

MODERN SLAVERY STATEMENT 2020

kóala

Introduction

K Sleep Holdings Pty Limited (ABN 48 619 538 671) is the parent company of Koala Sleep Pty Ltd in Australia and Koala Sleep Japan KK in Japan. We design our range of mattresses and furniture in Australia, partner with third party factories to manufacture, and sell our products in an online ecommerce experience in Australia and Japan.

We are committed to improving our practices to combat modern slavery in all its forms by implementing and enforcing effective systems and controls to ensure slavery is not taking place anywhere in our operations, including our supply chains.

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At Koala, we do things a little differently and we don't shy away from acknowledging that there's always room to improve. We believe that simply doing 'no harm' isn't good enough and business can only thrive if society and nature thrive too. We have the energy and the spirit to focus on 'what's next' but we always take the time to review where we have come from and what can be improved. At Koala we are playing the long game and our vision is to continue providing brilliant and consciously designed furniture, that is made in an ethical and sustainable way, that our customer will love and keep.

Mitchell Taylor
Koala Founder & CEO

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The purpose of this statement is to outline the approach that Koala is taking to ensure that we have a robust framework and process in place to minimise the risk of modern slavery throughout our business operations and supply chain. It describes the risk of modern slavery in our own operations and our supply chain during the year ended 30 June 2020, and details the steps we are taking to further minimise this risk of modern slavery throughout our supply chain. Specifically, this statement outlines:

- Our structure, operations and supply chain
- Potential risks in our operations and supply chains
- Actions taken to address and minimise the risk of modern slavery
- Effectiveness of actions being taken to address modern slavery risks
- Any other relevant information

More information about our business can be found at www.koala.com

Our commitment

At Koala, we recognise that modern slavery can occur in many forms including trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour.

Koala is fully committed to operating responsibly, and taking all reasonable steps to ensure there is no form of modern slavery within our supply chains or throughout any other area in our business.

Moreover, we encourage all our supply partners to promote best practices and continuous improvement within their own supply chains, including:

- Supporting workplaces that are free from any form of discrimination, harrasment, 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
- Respecting equal opportunity rights and freedoms
- Promoting compliance with all relevant laws and regulations
- Striving to be a leader in helping habitats thrive

Our structure, operations and supply chain

Founded in 2015, Koala has quickly grown to become a leading mattress and furniture online retailer in Australia and Japan, with a business model that genuinely values environmental and social capital.

At Koala, we believe everyone deserves happiness, and that happiness begins at home. As a proudly certified B Corporation, we're committed to making sure the impact Koala has socially, economically and environmentally is positive, and contributes to humanity and our planet both thriving. Since we've launched we have been donating our products to help the vulnerable within our community when they need a little kindness, making regular donations to the World Wildlife Federation as well as other important charities. Our charitable donations have regularly exceeded 1% of of our gross revenue enabling Koala to be certified by 1% for the Planet.

