

Card Factory plc
Modern Slavery Act 2015

Annual Compliance Statement
Financial Year 1 February 2021 to 31 January 2022

Introduction

Card Factory recognises the importance of conducting its business and managing its supply chain responsibly to mitigate the risk of slavery and human trafficking being present. We take this responsibility seriously and our policy is not to do business with any party that may directly or indirectly finance or benefit from slavery or human trafficking.

Our structure and business

Card Factory is the UK's leading specialist retailer of greeting cards, bags, wrap and gifts.

Card Factory focuses on the value and mid-market segments of the UK's large and resilient greeting cards market, in addition to offering customers a range of complementary products associated with card giving occasions.

Card Factory principally operates through its nationwide chain of circa. 1,020 Card Factory stores, as well as through its transactional web sites: www.cardfactory.co.uk and www.gettingpersonal.co.uk.

Our retail business is predominantly UK based with a small presence in the Republic of Ireland and a small number of overseas franchises and an established retailer in Australia. We have more than 7,000 permanent employees and, during our peak trading period, employ an additional c.6,000 temporary employees to ensure we are able to meet the needs of our customers.

Our supply chain

Our supply chain includes buying agents, third-party manufacturers and distributors, logistics partners, our own, UK based, manufacturing facility and our distribution centre.

The majority of the greeting cards we sell in our stores are designed and manufactured within the group in the UK. This vertically integrated model provides us with more direct control of this part of our supply chain.

A significant proportion of the other products we sell in our retail stores and online are sourced directly from overseas suppliers based outside the EU. We also have an increasing number of UK and EU based suppliers from whom we source.

Our products are also supplied to and sold by a number of reputable retail partners: Aldi and Matalan in the UK and The Reject Shop in Australia.

Our policies

We take reasonable steps to mitigate against the risk of slavery or human trafficking occurring in our supply chain. Our Ethical Trading and Anti-Slavery Policy underpins our commitment to operating ethically and supplements the steps we already take in this regard.

In spite of the steps we take, there remains a risk that third-parties and supply chain partners may outsource manufacturing or the provision of services to us without our knowledge or consent, impacting our ability to mitigate against the risk of slavery or human trafficking. Where this comes to our attention we will promptly take appropriate steps to ensure this does not expose our business to additional risks.

All members of the Quality Assurance team are trained internally on the principles of the Modern Slavery Act and the company requirements in relation to this. All members of the QA team are fully trained in the function and use of the Trade Interchange system for supplier approvals which is used to assess and document compliance to Modern Slavery requirements by Far East suppliers.

Our procedures and due diligence

Our retail business and UK manufacturing facility

Our retail business is predominantly UK based with a small presence in the Republic of Ireland and a small number of overseas franchises and an established retailer in Australia. Additionally we have a UK manufacturing facility which prints the majority of our greeting cards.

- Our policies and procedures ensure we comply with all laws covering the employment of our colleagues, their working conditions and environment.
- Our recruitment and ongoing employment processes mitigate the risk of slavery and human trafficking in the UK. We adopt fair employment practices within our workforce and our policies and procedures support these.

Overseas suppliers of stock and services

A significant proportion of the other products we sell are sourced directly from overseas suppliers based outside the UK/EU:

For these products our assurance programme comprises:

- an on-boarding process for new suppliers which includes mandatory information requirements including company information, identification of manufacturing facilities being used, obtaining Modern Slavery Declarations and requesting details and copies of any applicable accreditations and audits;
- any supplier who has not supplied us with product for 2 year has the approved status removed, regardless of their current audit status.
- a factory audit programme for all suppliers using reputable third party audit firms ensuring ethical compliance is monitored in the supply chain;
- technical audits (ISO 9001 standard) and ethical audits (SA8000 standard, BSCI and SMETA), with ethical audits specifically addressing the minimum ages of employees, remuneration, working conditions, working hours, discrimination and health and safety;
- a managed programme for dealing with audit failures and any material issues raised in audits; and
- periodic visits by our own sourcing teams, however, for the period covered by this statement, it has not been possible due to the global pandemic and restrictions on travel and continuing lock downs with little notice in the Far East.

Our effectiveness in combating slavery and human trafficking

We accept SMETA, BSCI accreditation or our own audit (carried out through a third party company, V-Trust, who auditing suppliers to an equivalent standard to Social Accountability International standard SA8000) to evidence a supplier meets an appropriate standard.

