

CUE CLOTHING Co.

MODERN SLAVERY STATEMENT

INTRODUCTION

Cue Clothing Co. has published this statement in accordance with the Australian Modern Slavery Act 2018 as a summary of our operations over the last year and the steps we have taken towards mitigating the risk of modern slavery. This statement covers the entirety of our current business operations across FY20/21 as well as looking forward and building for the future.

We are committed to continuing our long-standing support of the Australian manufacturing industry. We do this by producing as many styles as we can locally (in Australia) while also working with our trusted and loyal manufacturing partners offshore. Supporting Australian business, our own team, suppliers and factory workers is important to us and an integral part of the Cue philosophy.

Doing the right thing across our business today and into the future is something we have always strived for, dating right back to the start of our business in 1968.

“CUE – the name says it all: it means to be on target, on the ball and ready for the next thing”

Mr Rod Levis, Cue Founder & Owner

OUR COMPANY

Cue Clothing Co. known to our customers as Cue, incorporates the business entities of (Cue Design Pty Ltd ABN 71 000 655 336, Cue & Co Pty Ltd ABN 57 000 725 306 and Cue International (NZ) Pty Ltd ABN 97 640 585 904). The brand name Veronika Maine is a sub-brand of the Cue Clothing Co. group.

Cue Clothing Co. is a privately owned business which opened in Sydney, Australia in 1968. Nearly 54 years on and we still manage our head office of 78 employees in Sydney, Australia. We operate 170 retail stores across Australia and New Zealand with over 740 retail employees: 13% part-time, 15% full-time and 72% casual workforce who are directly employed across our business operations.

Our product categories include apparel and small quantities of accessories such as belts, bags, hats, jewellery and more recently face masks.

OUR PRODUCTION

Our designs:

Every Cue Clothing Co. design, for both Cue and Veronika Maine is crafted in our Sydney design studio. All sourcing, designing, patternmaking and sampling is undertaken by our skilled in-house team. Every style, whether manufactured in Australia or by our nominated offshore suppliers, is managed in the same way - from initial sampling to final design and fit.

Our fabrics:

We are proud that we directly source all of our fabrics from global fabric mills. Our selected mills are located in Australia, South Korea, China, France, Italy, Germany, India, Spain, Bulgaria, Portugal, Japan and a small quantity from Indonesia. We manage our own Sydney based fabric warehouse which stores all the fabrics and trims used to manufacture our Australian garments. For our offshore manufacturing, fabrics are sent directly to our suppliers from our nominated mills.

Our operations:

We also operate our own Sydney based warehouse which provides pick and pack services. Our warehouse delivers to all of our retail stores across Australia and New Zealand as well as products for our online sales business directly to our customers (locally and internationally). Our online sales are also managed through our Sydney head office.

We categorise our manufacturing into tiers so we can better understand our supply chain and the different stages of production.

Tier 1: Cut, make, trim and end stage manufacturing

Tier 2: Input factories such as wash houses, dye, print, embroidery etc

Tier 3: Suppliers such as fabric mills, spinners, trim/accessory providers

Tier 4: Initial stage raw materials and logistics

The majority of Cue Clothing Co. garments are manufactured in Australia, Vietnam and China.

We are extremely proud to be one of the largest manufacturers of fashion in Australia. 70% of Cue and 59% of Veronika Maine production is based within Australia.

We work with ten (10) Tier 1 domestic suppliers, many of which we have worked with for over 20-30 years. We have also been proud and active members of Ethical Clothing Australia (ECA) since its inception in 2010.

The remainder of our production is offshore where we engage twelve (12) Tier 1 suppliers. These suppliers are located in China (54%) and Vietnam (42%) with some small volumes of manufacturing in India, Turkey and Indonesia. Cue Clothing Co. has no financial interest in any factories used to manufacture our products.

Our supply chain model requires our offshore suppliers to manufacture and deliver our products to our nominated freight forwarder in the country of production. Our garments are then shipped to Sydney via sea freight and delivered to our warehouse by road transport. At times, we may utilise air freight for the delivery of our garments however this is minimal, controlled and used only when business needs require.

