

CARPET COURT

MODERN SLAVERY STATEMENT 2021

Carpet Court Australia Limited

Introduction

Carpet Court Australia Limited (ACN 001 195 697) (**Carpet Court**), has prepared its second 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 2021 (**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.

Carpet Court acknowledges the importance of minimising the risks of modern slavery within its operations and supply chain and is committed to implementing and enforcing policies in order to protect its system.

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 No. 2	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	30 November 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 currently employ 39 staff members located throughout Western Australia, New South Wales, Queensland, and Victoria. In addition to our permanent staff, Carpet Court engages a small number of contractors to provide professional services for the company, including IT, Human Resources 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 as well as window furnishings. 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.

During the FY21 period there was minimal movement within our membership. We saw the opening of 4 new stores and the change of ownership of another 4. One member left our group, choosing to operate his 6 stores independently. We don't believe the risk profile of our membership has changed.

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)

Document No	Prepared by	Approved by	Date
Corporate Governance No. 2	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	30 November 2021

CARPET COURT

- Rugs
- Carpet underlay
- Carpet tiles
- Blinds and window furnishings
- 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. All reviews conducted moving forward will include a modern slavery risk assessment.

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, however we are working towards achieving a better understanding of our extended supply chain.

During the FY21 period, we onboarded 4 new preferred suppliers. These suppliers have been added to our current list and will undergo the same ongoing risk analysis.

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 39 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.

During the current reporting period there were no significant changes within our operations and workforce. As such the low risk profile we reported in our last statement remains unchanged.

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.

Document No	Prepared by	Approved by	Date
Corporate Governance No. 2	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	30 November 2021

CARPET COURT

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.

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.

Since our last statement, we have commenced a high level risk assessment of our core suppliers. It is our intention that these reviews will become an ongoing practise which will assist us in identifying and managing any potential modern slavery risks within our supplier network.

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 2021.

Carpet Court continues to be vigilant in its approach to and management of potential modern slavery exposure and as a result, over the previous financial year, has:

- Developed an internal modern slavery roadmap which will assist us in responding to any potential risks over the short, medium, and long term.
- Designed and delivered 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.

Document No	Prepared by	Approved by	Date
Corporate Governance No. 2	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	30 November 2021

CARPET COURT

- Appointed an external HR advisor to ensure that the company remains compliant with its remuneration and employment related obligations. The HR advisor was also tasked with the review of employee related internal policies and procedures. The development and introduction of or amendment of current policies and procedures is an ongoing project.
- All employees acknowledged and signed off on updated position descriptions and KPI's. These will be reviewed on an annual basis and amended accordingly.
- Our Whistleblower policy which was introduced during the previous reporting period was also officially acknowledged and adopted by all employees. It was also introduced to our membership. The policy can be accessed by all members via the company's intranet platform. Over future reporting periods, it is our intention to develop and progressively roll out awareness training for all employees and members over the Whistleblower policy and its applicability to modern slavery issues.
- Commenced review of an external provider platform to assist with supplier risk management
- Issued letters to all core suppliers extending the term of their agreement and incorporated a modern slavery clause which at minimum requires the supplier to notify Carpet Court if it becomes aware of any modern slavery offences occurring within its organisation or supply chain. All core suppliers have acknowledged and returned a signed letter.
- Commenced development of its Business Continuity Plan which includes a section relating to Modern Slavery and Ethical Sourcing.

Carpet Court will continue to roll out important policies and procedures that will assist us in mitigating the risk of modern slavery whilst focusing on human rights compliance and also minimising and eliminating any unethical behaviour within our head office operations and supplier network.

Assessing the effectiveness of our actions

Our actions during the reporting period demonstrate the groups appetite to identify and mitigate the risk of modern slavery effectively.

Carpet Court's newly developed roadmap will ensure our continued improvement of our management of modern slavery risk moving forward, and the introduction of new policies and procedures into our operations will ensure our low risk assessment is maintained.

We will also continue to work with our core suppliers to better understand their supply chain and operations with a focus on identifying any areas of concern.

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.

Document No	Prepared by	Approved by	Date
Corporate Governance No. 2	Franchise Legal and Compliance Manager	Chairman of the Board, Carpet Court Australia Limited and CEO/Company Secretary	30 November 2021

CARPET COURT

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

Next steps

Carpet Court is committed to following its roadmap in order to manage modern slavery risk. Over the coming reporting periods it is our intention to:

- Continue enhancing our current policies and procedures
- Further our investigations and risk assessment of our supply chain. We will also continue to monitor any impacts of COVID 19 that our supply chain may have experienced
- Develop training modules for our head office team and broader membership
- Enhance our remediation and reporting processes
- Renew supplier agreements
- Review member agreements and code of ethics

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

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: 30 November 2021

Signed:



Name: James Hayward

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

Date: 30 November 2021

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