Modern Slavery Statement FY25

Australia and United Kingdom

koala®

Contents

Message from the CEO

This is our sixth modern slavery statement, and the first prepared under the requirements of both the Modern Slavery Act 2018 (Cth, Australia) and the Modern Slavery Act 2015 (United Kingdom). As Koala closes in on our 10-year anniversary, our journey from the start-up founded by two mates in Byron Bay, Australia to a global brand selling furniture across four markets demonstrates just how far we have come.

From the beginning, Koala has had ambitions to disrupt the furniture industry with products that are better for customers and better for the planet, and we remain committed to monitoring and managing modern slavery risks throughout our supply chain.

This Modern Slavery Statement details work we have carried out during the reporting period. This work demonstrates both our awareness of the risks of modern slavery in our product supply chain, our operational supply chain and our internal operations, as well as the work we continue to undertake to mitigate those risks.

Today, in an evolving landscape where supply chain adjustments may be required, Koala is committed to ensuring our risk assessment and due diligence processes remain effective and fit for purpose.

Dany Milham
CEO and Cofounder - Koala

Acknowledgement of Country

In the spirit of reconciliation and our shared journey, Koala respectfully acknowledges the Traditional Custodians of the land where we work and live. We recognise their enduring connection to Country, nurtured by deep cultural traditions, understanding, and stories over countless generations.

We pay our deepest respects to their Elders past and present, and to all Aboriginal and Torres Strait Islander peoples, while also honouring their profound relationship with the land, sea, and sky - to which we are well inspired by and draw strong influences from in the work we do.

At Koala, our purpose is to make the world a more comfortable place, and we'll do that by actively building a future of belonging, support, and reconciliation. We are committed to learning from, listening to, and walking alongside our First Nations.

Introduction

The Koala Company Limited, formerly known as K Sleep Holdings Pty Ltd, (ABN 48 619 538 671) is the parent company of:

- Koala AU Operations Pty Ltd, formerly known as Koala Sleep Pty. Ltd, (ABN 18 605 237 090) in Australia;
- Koala Sleep Japan KK in Japan;
- Koala Home SK Co. Ltd. in South Korea;
- Koala UK Operations Ltd (company number 15967017) in the United Kingdom; and
- Koala Inc in the United States of America.

The Koala Company Limited is an Australian company. The registered office details are:

> The Koala Company Limited
> 12/37-41 O'Riordan St
> Alexandria, NSW, 2015
> Australia

Throughout this statement, the reporting entities shall be collectively referred to as "Koala" or "We".

For ten years, Koala has been innovating in furniture design, addressing customer needs and using materials with sustainability in mind. More recently, we have focussed on creating products that will adapt with the user's ever-changing needs. We sell our furniture online and at selected physical retail sites in Australia, Japan and online in the United Kingdom and United States of America.

This joint Modern Slavery Statement has been prepared in conjunction with all companies we owned or controlled, through an engaged consultation process with internal stakeholders. It encompasses actions we have taken to assess and address modern slavery risks, and an assessment of the effectiveness of current actions across our business operations and supply chain, over the financial year ending 30th June 2025. This statement has been prepared in accordance the requirements of section 14(1) of the *Modern Slavery Act 2018* (Cth, Australia) and Section 54(1) of the *Modern Slavery Act 2015* (United Kingdom).

Koala maintains its commitment to operating responsibly, and taking all reasonable steps to avoid any modern slavery within our supply chains or other areas of our business.

We continue to encourage all of our supply chain partners to promote best practice and continuous improvement within their supply chains, including by:

- supporting workplaces that are free from any form of discrimination, harassment, abuse and any form of slavery;
- supporting businesses that provide a living wage without excessive working hours;
- supporting the United Nations Universal Declaration of Human Rights;
- supporting the United Nations Convention on the Rights of the Child;
- supporting UN SDG 8 - Decent Work and Economic Growth through target 8.7 to eradicate modern slavery and human trafficking;
- respecting equal opportunity rights and freedoms;
- promoting compliance with all relevant laws and regulations; and
- complying with all applicable national and international laws relating to modern slavery, including (but not limited to) the *Modern Slavery Act 2018* (Cth, Australia), the *Modern Slavery Act 2015* (United Kingdom) and *The Uyghur Forced Labor Prevention Act* (United States of America).

Our Structure and Operations

The Koala Company Limited (ABN 48 619 538 671), is the parent company of:
- Koala AU Operations Pty Ltd, an online furniture retailer based in Sydney, Australia;
- Koala Sleep Japan KK, an online furniture retailer based in Tokyo, Japan;
- Koala Home SK Co. Ltd., an importer and distributor of furniture in South Korea;
- Koala UK Operations Ltd., an online furniture retailer based in London, United Kingdom; and
- Koala Inc, an online furniture furniture retailer incorporated in Delaware, United States.

The Koala Company Limited is a registered Australian company. Koala's registered and principal place of business within Australia is located in Sydney, with an additional office located in Tokyo, Japan. Although our business is predominantly online, Koala operates physical retail stores in Tokyo, Japan and in Sydney, Australia.

Our Operations

Our operations are primarily focused on the design, third party manufacturing, sale and delivery of uniquely designed and award winning products, such as our mattresses, sofas, sofa beds, homewares and other furniture.

