

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 FY21/22 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 many of our styles 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. In 2022, we became a member of the Australian Fashion Council (AFC), the peak body for the Australian fashion and textile industry. At the end of 2022, AFC named Cue among the first cohort of brands to be accredited with the first ever Australian Fashion™. The trademark aims to promote Australian fashion brands that prioritise people and planet together with profit to lead a legacy of thriving prosperity.

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 55 years on and we still manage our head office of 97 employees in Sydney, Australia. We operate 169 retail stores across Australia and New Zealand with over 691 retail employees (14.2% part-time, 22% full-time and 63.8% casual) who are directly employed across our business operations.

Our product categories include apparel and small quantities of accessories such as belts, bags and jewellery.

OUR PRODUCTION

Our designs:

Every Cue Clothing Co. design, for both Cue and Veronika Maine is created 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, Turkey, China, Italy, France, Japan, Bulgaria and a small quantity from Spain and Indonesia. We manage our own Sydney based fabric warehouse which stores all the fabrics and trims used to manufacture in Australia. 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).

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, China and Vietnam.

We are extremely proud to be one of the largest manufacturers of fashion in Australia. 72% of Cue and 60% of Veronika Maine production is based in Australia.

We work with ten (10) Tier 1 domestic suppliers, many of which we have worked with for over 20 years. We have also been proudly accredited by Ethical Clothing Australia (ECA) since its inception in 2010.

The remainder of our production is based offshore where we engage twelve (12) Tier 1 suppliers. These suppliers are predominately located in China (69%) and Vietnam (27%) with small volumes of manufacturing in India and Turkey. 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 and used only when required.

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

We also utilise 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 or offshore production, is a complex process that requires constant governance. We aim to continually assess our production to ensure we mitigate the 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.

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.

All of our Tier 1 suppliers undergo a social compliance audit every two years. In Australia, this is managed by ECA who ensure that indicators of modern slavery risk are identified and rectified. For our offshore suppliers, we contract a third-party auditor or agree to recognise authorised audits provided by our suppliers in order to reduce audit fatigue on the factory.

We continue to uphold our supply chain governance through our Modern Slavery Policy and our Discrimination and Whistle Blower policies which apply to all Australian operations. Within our Modern Slavery Policy, we've developed a remediation process to ensure workers who suffer any form of modern slavery are always protected and maintain control of their situation. Our local Australian suppliers are monitored by ECA who ensure that our operations are compliant with Australian legislation and all Australian garment workers have access to their legal entitlements and receive fair and ethical treatment.

We have implemented governance controls to the majority of our Tier 1 suppliers via a confidential grievance mechanism for factory workers as an additional support measure for workers. This mechanism will continue to roll out to the remainder of our supply chain over 2023.

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 an incredibly important part of 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 led 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 accreditation, we also actively engage or hold memberships with other organisations who aim to protect supply chain workers. These include 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 Good Earth Cotton and FibreTrace®.

Over the years we have worked to maintain a small, professionally managed supply chain which enables us to work closely with our suppliers and manage our expectations. Whilst our supplier count is already small, we are always looking for opportunities to consolidate.

We categorise our manufacturing into tiers so we can better understand our supply chain and the different stages of production. 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 factories where all stages of production occur in the same factory.

Through our close working relationship with our suppliers, we have sound knowledge 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 suppliers 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 and identify the spinners and mills our suppliers use. 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 continued to undertake 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. A 2021 review of our sourcing program

identified areas of our supply chain governance that could be improved. This resulted in the implementation of a Code of Conduct and Supplier Contract to ensure our expectations were clearly defined. We have implemented our Code of Conduct and are working through the roll out of our Supplier Agreement.

Training is also a key call out for our business for the year ahead. We recognise that 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 capability and capacity 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 this risk. All local factories including sub-contractors are audited 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 to ensure we only onboard new suppliers that meet the expectations outlined in our Supplier Agreement. This process includes reviewing the factory standards through external third-party social compliance factory audits, factory pictures and capacity and capability assessments.

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.

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 have also implemented a confidential grievance mechanism for the majority of our suppliers and their factory workers. This will be rolled-out to our remaining suppliers in 2023.

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 to ensure 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 continue to adopt external resources to educate our team and implement best practice expectations.

The uniqueness and importance of our supply chain is communicated with our staff members from day one, whether they work in our design studio, our stores or our warehouses. During onboarding and throughout their employment, all staff members receive training on the brand's history and operations. It is imperative that staff members 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 oriented. We take reports of discrimination, bullying and harassment in the workplace very seriously and have a zero-tolerance approach to matters of this nature. As per our whistle blower policy, employees may raise concerns through our formal grievance channels 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 concealed or overlooked.

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 in a group environment about 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 third year in a row, our business and our supply chain experienced continual operational challenges as a result of COVID-19. At many points during the last three years our domestic and international suppliers were closed or working at a drastically reduced percentage.

During the pandemic we have upheld responsibility for our supply chain and more importantly, the workers within it. We continue to instruct our affected partners to only commit to realistic delivery timelines. We continue to move internal release dates to accommodate a safe and reasonable manufacturing timeline and suppliers are not penalised for delays that are outside of their control.

Approval

This 2021 Modern Slavery statement was approved by the Board of Directors of Cue Clothing Co. on 16 December 2022.

A handwritten signature in black ink, appearing to read 'Mr Rod Levis'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mr Rod Levis

Chairman of the Board

16 December 2022