

**Modern Slavery
Statement
FY24**

koala



Message from the Founders

Koala's motto of "furniture made good" is made good by the many people on farms, in forests, in factories and in warehouses who contribute to our supply chains. Our commitment to those involved in our supply chains is anchored within our Sustainability Strategy through a core pillar of "Community", under which we will continue striving to support, protect and empower people across our supply chains (including our own team members).

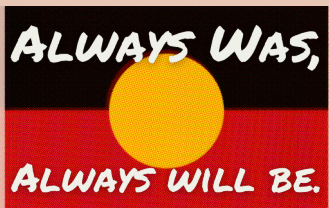
During the reporting period, Koala continued to focus and refine our approach to identifying and mitigating modern slavery risks in our supply chains. We created a dedicated role within the business to lead and drive actions improving human rights due diligence. It has also allowed Koala to provide enhanced training for employees, have deeper engagement with product supply chain vendors and undertake reviews of key policies.

As part of our refined Sustainability Strategy, we kicked off an internal review of how we can capture the voice of workers within our higher risk supply chains. We also increased our focus on assessing risks in our non-trade operations supply chains during the reporting period.

Collaboration and partnerships have continued to be an important part of our approach to all facets of sustainability in our business. Koala has increasingly leveraged various memberships, including as a Sedex member, to improve the way we identify and manage the risk of modern slavery in our supply chains. It also reminds us that actions taken together by businesses to combat modern slavery will have the greatest impact for the people most impacted.



Dany Milham and Mitch Taylor
Founders - Koala



We acknowledge the continuous care and custodianship by the Gadigal of the Eora nation for these lands we work on, as well as the Arakwal people of the Bundjalung Nation for the lands and waters where the Koala origin story began. We pay respect to Elders past and present and acknowledge them as the traditional owners of country and commit ourselves as allies.

Introduction

K Sleep Holdings Pty Ltd (ABN 48 619 538 671) is the parent company of:

- Koala Sleep Pty Ltd in Australia (ABN 18 605 237 090);
- Koala Sleep Japan KK in Japan;
- Koala Home SK Co. Ltd. in Korea; and
- Koala Inc in the United States of America.

K Sleep Holdings Pty Ltd is an Australian Private Company. The registered office details are:

K Sleep Holdings Pty Ltd
12/37-41 O'Riordan St
Alexandria, NSW 2015
Australia

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

Koala designs a range of mattresses, furniture and homewares in Australia, partners with third party vendors to manufacture our products, and to sell our products in an online e-commerce experience, in Australia, Japan and the United States of America.

This joint Modern Slavery Statement has been prepared in conjunction with all companies we own or control, through an engaged consulting 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 30 June 2024 in accordance with the *Modern Slavery Act 2018* (Cth, Australia) (the **Act**).

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;
- complying with all applicable national and international laws relating to modern slavery including (but not limited to) the *Act* and *The Uyghur Forced Labor Prevention Act* (United States of America).

Our Structure & Operations

Our Operations

K Sleep Holdings Pty Ltd (ABN 48 619 538 671) is the parent company of:

- Koala Sleep 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; and
- Koala, Inc, an online furniture retailer incorporated in Delaware, United States.

K Sleep Holdings Pty Ltd is a registered Australian Private 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.

During the reporting period, Koala employed a total of 236 people. The below table summarises this.

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.

Our Product Supply Chain

Tier 1 vendor overview

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

Our Structure & Operations

During the reporting period, Koala sourced products from 16 Tier 1 vendors across four (4) 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 three (3) of these Tier 1 vendors, we dealt through an agent or intermediary.

Tier 1 Product Vendor Sites

	Australia	China	India	Thailand
Furniture & Mattress	1	13	-	1
Bedlinen & Pillows	-	4	-	-
Rugs & Homewares	-	-	2	-

In addition, our Tier 1 vendors also source various raw materials used to produce Koala products, including:

- timber, which is used for solid, veneer, engineered materials like Plywood, lyocell fabrics and cardboard packaging;
- steel that is used in hardware and within other components used in our products; and
- cotton that is used in selected products.