During the period, the audit process identified concerns with 2 suppliers. One of these suppliers initially failed to complete its social audit on time and was delisted, it subsequently regained approval status during the period, following re-audits. We received information the other supplier was using home workers in breach of our conditions and was immediately de-listed. Following a full investigation it was found to be unfounded and this supplier was also reinstated.

Card Factory uses the following to assess how effective we have been in ensuring that slavery and human trafficking is not taking place:

- No orders to be placed for product with any Far East supplier unless they have:
 - been fully approved in accordance with the above standards; and
 - hold valid social audits to either SMETA, BSCI or SA8000 (audits remain valid for up to 2 years, when re-audits must be completed).
- No orders to be placed for product with any UK supplier using a Far East factory unless they have;
 - been fully approved in accordance with the above standards; and
 - hold valid social audits to either SMETA, BSCI or SA8000.

Based on rigorous application of the above standards, as demonstrated by the prompt action taken (such as delisting suppliers), we consider our processes to be effective, however, we recognise the processes may not guarantee compliance and we will continue to review opportunities for improvement.

What we've achieved during the period

We have taken further steps to build on previous years objectives to improve transparency and to mitigate the risk of slavery and human trafficking being present in our supply chain. Progress during the period was severely impacted by the ongoing Covid-19 pandemic, which saw sporadic lockdowns with little or no warning requiring closure of our Far East suppliers' production facilities. Consequently, only a few new suppliers were fully approved during the period, with adjustments being required to balance the business requirements, the various government restrictions and the requirement to adopt appropriately rigorous standards.

Specific examples of activity and progress during the period includes:

- Ensuring the continuation of existing business processes including maintaining frequency of supplier audits, where this was possible. At the discretion of the Quality Control & Technical Manager, extensions to expired audits for our existing suppliers were permitted for a maximum of 3 months, until updated audits by third party audit firms could be carried out, where the audit results achieved our minimum standards.
- We have reviewed our supply base and removed any FE supplier who has not supplied product in the preceding 24 months, regardless of audit status, this allows the business to focus on supplier who are actively supplying product.
- 16 prospective new suppliers were subject to our vetting process. With the breakdown being 3 Far East, 1 EU and 12 UK. In the period, 9 had completed the process and been approved, the remaining suppliers were still in the process of approval.
- 89% (108) of the suppliers we are considering using have been fully approved, the remaining 13 are still awaiting documentation / satisfactory audit reports, no orders have been placed with these new suppliers. This bring our active supplier count down from 130 to 121, with 25 inactive suppliers being removed.
- The on-boarding system is in place and running and to date all Far East suppliers have signed up to the principle of not accepting business with any party that may directly or indirectly finance or benefit from slavery or human trafficking.
- we have continued to refuse to accept any products which are in production at a time a supplier fails a routine re-audit, until effective remediation of any material audit failures; and
- We have continued to practice a "no audit no order" policy for all factories outside of the UK/EU from which we source products directly.

Our continuing commitment and objectives for the next year

We remain committed to developing long-term relationships with product suppliers who share our commitment to eradicating slavery and human trafficking and whose business practices are responsible and ethical. In support of this, we will continue to take all reasonable steps to develop our supply chain management procedures and our supplier audit programme to give assurance to our stakeholders that we take our commitment seriously.

During the financial year to 31 January 2023 we set out the following objectives to further develop our supply chain management processes by:

- Further rationalisation of our supplier base, any suppliers whereby an order has not been placed for 18 months will have their status adjusted to inactive. This approach allows the business to focus on the active suppliers across the organisation.
- 100% of non UK/EU suppliers will have been audited and achieve an appropriate minimum standard, by either, our accepted third party company, or hold SMETA / BSCI accreditation. As part of this process each supplier must provide their audit report(s) which are checked to ensure compliance to our minimum standards.
- The introduction of a methodology for recording the frequency and number of products that were affected by suppliers failing to maintain their approved status. This was not fully completed in the previous year due to internal staffing issues.
- Full review of policy and procedures to ensure that current systems and approach are comprehensive and aligned to our future growth strategy.

Approved and adopted by the Board of Card Factory plc on 23 June 2022.



Darcy Willson-Rymer
Chief Executive Officer