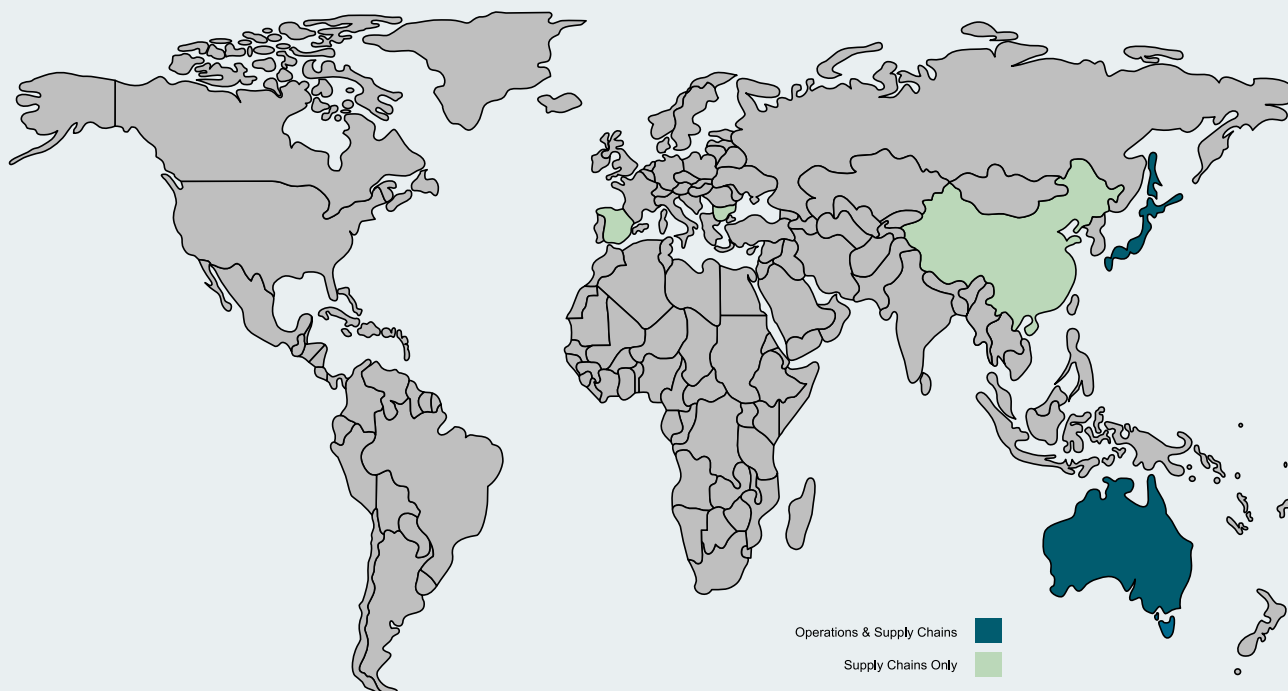
With a directly employed workforce of over 100 employees in Australia and Japan, we are a business that is challenging the status quo and wants to make the world a better place. We want to be sustainable where we work too, so we recycle, and buy products that provide a social benefit where we can.



Our operations primarily focus on the design, third party manufacturing, sale and delivery of uniquely “Koalafied” products such as our award winning mattress in a box and our popular tool free assembly furniture like our bed base; working from home desk; sofas; and sofa bed. These are complemented with a range of bedding accessories including sheets and pillows. Over the next 12 months we will continue to grow our current product offering by expanding both the depth and range of furniture and bedding items we offer to our customers both locally in Australia as well as in Japan.

Partnering with a number of direct and indirect suppliers, we manufacture products within Australia as well as overseas, that are sold through our online retail stores catering to both Australia and Japan. We have a number of logistics, warehousing and delivery partners that help get our products from the factories to our customers.

Koala also procures a diverse range of goods and services in connection with our business operations including office supplies (IT equipment, stationery and furniture), promotional materials, cleaning and waste disposal services, and other services (marketing, consultancy and professional services).



Potential risks within our supply chain

Koala recognises that modern slavery is a significant problem globally, and that together we all have a role to play in ending modern slavery. As our supply chains associated with products and services are diverse and cover multiple geographic locations, we acknowledge there is a potential risk and instances of modern slavery may exist. We also recognise that it can often be difficult to identify instances of modern slavery in global supply chains.

Undertaking due diligence assessments within our operations and supply chain, we consider the risks that may possibly contribute to, or be directly linked to, modern slavery practices. Through these assessments we have identified a number of areas that present potential risks specific to our sector, geographies in which we operate within as well as specific business risks.

Throughout the various geographical regions that our supply chains operate in, we have identified a number of possible modern slavery risks including those involving health and safety requirements, working hours, child and forced labour, fair pay and employee rights to equality, privacy and freedom of association.

Locally in both Australia and in Japan, we recognise that within the manufacturing and distribution sectors there is a risk of labour exploitation through excessive hours and underpayments of wages, as well as other health and safety risks. Other operational services that use physical labour (such as cleaning) also present similar potential risks.

Specifically within the furniture industry, we also recognise that some subsets present an even higher risk of modern slavery including the textile, forestry and metalwork sectors. It is widely recognised that these industries present a higher possible risk of forced labour, wage exploitation, excessive overtime, unsafe working conditions and human trafficking.



Our approach

As Koala continues to grow, our commitment to both sustainable and ethical sourcing remains core to the Koala business model. While we have an ongoing focus on identifying potential risks within our supply chain, we also acknowledge that there is room for improvement in the breadth and depth of our approach, and we aim to continually improve our capability to identify, mitigate and remediate risks that potentially contribute to modern slavery.

