

CARPET COURT

MODERN SLAVERY STATEMENT 2020

Carpet Court Australia Limited

Introduction

Carpet Court Australia Limited (ACN 001 195 697) (**Carpet Court**), has prepared this Modern Slavery Statement (**Statement**) outlining the actions undertaken in order to identify and address modern slavery risks within Carpet Court's operations and supply chain for the year ending 30 June 2020 (**Reporting Period**).

The term 'modern slavery' is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom. Specifically, the Australian Modern Slavery Act 2015 (the **Act**) defines modern slavery as including the following eight types of serious exploitation:

- Trafficking in persons
- Slavery
- Servitude
- Forced marriage
- Forced labour
- Debt bondage
- Deceptive recruiting for labour or services; and
- The worst forms of child labour.

Reporting Entity

Carpet Court is a floor covering specialist with a network of retail stores across Australia that are operated by independent franchisees (**members**).

Within its corporate group, Carpet Court controls three subsidiaries; Court International Ltd, Carpet Court (Southern) Limited and Space Flooring & Interiors Pty Ltd (together, the **Carpet Court group**). Court International Ltd is the entity that holds the group's trademarks while Carpet Court (Southern) Limited is the entity that holds the group's property. Space Flooring & Interiors Pty Ltd is a dormant non trading entity. None of the group's three subsidiaries generate revenue exceeding the reporting threshold of 100 million dollars. Carpet Court's registered office is at Building 2, Level 1, 195 Wellington Road, Clayton, Victoria, 3168. The main contact phone number is 03 9244 7999.

The Carpet Court group operates as a single organisation, with a shared Board, management team and governance structures.

The statement has been prepared in accordance with the requirements of the Act on behalf of the Carpet Court group.

This Statement does not cover the operations of Carpet Court's members, which are considered independent franchises that are not controlled by the corporate group.

Document No	Prepared by	Approved by	Date
Corporate Governance	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	31 March 2021

CARPET COURT

Our structure, operations, and supply chain

Structure

Carpet Court is an Australian franchise business specialising in flooring solutions. We operate exclusively within Australia and are headquartered in Victoria. We employ 36 staff members located throughout Western Australia, New South Wales, Queensland, and Victoria. In addition to our permanent staff, Carpet Court engaged a small number of contractors to provide professional services for the company, including IT and management consulting services.

Operations

Carpet Court primarily acts as a wholesaler that supplies its members (franchisees) with the carpet and other products sold at their stores. We purchase from a set of preferred core product suppliers on behalf of our more than 160 members located across Australia. Along with a range of carpets, we purchase laminate, cork, bamboo, vinyl and timber flooring. We are responsible for negotiating beneficial terms with our preferred suppliers on behalf of our members, who then place their orders directly with our preferred suppliers.

The relationship between Carpet Court and our members

Each member is an independent retailer that leases or owns the retail premises from which their individual business is conducted. The agreements between Carpet Court and our members are structured to typically offer access to:

- The National marketing program undertaken by Carpet Court at the head office level
- The online retail platforms established by Carpet Court
- Ability to market their businesses under the 'Carpet Court' trademarks and branding; and
- Purchase quality products sourced by Carpet Court at a competitive price

From time to time, our members purchase goods from suppliers that are not Carpet Court preferred core product suppliers. In these instances, Carpet Court does not have any interactions with, or control over, those suppliers or their supply chains.

While Carpet Court has visibility over the level of products purchased by our members through us, each member owns and runs their own business independently.

Supply chain

Carpet Court sources products and services from approximately 200 different suppliers, all of which are located in Australia. Around half of those suppliers (approximately 80 companies) are either wholesalers that usually import products from overseas or manufacturers of core products sold throughout our members' stores. For example, carpet products are typically manufactured by our suppliers locally using products sourced from overseas, while timber products are directly imported and sold in Australia or manufactured locally from imported materials.