Our Australian suppliers manufacture and deliver the products directly to our Sydney warehouse.

We recognise our business also utilises other service providers such as logistics partners, visual merchandising, consumable items such as hangers and customer bags, cleaners and service/maintenance providers. We know our responsibility extends across our entire business operations and we always look to partner with service providers who have internationally recognised programs to combat and mitigate the risk of modern slavery across our business operations where possible.

RISKS OF MODERN SLAVERY IN OUR OPERATIONS AND SUPPLY CHAIN

Apparel and accessory manufacturing, whether through local (domestic) or offshore production is a complex process that requires constant governance. We aim to continually assess our production to ensure we mitigate any risk of modern slavery across our supply chain and our entire business operations. The location of each of our suppliers presents different risks to modern slavery therefore they require differing management approaches.

We've identified a number of key areas where our risk of modern slavery may be higher as a result of different human rights concerns in the country of the supplier. Depending on the location of the supplier, these risks may include; reliance on unskilled labour, the potential use of recruitment agencies, exploitation of female workers, seasonal and migrant workforces, child labour, forced labour, wage concerns, excessive working hours, lack of supply chain transparency, discrimination, harassment, unsafe factories and insufficient freedom of association and grievance programs for workers.

In addition, we understand that the nature of our relationship with our suppliers and factories will determine how we may cause, contribute or be linked to the risk of modern slavery and we have worked to implement different strategies to mitigate these risks.

We use our factory audit program which requires all offshore Tier 1 factories to undergo a periodic social compliance audit every two years. All Australian factories are audited yearly through ECA. This helps us to identify factors that may have indicators of modern slavery risk. When we require an audit to be completed, we pay for the cost of the audit to support our suppliers and to minimise their costs. We also agree to recognise other audits provided by our suppliers in order to reduce audit fatigue on both the factory and the supplier.

Over the last year we have taken steps towards governance of our supply chain, including drafting our Modern Slavery Policy and creating a number of internal documents such as our Discrimination and Whistle Blower policies which applies to all Australian operations. Within our Modern Slavery Policy, we've developed a remediation process to ensure any worker that suffers any form of modern slavery is protected and maintain control of their situation at all times. Our local Australian suppliers are monitored by ECA. Our ECA accreditation ensures Cue Clothing Co.'s compliance with Australian legislation and ensures all garment workers have access to their legal entitlements as well as fair and ethical treatment.

We are currently implementing these governance controls to our wider supply chain via a confidential grievance mechanism for factory workers as an additional support measure for workers.

Our team remains committed to identifying new mechanisms to combat all types of modern slavery and our plan is to introduce risk mitigation programs to ensure workers are protected across our entire business operations.

RISK ASSESSMENT AND DUE DILIGENCE

Manufacturing garments locally and ethically is at the very heart of what we do and it is ingrained in our brand ethos. To support this, we are proud members of ECA who work closely with us to ensure our local manufacturers are regularly audited. These audits have been developed to protect workers' rights and enable the workers to raise concerns and voice their rights.

From the very beginning, Cue has been a partnership lead business. Whether with our suppliers, our retail team or our designers we believe in communication that is built on mutual respect and loyalty.

We are proud of the partnerships we have built over the last 20 – 30 years with our suppliers and factories.

In addition to our long standing ECA membership, we also actively engage or hold memberships with other organisations who aim to protect supply chain workers. These include our active participation in the Baptist World Aid Ethical Fashion Report and our memberships with the Leather Working Group and the National Retail Association. We also participate in sustainable and ethical raw sourcing initiatives to develop more sustainable products, such as working with Australian Cotton.

Over the years we have worked to maintain a small, professionally managed supply chain which enables us to stay close to our suppliers and manage our expectations on a daily basis. Whilst our supplier count is already small, we are always looking at consolidation opportunities to further decrease our risk and manage our supply chain.