In some cases, these raw materials are sourced from countries different from the country in which their production site is located.

The countries from which some raw materials and outputs from key processes are sourced is shown in the infographic on page 5.

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 80% of our spend in these supply chains, the breakdown is as follows:

- 52% warehousing, logistics and deliveries (including last mile, freight forwarders and couriers);
- 41% marketing and promotional services (including online, traditional media, advertising agencies and associated services) and professional services, (including recruitment, insurance and consulting services) and;
- 7% IT and similar technical services.

Tier 2 vendors and beyond

Our Tier 1 vendors rely on 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:

- textile processing (such as spinning and knitting);
- timber processing (such as veneering and producing engineered timber);
- metal processing (such as cutting, shaping and finishing);
- finished components (such as hardware for assembly); and
- production of chemicals that are used in product materials (such as polyester and polyurethane foams).

Our Business

koala

236
Total Employees

82%
Directly Employed

Our Main Locations

	Australia	Japan
Employees	174	44
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:

- Warehousing & logistics;
- Marketing & promotional services;
- IT & technical support; and
- Professional services

Product Supply Chains

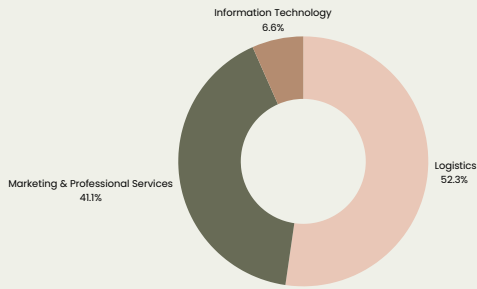
All the supply chains that supply Koala the products we sell to our customers. This includes:

- Raw materials;
- Processing inputs; and
- Assembly, finishing and packing

Our Structure & Operations

This spend was split at around 73% in Australia, 23% in Japan and the remainder in other countries (such as the United States). 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.

Purchases in Operations Supply Chains



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 maintain 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-Corp’s review;
- reflected in our corporate governance documents that we are accountable to all stakeholders, not just shareholders; and
- exhibited transparency by allowing information about its performance measured against B Lab’s standards to be publicly available on Koala’s B Corp profile on B Lab’s website.

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 Chain and Operations”, we detail how our Sedex membership has been leveraged to identify and manage risks in our supply chains.

Our Structure & Operations

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\$3.5million 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.

Donations to charities and community partners

During the reporting period, Koala donated over 3,000 products to 77 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. Notably, Koala donated ¥18M to support relief efforts from the earthquake that hit the Ishikawa prefecture in January 2024.

Our Partnerships with Indigenous Australia

Koala continued to support The Karrkad Kanjaji 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 second Reflect Reconciliation Action Plan (RAP) was completed for the period May 2023 – May 2024.

Sedex | Member

WWF

1% FOR THE PLANET

Certified B Corporation

Koala's Certifications and Memberships

Risks within our Supply Chain and Operations

During the reporting period, Koala continued to refine its methods for identifying and understanding the risks of modern slavery within its supply chains and operations.

Understanding inherent risks

We continue 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.

The Sedex application, *Radar*, allocates an inherent risk score to a particular country and industry sector based on information from a range of sources, along with data collected from sites within the Sedex platform. The sources of this information include data collected from third parties, such as the International Labour Organisation (ILO), the United Nations, Yale University 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
- for products, 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 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 on the Sedex platform to measure the site specific risk for a particular vendor's site based on:

- inherent risks for the relevant country and sector(s);
- management controls to identify and mitigate risk;
- site characteristics (such as workforce size, type of work and labour intensity);
- answers from the Self Assessment Questionnaire (SAQ); and
- Audit results.

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.

