

Modern Slavery Statement

December 24, 2021

koala

At Koala, we do things a little differently and we don't shy away from acknowledging that there's always room to improve. We believe that simply doing 'no harm' isn't good enough and business can only thrive if society and nature thrive too. We have the energy and the spirit to focus on 'what's next' but we always take the time to review where we have come from and what can be improved.

At Koala we are playing the long game and our vision is to continue providing brilliant and consciously designed furniture, that is made in an ethical and sustainable way, that our customer will love and keep.

Mitch Taylor, Founder Koala

Certified



Corporation

Introduction



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

We're working hard to make our business and products more than just sustainable. We want to be Thrivable. This challenges us to find positive outcomes and impacts. We believe that simply doing 'no harm' isn't good enough and business can only thrive if society and nature also thrive. So we're making 'thriving' our version of business as usual.

As we continue to build strong relationships with partners throughout our supply chain who share our values and ethics, we recognise that there are still inherent risks of modern slavery within the many tiers of our supply chain. Modern slavery can occur in many forms including; trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour.

Koala has an ongoing commitment to operate responsibly and take all reasonable steps to ensure there is no form of modern slavery within our supply chains or throughout any other area in our business. This includes encouraging all our supply partners to promote best practices and a continuous improvement approach within their own networks.

This 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 intend to take to address any risks and requirements, and an assessment of the effectiveness of current actions across our business operations and supply chain over the financial year ending 30 June 2021 in accordance with the Modern Slavery Act 2018 (the Act).

The statement has been reviewed and approved by our Management Board and covers K Sleep Holdings Pty Limited (the holding company) and all subsidiaries.

Our commitment

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

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

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

- Supporting workplaces that are free from any form of discrimination, 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,
- Support 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, and
- Striving to be a leader in helping habitats thrive

Our structure, operations, and supply chain

Koala is a leading online mattress and furniture retailer, that genuinely values environmental and social capital, with a mission to leave the world a better place than we found it.

First registered in April 2015, we are proudly certified as a B Corporation that is committed to making sure we have a positive impact socially, economically, and environmentally. Since we've launched we have been donating our products to help communities when they need a little kindness. We also make regular donations to the World Wildlife Fund (WWF) with our symbolic buy one, adopt one business model. We support organisations like Common Ground and Mardi Gras. Our charitable donations have regularly exceeded 2% of our gross revenue enabling Koala to be certified by 1% for the Planet.

Currently, our team consists of 220 people based in Australia, Japan, and Korea, growing over 100% since the previous reporting period. Our registered office and principal place of business within Australia is located in Sydney, with additional offices located in all other countries of operation.



Current Koala team by location



Our operations are primarily focused on design, third party manufacturing, sales and delivery of uniquely “Koalafied” products such as our award winning mattress, bedding, sofas and sofa beds, and our popular tool free assembly furniture.

From supplier mapping we undertook during the reporting period, 37 suppliers represented around 80% of our supply chain.

Products that we currently sell are sourced directly from a number of countries, including Australia, China, and Europe. We also procure a range of products and services that help support and facilitate our business operations, such as third party warehousing, logistics and transport, procurement, marketing, cleaning, security, utilities, and other professional services.



Operations & Supply Chains

Supply Chains Only

Our governance and policies

We continue to draw on international standards and best practice guidance alongside annual assessments of the effectiveness of actions already undertaken. This helps us to align with our ongoing commitment to combat modern slavery in all its forms through continued improvement on our current systems and controls.

Humans at the heart of our ethical and sustainable supply chain			
Awareness and Education	Ethical and Sustainable Operations and Supply chain	Victim Centred	Impactful Collaboration
Anti-slavery education and awareness of the conditions that enable it	Drive anti-slavery commitments through robust supply chain policies and procedures	Ensure a victim centred approach with a support mechanism	Collaborate with and engage external and internal stakeholders to ensure best practices

In the past 12 months as part of our planned continued improvements, Koala introduced a new Ethical Supply @ Koala Framework. It embeds risk management practices throughout all levels of our organisation across our entire supply chain.

Supporting policies of this framework include:

- Supplier Guide and Code of Conduct[^]
- Workplace Behaviours (Conduct @ Koala)
- Diversity and Inclusion Framework
- Work, Health and Safety Policy
- Whistleblower Policy (Speak up @ Koala)
- Anti Modern Slavery Framework[^]

Our Anti-Modern Slavery Framework, which will be implemented within the organisation over the coming reporting period, outlines the four pillars of focus which will continue to drive best practice and continuous improvement strategies specific to combat modern slavery in all its forms.