During the reporting period, Koala employed a total of 203 people. The below table summarises this.

Our Product Supply Chain

Tier 1 vendor overview

Tier 1 vendors are those suppliers in our product supply chain from which Koala purchases the products (either directly or through an agent or intermediary) we sell to customers.

During the reporting period, Koala sourced products from 18 Tier 1 vendors across three countries and 21 sites that produce Koala products.

The table below breaks down the sites of Tier 1 vendors by country and product type. For seven (7) of these Tier 1 vendors sites we dealt with through an agent or intermediary.

Tier 1 Product Vendor Sites

	China	India	Thailand
Rugs and Homewares	-	1	-
Textile Products (such as bed linen and homewares)	6	1	-
Furniture (such as mattress, sofas snd sofa beds)	12	-	1

Tier 2 vendors and beyond

Our Tier 1 vendors rely on other vendors in their supply chains for the supply of raw materials, as well as semi-finished and finished components. Vendors are referred to as Tier 2 vendors where they supply directly to one of our Tier 1 vendors, Tier 3 vendors if they supply to a Tier 2 vendor, and so on.

There are a number of key processes in the production of Koala's products that are provided by suppliers to our Tier 1 vendors. These include:
- growing and harvesting of raw materials such as timber and cotton;
- textile processing such as spinning and knitting;
- timber processing such as veneering and producing engineered timber;
- packaging material such as cardboard and paper pulp;
- metal processing such as cutting, shaping and finishing;
- sorting of materials to be recycled (for example, textiles); and
- finished components such as hardware for assembly.

In some cases, these raw materials are sourced from countries different from where the processing and finishing occurs. The countries from which some raw materials and outputs from key processes are sourced is shown in the infographic on page 6.

Operations Supply Chains

Koala's operations supply chains refers to the supply chains involved in providing the goods and services procured by Koala to support and facilitate our business operations.

Of the vendors representing the top 90% of our spend in these supply chains, the following chart shows a breakdown of that spend across sectors:
- 45% logistics, which includes warehousing and deliveries (including last mile, freight forwarders and couriers);
- 37% IT and communication services (including digital and broadcast advertising);
- 11% Professional services; and
- 7% other sectors, such as financial and property management
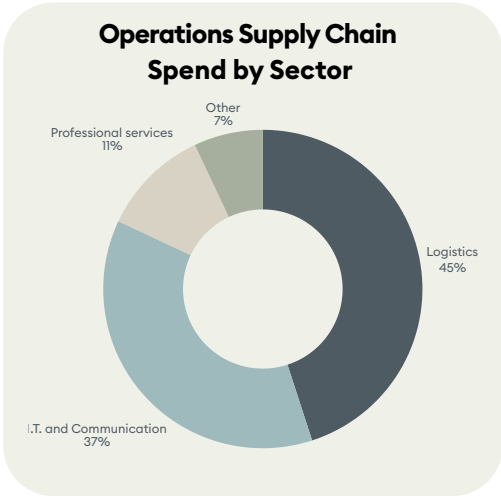
Our Business

koala®
203
Total Employees

86%
Directly Employed

Our Main Locations

		Australia	Japan
Employees		154	41
Stores		2	1
Offices		1	1

Our Key Supply Chains

Operations Supply Chains

All the supply chains that support our business operations and key functions:
- Logistics (warehousing, transport and couriers)
- Professional services
- I.T. and communication

Product Supply Chains

All the supply chains that supply Koala the products we sell to our customers. This includes:
- Raw materials
- Processing inputs
- Assembly, finishing and packing

Operations Supply Chain Spend by Sector

Logistics 45%
I.T. and Communication 37%
Professional services 11%
Other 7%

Our Structure and Operations

This spend was split at around 84% in Australia, 15% in Japan and the remainder in other countries (such as the United States).

Spend by Business Operations

Koala Japan Operations 15%
Koala USA Operations 1%
Koala Australia Operations 84%
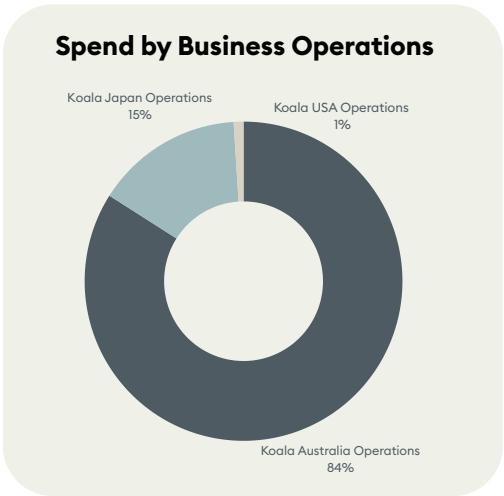
Some of the vendors in our operations supply chains are incorporated in the country in which they provide services to Koala, but there are also a number of vendors that operate regionally or globally, and therefore parts of their own supply chains are located in countries outside of their place of incorporation.

Our Certifications and Memberships

Koala is a certified B Corporation
Koala is proudly certified as a B Corporation, and we are committed to making sure we have maintained high social economic and environmental performance. B Corp Certification is a designation provided by B Lab to businesses that meet a high standard of verified performance, accountability and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.

