



# Cheap As Chips Modern Slavery Statement 2023

## Table of Contents

|   |    |
|---|----|
| A message from our CEO and Managing Director  | 3  |
| Identify the reporting entity   | 4  |
| Describe the reporting entity's structure, operations and supply chains   | 5  |
| Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls   | 6  |
| Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediations processes | 7  |
| Describe how the reporting entity assesses the effectiveness of such actions  | 9  |
| Describe the process of consultation with any entities that the reporting entity owns or controls   | 10 |
| Conclusion  | 11 |



## A message from our CEO and Managing Director

Cheap as Chips Discount Store Pty Ltd is pleased to release our fourth Modern Slavery Statement, reporting on the progress made in the 2023 financial year in assessing and addressing the risk of modern slavery in our business and supply chain.

We remain fully committed to working with all our stakeholders to prevent modern slavery. As a purchaser of goods and services, including goods for re-sale, we recognise the role we play in seeking to minimise the risks of modern slavery in our business and supply chain.

We continue to expand our efforts and are confident that over time, we will improve the transparency throughout our supply chain, allowing us to work with our suppliers to ensure our products are produced free of modern slavery risks.

During the 2023 financial year, our focus has been on continuing to build awareness of modern slavery risks internally and with our suppliers and their tier-one factories. We will continue to work with our stakeholders, particularly our suppliers, to understand, assess and reduce the risk of modern slavery.

During the past four years, we have introduced an ethical sourcing policy and framework, included requirements for suppliers to abide by ethical sourcing, including in relation to modern slavery. Abiding by the requirements of the Modern Slavery Act 2018 (Cth) is an integral condition of supplying the group and from FY2023 all new ongoing suppliers are required to confirm compliance as part of the supplier onboarding process. During the year, we continued to enhanced our understanding and assessment of risks of modern slavery in our business and supply chain. In the year ahead, we intend further expanding our understanding and assessment of the risk in the supply chain through desk top audits and factory visits, as appropriate.