Risks within our Supply Chain and Operations

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:

- 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 information on pertinent risks in supply chains.

Risks in our Product Supply Chains

Our product supply chains remain 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.

We are aware that the potential inherent risks extend throughout this supply chains down to the origin of raw materials. As part of our assessment, we have highlighted in the infographic on the following page the inherent risks identified for countries, sectors and raw materials involved in our product supply chains using the Sedex analytic tools.

Complexity in product supply chains

We recognise that, in a number of circumstances, 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 production becoming more complex and involving more jurisdictions.

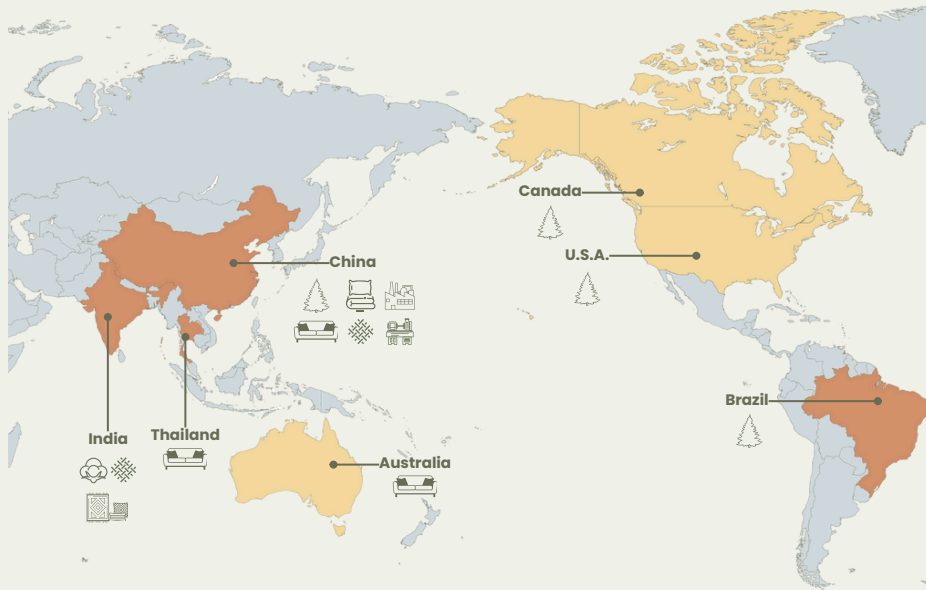
An example of this complexity was identified in our analysis of the supply chain for cotton used in the ticking for one of our mattresses. Our analysis showed that the cotton was grown and harvested in India and processed in Vietnam, before it was then used to knit and finish the ticking in China. The supply chain for this product traversed five identified tiers of vendors operating across three countries.

In other instances, we have identified that some of our key vendors have materials or processes vertically integrated, such as polyurethane foam production facilities that they manage, or their own forests to log timber, which shortens supply chains, increases transparency and reduces risk.

Where possible, Koala supports its vendors to build their capability and obtain third party certifications that incorporate requirements relating to labour standards and chain of custody, to mitigate complexities for certain materials. These certifications are highlighted in the section titled "Assessing and Addressing Modern Slavery Risks". We acknowledge, however, that no one certification scheme can guarantee complete assurance it is free of modern slavery. As such, we supplement the use of these certifications with our own due diligence actions when assessing the countries, vendors and raw materials that are used in our products.

Risk within our Supply Chain and Operations

Inherent Risks in Koala's Product Supply Chains



Raw Materials	Tier 2 & Below	Tier 1 Vendors	Inherent Labour Risk
Timber	Textile Processing	Pillows & Bed Linen	Medium
Cotton	Chemical Processing for Foam & Polyester	Furniture	High
	Manufacturing of Plastic components	Rugs & Homewares	No direct sourcing

As Koala's business grows and new vendor relationships are formed, the work undertaken to identify risks of modern slavery remains incredibly important. In addition, Koala recognises that certain countries have unique risks due to economic and geopolitical factors that have resulted in some sectors (including manufacturing) attracting a high percentage of low-skilled foreign migrant labour from poorer nations.