In order to achieve this certification, Koala has:
- demonstrated a high social and environmental performance by achieving a B Impact Assessment score of 80 or above, and passing B Lab's review for B Corporations;
- reflected in our corporate governance documents that we are accountable to all stakeholders, not just shareholders; and
- exhibited transparency by allowing information about our performance measured against B Lab's standards to be publicly available on Koala's B Corp profile on B Lab's website.

During the reporting period, Koala began its recertification process with B Labs that we expect to be completed after the reporting period.

Koala is a Sedex member
Our membership of Sedex (the Supplier Ethical Data Exchange) aligns with Koala's commitment to sourcing responsibly and having an ethical and sustainable supply chain. Using the tools and services that Sedex makes available helps us work with our vendors to ensure they are upholding safe, ethical and sustainable business practices, assisting us to identify opportunities to improve the working conditions for people contributing to our supply chains.

In the section titled "Risks within our Supply Chains and Operations", we detail how our Sedex membership has been leveraged to identify and manage risks in our supply chains.

Koala is an FSC promotional license holder
As a FSC (Forest Stewardship Council) promotional license holder, Koala supports environmentally sound, socially beneficial, and economically viable management of the world's forests.

By obtaining a promotional licence with FSC, Koala joins a group of organisations fostering positive social and environmental change, backed by the world's most trusted forest certification scheme.

In the section "Assessing and Addressing Modern Slavery Risks", we will detail how FSC certification of products containing timber can contribute to mitigating modern slavery risks.

Koala's Charitable Activity

WWF
Since 2017, Koala has supported the efforts of World Wildlife Fund (WWF) Australia to protect biodiversity, including their work in saving our namesake, the koala. We have donated over AUD 4.1 million to WWF Australia since the beginning of our partnership.

1% for the Planet
1% for the Planet is a global network of thousands of businesses and environmental organisations that work together to support people and the planet. As part of this network, Koala has committed to donating at least 1% of our gross annual sales each year to approved charitable organisations through cash and in-kind donations. In the last four years, we have given over AUD 8 million in donations and products to organisations approved by 1% for the Planet.

Donations to charities and community partners
During the reporting period, Koala donated over 5,300 products to around 70 charity and community partners. These partners provide support across the communities in which we operate, including the provision of support for Indigenous Australians, victims of domestic violence, homelessness, those affected by natural disasters, as well as marginalised members of the community.

Our Partnerships with Indigenous Australia

Koala continued to support The Karrkad Kanjdji Trust (KKT) during the reporting period. The work of KKT in Arnhem Land includes investing and training women rangers, protecting biodiversity and managing the environment. This work contributes to ensuring an intergenerational transfer of Indigenous knowledge and every project that KKT partners on is 100% community owned, from concept to implementation.

As a brand that is proudly Australian owned and centred on strong Australian influences, we want to proactively use our collective resources to support, include, advocate for and learn more about our First Nations Peoples as a way towards influencing a shared sense of national unity and identity.

Koala's Certifications and Memberships

WWF | FSC FSC® N003088 The mark of responsible forestry | Certified B Corporation | 1% FOR THE PLANET | Sedex Member

Risks within our Supply Chains and Operations

Koala has a robust and evolving due diligence approach to understand modern slavery risks within our supply chains and operations.

Understanding inherent risks

Koala continues to use Sedex (Supplier Ethical Data Exchange) as our primary tool for identifying labour, human rights, governance and environmental risks across our business and supply chains.

Sedex provides tools to identify risks at a country and industry sector. The sources of this information include data collected from third parties, such as the International Labour Organisation (ILO), the United Nations, Yale University, the World Bank, Walk Free Foundation, Ergon Associates and Sedex's ESG partner Anthesis.

Throughout this report, Koala makes reference to the inherent risks of modern slavery identified for countries and industries that feature in our supply chains.

What does "inherent risk" mean?

Inherent risk is determined based on a combination of the risks associated with:

- the relevant country;
- the relevant industry sector (based on the international reference classification of productive activities, International Standard Industrial Classification of All Economic Activities (ISIC)); and
- the high risk goods score for the relevant products (where data supporting these scores relating to factors such as forced and child labour is derived from third party sources including the Bureau of International Labor Affairs of the US Department of Labour (ILAB)).

The inherent risk is graded by Sedex as either Low, Medium or High. Sedex will also provide a numerical "score" out of 10, with 10 representing the highest inherent risk.

The inherent risk score for modern slavery risks (referred to as the "Labour standards & rights" pillar by Sedex) is determined by considering the following factors:

- risk of forced labour;
- ease of freedom of association;
- risk of child and young workers;
- risk of irregular employment;
- ability to earn a living wage;
- risk of excessive working hours;
- risk of discrimination; and
- risk of exploitation based on gender.

In addition to providing the inherent risk score, the risk tools will identify where a sector has reported risks of forced or child labour based on third party sources such as the Bureau of International Labor Affairs of the US Department of Labour (ILAB).

In assessing the inherent risk of modern slavery associated with a country and/or industry in which a vendor operates, Koala also considers factors relating to health, safety and hygiene, environment and business ethics.