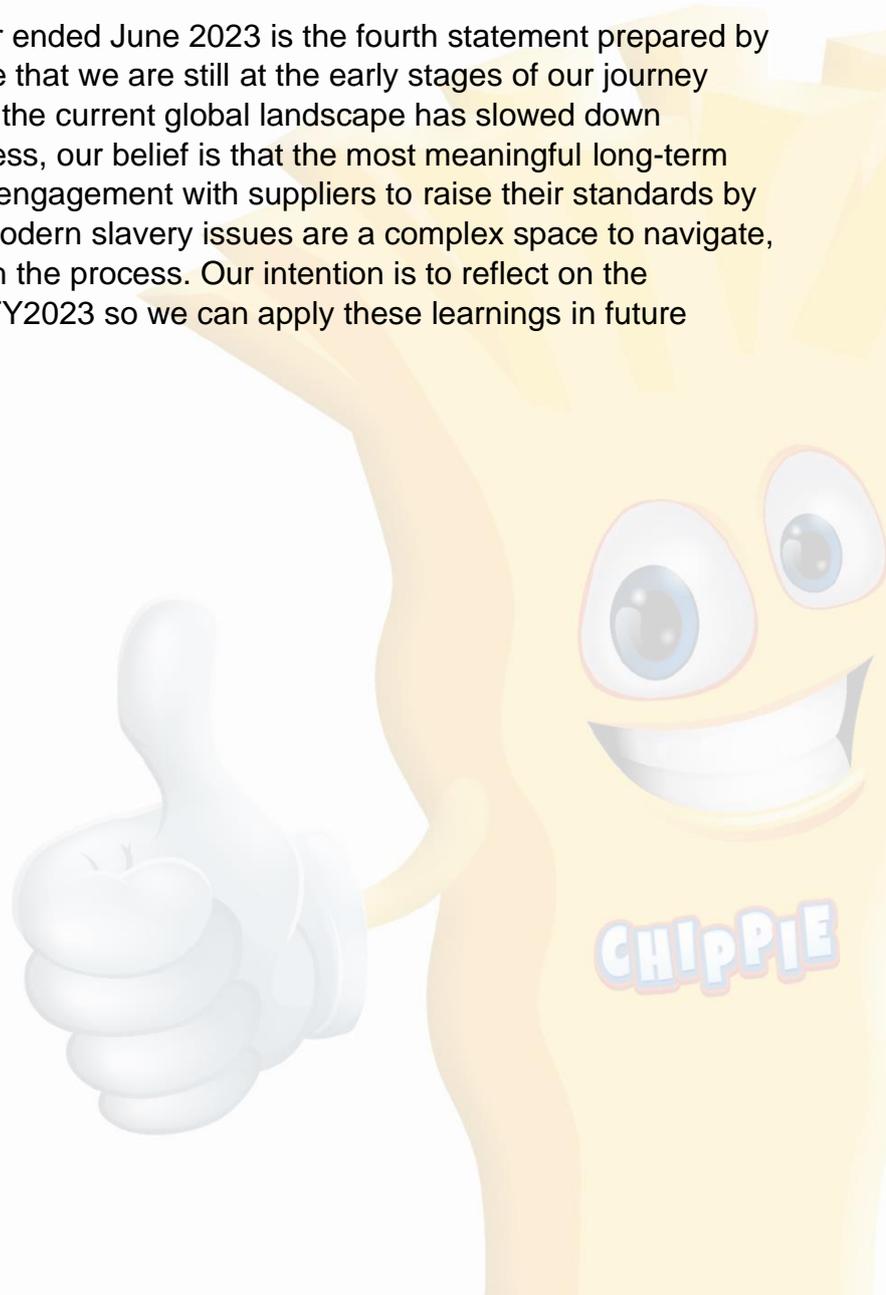
## Identify the reporting entity

The statement has been prepared by Cheap as Chips Discount Stores Pty Ltd and Palcove Pty Ltd (trading as Cheap as Chips, together the Cheap as Chips Group or Cheap as Chips), being the relevant reporting entities under the Act and covers both reporting entities.

This statement, pursuant to the Modern Slavery Act 2018 (Cth), describes the risks of modern slavery in Palcove Pty Ltd's (trading as Cheap as Chips) operations and supply chain. It provides information on the steps taken to identify, assess, mitigate and address modern slavery risks for the financial year ended 30 June 2023.

Person trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services, and the worst forms of child labour are all examples of modern slavery. Modern slavery has serious effects for its victims, and it disproportionately affects women and girls. A significant goal for Cheap as Chips is reducing the risk of modern slavery in its supply chains and, in particular, ensuring that women and girls may exercise their own choices free from the undue influence that results from modern slavery.

The Modern Slavery Statement for the year ended June 2023 is the fourth statement prepared by Cheap as Chips. As a company, we believe that we are still at the early stages of our journey towards combatting modern slavery. While the current global landscape has slowed down intended plans for current and future progress, our belief is that the most meaningful long-term impact we can have is through continuous engagement with suppliers to raise their standards by enhancing their policies and procedures. Modern slavery issues are a complex space to navigate, and we continue to learn and refine through the process. Our intention is to reflect on the outcomes achieved (and not achieved) in FY2023 so we can apply these learnings in future processes and statements.



## Describe the reporting entity's structure, operations and supply chains

Cheap as Chips currently employs more than 920 team members across Australia, with the majority of our employees located in the Cheap as Chips' stores around Australia. Cheap as Chips also employs fifty-three staff located in our Store Support Office at Underdale in South Australia. From time to time, Cheap as Chips engages a small number of contractors, primarily for specific projects or specialist roles in the Store Support Office.

Cheap as Chips' core purpose is the go-to place for value and range. Our vision is to be the customer obsessed national discount department store, focused on suburban and regional markets with a best-in-class omni-channel experience. Cheap as Chip's principal product categories include daily essentials, supermarket, health and beauty, garden, pets, toys, apparel, household, furniture, hardware, party and seasonal ranges. Cheap as Chips sells national branded products as well as exclusive/private label products, currently under the brands of "Henley & Grange" and "My Home."

There are over 12,000 unique products available in Cheap as Chips stores. The majority of products sold in Cheap as Chips stores are purchased from distributors and suppliers based in Australia, with almost all of these products manufactured overseas. Cheap as Chips also purchases products directly from suppliers or agents based overseas. A considerable proportion of these products originate from supply chains based in the Asia region, with most products manufactured from supply chains based in, or connected with, China. Generally, Cheap as Chips does not purchase product for resale directly from the factory. Cheap as Chips also procures a diverse range of goods and services in connection with its business operations at its retail stores and Store Support Office including office supplies (IT equipment, stationery and furniture), cleaning services (both retail stores and Store Support Office, and waste disposal services), store development services (store fit out) and other services (marketing, consultancy and professional services).



## Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls

As the supply chains associated with Cheap as Chips' products are diverse and extend through various geographic locations, there is the potential for modern slavery risks to be present in these supply chains.

The term modern slavery refers to situations in which victims are exploited and their freedom is undermined or taken away through coercion, threats, or deception. Modern slavery is only used to describe severe exploitation. It excludes practises such as substandard working conditions or underpayment of workers. These practises, however, are illegal and harmful, and they may be present in some cases of modern slavery. If not addressed, these practises may lead to cases of modern slavery.

### Types of modern slavery

|   |  |
|---|--|
| <b>Human trafficking</b>                            | Describes the act of enlisting, harbouring, and moving a person for the purpose of exploitation through modern slavery   |
| <b>Slavery</b>                                      | Depicts circumstances where the offender uses ownership rights over the victim, including the ability to make them an object of purchase and unrestrictedly employ their labour  |
| <b>Servitude</b>                                    | Describes circumstances in which the victim's personal freedom is severely curtailed and they are unable to quit their employment or stop working  |
| <b>Forced labour</b>                                | Describes situations in which the victim is either unable or unwilling to leave their workplace  |
| <b>Forced marriage</b>                              | Covers cases where a victim is forced to marry by coercion, threats, or deception, or when the victim is unable or unwilling to understand the purpose and impact of the marriage ceremony   |
| <b>Debt bondage</b>                                 | Describes circumstances in which the victim's services are pledged as security for a debt, but the debt is manifestly excessive, the victim's services are not used to pay off the debt, or the duration and nature of the services are not limited and defined  |
| <b>The worst forms of child labour</b>              | <p>Depicts circumstances in which children are: (i) employed as slaves or in other abusive ways, especially for sexual exploitation; (ii) forced to perform dangerous tasks that could endanger their health, safety, or morals; or (iii) used to make or traffic drugs.</p> <p>The worst kinds of child labour can happen in many different settings and professions. Slavery in residential care facilities and trafficking in orphans are examples of this. Other examples include child labour in mines, farms, factories, and other production facilities</p> |
| <b>Deceptive recruitment for labour or services</b> | Explains circumstances in which the victim is misled about whether they will be subjected to a form of modern slavery  |

## Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediations processes

### Direct operations

The 920 team members of Cheap as Chips are primarily direct employees. This means that we have direct knowledge of the employment terms and conditions, which are outlined in either employment contracts that are subject to Australian employment laws or pertinent industrial regulations.

We believe there is a negligible likelihood of modern slavery among our direct operations team. Strong regulations, team member training, easily accessible grievance processes, and regular monitoring are essential programme controls we utilise to reduce the risk of modern slavery in our operations. We also respect the value of freedom of association and the right of team members to engage in collective bargaining. An estimated 14% of the workforce at Cheap as Chips belongs to a registered trade union, and we often engage with these organisations. We are governed by an EBA, as well as the General Retail Employment Agreement and Fair Work Australia, which cover our team members working in stores. In addition, we commission our external auditors to annually review our compliance with the pay rates required under these instruments.

### Communicating our expectations regarding human rights

Our policy framework provides clarity regarding our grievance management procedures and defines to our team members our expectations for upholding human rights. Through mandatory training, our team members are made aware of our Code of Conduct, Anti-Discrimination and Equal Opportunity Policy, Gender Equality Policy, Harassment Policy, and Grievance Procedure. The team member intranet provides quick access to all policies. Our human resources personnel offer team members specialised advice on human rights concerns, which aids in the fulfilment of policy objectives.

### Policy/Resource Purpose

| Policy/Resource                   | Purpose  |
|-----------------------------------|--|
| <b>Code of Conduct</b>            | How we expect our team members—including contractors—to act towards one another, our customers, and the general public   |
| <b>Anti-Discrimination Policy</b> | Discrimination of any kind is not tolerated at Cheap as Chips. Employees at Cheap as Chips are given the freedom to fulfil their potential in the workplace, and the company actively encourages a culture of respect, tolerance, and diversity  |
| <b>Gender Equality Policy</b>     | In order to support and enhance gender equality results across the organisation, whereby women and men are equally represented, appreciated, and rewarded, Cheap as Chips is committed to ensuring that equity and diversity principles and practises are followed throughout the employment lifecycle. Additionally, Cheap as Chips supports gender equality throughout the whole employment cycle, especially with regard to the selection and evaluation procedures         |
| <b>Harassment Policy</b>          | As part of its commitment to ensuring a harassment-free workplace, Cheap as Chips pledges that all employees will always be treated with decency, respect, and dignity. Cheap as Chips is committed to ensuring that policies and processes are created and carried out in accordance with the laws and does not accept harassment under any circumstances. If Cheap as Chips receives complaints or learns of a breach of this policy, it will act appropriately and promptly |
| <b>Grievance Procedure</b>        | Cheap as Chips have established a grievance system to manage complaints of victimisation, bullying, sexual harassment, equal opportunity, and harassment. Any employee, client, vendor, contractor, or visitor of Cheap as Chips is subject to this policy   |