The products provided by our core home furnishing suppliers include:

- Carpets
- Flooring products (laminate, timber, vinyl etc)
- Rugs
- Carpet underlay
- Carpet tiles
- Blinds and window furnishings

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CARPET COURT

- Wall coverings
- Accessories (adhesives, glue etc); and
- Tiles

In addition to the product suppliers, Carpet Court engages a number of suppliers that provide products and services to support the needs of our head office operations. These include consulting, IT and advertising services, utilities, insurance and food and beverage related products.

Carpet Court has established long term relationships with our preferred core product suppliers. All core suppliers have signed supplier agreements in place. A standard review of supplier agreements occurs at the expiry date of any current contract.

While we have a clear view of our direct (tier one) suppliers, we acknowledge that our extended supply chain is large and complex. We currently have limited visibility over any of our tier 2 suppliers or beyond.

Risks of modern slavery in our operations and supply chain

Operations

Our operations are exclusively undertaken in Australia and all staff members are skilled, permanent employees. As such, we consider our modern slavery risk to be low for our direct operations. As outlined in the first section of this Statement (Group structure), the group employs a small number of people within the following key functions: marketing, merchandise, operations, and finance. With all 36 staff members being permanent employees located in Australia, Carpet Court's management and Board have clear oversight over employee contracts and working conditions.

While the risk of modern slavery within our operations is currently low, we understand that any significant changes to our business or employee makeup in the future may result in changes to this risk profile. As such, we will continually review and assess the modern slavery risk within our operations in future periods.

Our member network

Carpet Court does not dictate the terms of our members' labour policies or practices, nor does it have direct oversight of the workers engaged by our members, as they operate as independent retailers and do not form part of the Carpet Court corporate group.

Furthermore, we do not dictate the products and services purchased by our members, as they are able to source products and services from suppliers that are not part of the preferred core product suppliers with which Carpet Court has established relationships.

While we currently have limited visibility over the modern slavery risks of our members' operations, we understand that, with all members operating under the Carpet Court brand, any modern slavery issues related to one member have the potential to impact all members, as well as the corporate group. Carpet Court will strive to engage with its members to develop and implement consistent modern slavery risk management policies and procedures across our network.

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CARPET COURT

Supply chain

Carpet Court's direct supply chain includes suppliers of core products that are purchased by our members and suppliers of goods and services that are utilised in the operations of the group's head office. During the reporting period, all of our direct suppliers were Australian based companies. Although we acknowledge that modern slavery does occur in Australia, it is our understanding that existing government regulations (including the criminalisation of human trafficking, slavery and slavery-like practises, servitude and forced labour) reduce the probability of instances of modern slavery and human rights violations occurring in the country.

We understand that, while the risk of modern slavery within our direct suppliers is likely relatively low, it is in the second tier of our supply chain where the risk of modern slavery may be elevated. Carpet Court acknowledges that our suppliers source raw materials or manufactured items from sectors that have been shown to present a higher risk of modern slavery. Examples of higher risk sectors include:

- Manufacturing
- Textiles
- Forestry; and
- Electronics

In addition, our suppliers may engage with suppliers who operate within geographies which have elevated risks of modern slavery present. Unfortunately, Carpet Court has not historically had visibility over the goods and services our direct suppliers source from overseas locations. However, we intend to work with our direct suppliers to better understand and manage this risk going forward.

As a first step, we have committed to performing a high level risk assessment of our direct supply chain. This risk assessment is a first step in enhancing our understanding of where modern slavery risk may exist within our supply chain and help to inform our approach on managing the risk with our suppliers.

Actions taken to assess and address modern slavery risks

We have not received any reports of modern slavery incidents within our operations or supply chain for the year ending 30 June 2020. Should any incidents come to Carpet Court's attention, the group's leadership team would assess the nature and magnitude of the issue and work with appropriate parties to remediate and resolve the issue.