Identifying risks for specific sites

In addition to utilising Sedex to understand the inherent risks in a country or industry sector, Koala can (where a vendor is also a Sedex member) use additional analytics to assess the site specific risk for a particular vendor's site based on:

- inherent risks for the relevant country and sector(s);
- the organisation's size (as an indicator of the likely degree of due diligence and sophistication of processes and management);
- management controls to identify and mitigate risk;
- site characteristics (such as workforce composition, which can indicate vulnerable worker cohorts like female workers, migrant labour and those hired through agencies);

- answers from the Self Assessment Questionnaire (SAQ), which includes questions around specific policies and procedures; and
- SMETA audit results, where the type and number of non-conformities found during an audit provide greater insights into site-specific risks.

Koala can utilise this data to gain greater insights into the level of risk at vendor sites by developing a greater understanding of the level of maturity of processes at different sites (and comparing vendor sites) and identifying opportunities for improvement.

For sites of vendors that are not Sedex members, we will utilise other third party audits and a supplier questionnaire to supplement the inherent risk information provided by the Sedex risk tools.

Other sources for understanding modern slavery risks

Koala also utilises a variety of other sources to further understand modern slavery risks in our supply chains and operations, including:

- QIMA's ESG Country Risk, which uses external data sources to form composite risk scores;
- Transparency International, for data on corruption levels in various countries;
- Walk Free Foundation and other NGOs for thematic and specific risks in countries and industry sectors;
- ILAB for information on products produced by child, forced or indentured labour;
- ILO for data, news and initiatives to improve labour protection and rights;
- ASEAN Australia Counter-Trafficking Partnership Hub for specific information on labour risks in South East Asia;
- publicly available modern slavery statements of other retailers to understand what risks and mitigations similar organisations are reporting; and
- third party ESG firms for up-to-date information on modern slavery laws and insights on pertinent risks in supply chains.

Limitations of risk tools and external data

Although risk tools and external data sources are useful in helping Koala to understand modern slavery risks in our supply chains, we acknowledge that these can be limited due to regional variations and other similar nuances. For that reason, Koala will use the information gathered from such tools and data as a starting point for identifying areas or suppliers for further due diligence, such as deeper supplier engagement, audits and site visits.

Risks in our Product Supply Chain

Our product supply chain remains Koala's highest risk of modern slavery due to the inherent risks associated with the countries and sectors we source from. The most common inherent modern slavery risk that exist in countries and industry sectors featuring in our product supply chain include: forced and child labour, deceptive recruiting and debt bondage.
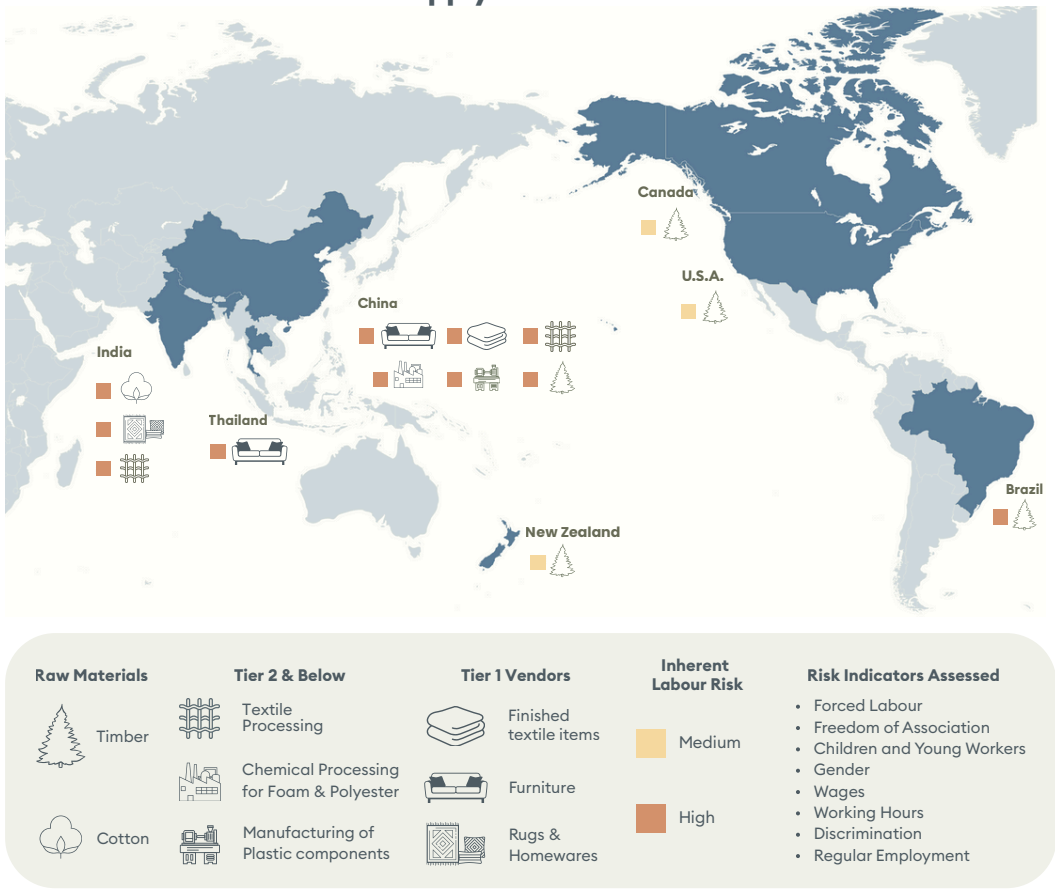
Koala is aware that the potential inherent risks in extends throughout this supply chain down to the raw materials. The infographic on the following page highlights the inherent risks for both finished goods (like furniture) and key inputs such as logging, cotton harvesting and textile processing.