Governing this framework is the Audit and Risk Guild (ARG) which meets monthly, or more frequently as required. The ARG, inter alia, assists the board to assess the effectiveness of our risk management strategy.

Whistleblower policy – Speak up @ Koala

The Koala whistleblower policy is embedded throughout our operations and supply chain to provide an independent confidential channel for any employee, contractor or supplier to report any suspected or actual unethical, illegal, corrupt, fraudulent or undesirable conduct.

[^] Introduced, or reviewed and updated during the 2021 reporting period.



Supplier Guide and Code of Conduct

As part of our continual improvement program, our Supplier Guide and associated Code of Conduct was reviewed during the reporting period which introduced new requirements related to modern slavery.

Together, this Guide and Code of conduct sets out how we expect our supply partners to conduct business in relation to the following:

Human Rights

- Modern Slavery and Compulsory Labour
- Child Labour
- Discrimination
- Harassment and Abuse

Working Terms

- Fair Wages and Allowances
- Working Hours
- Disciplinary Actions and Punishment
- Freedom of Association

Safety and the Environment

- Safe Working Conditions and Practices
- Environmental Policy and Practices

Business Accountability

- Compliance with Local Laws
- Ethical Business Practices and Policies (inc. Bribery and Corruption)
- Appropriate Management Systems and Training
- Appropriate Reporting and Documentation

Compliance with this Supplier Guide and Code of Conduct is built into our standard trading terms and conditions with suppliers. It is assessed on an initial and ongoing basis through our supplier audit program.

Work, health and safety policy

This policy details our commitment to protect the safety, health and welfare of our employees, customers, contractors, visitors and the community.

Workplace behaviours, diversity and inclusion framework

Sets out our guiding principles and practices that underpin our approach to developing and maintaining a diverse workplace, along with our workplace code of conduct and harassment and bullying policy.

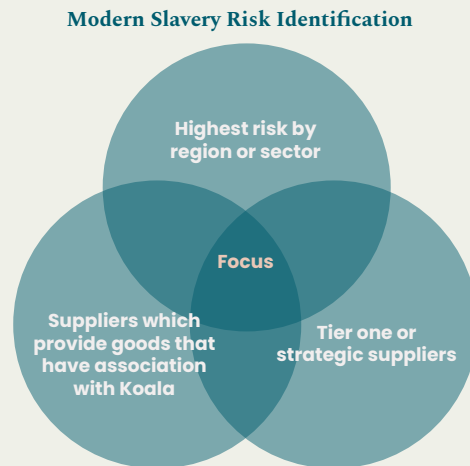
Potential risks within our supply chain

Koala recognises that modern slavery is a significant problem globally, and that together we all have a role to play in ending modern slavery.

As our supply chains associated with products and services are diverse and cover multiple geographic locations, we acknowledge there is a potential risk and instances of modern slavery may exist. We also recognise that it can often be difficult to identify instances of modern slavery in global supply chains.

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

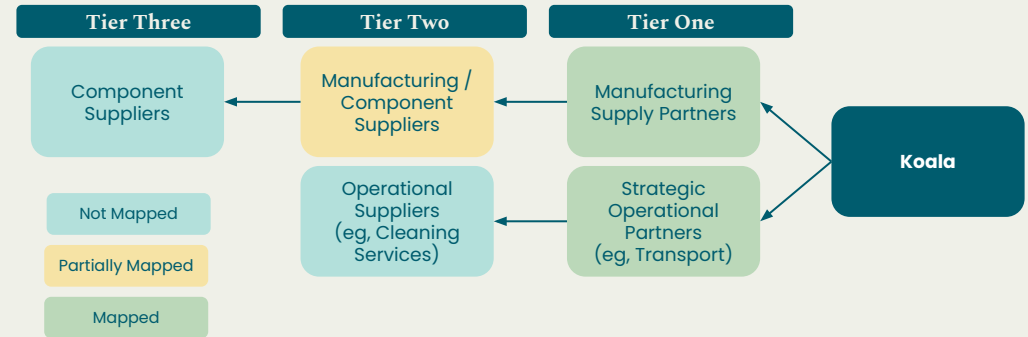
As part of the planned actioned for this reporting period and using identification techniques adopted from Walk Free Foundation, we mapped our tier one supply chain who currently represent around 80% of our total supply base. This assisted us in determining the primary focus areas for this and future actions.