Throughout the statement reporting period, we had a number of governing policies and controls in place relevant to modern slavery across our operations and supply chains.

Within our operations, the Koala Code of Conduct sets out the social and ethical standards of behaviour expected of Koala employees, contractors and volunteers when dealing with each other, clients and audiences and other stakeholders associated with Koala. Our Code of Conduct is supplemented by additional policies governing equal opportunity, bullying and harassment.

Our approach within our supply chains is to create a sustainable and long-lasting partnership with our supply partners based on responsibility, ethics and respect which we believe are fundamental for the growth and reward of all parties. Our current Supplier Guide outlines our commitment to socially responsible, sustainable sourcing and manufacturing requirements.

Specifically, our Supplier Code of Conduct is aligned with the Ethical Trading Initiative (ETI) Base Code, which establishes minimum standards for our suppliers that require any supply partner of Koala to commit to:

- Operation in compliance with all compulsory laws and regulations of the countries in which they operate and not being involved in bribery, corruption or favouritism;
- Providing a safe and healthy working environment for their employees and taking all reasonably practicable measures to eliminate workplace injuries and illness;
- Ensuring all work is chosen freely and that the workplace is free of any forced, indentured, slave or child labour; and,
- Ensuring that employees have a right to freedom of association, are given a living wage without excessive hours, discrimination, inhumane, or harsh treatment.

Our suppliers are required to review and sign the individual declarations noting they have read, understood and will comply with the requirements and conditions set out in the Koala Supplier Guide, Supplier Code of Conduct and Material Sourcing Policy. To further enhance our controls, and to make clear our focus on ethical sourcing, our Master Product Supply Agreement specifically lists the requirements for material compliance to the Code of Conduct, and our standard Purchase Order forms further reference the requirement for suppliers to comply with a number of expectations set out in the above policies.

To supplement the existing policies and to further improve our capabilities to identify and remediate modern slavery within our supply chains, we implemented a new program of independently auditing our major overseas supply partners specifically focusing on their social, ethical, and environmental performance and identifying any non-conformities. We have put in place a range of corrective actions for non-conformities for a number of our supply partners in this reporting period and will have all major overseas suppliers audited by June 2021.

Due to the Government imposed travel restrictions during the COVID-19 pandemic, it has not been possible for us to attend any of our overseas factories within our supply chain in order to conduct routine spot audit checks. Along with the introduction of independent audits, we have continued to use our best endeavours through video conferences and site visits to help monitor any modern slavery risks throughout our supply chain.

Whilst we are in the early stages of our due diligence journey and continuing to make improvements to our approach to measuring the effectiveness of performance actions, we currently have an annual review mechanism in place with all suppliers against our sustainability and social standards set out in the above policies. Suppliers are provided with detailed corrective actions and we work in partnership with these suppliers to ensure ongoing continual improvement against a range of criteria.

Further steps and remediation

Over the next 12 months Koala has a number of new initiatives as well as significant reviews to current mechanisms as part of our commitment to continuous improvement of our operations.

Specifically, we intend to review our current initiatives as well as undertake the following new initiatives to combat slavery within our operations and supply chains:

- Launch and embed a whistleblower policy within our organisation, encouraging both our employees and supply chain partners to report any suspected unethical, illegal, fraudulent or otherwise undesirable conduct not aligned with our core values.

- Establish an Audit and Risk committee that will, amongst other tasks, meet on a regular basis to review and oversee the implementation of ongoing improvements as part of our approach to combatting modern slavery.
- Launch a group modern slavery policy and create a risk register that will be used to help identify any new or additional risks within our operations or supply chain, and track mitigation actions in combatting modern slavery.
- Update our independent audit program of all suppliers and implement a comprehensive supplier scorecard which will be used to highlight any risks and review any actions undertaken throughout the year.
- Review and, where required, update our code of conduct, product supplier guide, and supplier code of conduct.

This statement was approved by our board of directors on 31st March 2021.



Mitchell Taylor

Chief Executive Officer

K Sleep Holdings Pty Limited

On 31st March 2021