It is not uncommon for inherent risks in a supply chain can increase further down the chain, closer to where the raw materials are sourced and processed. This can be as a result of the supply chain becoming more complex and less transparent. Conversely, some of our large Tier 1 vendors are vertically integrated and control key processes in their operations, such as foam production and forestry and logging. This vertical integration tends to result in increased transparency across the process from raw material or inputs into the finished product.

Risk within our Supply Chains and Operations

Product Supply Chain Inherent Risks

Raw Materials
- Timber
- Cotton

Tier 2 & Below
- Textile Processing
- Chemical Processing for Foam & Polyester
- Manufacturing of Plastic components

Tier 1 Vendors
- Finished textile items
- Furniture
- Rugs & Homewares

Inherent Labour Risk
- Medium
- High

Risk Indicators Assessed
- Forced Labour
- Freedom of Association
- Children and Young Workers
- Gender
- Wages
- Working Hours
- Discrimination
- Regular Employment

Inherent risks for raw materials and processing
In assessing the risk of modern slavery in our product supply chain, we have identified the following inputs into our products as having an elevated inherent risk of forced or child labour:
- cotton cultivation & processing;
- textile processing;
- manufacturing of plastic components;
- logging and forestry services; and
- processing of chemicals for man-made fibres and polyurethane foams.

Labour risks can increase when these processes have a lower degree of mechanisation, take place in remote locations (such as farms and forests) and/or are undertaken at smaller scale operations.

Vulnerable Workers within the supply chain
Koala uses available data from Sedex, audits and other sources to understand workforce composition and those cohorts that are potentially at risk of exploitation.

From the data we have on our product supply chain, we have identified the following vulnerable worker cohorts:
- Women workers;
- Young workers; and
- Internal and foreign migrant workers

The infographic below explains the potential risks these groups may face.

Potential Risks to Vulnerable Worker Cohorts

Women Workers
- Gender specific discrimination in recruitment and pay
- Prevalence to be in of low skilled, informal, casual or temporary work
- Sexual harassment, exploitation or physical violence

Young Workers
- Higher risk of workplace accident or injury
- Lack of awareness of their legal rights
- Risk of exploitation through unskilled work

Migrant Workers
- Vulnerable to human trafficking
- Reliant on third parties to facilitate travel and jobs
- Prone to exploitation to debt bondage and fees
- Risk of discrimination and lack of legal rights

Risks in our Operations Supply Chains
During the reporting period, we undertook an inherent risk assessment of the key areas of our operations supply chains for the markets in which we operate, which included:
- Professional services;
- Transport, logistics and "last mile" delivery;
- Advertising;
- IT and data services;
- Cleaning and waste management; and
- Temporary employment agencies

Although we assessed the inherent risks as low to medium, we undertook a deeper review of some key vendors to better understand their ability to identify and mitigate modern slavery risks that are detailed in the "Assessing and Addressing Modern Slavery Risks" section of this statement.

Operations Supply Chain Inherent Risk

- High Risk
- Medium Risk
- Low Risk

- Temp Agencies
- Couriers
- IT Services
- Professional Services
- Cleaning Services
- Warehouse & Road Freight
- Advertising

Risks in our employment practices
Within our own employment practices and operations, we have assessed the risks of modern slavery as low based on factors such as our internal policies and processes, including those in relation to our processes for hiring, onboarding and managing workers. However, we remain cognisant of risks in those parts of our operations that can impact this assessment, such as the hiring process.

Risk within our Supply Chains and Operations

Risks in our employment practices (cont)
During our screening process for engaging employees and individual contractors, we have the following checkpoints in place:

- when submitting an application in our recruitment software platform, candidates are required to submit their CV and contact details. Candidates can also provide a right-to-work affirmation and proof of their right-to-work documentation.
- during the interview process, we gather further information about the candidate and meet them (either in person or virtually) prior to making an offer; and
- at the time we make an offer to a candidate, we request a copy of their ID or passport and obtain confirmation of their working rights in the relevant country. For example, for roles in Australia, this involves running a final check on the VEVO (Visa Entitlement Verification Online) system.

Assessing and Addressing Modern Slavery Risks

Our Governance and Policies
During the reporting period, Koala has continued to maintain and update its policies to mitigate the risk of modern slavery through our supply chains and operations. Our internal governance documents and policies that support this include:

- Koala's ESG Strategy;
- Respectful Workplace Behaviours @ Koala;
- Anti-Corruption Policy;
- Whistleblower Policy;
- Work, Health and Safety Policy;
- Modern slavery training and awareness (updated during the reporting period);
- Supply Partner Guide (updated during the reporting period);
- Supply Chain Vendor Due Diligence process (updated during the reporting period); and
- Supplier Code of Conduct.