For example, in assessing the risks associated with sourcing from vendors in Thailand, Koala identified that the unstable circumstances in Myanmar has increased the likelihood of people fleeing across the border to Thailand, where an ageing population means there is greater demand for unskilled, younger workers.

Risk within our Supply Chain and Operations

In seeking work, they are often hired through unregulated and informal recruitment channels, which can lead to higher risks of exploitation, trafficking and debt. Although Thailand is working to improve the protection of vulnerable workers through engagement with businesses, NGOs and others, the inherent risk of modern slavery in these circumstances remains high.

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.

Forced and child labour risks are well documented in the cotton industry, which unfortunately includes state sponsored slavery.

As an example, the risk of child labour, debt bondage and abusive working conditions in India's cotton industry was highlighted in an interim report by Transparentem released in June 2024 (Opportunities and Challenges in India's Cotton Sectors).

Risks in our Corporate Operations

During the reporting period, we undertook a review of our corporate operations supply chains to update our assessment of the risk profile associated with these activities. Although most of these supply chains have a low-to-medium inherent risk of modern slavery, there are certain activities (such as transport by couriers and commercial cleaning) that have a higher potential for labour risks.

Inherent Risks in Koala's Operations Supply Chain

Logistics Low - Medium Inherent Risk



- Higher percentage of casual and migrant labour.
- Japan and Australia have broadly similar risk levels. USA has slightly elevated labour and workplace health and safety risks
- Our risk assessment found couriers were a sector with an elevated inherent labour risk.

Marketing & Professional Services Low Inherent Risk



- Generally lower risk due to composition of the workforce and vendors' mature human rights policies.
- Around 80% of our spend was with vendors that published a Modern Slavery Statement or similar Human Rights Policy.
- Around 60% of our spend was with vendors that published a vendor code of conduct.

Risk within our Supply Chain and Operations

Risks in our Own Employment Practices

Within our own employment practices 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.

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, as well as providing 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 (updated during the reporting period);
- *Respectful Workplace Behaviours @ Koala* (updated during the reporting period);
- Anti-Corruption Policy;
- Whistleblower Policy;
- Work, Health and Safety Policy;
- Modern slavery training and awareness;
- Supply Chain Vendor Due Diligence (updated during the reporting period); and
- Supplier Code of Conduct (updated during the reporting period).

Key Highlights from FY24: Internal Governance and Policies

Specific role to focus on Human Rights Due Diligence

During the reporting period, Koala created a new role, Director of Ethical Supply Chains and Product Sustainability, to provide a greater focus on driving awareness of modern slavery risks and working with stakeholders to improve risk assessments, mitigations and continuous improvement in our supply chains.

Update to our *Respectful Workplace Behaviour @ Koala Policy*

Our *Respectful Workplace Behaviour @ Koala* policy sets out the standard of workplace behaviour expected at Koala. This policy is an important point of reference for our employees, contractors and other personnel, as we aim to create a safe and inclusive work environment that is free from bullying, harassment, sexual harassment, discrimination and victimisation.

During the reporting period, this policy was updated to include a grievance mechanism for complaints. In addition, Koala employees based in Australia and Japan received training on this policy during the reporting period as part of a broad training module on workplace health and safety.



Assessing and Addressing Modern Slavery Risks

Enhanced Employee Training & Awareness of Modern Slavery Risks

We continued to provide modern slavery awareness training to new employees during their induction. This training was updated to include more up-to-date information, such as global statistics on the prevalence of modern slavery, risks for specific products and materials and Koala's due diligence processes.

