

Cheap as Chips

Modern Slavery Statement

2021

This statement, pursuant to the Modern Slavery Act 2018 (Cth), describes the risks of modern slavery in the operations and supply chains of Cheap as Chips and includes information about actions taken to address those risks for the financial year ended 30 June 2021.

This 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. This Statement covers both reporting entities.

Cheap as Chips understands the importance role the Group can play in respecting and promoting human rights and eradicating modern slavery.

Modern slavery includes trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruitment for labour or services and the worst forms of child labour. Modern slavery has severe consequences for its victims and often disproportionately impacts women and girls. Minimising the risk of modern slavery in its supply chains and, in particular, ensuring that women and girls can exercise their own choices free from the undue influence that arises in modern slavery is a critical focus for Cheap as Chips in our role as community leaders.

The Modern Slavery Statement for the year ended June 2021 is the second Statement prepared by Cheap as Chips. During the financial year, Cheap as Chips implemented a number of new processes to complement the existing processes designed to assist managing modern slavery risks in its operations and supply chains. During the year, the Group worked with its suppliers to identify and address those risks and to seek improvement in the labour, social and environmental aspects of its supply chains. Cheap as Chips has also conducted training for its merchandise team to raise awareness of the risks of modern slavery in Cheap as Chips' operations.

In the years ahead, Cheap as Chips' focus will be on further developing and enhancing its ethical sourcing practices to reduce Cheap as Chips' exposure to modern slavery risks, as well as seeking to work with suppliers to provide appropriate remediation of modern slavery risks in the supply chain.

OUR STRUCTURE, OPERATIONS AND SUPPLY CHAIN

Cheap as Chips' business is the retail supply of quality, low price goods. Cheap as Chips operated 44 stores around Australia as well as an online store at cheapaschips.com.au.

Cheap as Chips employs more than 870 team members in Australia, with the majority employed in Cheap as Chips' stores. The balance are located at Cheap as Chips' Store Support Office, at Underdale in South Australia. Cheap as Chips engages a small number of contractors, primarily for specific project or specialist roles in the Store Support Office from time to time. 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, focussed on suburban and regional markets with a best in class omni-channel experience. Cheap as Chips is committed to the elimination of modern slavery and we recognise that the management of suppliers in our supply chains is critical to addressing these issues.

Cheap as Chips' principal product categories include daily essentials, supermarket, health and beauty, garden, pets, toys, apparel, household, furniture, hardware, party and seasonal. 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 very high 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. Cheap as Chips does not generally 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 (retail stores and Store Support Office and waste disposal services), store development services (store fit out) and other services (marketing, consultancy and professional services).

CHEAP AS CHIPS' APPROACH TO MODERN SLAVERY RISKS IN OUR OPERATIONS AND SUPPLY CHAINS

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.

Ethical Sourcing Code

Cheap as Chips' Ethical Sourcing Code sets out the minimum standards expected of Cheap as Chips and its suppliers in areas of labour, environment and governance matters. The Group commits to upholding internationally recognised human rights and to identify and address modern slavery risks which may occur in its operations and supply chains; conduct risk assessments to determine which parts of its operations and supply chains are at risk of modern slavery to enable focused and targeted efforts and reviews and comply with all applicable laws.

If suppliers are unable to demonstrate a commitment to comply with Cheap as Chips' Ethical Sourcing Code, Cheap as Chips may choose to cease trading with that supplier. Cheap as Chips' core values, which include being passionate, being considerate and being honest, are standards of behaviour that are fundamental to being who we are at Cheap as Chips. Cheap as Chips seeks to act with integrity and to use good judgement. We want all our team members to think about how our actions impact others. Cheap as Chips provides products to Australian families. We rely on their trust, as well as the trust of the communities in which we operate, our investors and other stakeholders. Our suppliers play a critical role in helping Cheap as Chips to meet our standards of behaviour and our values. Our mutual success depends on building and maintaining trust in the way each of us conducts our business. The minimum requirements stated in the Code are: being committed to the health and safety of our team; being committed to acting legally and ethically; being committed to respecting labour and human rights; being committed to communicating openly and honestly; being committed to environmentally sustainable practices. Among other things, these requirements establish minimum standards for our suppliers that require a commitment to: providing a safe and healthy working environment and taking all practical and reasonable measures to eliminate workplace injuries and illness; complying with all applicable laws and regulations and not being involved in bribery or corruption in any form; maintaining policies and practices to allow violations, misconduct or grievances to be reported by workers and addressed without fear of retaliation; ensuring all work is freely chosen without the use of forced or compulsory labour and with a zero tolerance approach to the use of illegal child labour and respecting workers' rights to lawfully and peacefully form or join trade unions of their choosing and to bargain collectively.