Updated Supply Partner Guide
Koala undertook a significant update of its Supply Partner Guide during the reporting period. The guide sets out information about Koala's values, expectations of vendors and our commitments in return. In addition, the guide provides vendors with information on:

- what modern slavery is and how we work with vendors to mitigate the risks of modern slavery in our supply chains;
- our whistleblowing policy and how to access it;

- our cotton & timber sourcing policies, which have been developed to reduce inherent modern slavery risks associated with these materials (including those countries / regions from which Koala will not accept these materials being sourced from);
- the steps involved in onboarding a new site for supply to Koala, including third party audits and continuous improvement processes; and
- why Koala uses Sedex and encouragement for vendors to become members.

Modern Slavery Training and Awareness
Koala has continued to provide training and awareness to new employees during their induction. The purpose of this training is to explain what modern slavery is, the factors that increase the potential risk for modern slavery and our processes for identifying and mitigating the risk of modern slavery in Koala's supply chains. This induction training was updated during the reporting period.

More detailed training was also provided during the reporting period, including to our Product and Commercial teams and other internal working groups. This training included:

- a refresher on modern slavery risks;
- inherent risks for products Koala sells and countries they are sourced from;

Our Governance

| Director Ethical Supply Chains and Product Sustainability | Sustainability Guild | Modern Slavery Working Group | Koala Board |

The Sustainability Guild is updated on activities relating to modern slavery risks and reporting by the Director of Ethical Supply Chains and Product Sustainability. In addition, a smaller group within the Sustainability Guild meets to discuss matters specifically relating around Koala's approach to modern slavery risks, including governance and policies.
The Koala Board is responsible for endorsing the Modern Slavery Statement and sustainability initiatives.

Assessing and Addressing Modern Slavery Risks

Modern Slavery Training and Awareness (cont)
- our supply chain sites risk and KPIs for managing risk;
- our due diligence process;
- workforce composition;
- audit results where relevant; and
- understanding key risks for inputs that go into a finished products, such as textiles.

The Director of Ethical Supply Chains and Product Sustainability attended training, webinars and conferences during the reporting period to enhance their skills and capacity. Many of these forums were facilitated through Koala's membership of Sedex and the National Retailers Association.

Product Supply Chain Due Diligence
Supply Partner Code of Conduct
Koala has a Supply Partner Code of Conduct that is provided to suppliers during the initial onboarding phase or when it is otherwise updated. This Code outlines Koala's expectations for vendors to identify and mitigate risks around these key areas:
- modern slavery, including child labour;
- discrimination, harassment, freedom of association and abuse;
- bribery and corruption;
- grievance management and resolution;
- wages and working rights;
- workplace health and safety;
- sustainability; and
- traceability and supply chain management.

We detail in the Code how Koala will monitor and take action on breaches, as well as the remediation process that will be followed should a significant breach of the Code occur.

New material and country risk assessments
To support the Product team's sourcing activities, we carried out a number of risk assessments for specific countries and new materials that were being explored for addition to Koala's supply chains.

These assessments included consideration of inherent risks and governance issues (such as corruption), as well as other matters important to Koala's business (such as environmental factors).

Updated Vendor Onboarding Process
In addition to updating the Supply Partner Guide, we also amended our initial vendor questionnaire so that the responses will provide better insights into the capabilities of vendors, as well as their awareness of modern slavery risks and policies and processes to mitigate those risks.

Onboarding and linking more vendors onto Sedex
Given Sedex and its tools are fundamental to how Koala identifies and manages modern slavery risks, we have continued to encourage vendors to join Sedex and link Koala with those vendors in the Sedex platform. Increasing the number of our vendors that have joined Sedex allows Koala to measure a greater proportion of our product supply chain using the same metrics.

During the reporting period, we onboarded or linked with the following vendors on Sedex:
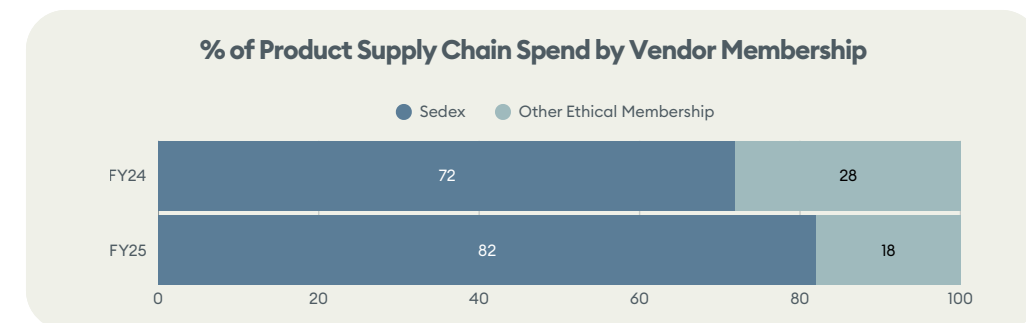
Tier 1:
- 3 Factory sites that produce furniture

Tier 2
- 4 Textile vendor sites that produce fabrics and mattress ticking

Based on FY25 spend, over 80% of our Product Supply Chain vendors are now Sedex members. This is a significant increase from the prior reporting period.

Third Party Audits & Supplier Engagement
Koala continued to utilise third party audits for the purpose of assessing the risk of modern slavery at vendors' sites, and their ability to mitigate such risks. Over the reporting period, factories were audited to one the following audit standards:

% of Product Supply Chain Spend by Vendor Membership

● Sedex ● Other Ethical Membership

FY24	72	28
FY25	82	18

0 — 20 — 40 — 60 — 80 — 100

- BSCI (Business Social Compliance Initiative;
- SMETA (Sedex Members Ethical Trade Audit); or
- QIMA (Quality Inspection Management) Ethical Audit standard.

