment tool. This risk assessment tool will provide a modern slavery risk rating for each supplier facility that we can use to determine if we need to carry out any ethical audits. We aim in the future to extend this visibility upstream, beyond KFC direct suppliers to the facilities supplying our suppliers.

The SAQs collect data across four key pillars:

- 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.

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

The risk assessment tool will prioritise those suppliers who need to make further improvements so we can help them to provide better working rights and conditions as appropriate. We're planning on extending the SEDEX registration and completion of SAQs requirement to our Non-Core Suppliers over the next 36 months.

### **Our Attitude to Whistleblowing**

Each and every one of our employees has a duty to report any practice they're worried about so that we can take steps to stop it happening, wherever it exists in our operations and supply chain. We know that this can be personally challenging so we've provided and publicise a completely confidential helpline called "Speak Up" to encourage our employees to whistleblow in safety. Because we offer a number of education programmes, such as apprenticeships, we also have a Safeguarding Policy and Safeguarding Officer, whose role is to safeguard our minors and vulnerable adults against any inappropriate behaviour.

### **Informing Our Employees**

We know that our employees are crucial to helping ensure that modern slavery is removed from our operations and supply chain. As the first phase of our education of employees to the signs of modern slavery, our European food and packaging supply chain team have all undertaken formal SEDEX training to help with the risk analysis of suppliers and the identification of potential issues within the food and packaging supply chain.

Employees are subject to a Business Conduct & Ethics Policy, including the Business Code of Conduct. This includes conduct in relation to:

- Bribery
- Fair treatment of customers and suppliers
- Gifts and conflict of interest
- Honesty
- Harassment
- Bullying
- Corruption

KFC has an annual compliance training programme in relation to anti-bribery and the Business Code of Conduct.

Our next task is to provide effective awareness training to employees so that when anyone new joins the team they are briefed on the Modern Slavery Act, and the use of the "Speak Up" line specifically in relation to modern slavery, so that they know what to do and how to report any issue they may become aware of.

### **What Comes Next?**

In 2017, we will:

- Issue and implement the Sourcing Code of Practice to our Core Suppliers
  - Commence the mapping of our Core and Non- Core Suppliers
  - Complete the SEDEX risk assessments on all our Core Suppliers
  - Ensure that we have no high risk suppliers within our Core Suppliers
    - Have a clear roadmap to 100% low risk Core Suppliers
- Complete risk assessments on Non- Core categories in our supply chain that we consider to be high risk
  - Extend the use of SEDEX to our Non-Core Suppliers
  - Provide modern slavery awareness training to all new employees
- Look into incorporating modern slavery awareness training in our annual global compliance training programme

This statement has been approved by the board of directors of Kentucky Fried Chicken (Great Britain) Limited.

Signed



Paula MacKenzie

General Manager, Kentucky Fried Chicken (Great Britain) Limited

June 2017

[\*SEDEX = Supplier Ethical Data Exchange, Sedex is a global not-for-profit membership organisation. Sedex is home to the world's largest collaborative platform for sharing responsible sourcing data on supply chains. <https://www.sedexglobal.com/>]

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