Adapted from Walk Free Foundation

Manufacturing supply partners continue to present the most significant risk of modern slavery practices. Our operational review during this period has also identified a higher risk in our warehousing, logistics and transportation hubs and providers, specifically due to the additional ongoing pressure and impact of COVID-19 on this sector.

While we did undertake some due diligence on several tier-two supply partners during the reporting period, during the next 12 months we aim to complete our due diligence on all tier one suppliers to Koala (both manufacturing and operational) as well as begin mapping our supply chain risks for all tier two suppliers.



Based on the risk assessments and due diligence undertaken throughout this reporting period, we are specifically planning to undertake further assessments with our warehouse, logistics and transport partners. We will input required mitigation measures, including monitoring the outcomes of these measures.

Within our own internal operations, we also undertook assessments, including reviewing the effectiveness of any policies, guides and frameworks that were already in place prior to this reporting period.

Our assessment during this period demonstrated that the risk of modern slavery or violation of human rights is low within our own operations. We have ongoing management to ensure continued minimisation of these risks. Actions include, but are not limited to:

- Group wide policies and practices to ensure all employees hold working rights in their respective operational country and that operations remain compliant to any working conditions where applicable;
- Ongoing training for all employees that covers applicable Koala frameworks, including policies that specifically or indirectly relate to modern slavery practices;
- Appropriate resources dedicated to human resource management; and,
- Ongoing audit and review activities for these frameworks and policies.

Risk assessment of our supply chain

	Category	Ethical and Sustainable Operations and Supply chain	Risk Assessment
Manufacturing suppliers	Manufacturing Supply Partners	<p>We acknowledge there are inherent risks within our manufacturing supply partners based on a number of factors, including:</p> <p>Geographical Location of Supply Partners Our supply partners come from a diverse geographical range, including Australia, East Europe, and China.</p> <p>Production Materials Used in Our Products Our products manufactured by these supply partners use a number of materials, including textiles, timbers, and engineered materials.</p> <p>It is widely recognised that within these geographic locations and sub-industries there are potential risks for forced and bonded labour, child labour, deceptive recruitment, underpayment of wages and excessive working hours.</p>	High to Very High
Operational suppliers	Warehousing, Logistics & Transport	<p>We acknowledge that within warehousing, logistics, and transport chains across all markets we operate in there are inherent risks of modern slavery.</p> <p>Risks identified include those associated with recruitment of migrant labour, underpayment of wages and excessive working hours.</p>	High
	Cleaning and Security Services	<p>We acknowledge that inherent modern slavery risks are associated with the sourcing and recruitment of cleaning and security services, predominantly due to forced labour and deceptive recruitment.</p> <p>These risks can be associated with recruitment of migrant labour and underpayment of wages and excessive working hours.</p>	Medium to High
	Other Third-Party Services	<p>We acknowledge that potential and inherent modern slavery risks are associated with some of the other third-party service providers we use to assemble or remove product from our customers' homes.</p> <p>These risks can be associated with recruitment of migrant labour and underpayment of wages and excessive working hours.</p>	Medium to High

Managing our supply chain risk



As Koala continues to grow, our commitment to both sustainable and ethical sourcing remains core to our business model. While we have undertaken a number of new actions and continued to monitor and evaluate the success of previous actions already taken, we acknowledge that there is room for improvement. We aim to continually improve our capability to identify, mitigate, and remediate risks that potentially contribute to modern slavery.

Within our own operations and our supply chains we mapped our tier-one supply chain partners and renewed our risk assessment across various categories of our business.

Based on this, our primary actions over the reporting period continued to focus on manufacturing supply chain partners. This is per the *Modern Slavery Risk Identification* model we have incorporated into our Anti-Modern Slavery Framework. Manufacturing partners represent the highest risk of potential modern slavery and breaches to human rights throughout our operations and supply chains.

Supplier guide and code of conduct

Designed from our values, the Koala Supplier Guide and Code of Conduct is a step towards ensuring that all manufacturing supply partners share our values and commitment to mitigating the risks that contribute to modern slavery.

Koala requires all supply partners to comply with the Code of Conduct. Where breaches of the Code of Conduct have been identified, we will engage with the supply partner to understand the cause and work with them to create and implement corrective actions. Where a supplier is unwilling to take appropriate action to remedy the non-conformance, we will terminate the partnership.