As mentioned above, we categorise our manufacturing into tiers so we can better understand our end-to-end supply chain and the different stages of production in depth. This in turn helps us understand where our risks are greatest and allows us to focus our attention on these areas. To simplify our supply chain and mitigate modern slavery risk, we always aim to work with vertical garment manufacturers where all stages of production occur in the same factory.

Through our close working relationship with our suppliers, we have sound knowledge of all of our Tier 1 factories (100%). We are taking steps toward a deeper level of traceability and at present we are aware of 50% of the Tier 2 factories used to manufacture our garments, such as printers, wash houses and dye factories and we have committed to grow this level of knowledge over the coming year.

Because we source all of our fabrics ourselves, we have the ability to maintain strong control over the process. This is something we have always undertaken. While we know our fabric sources, in some cases, we still have some work to undertake to trace a step further back to the spinners and mills used. As a result of our fabric sourcing, we know approximately 70% of our Tier 3 suppliers. We have also implemented a process whereby all Tier 1 suppliers must source majority of Tier 3 materials (zips, buttons, labels and swing tags) from our nominated Tier 3 suppliers. Finally, we believe Tier 4 is our greatest opportunity and area of focus. Since last year's submission we have undertaken several traceability initiatives, including participating in a fully traceable Australian cotton program, and certifying a larger percentage of our Tier 4 Raw Materials' origin and properties.

GOVERNANCE

In addition to understanding our entire supply chain, we need to ensure we provide strong governance of both Cue Clothing Co. and our customers' expectations of the manufacturing processes. In the past, we engaged an external consultant to conduct a review of our sourcing program and provide us with an action plan to address areas of improvement. The review identified that we needed to improve some areas of our supply chain governance and recommended implementing a new Code of Conduct and Supplier Contract to ensure our expectations were clearly defined. Based on that advice, we have implemented a Code of Conduct and are working through the roll out of our Supplier Agreement throughout 2021 and 2022.

Training is also a key call out for our business for the year ahead. We have recognised we need to do more, both in our business and with our suppliers to ensure our expectations are clear across our entire business operations. We are aware that a small amount of sub-contracting occurs within our supply chain when specialist machinery is required to manufacture specific processes on our garments. Our normal procedure is to select suppliers based on their ability, capacity and performance to manufacture our garments without the use of sub-contractor factories. This gives us confidence that our garment will be manufactured to our high standards. While we recognise this may increase our risk of unauthorised subcontracting by suppliers, we have strict expectations of our suppliers surrounding this area to mitigate that risk. Locally, through our ECA membership and accreditation, ECA requires that every local factory (Australian) used in the manufacturing process across the whole supply chain has been certified by ECA.

Onboarding new suppliers is something we have continued to strengthen over the last year. Whilst introducing new suppliers is not something that occurs frequently at Cue Clothing Co., we have implemented controls and requirements to ensure we only bring new suppliers into our business that meet our expectations. This new process includes reviewing the factory standards through external third-party social compliance factory audits, factory pictures, capacity and capability discussions for the garments to be made. All suppliers are governed by our supplier agreements.

Visiting our suppliers and factories is key to building stronger partnerships and something we take very seriously. COVID-19 has continued to restrict our ability to meet in person and required us to create new ways for our business teams to engage with our suppliers and factories on a daily/weekly basis. Like all businesses, we have implemented frequent conference calls with suppliers and factories to ensure we stay connected and support them during these challenging times.

Another tool we use is our supplier rating system. Within our Cue Clothing Co. sourcing team, we have a process in place where we constantly discuss suppliers, factories and their strengths and concerns.

Supplier and factory feedback is important to us. We welcome feedback, in fact, we encourage it! We have worked to develop close and trusted partnerships over the years with our suppliers who know they can raise any concerns they have

about our requests or expectations. This includes raising any issue directly with senior management. We are also in the process of implementing a confidential grievance mechanism for all our suppliers and their factory workers.