The audits carried out under these standards are usually announced or semi-announced, and will generally be carried out by accredited third party audit firms (such as QIMA, SGS, LRQA and Bureau Veritas CPS- Asia). Broadly, these audits independently assess a vendor's site against the following criteria:
- employment is freely chosen;
- freedom of association and the right to collectively bargain are respected;
- working conditions are safe and hygienic;
- forced and child labour are not used;
- legal and living wages are paid;
- working hours are not excessive;
- no discrimination is practised;
- regular employment is provided;
- any subcontracting and home working risks are assessed and mitigated;
- no harsh or inhumane treatment is allowed;
- environmental standards; and
- systems and policies to identify and manage risk.

Updated SMETA audit standard
During the reporting period, 13 Sedex member sites were audited to the latest SMETA 7.0 audit standard. This updated standard introduced changes that provide Koala with greater insights into the audit results:

- <u>Workplace Requirements</u>: This explicitly lists what an auditor should assess against the Ethical Trading Initiative (ETI) Base Code, providing clearer direction for vendors and auditors.
- <u>Management Systems Assessment (MSA)</u>: The updated standard includes an MSA against each ETI Base Code area to help identify recurring risks, hidden issues and potential future issues. When assessing management systems, the auditor will consider the risks inherent and present at the site, and how capable the systems are at achieving compliance in these circumstances across four key areas:
  a. policies and procedures;
  b. resourcing;
  c. communications and training and;
  d. monitoring.
- <u>Collaborative Action Required (CAR)</u>: CARs are introduced as a new type of finding with no mandated closure time, which recognises that some issues require more stakeholder input and time to resolve.
- <u>New Data Points</u>: additional data points are collected to provide comprehensive context on vendor sites, allowing for more efficient data comparison and risk identification. This includes more detailed feedback from workers being interviewed during the audit to better understand sentiment at the vendor site and whether they were being treated well.

Assessing and Addressing Modern Slavery Risks

Updated SMETA audit standard (cont)
The results of the new audit will indicate whether the auditor was able to conduct the audit without obstruction, provided access to all requested documents, interviewees and the facility itself (including outbuildings and accommodation), and whether the site provided the auditor with genuine and authentic records.

Audits conducted during the reporting period
Tier 1 vendors
- 18 Ethical Audits (BSCI, SMETA or QIMA Ethical Audit)

Tier 2 vendors
- 3 Ethical Audits (SMETA)

Prospective vendors
- 1 Ethical Audit (QIMA Ethical Audit)

Managing Audit Non-Comformities, Vendor Reviews and Continuous Improvement
Koala continued to work directly with vendors during the reporting period to review their audit performance, work through action plans and review inherent risks within the supply chain. For Sedex member sites, we were able to undertake more detailed reviews of site risk and management control scores. Worker and gender data can be used to work with the factory site to improve policies and procedures.

During the reporting period, 19 such reviews were conducted with vendors including four (4) Tier 2 vendors. For key Tier 1 vendors, we conducted multiple reviews during the year.

Mitigating Risks Beyond Tier 1 Vendors
Koala recognises that risk does not start or finish with our Tier 1 vendors and during the reporting period we worked to ensure reasonable and practical steps were taken to mitigate risk further down the supply chain and at the origin of raw materials.

Greater Engagement with Textile Vendors
As we noted in the "Risks in our Product Supply Chain" section, one of the highest inherent risk areas in our supply chains is textile processing and manufacturing. For this reason, we engaged with six key Tier 2 fabric textile and mattress ticking vendors to better understand the modern slavery risks in this sector and collaborate on mitigation strategies, which included Sedex onboarding and linking of sites to Koala in the Sedex platform.

Raw Materials
Cotton Sourcing Policy
To help mitigate the modern slavery risks associated with our sourcing of cotton, we updated Koala's policy for sourcing cotton to more clearly explain to vendors why the policy exists and what vendors must do when sourcing cotton to mitigate modern slavery risks in these supply chains. We also detail for vendors the countries and regions from which cotton must not be sourced due to the reported modern slavery risks associated with cotton cultivation in these locations. The policy also outlines how Koala will monitor adherence to the policy (including documentation, certification and provenance testing).

Timber
Over 95% of our products that incorporate timber in their construction are produced using FSC certified timber (including solid, veneer and composite).

The FSC Principles and Criteria require certificate holders to uphold the principles and rights of workers at their workplace as defined in the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work (1998).

Certificate holders are also required to promote gender equality, protect workers from occupational hazards and meet agreements on wages.

Factory Visits
Koala's Product team, including members of the Quality Control and Compliance team, continued to visit our key Tier 1 vendors. During the reporting period, we have started to visit to some Tier 2 vendors, including a packaging supplier and a metal working site.