Within this reporting period we reviewed and updated our Supplier Guide and Code of Conduct to further address the potential issue of modern slavery within our supply chains.

All new manufacturing supply partners to Koala onboarded since the policy was finalised have received the updated Supplier Guide and Code of Conduct. We are currently working with all existing partners to ensure they are compliant with the updated Code of Conduct and additional requirements.

Whistleblower policy – Speak up @ Koala

As part of the development of our Ethical Sourcing @ Koala Framework, we implemented our whistleblower policy – Speak up @ koala which provides a secure and independent channel to report any suspected or actual unethical, illegal, corrupt, fraudulent or undesirable conduct, or any breach of our code of conduct.

Ethical and social audits

In line with our further steps and remediations from the last reporting period, we implemented independent ethical and manufacturing audits on current and potential manufacturing supply partners, including some significant tier-two suppliers within our supply chain.

To ensure a consistent approach, these audits are undertaken with a third party; BSCI, Sedex, or QIMA Ethical. These best-in-class audits are specifically designed to address the potential risks of modern slavery throughout the supply chain.

Suppliers are often audited several times a year by third-party organisations. Where a supplier has been audited in the past six months we use this assessment as the baseline. This is to balance the importance of risk monitoring, cost, resourcing, and operational impact of audits on suppliers. Where no recent audit is available, or significant non-conformances have been noted, it is a requirement that a new audit be performed.

Corrective actions

In alignment with the actions taken during this reporting period to introduce third-party audits on all manufacturing supply partners, we introduced a corrective action process to review, address and report on any non-conformities found during this process.

Broken into minor, major or critical non-conformances, the recommended corrective actions provided by the auditors are reviewed and assessed by our Quality Control team, with added evidentiary requirements and completion by dates after consultation with our current or potential partners.

Where a supplier chooses not to work with us on these corrective actions, especially any major or critical non-conformance noted in the ethical audit, we will take action to terminate or suspend any existing supply arrangement.

While we have not suspended or terminated any existing supplier agreements over the reporting period, we have had one potential new supply partner that was ultimately rejected for use due to several major and critical non-conformances.

Raw material requirements

We undertook a review of our current raw material requirements within the reporting to not only adjust these to our sustainability goals over the coming years, but use them as an assessment tool to help better mitigate the risks of modern slavery throughout our supply chain.

Many material certifications, such as GECA®, GOTS™ or FSC® have not only environmental, but ethical and social guidelines that suppliers must be able to demonstrate conformance to as part of their initial and ongoing requirements to maintain certification.

For example, any new supply partner to Koala that manufactures products for us containing timbers must be certified to, and use, either Programme for the Endorsement of Forest Certification (PEFC™) or Forest Stewardship Council (FSC®) timbers. All existing partners are also being required to move towards these timber certifications where they do not already have them.

Additional resourcing

As part of our ongoing commitment to managing the risks of modern slavery throughout our operations and supply chain, we introduced a new role of Sustainability & Thrivability Manager, whose role includes the development and ongoing support of the the Anti-Modern Slavery Framework.

This role will be pivotal in ensuring that Koala continues to align with best practice continual improvements within our framework and policies, can monitor the outcomes and effectiveness of our actions taken to mitigate the risks of modern slavery throughout our supply chain, and will provide ongoing support and training both within the business internally and to our supply chain partners.

Managing COVID-19 related risks

With COVID-19 continuing to have a major impact throughout this reporting period, we continued to leverage third-party services as well as creating open dialogue with our partners to monitor any potential challenges or hardships they might be facing to help mitigate the risks of modern slavery within our supply chains.



As part of our previously listed actions, because we are still unable to travel directly to most manufacturing supply partners to undertake physical audits and reviews, we continue to heavily leverage third-party audits for existing and new potential suppliers. Added to this, we have also added additional questions related to modern slavery and human rights to our initial desktop audits as well as video audits as part of this process.

Further, during our risk review we identified that the ongoing impact of COVID-19 has also increased the level of risk within our warehousing, logistics and transport operations, elevating the timing of actions to understand, action and review any potential risks from our partners in this sector.

Some actions have already been undertaken to create an open dialogue with our local partners to better understand what potential risks to modern slavery and human rights violations may be present within this area of our supply chain, which is expected to be completed within the next reporting period.