In addition, key team members of Koala's Product team (which includes those in buying, design and quality assurance roles) received specific and bespoke training that covered topics such as:

- a refresher on modern slavery risks;
- inherent risks for products Koala sells and countries they are sourced from;
- understanding key input risks that go into a finished product;
- risks for specific raw materials, such as cotton; and
- an update on our review of active vendor risks, and how we are managing and mitigating those risks.

The Director of Ethical Supply Chains and Product Sustainability attended training, webinars and conferences to enhance their skills and capacity. Many of these forums were facilitated through Koala's membership of Sedex and the National Retailers Association. The sessions included information on specific country and broader thematic risks, and understanding risks associated with migrant labour.

Broader awareness of modern slavery risks across Koala was supported by reporting key risks and actions in an internal FY24 Impact Report and presentations to Koala's Sustainability Guild on initiatives around strengthening our due diligence.

Key Highlights from FY24: Product Supply Chain

Updated Due Diligence Process

For our product supply chains, we enhanced this process in key areas:

- how we undertake risk assessments for existing vendors and country / sector risks;
- onboarding new vendors;
- monitoring & enforcement; and
- focusing on continuous improvement.

Updated Code of Conduct for Supply Chain Partners

During the reporting period, we engaged Anti-Slavery Australia to undertake a review of Koala's Code of Conduct for Supply Chain Partners (the **Code**). We also reviewed the document internally with a view to considering business strategies and future sourcing opportunities, as well as benchmarking the Code against similar publicly-available documents of other retailers.

Updates that were made to the Code following these reviews included:

- adding an express reference to the Uyghur Forced Labour Prevention Act (UFLPA) in relation to our prohibition on using forced or child labour;
- providing greater transparency around how the Code will be monitored and enforced;
- clarifying that the requirements of the Code apply to not only the vendor, but also its employees, contractors and the vendor's own supply chain; and
- specifically require Tier 1 vendors to have written policies and procedures to:
 - identify the age of workers prior to hiring;
 - allow for worker committees or similar groups to be formed where local laws do not permit unions;

Assessing and Addressing Modern Slavery Risks

- prohibit bribery and corruption;
- ensure there is a grievance policy available to workers that is accessible, predictable, equitable and accountable;
- protect migrant workers by requiring clear, understandable contracts, no fees or hiring deposits and transparency with third party labour hire firms;
- ensuring a workplace health and safety committee is in place; and
- maintain transparency of their own supply chains and ensure it meets the requirements of the Code.

Risk Assessments

During the reporting period, we undertook a number of specific risk assessments to inform the business of modern slavery risks and recommended mitigations. This included a comparative risk assessment of a number of countries in furniture and textiles manufacturing that extended to key inputs and raw materials (such as cotton).

Managing Supply Chain Complexity through Certification

As noted on page-four, increased levels of complexity and a lack of transparency often exists where there are a greater number of vendors in the supply chain and/or there are a number of stages in sourcing and production processes. This is particularly true where supply chains cross international borders. To assist with mitigating the risks associated with this, Koala requires vendors that source a number of raw materials to have third party certifications that incorporate labour standards and/or chain of custody requirements to verify the supply chain.

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), which is based on the eight ILO Core Labour Conventions. Certificate holders are also required to promote gender equality, protect workers from occupational hazards and meet agreements on wages

Wool

The woollen rugs we sell are certified to the Responsible Wool Standard (**RWS**). RWS has requirements for farms to:

- not engage forced or compulsory labour (as defined in ILO Convention 29);
- not hire workers under the age of 15 or legal minimum (with specific requirements where a farmer engages their own children);
- ensure workers under the age of 18 are not engaged in the worst forms of child labour or hazardous work (as defined in ILO Convention 182);
- have respectful workplaces, free from discrimination, freedom of association and collective bargaining; and
- ensure wages and conditions that meet the local legal minimum or collectively bargained wages (whichever is higher).

Individual vendor sites that process wool for use in Koala products are certified by independent third-party certification bodies through annual audits. All wool used in products sold by Koala during the reporting period was sourced from New Zealand.