Carpet Court has developed policies and procedures to help support our efforts to maintain a work environment that is safe and inclusive for all our people. These policies apply to all employees and include:

- Our Employee Handbook which outlines the standards of behaviour and conduct expected from our employees and includes Occupational Health & safety Policy, an Equal Opportunity, Discrimination and Harassment Policy as well as a Conflict of Interest & Ethical Conduct Policy
- A separate Whistle-Blower Policy outlining Carpet Court's commitment to transparency and to building an environment in which people feel free to raise legitimate issues relating to the company's operations. The aim of the policy is to help deter wrongdoing relating to the Company's operations, by encouraging disclosure of wrongdoing and ensuring that anyone who makes a disclosure can do so safely, securely and with confidence that they will be protected and supported.

It is our intention to leverage these policies to incorporate awareness of modern slavery risks and available reporting mechanisms. In addition, Carpet Court has written agreements in place with a number of its major core suppliers. It is Carpet Court's intention to revise these agreements in upcoming reporting periods and include clauses related to ethical sourcing, human rights, and modern slavery.

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CARPET COURT

Assessing the effectiveness of our actions

This is Carpet Court's inaugural Modern Slavery Statement. Alongside the process of drafting this statement, we are in the process of creating an internal roadmap for modern slavery that will outline the key activities required in order for Carpet Court to manage the risk of modern slavery effectively going forward.

This roadmap will include the development of review processes to ensure continued improvement of our management of modern slavery risk.

Consultation process

The Carpet Court group comprises the parent entity (Carpet Court Australia Limited) and three fully controlled subsidiaries (Court International Ltd, Carpet Court Southern Limited, and Space Flooring & Interiors Pty Ltd). The group operates as a single organisation, with a shared Board, management team and governance structures.

This Statement was prepared by the Franchise Legal and Compliance Manager alongside the management team and approved by the Board of Directors, which oversees the operations of all subsidiaries that form part of the Carpet Court group.

Due to the nature of our corporate group, all controlled entities were therefore included in the consultation and development process of this Statement.

Other information: The impacts of COVID 19 and future plans

The impacts of COVID 19

COVID-19 did not have a significant impact on our ability to manage modern slavery risk in our own operations, as travel and other work-related restrictions did not materially impact our ability to enforce the governance procedures we have in place for the benefit of our employees.

However, we understand that vulnerable workers throughout our supply chain may be at greater risk of exposure to modern slavery as a result of the pandemic. Supply chain disruptions, job losses and imposed lockdowns may potentially create conditions that could leave vulnerable workers more exposed to modern slavery risks. Additionally, COVID-19 might impact and disrupt any current efforts underway by governments, the private sector, or non-profit organisations to respond to modern slavery risk.

Going forward, and as part of our broader supplier engagement approach, we will look to understand whether our suppliers were impacted by COVID-19 and had to adjust their modern slavery risk management approach during the pandemic, or whether they intend to adjust it in the future.

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CARPET COURT

Next steps

Carpet Court is currently in the process of developing an internal modern slavery roadmap focusing on implementing appropriate actions to enable our group to enhance its response to such risks over the short, medium, and long term. Key focus areas include:

- Enhancing our current policies and procedures
- Developing and tailoring training materials to include modern slavery topics
- Strengthening our risk assessment and ongoing due diligence process with respect to our suppliers; and
- Developing remediation and reporting processes

This will allow us to continue to ensure that any potential risks are effectively monitored and addressed.

Examples of actions we expect to complete within our second reporting period:

- Complete a high-level risk assessment of all direct suppliers in order to better understand where areas of elevated modern slavery risk may exist within our supply chain.
- Appoint an external Human Resources (HR) advisor to ensure Carpet Court remains compliant with its remuneration related obligations. The HR advisor will also be tasked with the review of employee related internal policies and procedures.
- Complete the internal modern slavery roadmap with action points to help better understand and address modern risks.
- Design and deliver a Modern Slavery training session for a group of Carpet Court executives across various functions, including team members with oversight of employee and supplier matters.

Sign off

This statement has been developed by Carpet Court's executive team and approved by the Board.

Signed:



Name: Rodney Walker

Position: Chairman of the Board, Carpet Court Australia Limited

Date: 31 March 2021

Signed:



Name: James Hayward

Position: Chief Executive Officer and Company Secretary, Carpet Court Australia Limited

Date: 31 March 2021

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