Assessing the effectiveness of our actions

To review and assess the effectiveness of our current policies and actions, Koala recognises that we need to undertake a range of monitoring activities to understand how successful we have been in our implementation, continual improvement and further activities development.

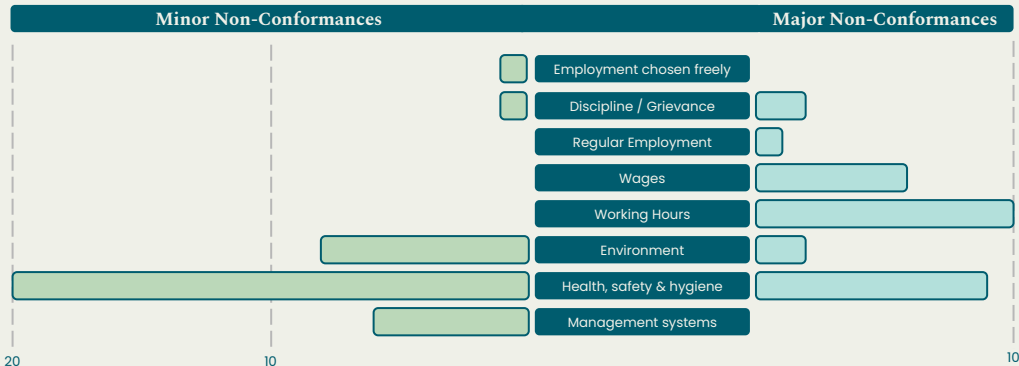
Current measures we have put in place to monitor the effectiveness of our actions already undertaken include:

- Evaluating both internal desktop and third-party ethical and social accountability audits to assess any current non-conformities, and put in place corrective actions and timelines in consultation with the manufacturing supply partner.
- Ensuring the use of recognised independent auditors, and audit types, to maintain consistency of reporting (for example, BSCI or SMETA audits).
- Reporting findings of these audits to relevant stakeholders within our business to ensure awareness of any non-conformities, to the Audit and Risk Guild and if appropriate to the Executive Leadership Team.
- Development of a supplier scorecard that can assess suppliers against our benchmarks, and continue to track their ongoing performance against a number of key modern slavery indicators.

With the completion of the Anti-Modern Slavery Framework, we have also introduced a quarterly review and internal reporting mechanism that will present an opportunity for more frequent effectiveness evaluation.

Ethical and social audits

Outside of two suppliers who we were in the process of exiting during the reporting period, all current suppliers undertook ethical audits throughout the year. While no critical non-conformances were found during the audits, a total of 66 minor and major non-conformances were detected within our current manufacturing supply partners.



A number of these non-conformities were addressed through working with the factories to first understand and identify the root causes, and implement corrective actions to address these. We continue to work closely with these partners to address these remaining non-conformities.

Working hours was the most common major non-conformity raised during the audits, which is an area with complex challenges due to differences between maximum working hour conflicts between country specific guidelines and guidance from global bodies (such as the Ethical Trade Initiative (ETI) and World Health Organisation (WHO)). Respecting this challenge, we will continue to work with our partners who were noted with this non-conformity to achieve the best outcome for their staff.

Complaints and investigations

Since the introduction of the whistleblower policy, which is supported by Koala's internal grievance reporting mechanisms, we have had no reports that required any further investigation over this reporting period.

To help further promote the mechanisms available to both suppliers and the Koala team we have highlighted this policy within the revised Supplier Guide and Code of Conduct, which is in the process of being distributed to all existing manufacturing supply partners.

Supplier scorecard

The introduction of a supplier scorecard this year enabled Koala to develop a baseline to benchmark current supply partners against each other. This has highlighted where there are still areas for improvement in our ongoing journey to combat all forms of modern slavery within our supply chains.

As we work together with our supply partners we will continue to track their progress through both corrective actions implemented over this reporting period, as well as continual improvement that these suppliers achieve independently of consultation.

Since this scorecard was first introduced, and during our process review, we also identified a number of areas where further improvement can be made in how we capture and report on the data already gathered and from future self-conformity and independent audits. This is planned to be actioned in the upcoming reporting period.

Remediation

Koala understands that we have a responsibility to provide or participate in remediation where potential modern slavery risks have been caused by, contributed to, or identified by us.