Assessing and Addressing Modern Slavery Risks

Cotton

While cotton is not widely used in Koala’s products, due to the previously identified inherent risks of child and forced labour in this industry sector, we continue to work with our Tier 1 vendors to ensure mitigation of the inherent risks identified in the sourcing of cotton. During the reporting period, Koala sold products with certifications such as the Global Organic Textile Standard (GOTs) and Organic Cotton Standard (OCS) to verify the chain of custody and origin of the cotton. GOTs has human rights requirements based on the ILO, United Nations Guiding Principles and OECD norms, which requires a social compliance management system to be implemented within the supply chain (including a prohibition on forced and child labour).

In other instances, we worked with Tier 1 and Tier 2 vendors to verify the origin of the cotton they had sourced using certificates and other documentation. During the reporting period, Koala onboarded two new Tier 1 vendors and the sourcing of cotton was discussed directly with these vendors to understand the sourcing origin and mitigate the risk of modern slavery in the sourcing of these materials.

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:

- BSCI (Business Social Compliance Initiative);
- ICS (Initiative for Compliance and Sustainability);
- 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 Verisio).

Broadly, these audits independently assess a vendor’s site against the following criteria:

- freely chosen employment;
- freedom of association and the right to collectively bargain are respected;
- working conditions are safe and hygienic;
- forced and child labour are not used;
- living wages are paid;
- working hours are not excessive;
- no discrimination is practised;
- regular employment is provided;
- subcontracting and home working;
- no harsh or inhumane treatment is allowed;
- environmental standards; and
- systems and policies to identify and manage risk.

Audits conducted during the reporting period

Tier 1 vendors

- 11 Ethical Audits (BSCI, ICS, SMETA or QIMA Ethical Audit)
- 2 Technical Audits (QIMA Technical Audits)

Tier 2 vendors

- 2 Ethical Audits

Prospective vendors

- 2 Ethical Audits

Assessing and Addressing Modern Slavery Risks

Third Party Audit Non-Conformities

The following infographic below outlines the number of non-conformances identified in respect of audits undertaken of Tier 1 vendors during the reporting period, where the results have been grouped against the BSCI criteria.

As the number of audits will vary from year to year, comparing the prior year’s performance is often not helpful. However, measuring the average number of non-conformances can provide a better indication of incremental improvements by our vendors over time. The average number of non-conformances for the reporting period was stable as compared with the previous reporting period.

Corrective Actions and Continuous Improvement

Koala worked with vendors, and will continue to work with vendors, on improving and closing out identified non-conformances found during these audits.

For selected vendors, we worked with them to enhance their understanding on modern slavery and its risks. We used Sedex risk tools to highlight the strengths and weaknesses of their management controls and specific characteristics to identify and work on improvements. Some examples of these included:

- A vendor whose risk profile was higher due (in part) to its small size and workforce composition. We identified that policies and processes around regular employment and child/young workers could be strengthened. The factory worked on improving these policies and updating their Self Assessment Questionnaire. We had additional focus on closing corrective actions from audits to further reduced risk.
- After on-boarding a major vendor onto Sedex, we used the risk tools to identify any gaps in management controls and found that discrimination policies could be improved. The vendor has begun work on strengthening these policies.

Key Audit Highlights

Only a few non-conformities were identified during our audit processes. The most common type related to workplace health and safety, where non-conformities included workers not wearing personal protective equipment (PPE), chemicals being stored without secondary containment and guards missing on machines. Koala worked with vendors to improve and close out the identified non-conformances found during these audits.