Our Key Product Supply Chain Mitigations

Some Origin Sites
These are the farms and forests where some of the raw materials such as timber and cotton are sourced for our products

Some Tier 2 Sites and Below
These are the vendors of our Tier 1 suppliers and perform roles such as processing and of supply components

Tier 1 Sites
These are the vendors that manufacture and finish products that are supplied to Koala for sale to our customers

- 3rd Party Factory Ethical Audits
- Corrective Actions & Deep Dives
- Factory Visits
- Supplier Agreements
- Supply Partner Code of Conduct
- Ethical Trade Membership
- Vendor Self Asessment Questionnaire (SAQ)
- Certification and Chain of Custody of Selected Materials

FY 25 Product Supply Chain Audit Highlights

18 vendor sites audited

405 workers or about 3.7% at Tier 1 sites interviewed during audits

100% of sites were paying minimum wage or above for all workers.

Assessing and Addressing Modern Slavery Risks

Greater focus on our Operations Supply Chains

Building on the work we detailed in our FY24 Modern Slavery Statement, Koala reviewed the inherent risks in key operational supply chains (logistics, couriers and office cleaning) and developed an ESG questionnaire to understand how vendors in these supply chains identify and manage risk. The questionnaire included specific questions relating to:

- awareness of modern slavery risks;
- composition of workforce;
- the existence of labour protection, ethical business and workplace health and safety policies; and
- training, awareness and internal capacity to monitor and manage risk.

We sent this questionnaire to key vendors that did not have a publicly available Human Rights Due Diligence policy, Modern Slavery Statement or similar document to review.

Complaints and investigations
Whistleblower policy

Koala's whistleblower policy, Speak up @Koala, is embedded throughout our operations and supply chains. The purpose of this policy is to encourage reporting, and to provide an independent, confidential channel for any employee, contractor or supplier to report suspected or actual conduct that is unethical, illegal, corrupt, fraudulent or otherwise undesirable(including any instance of modern slavery).

This reporting service is managed by a third party for Koala and is accessible via a variety of means, including QR Code, phone, email, WhatsApp and the NRS (National Relay Service) for persons who are hearing impaired. Multiple languages are supported.

No complaints requiring further investigation were made under our whistleblower policy (including through the reporting service) during the reporting period.

Assessing the Effectiveness of our Actions

Evolving our our metrics

As Koala has continued to utilise Sedex online tools we have leveraged indicators from their data to better understand risk and a vendor's ability to manage and mitigate it. During the reporting period, we continued to use indicators such as Management Control scores to identify areas where vendors can improve and broadly measure the product supply chain's health.

We also continued to use Sedex learning and development opportunities to understand how other companies used Sedex risk tools to manage their own supply chains and apply these in Koala's business.

We continue to refine our internal metrics across these areas to better understand how effective Koala is at addressing the risks of modern slavery in our supply chains.

The metrics we use to measure effectiveness

- Due diligence, onboarding and auditing of vendors
- Risk assessments undertaken, non-conforimity identification and closed out
- SAQs completed/updated
- Internal modern slavery training
- Review of policies and processes
- Third-party certifications

Summary of Key Activities

	Activity
Completed During the reporting period	• Onboarded key Tier 2 vendors onto Sedex • Updated new Supply Partner Guide as well as related documents and policies • Operations Supply Chain vendor questionnaire sent to key vendors
Future activities in FY26	• Capacity training for team members when visiting vendor sites • Increasing visits to product supply chain sites below Tier 1 • Cotton provenance testing
Ongoing	• Continue to engage with key Tier 2 vendors • Look for opportunities to integrate workers' voice into our due diligence process

Consultation and Approval of Statement

This Modern Slavery Statement has been prepared in conjunction with all companies we own or control.

Engagement within the business entities was undertaken through a working group formed by Koala's internal Sustainability Guild. Led by the Director of Ethical Supply Chains and Product Sustainability, the working group maintained, reviewed and updated information for the purpose of preparing this statement.

Our Koala subsidiaries globally operate under a common set of frameworks and governance, including the policies and programmes through which risks of modern slavery in our operations and supply chains are mitigated, evaluated and reported on.

This statement relates to our financial year ending 30 June 2025 and was approved by Dany Milham (CEO) and our Board of Directors on 16th October 2025.

Dany Milham
Chief Executive Officer
Koala Company Limited
On 16th October 2025

Appendix

This Modern Slavery Statement was prepared in accordance with the criteria set out in the Modern Slavery Act 2018 (Cth, Australia) and the Modern Slavery Act 2015 (United Kingdom). The table below outline where information related to each of the reporting criteria can be located within the statement.

Australian Modern Slavery Act: mandatory reporting criteria	UK Modern Slavery Act: recommended reporting criteria	FY25 Statement Heading
• Identify the reporting entity • Describe the structure, operations and supply chains of the reporting entity	• Organisation and supply chain structure	• Introduction • Our Structure and Operations
• Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls	• Risk assessment and management	• Risks within our Supply Chains and Operations
• 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 remediation processes	• Modern slavery due diligence processes • Policies on modern slavery and human trafficking • Training on modern slavery and human trafficking.	• Assessing and Addressing Modern Slavery Risks
• Describe how the reporting entity assesses the effectiveness of these actions	• Key performance indicators (KPIs) to measure effectiveness	• Assessing the Effectiveness of our Actions
• Describe the process of consultation with any entities that the reporting entity owns or controls	-	• Consultation and Approval of Statement
• Provide any other information that the reporting entity, or the entity giving the statement	-	• Message from the CEO • Appendix