



# Modern Slavery Statement 2021

## Introduction

This statement outlines the steps taken by The Character Group plc and its subsidiaries (the Group) to understand and minimise the potential risk of modern slavery and human trafficking throughout our business and supply chains.

The Group recognises that it has a responsibility to take a robust approach to slavery and human trafficking (which can take various forms, such as slavery, servitude, forced and compulsory labour). We expect the same high standards from all of those who we do business with.

This is the fifth Modern Slavery Statement produced by The Character Group plc and relates to actions and activities undertaken during 2021. It has been published in compliance with section 54 (1) of the Modern Slavery Act 2015 (the Act).

## The Group Structure

The Group is made up of the following principal trading companies, which are controlled by the board of Directors:

- Character Options Limited
- Toy Options (Far East) Limited
- Charter Limited
- OVG-Proxy A/S

## Our Supply Chain

The Group develops over 70% of its products in-house and sells products to over 40 countries worldwide. The Group also imports third party toy and related products to its domestic markets in the UK and Scandinavia.

We operate in the UK, China and Scandinavia with offices in London, Oldham, Hong Kong, Shenzhen in China and Copenhagen.

We have active product suppliers in China and Vietnam and currently source our manufacturing requirements from 33 original equipment manufacture factories.

We have our own Quality inspection team, travelling all over mainland China, and we inspect and record every shipment to every global customer.

## **Risks of exposure**

We understand that our biggest exposure to modern slavery is in our supply chains, where we continue to undertake due diligence audits to minimise this risk.

The Group is committed to ensuring that its suppliers adhere to the highest ethical standards.

All factories comply with recognised independent ethical audit schemes such as ICTI, SMETA or BSCI, which are acknowledged by major retailers and our other customers as applying appropriate standards.

It is a pre-requisite of our terms and conditions that all factories must have been approved under one of these 3 ethical audit processes and be in possession of a current independent ethical audit certificate.

The status of factory audit results is monitored closely as part of the additional audits carried out by our management team in both Hong Kong & China.

The Managing Director of the Group's Far East operations, Mike Hyde, is a serving member of the Governing Board of the ICTI Ethical Toy Program, which is a great endorsement of our commitment to this cause (see <https://www.ethicaltoyprogram.org/en/who-we-are/meet-our-team/>).

The temporary staff agencies and transport companies that we do business with, form a major part of our UK Modern Slavery assessments to assess who are aware and compliant with the Act.

We have service agreements in place with the temporary staff agencies and there are Modern Slavery posters displayed in our UK warehousing and packing line departments to ensure that all staff of all are well informed of the subject.

During 2021, we have reviewed our suppliers to find out what they have in place to prevent modern slavery. As a result, we are seeing an ever-increasing awareness of the subject, commitments to the principles of the Act and the abolition of modern slavery and human trafficking.

There has also been a notable increase in the number of our suppliers reporting that their staff training on the principles of Modern Slavery is compulsory and that they have anti-slavery and human trafficking policies in place.

## **Impact of Covid-19**

The pandemic has of course increased vulnerability to modern slavery and people already classed as vulnerable are now at even greater risk of exclusion resulting from reduced access to healthcare services and restricted movement brought about by border closures and Brexit.

Growing risks of enslavement include the increased supply of workers vulnerable to exploitation and the suspension of education systems (meaning children will become more vulnerable to exploitation).

Our modern slavery risks have been subject to the same monitoring procedures as that which were in place before the pandemic.

Our Far East supply chain witnessed disruption during much of 2021, created by regionalised Covid-19 lockdowns and power outages in factories, in some cases lasting days. It has been reported to us that, in a small amount of cases, overtime carried out in some factories during this period did slightly exceed legal permitted working hours. Since

this circumstance came to light, we have strongly cautioned every factory that we engage with in writing that this practice is a breach of our policies and procedures and is not acceptable. We have also engaged with Ethical Auditing programs in furthering support to overcome manufacturing pressures during these abnormal times.

## **Policies**

Compliance with the requirements set out in our Ethical Policy and Supplier Procedure Requirements Manual is mandatory for each stage of the manufacture of our products and prohibits all forms of forced labour and modern slavery.

We insist on written acknowledgement and full understanding of our compliance with our Ethical policy and Supplier Requirements Manual and seek to identify and address any violations. Through our independent social compliance auditing program, we also look for continuous improvement.

The reports of forced labour and human rights allegations around China's Xinjiang province and the Uyghur ethnic/religious group is covered within the policy. We have actively engaged with vendors within our supply chain to insist that they do not carry out production or source raw materials from the Xinjiang province and all other regions known to condone this unlawful practice. We will treat this with Zero Tolerance.

Another additional area of focus for our policy is the sourcing of Mica (a naturally mined material favoured for its pearlescent effect in cosmetics) which has featured in some of the products in our range since 2021. The Mica mining community has come under scrutiny for its use of child labour, unsafe working conditions and long-term ill health effects (lack of health & safety provision). We have stated to all vendors that any Mica used in product designs and formulations must only be purchased from ethically approved mined sources. The responsible Mica initiative <https://responsible-mica-initiative.com/> protocols must be followed and we have required that the mine name and location details must be provided to us along with a recent recognised ethical audit from which the Mica materials are mined and sourced from.

## **Staff Training**

We ensure that all new staff are made aware of our ethical policy and are trained on how to identify signs of slavery and human trafficking.

Posters are displayed in collaboration with the 'Stronger Together' initiative to act as reminders and all staff are encouraged to report anything they feel is suspicious or indicates a breach of our ethical policy.

## **Key Performance Indicators**

For 2021, The Character Group plc is committed to continuing to address and minimise the risk of modern slavery and human trafficking within our business and supply chain. We will carry this out by acting on the following points:


- We will continue to ask questions of and monitor the organisations that we deal with to understand what measures they are implementing and operating to stop slavery occurring in their own businesses and in their own supply chain.
- We will continue to provide awareness training to staff on the Act and inform them of the appropriate action to take if they suspect a case of slavery or human trafficking.
- We will continue to review and, as appropriate, update our policies and processes.

- Our Management team will continue to monitor our factories and their supply chains and prioritise any areas which are deemed to be higher risk.
- As part of our FSC Chain of Custody certification, we will continue to align our risk assessment with the requirements of the FSC Chain of Custody standard Core Labour Requirements and implement any new or amended requirements that arise. The FSC standard has been revised to include:
  - ❖ the abolition of child labour
  - ❖ elimination of all forms of forced or compulsory labour
  - ❖ elimination of discrimination in respect of employment and occupation
  - ❖ respect of freedom of association
  - ❖ effective recognition of the right to collective bargaining

The Character Group fully supports these additions to the FSC standard and, although we do not envisage any changes to our existing processes, our Ethical Policy will require compliance with FSC chain of custody standards and our risk assessment processes will be in place before the deadline of December 2022.

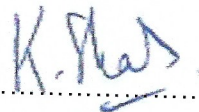
### Board Approval of modern slavery statement

This statement has been approved by the company's board of directors, who will review and update it annually.



Jon Diver, Joint MD signature

Date: 18/1/2022



Kiran Shah, Joint MD Signature

Date: 18/1/2022