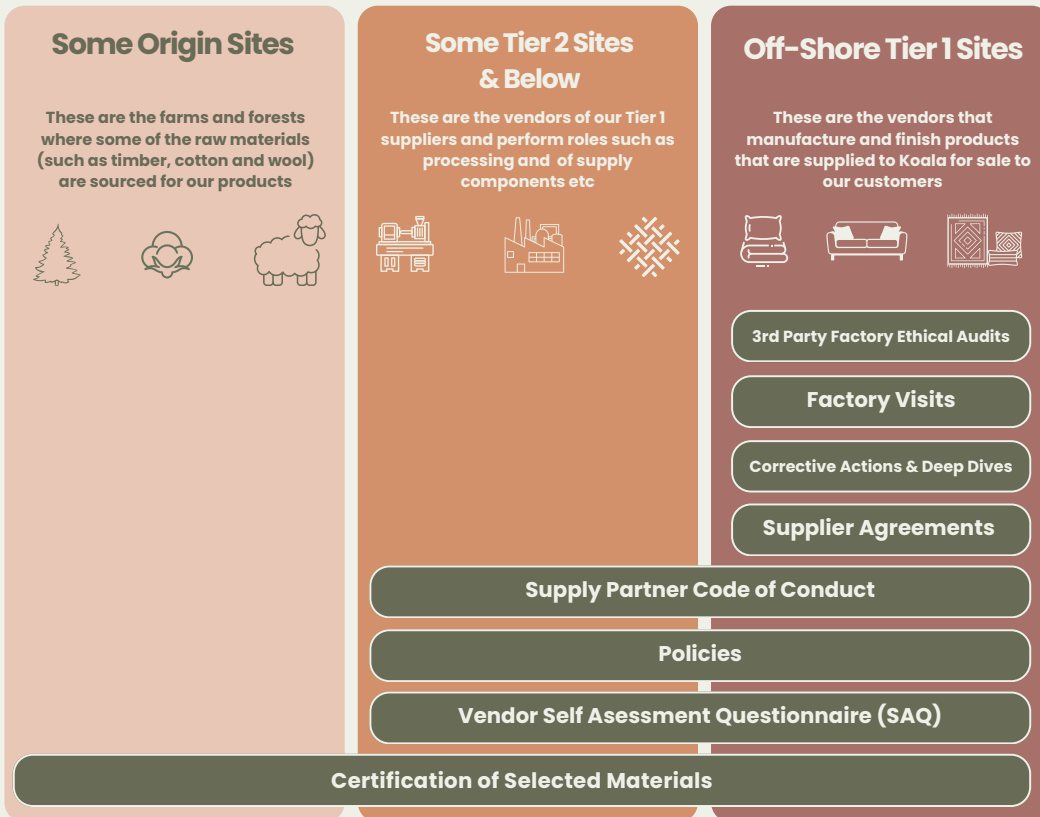


180 Workers interviewed during audits

Zero Non Conformities found relating to discrimination, freedom of association bonded and child labour

Assessing and Addressing Modern Slavery Risks

Our Key Product Supply Chain Mitigations

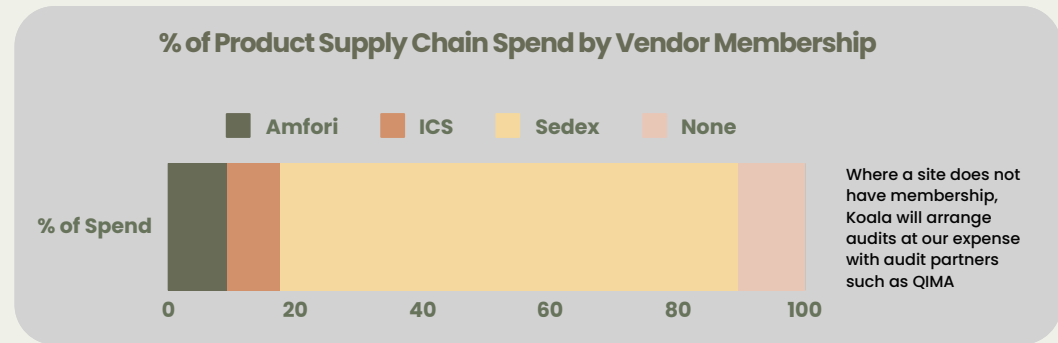


Increasing Ethical supply chain membership

As Koala increased its use of Sedex's risk tools, we have also encouraged product supply chain vendors to become Sedex members to further enhance the transparency of their supply chains and drive improvement. During the reporting period, our largest vendor by spend, which has three active sites and one prospective site, became a Sedex member.