The Ethical Sourcing Code applies to all Group employees, contractors and suppliers. It is expected that our suppliers will always act in a way consistent with the Code and will adopt similar codes in their own operations. This is and remains a key component of Supplier Agreements which all critical and significant suppliers are required to sign annually to continue supplying Cheap as Chips.

Ethical Sourcing Procedures

Cheap as Chips has also developed Ethical Sourcing Procedures, which are progressively being introduced as a measure to ensure that Cheap as Chips' ethical sourcing expectations are met. Reflecting the size of the Company, administration of the Ethical Sourcing Procedures is undertaken by members of Cheap as Chips' buying team and overseen by Senior Management, including the Head of Buying, CEO and

CFO/Company Secretary. Cheap as Chips has made ethical sourcing a key attribute of its Supplier Agreements, including that suppliers provide results of assessments through the supply chain, including raw material sourcing and production on request. The sharing of this information with Cheap as Chips will enable risk assessments to be undertaken. The assessment of modern slavery and ethical sourcing risk can be influenced by factors such as industry and geographic location as well as some product categories. The Ethical Sourcing Procedures are intended to enable Cheap as Chips to direct its focus to those suppliers for whom modern slavery and ethical sourcing risks may appear to be more immediate.

In summary, the procedures involve the following broad steps:

Information is initially provided by suppliers through the signing of a SLA, supported by a self-assessment questionnaire, as required and is combined with industry and country-specific risk factors to arrive at an initial risk rating. The risk rating is assessed by Cheap as Chips and where the risk rating is considered to be elevated further inquiries are undertaken. These inquiries can include the supplier providing an ethical sourcing audit report to provide further information and assurance to Cheap as Chips about the supplier and its operations. Where required, Cheap as Chips' buying team will assess audit reports provided and consider instances of non-compliance identified in those reports. Where non-compliance instances are identified, Cheap as Chips may identify corrective actions that need to be taken and specify a time by which those actions need to be undertaken. If the number or extent of non-compliance identified is critical, the Ethical Sourcing Procedures specify that Cheap as Chips will not trade with that supplier. Similarly, Cheap as Chips may choose to end a supplier relationship where corrective actions have not been undertaken in the time requested. Cheap as Chips recognises the importance of assisting its suppliers and others in the supply chain to continually improve their practices. At times, this can result in better overall outcomes for all relevant stakeholders in the supply chain. Of course, where parties have not achieved significant improvement in respect of identified issues over a period of time, the appropriate response to manage the corresponding modern slavery and ethical sourcing risks may be to cease to deal with that element of the supply chain.

Cheap as Chips intends conducting in-person reviews of suppliers in key markets, primarily China, when the relevant buyer is visiting the supplier or suppliers' factories. Due to COVID-19 travel restrictions, no field reviews were able to be conducted in FY2021. It is anticipated it could be FY2023 before such in-person reviews are possible. As an alternative in FY2021, representation was obtained from a sample of key suppliers that they had reviewed and determined the risk of modern slavery in their supply chain (including factories they obtain product supplied to Cheap as Chips from).

Governance arrangements

Cheap as Chips' CEO and CFO/Company Secretary has oversight of Cheap as Chips' processes to manage modern slavery risks.

Training

During the financial year, Cheap as Chips' merchandise team received training in respect of modern slavery and the risks that exist in Cheap as Chips' supply chains. Further training will be provided in the year ahead.

Whistleblower Protection Policy

Cheap as Chips has a Whistleblower Protection Policy which is intended to ensure that concerns regarding unethical or illegal practices, which includes modern slavery concerns, can be reported. For the purposes of the policy, reports can be made via an independently operated whistleblower hotline. Reports can be made anonymously, and Cheap as Chips' whistleblowing protection processes are intended to ensure that the anonymity of people making whistleblowing reports is protected as required by the Whistleblower Protection Act. Where issues are investigated and substantiated, Cheap as Chips will take appropriate action.

Measuring effectiveness

Cheap as Chips has a focus on further developing the systems it has in place for ensuring ethical sourcing. In the years ahead, Cheap as Chips has a goal of expanding the range of suppliers who are complying with

its ethical sourcing procedures, completing risk assessments and, where necessary, undertaking corrective actions.

CONCLUSION

Cheap as Chips acknowledges the importance of seeking to ensure that modern slavery is eliminated from our supply chains and we understand the role we can play in achieving that. The steps we have undertaken are the beginning of our efforts in this area. We are committed to the ongoing delivery of our initiatives and working with our stakeholders to contribute to the elimination of modern slavery.

This statement was approved by the Boards of Cheap as Chips Discount Stores Pty Ltd and Palcove Pty Ltd.

Signed

Nick Abboud

CEO and Managing Director

Cheap as Chips Discount Stores Pty Limited, Palcove Pty Limited