

Modern Slavery Statement 2022

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 sixth Modern Slavery Statement produced by The Character Group plc and relates to actions and activities undertaken during 2022. 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
- Proxy (Far East) Limited

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 currently source our manufacturing requirements from 33 original equipment manufacture factories.

We have our own Quality inspection team, travelling all over mainland China, and visit and audit each factory 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, licensors and other stakeholders as applying appropriate standards.

In the past 12 months our China supply chain has been subjected to;

47 Ethical audits undertaken by ICTI

10 Ethical audits undertaken by SMETA

21 Ethical audits undertaken by BSCI

78 Ethical audits undertaken by our own trained staff

It is a pre-requisite of our engagement of a factory that it has been approved under one of these ethical audit processes and assessed under our own criteria and it must be in possession of a current independent ethical audit certificate.

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

Mike Hyde, member of The Character Group plc Board of Directors, is a serving member of the Governing Board of the ICTI Ethical Toy Program, which is a great endorsement of our commitment to Ethical practice and provides a wider insight into Ethical initiatives at Board level.

The temporary staff agencies and transport companies that we do business form a major part of our Modern Slavery assessments in the UK to determine compliance with the Act and our own Ethical policy. There are Modern Slavery posters displayed in our UK warehousing and packing line departments to ensure that all temporary staff working at our facilities in the UK are informed on the subject and can alert us to any infractions.

During 2022, we have reviewed our suppliers to find out what they have in place to prevent modern slavery. As a result, we continue to see an ever-increasing awareness of the subject, commitment to the principles of the Act and the eradication of modern slavery and human trafficking in our supply chain.

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 2022

The global COVID pandemic created increased risk of exploitation of vulnerable people, due to reduced access to healthcare services and restricted movement brought about by border closures and regional lockdowns and this has disrupted and restricted the monitoring and response efforts of global organisations.

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). In China particularly, the Government stance of zero tolerance to the risk of spread of Covid-19 infection led to regional lockdowns being imposed without notice following as little as one COVID infection being detected in the area by the authorities. Our supply chain in China suffered significant disruption during the period from spring 2022 through to our peak manufacturing season in June/July 2022 due to the imposition of these regional lockdowns and this disruption has continued to be experience from time to time in the lead up to Christmas.

Policies

Compliance with the requirements set out in our Ethical Policy and Supplier Requirements Manual is mandatory for each stage of the manufacture of our products. In particular, our manual prohibits all forms of forced labour and modern slavery. In 2022 we reviewed our Ethical Policy putting more emphasis on our own senior management roles to understand the wider implications of modern slavery and well being of people in our employment. This has been well received.

We insist on written acknowledgement and full understanding of and 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.

Human rights are fundamental rights and freedoms that all people are entitled to without regard to race, colour, religion, language, pregnancy, ancestry, age, gender, national origin, sexual orientation, gender identity, gender expression, mental or physical disability, genetic information or marital status. These standards of fair treatment and non-discrimination are set forth in the Universal Declaration of Human Rights (UDHR), UN Guiding Principles on Business and Human Rights, the International Labour Organizations (ILO) Declaration on Fundamental Principles and Rights at Work.

We have actively engaged with our vendors within our supply chain to insist that respecting Human rights is paramount and ensuring that workers' rights, including those in their own supply chains, are fully respected.

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 been required for some 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 of the mine from which the Mica materials are mined and sourced.

As part of our FSC Chain of Custody certification, we have aligned 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

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.

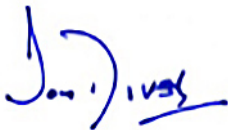
Key Performance Indicators

For 2022, The Character Group plc has continued 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:

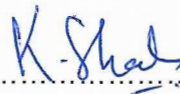
- We will continue to ask questions of and monitor the organisations that we deal with to understand what measures they are implementing and operating to stop slavery occurring in their own businesses and in their own supply chain.
- We will continue to provide awareness training & literature to staff 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.

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
Date: 21 December 2022



Kiran Shah, Joint MD
Date: 21 December 2022