Based on our spend during the reporting period, over 90% of this spend was with vendors that are members of either BSCI, Sedex or ICS and are audited to their respective standards.

Assessing and Addressing Modern Slavery Risks



Greater focus on our operations supply chains

During the reporting period, we increased the focus on our operations supply chains, where we worked to improve our understanding of the risks of modern slavery in these supply chains and the approaches taken by these vendors to mitigate those risks.

With an initial focus on the top 80% of spend in our operations supply chain, we undertook a review of labour risk and the level of mitigation undertaken by these vendors. This review included identifying whether the vendor has:

- a publicly available modern slavery statement or statement/policy human rights due diligence;
- a publicly available code of conduct for the vendors in its own supply chain; and
- signed Koala's Supply Partner Code of Conduct.

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.

Integrating the workers' voice

During the reporting period, Koala commenced a review of services offered by third parties that would provide workers in our product supply chains an opportunity to give direct feedback to Koala on their working conditions by way of a survey. These surveys typically allow feedback to be given in an anonymous, culturally respectful and technologically accessible way. The results of these surveys will help to ensure the workers in our product supply chains have a voice, which we anticipate will further support us in identifying and mitigating modern slavery risks in our product supply chains.

Assessing the Effectiveness of our Actions

Our Key Metrics

Our improvement against these key metrics will enhance Koala's ability to identify and mitigate the risk of modern slavery in our supply chains and operations.

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 used indicators such as Management Control scores to identify areas where vendors can improve and use it to broadly measure the product supply chain's health.

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

The metrics we use to measure effectiveness

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

We continue to refine our internal metrics across these areas to better understand how effective Koala is at addressing the risk of Modern Slavery.

Summary of Key Activity

The table outlines some the key activities that Koala was focused on during the reporting period, activities that were completed and a new opportunity that was identified

Status	Activity
New	<ul style="list-style-type: none"> • Continue review of options for integrating the workers' voice into Koala's due diligence process through a third party service
Completed	<ul style="list-style-type: none"> • Supplier code of conduct updated • Internal grievance policy introduced • Updated due diligence process for product supply chains • Began enhanced training and awareness for Koala team members
Ongoing	<ul style="list-style-type: none"> • Refining our due diligence processes for Koala's operations supply chains • Encouraging more vendors in our supply chain to join Sedex • Engagement with product supply chain vendors below Tier 1

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 2024 and was approved by Dany Milham (CEO) and our Board of Directors on 29 November 2024.



Dany Milham
 Chief Executive Officer
 K Sleep Holdings Pty Limited
 On 29 November 2024

Appendix

This Modern Slavery Statement was prepared in accordance with the criteria set out in the *Modern Slavery Act 2018* (Cth, Australia). The table below outlines where information related to each mandatory reporting criteria can be located within the report.

Mandatory Reporting Criteria	Where this reporting criteria is found in our statement
Identify the reporting entity	<ul style="list-style-type: none"> • Introduction
Describe the structure, operations and supply chains of the reporting entity	<ul style="list-style-type: none"> • Our Structure & 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Assessing and Addressing Modern Slavery Risks
Describe how the reporting entity assesses the effectiveness of such actions	<ul style="list-style-type: none"> • Assessing the Effectiveness of our Actions
Describe the process of consultation with any entities that the reporting entity owns or controls	<ul style="list-style-type: none"> • Consultation and Approval of Statement
Provide any other information that the reporting entity, or the entity giving the statement, considers relevant	<ul style="list-style-type: none"> • Message from the Founders • Summary of Key Activities



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