At the core of our sourcing program is our commitment to do the right thing and ensure our entire team adhere to responsible sourcing practices. This includes critical path management, ensuring we don't impose unrealistic timelines on our suppliers. We have an internal Responsible Purchasing Practices document which all members of the sourcing team adhere to. As part of the growth and development of our sourcing model, we will continue to work with external resources to educate our team and implement best practice expectations.

The uniqueness and importance of our supply chain is one that is shared with our staff members from day one, whether they work in our design studio, our stores, or our warehouses. Our staff members receive training on our history, supply chain, sourcing, and fabrics during their induction and ongoing throughout season campaigns to ensure they have a strong understanding of the Cue Clothing Co. business as a whole and can communicate it to our customers.

Our company policies and core behavioural competencies emphasise a culture of inclusiveness, teamwork and being solutions orientated. We take reports of discrimination, bullying and harassment in the workplace very seriously and have a zero-tolerance approach to matters of this nature. Employees may raise concerns through our internal formal grievance or whistle blower policies and matters are investigated as a priority.

ASSESSING THE EFFECTIVENESS

Assessing the effectiveness of our Modern Slavery program is crucial to ensure what we are doing is working. To date, we have not identified any cases of modern slavery in our supply chain. While proud of this result, we also know we need to delve deeper into our supply chain to ensure modern slavery is not hidden or out of sight.

Through our factory social compliance audit program, factories are monitored for their compliance against internationally recognised human rights factors, such as modern slavery. These assessments are always completed by independent third-party bodies who audit on our behalf.

Within every audit, factory workers are interviewed in both an individual and group environment on multiple areas of compliance such as: their rights, working hours, working and living conditions as well as factory safety. Our factory auditors are experienced in asking the right questions and identifying any concerns within the workers' answers. We welcome worker feedback and understand it's also important that workers voluntarily participate in the interview program.

We are committed to investigating opportunities of improvement over the coming year. This includes setting more defined targets and establishing KPI's (key performance indicators) in our sourcing program that measure our effective risk assessment.

PROCESS OF CONSULTATION WITH OTHER ENTITIES

Cue Clothing Co. is managed through one head office management team. As such, any actions implemented or planned across the entire Cue Clothing Co. business operation have been developed for all entities.

OTHER RELEVANT INFORMATION

For the second consecutive year, our business and our supply chains experienced operational challenges as a result of the COVID-19 pandemic. The primary disruption was to our domestic manufacturers, with the majority of our suppliers intermittently closed or working at a drastically reduced capacity for three months. Likewise, our offshore manufacturers continued to be impacted by their local lockdowns. Our Vietnam suppliers were also closed or working at a reduced percentage for several months. Throughout these challenges, our main priority was upholding our responsibility to our supply chain practices, primarily the workers within it.

Building on the learnings from the year prior, we worked with our affected partners to ensure we were committing to fair and realistic timelines that were in the best interest of both parties.


Because our business model begins with the purchase of fabrics, we were able to commit to all of the orders we'd placed with our partners, whilst giving us the flexibility to internally rearrange our product release dates. Some of these product releases were delayed by nearly six months, so we could ensure our partners were given appropriate timelines to complete orders, without pressure.

Another way to further support the fabric mills and workers in our supply chain globally was to purchase stock fabrics from suppliers where other brands had cancelled their orders completely and left suppliers holding the financial burden of fabric cost. We rephased our orders and realigned delivery dates to suit the current demand to ensure we didn't create an over stock of product in the marketplace.

Throughout the challenging times of COVID-19, we are extremely proud of our team for the opportunities they identified to support our suppliers and factory workers on an international scale. As the pandemic continues to affect all areas of business, we will continue to identify further opportunities to meet the commitment we have to build a more safe and sustainable industry.

Approval

This 2020 Modern Slavery statement was approved by the Board of Directors of Cue Clothing Co. on 21 December 2021.

A handwritten signature in black ink, appearing to read 'Rod Levis', written over a horizontal line.

Mr Rod Levis

Chairman of the Board

21 December 2021