We actively encourage the reporting of any suspected or known unethical, illegal, fraudulent or undesirable conduct within our own operations and supply chains, by all stakeholders including our supply partners through our Whistleblower Policy (Speak up@Koala). This includes any potential modern slavery risks or other acts which may adversely impact the community or environment.

Our policy clearly outlines that we consider and investigate all reports seriously, and will protect any individual reporting these types of allegations from being identified or being threatened, intimidated or otherwise potentially harmed.

In addition to this policy, our internal Workplace Behaviours @ Koala policy; Conduct @ Koala policy and Diversity and Inclusion Framework demonstrate how to raise and resolve grievances within the workplace. All managers at Koala have a level of accountability, including ensuring that all grievances are managed in a systematic, fair and timely manner.

Future plans and actions

In line with Ethical Supply @ Koala and the Anti-Modern Slavery Framework we will continue to improve our approach to tackling modern slavery.


	Awareness and Education	Ethical and Sustainable Operations and Supply chain	Victim Centred	Impactful Collaboration
Ongoing continuous improvement	<p>Review existing information, policies, and procedures to assess risk and develop new policies, procedures and plans from continuous improvement perspective.</p> <p>Ensure consultation with key stakeholders like our team members in Japan and Korea</p>	<p>Review, update if necessary, and communicate supplier guidance: Koala New Supplier Guide Code of Conduct Guide</p> <p>Review and update risk mapping of our tier one suppliers in supply chain.</p> <p>Continue to audit existing suppliers using QIMA, Sedex or BSCI at regular intervals or when necessary.</p>	<p>Review remediation procedure to investigate where modern slavery is suspected.</p> <p>Promote and communicate our whistleblower policy to all stakeholders.</p> <p>Maintain a system of support for all Koalas who may experience secondary trauma through the Employee Assistance Program (EAP).</p>	<p>Maintain our B-Corp Certification.</p> <p>Maintain memberships with key third party auditors such as Sedex.</p> <p>Encourage all staff members to share learnings and news on modern slavery.</p>
Planned new activity	<p>Develop and implement anti-modern slavery training for identified Koalas in higher risk roles.</p> <p>Internal communications aligned to key dates of significance.</p> <p>Update the Koala intranet with accessible information on modern slavery</p>	<p>Develop a risk register to help identify any new or additional risks within our operations or supply chain and track mitigation actions in combatting modern slavery.</p> <p>Commence risk mapping of our tier two suppliers in our supply chain.</p> <p>Review contract labour and implement risk mitigation as required.</p> <p>Develop Koala quick reference guide - what to look out for.</p>	<p>Develop and share guidelines for working with Trafficked people and Modern Slavery Victims.</p> <p>Share stories and videos with Koala staff which centre humans.</p>	<p>Identify organisations who can provide immediate support to potential victims of modern slavery.</p> <p>Build relationships with NGOs who tackle modern slavery and go beyond compliance.</p>

Consultation and approval of statement

This Modern Slavery Statement has been prepared in conjunction with all companies we own or control, through an engaged consulting process with internal stakeholders. Our Koala subsidiaries globally operate under a common set of frameworks and governance, including the policies and programmes through which modern slavery within our operations and supply chains are mitigated, evaluated and reported on.

The preparation of this statement was led by our CEO and VP, Legal & Thrivability, including consultation with the executive team and those team members who are directly involved with the monitoring, review and reporting on modern slavery risks within our business.

This statement relates to our financial year 2021 and was approved by Mitchell Taylor (CEO) and our Board of Directors on 24 December 2021.



At Koala, we reckon it's possible to design products that suit your lifestyle and do wonders for the planet. To deliver on our promise we've had to overhaul the industry's nastiest practices, like overpricing, showrooms, and fast furniture, and replace them with sustainable, ethical, and hassle-free solutions that are just one click away.



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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.

Identify the reporting entity	1. Introduction
Describe the structure, operations and supply chains of the reporting entity	1. Our structure, operations, and supply chain
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	1. Potential risks within our supply chain 2. Risk assessment of our supply chain
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	1. Our governance and policies 2. Managing our supply chain risk 3. Remediation
Describe how the reporting entity assesses the effectiveness of such actions	1. Assessing the effectiveness of our actions
Describe the process of consultation with any entities that the reporting entity owns or controls	1. Introduction 2. Consultation and approval of statement
Provide any other information that the reporting entity, or the entity giving the statement, considers relevant	1. Our commitment 2. Future plans and actions
Addressing the impact of COVID-19	1. Managing COVID-19 related risks