## Monitoring compliance in our direct operations

Policy frameworks and contractual agreements are crucial to reducing the risks of modern slavery in our operations, but they are only effective when operational processes are tracked. To accomplish this, we have procedures in place to make sure that we are abiding by our legal and policy commitments to our team members. These consist of:

- Confirming the age of candidates before they begin work. If the prospective employee is under 18 years old, a parent or guardian is required to review and sign the employment agreement.
- Requiring team members to provide proof that they are licenced or trained to operate machinery, as appropriate
- Conducting reviews on rostering and time and attendance guidelines so that team members are paid correctly in accordance with applicable industrial instruments
- Assessing Support Office staff hours and pay to ensure effective pays are above minimum requirements
- Communicating our grievance mechanisms through trainings and in-stores

## Supply Chain – trade

We stated last year that Cheap as Chips planned to conduct in-person reviews of suppliers in key markets, primarily China, when our buyers visited the supplier or supplier's factories.

Unfortunately, the global landscape did not allow for open travel as we had hoped in FY2023, but we intend to reinstate this important step when appropriate. In the meantime, we have continued with our Ethical Sourcing Procedures and relied heavily on information provided by our suppliers, and the results of their internal assessments, warehouse visits and independent audits.

Currently, Cheap as Chips' significant suppliers are required to sign SLA contracts that specify the governance and social compliance requirements for the provider and their employees. Any suppliers found to be in violation of this contract are given the opportunity to provide an explanation and submit corrective measures to be implemented over an agreed timeframe. It is Cheap as Chips' policy only to engage with suppliers who treat their staff and suppliers ethically. Consequently, should a supplier not implement corrective action on an appropriate timeframe, we would look to alternative, more ethically conducive, sources of supply.

In FY2023, given the inability to conduct firsthand assessments, we increased the quantum of suppliers subject to desk-top audit. They were asked to provide answers to a questionnaire, copies of their modern slavery policies and results of warehouse visits, along with follow-up actions taken where appropriate for review. On top of this, we continue to do our due diligence when expanding our relationship with smaller suppliers, or when trading with new suppliers.

## Describe how the reporting entity assesses the effectiveness of such actions

Cheap as Chips is committed to maintaining effective systems for identifying, assessing, addressing, and managing modern slavery risks in accordance with relevant legislation, international human rights standards, regulatory obligations, and good corporate governance principles. As such, we constantly looking to evolve our approach within our organisation and with our suppliers.

### Future developments

To ensure that Cheap as Chips' actions to reduce modern slavery risks in its operations and supply chains remain effective, the following initiatives are planned for the coming year:

- Assessing the opportunity to partner with an ethical supply chain membership organization to assist us with analysing the working conditions throughout our supply chain.
- Extending the breadth of our self-evaluation and requiring our top suppliers participate in the assessment, and at a higher frequency.
- Expanding internal procedures, involving representatives from more business areas, to better oversee and integrate anti-modern slavery measures throughout our company.



## Describe the process of consultation with any entities that the reporting entity owns or controls

The statement has been prepared by Cheap as Chips Discount Stores Pty Ltd and Palcove Pty Ltd (trading as Cheap as Chips, together the Cheap as Chips Group or Cheap as Chips), being the relevant reporting entities under the Act and covers both reporting entities.

The statement was approved by the Board of Directors of Cheap as Chips Discount Stores Pty Ltd and Palcove Pty Ltd on 21 December 2023.



Nick Abboud

CEO and Managing Director



## Conclusion

The necessity of trying to eradicate modern slavery from our supply chains is acknowledged by Cheap as Chips, and we are aware of the part we can play in making that happen. We continue to improve and expand our understanding and analysis of modern slavery risks in our workplace and supply chain. We are committed to implementing concrete improvements. We are dedicated to continuing to carry out our initiatives and collaborating with all stakeholders to help end modern slavery.

