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Packaging

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Macfarlane Group PLC

Statement of Compliance

Slavery and Human Trafficking 2021



15th February 2022

This statement is made pursuant to s.54 of the Modern Slavery Act 2015 and sets out the steps Macfarlane Group PLC and its subsidiary companies ("Macfarlane Group" or "the Group") take to ensure that modern slavery or human trafficking does not take place within our business or supply chain.



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CEO Introduction

We are committed to ensure that modern slavery and human trafficking is not taking place in our businesses or supply chain.

We are working to increase awareness of this issue through employee training programmes and updated company policies to ensure that the highest ethical standards are met for our customers, suppliers, and employees.

Our statement sets out the actions that the Group is taking to ensure that slavery and human trafficking are not taking place in any part of our supply chains or in any part of our own business.

Peter D. Atkinson

Chief Executive Office

15th February 2022

Our Business

Macfarlane Group PLC comprises the following legal entities which trade in the UK:

- Macfarlane Group PLC
- Macfarlane Group UK Limited
- Nelsons for Cartons & Packaging Limited
- Harrisons Packaging Limited
- Ecopac (U.K.) Limited
- Leyland Packaging Company (Lancs) Limited
- Nottingham Recycling Limited

Macfarlane Group PLC is the parent company, listed on the London Stock Exchange and is the ultimate holding company of all legal entities within the Group.

The largest entity is Macfarlane Group UK Limited (trading as Macfarlane Packaging). Macfarlane Packaging is the UK market leader in the distribution of protective packaging products. Macfarlane Packaging leverages its purchasing scale to cost-effectively source a comprehensive range of protective packaging products and adds value for the customer by providing independent advice on the most cost-effective product and packaging processes.



The design and manufacturing business within Macfarlane Group UK Limited utilises design, intellectual property and know-how to provide a bespoke service to support customers, in protecting their high-value products.



Macfarlane Group PLC aims to grow its business by increasing the penetration of existing customers, winning new customers and where appropriate, through the acquisition of complementary businesses.

Policies relating to Modern Slavery and Human Trafficking

Macfarlane Group is committed to its social and environmental responsibilities and has zero tolerance for slavery and human trafficking. We hold ourselves and our supply chain accountable and we comply with the provisions of the Modern Slavery Act 2015. We recognise that modern slavery is a complex supply chain issue and we work in partnership with our Customers, Suppliers and expert organisations to help develop long-term solutions to this issue.

We have policies in place regarding anti-slavery and anti-trafficking which influence decisions around suppliers, employees and workers on a day to day basis. These policies include but are not limited to:

Recruitment Policy

Employee Code of Conduct
Whistle-blowing Policy
Supplier Code of Conduct

We keep these policies under review, and we are members of SEDEX and are therefore able to utilise their expertise in this area.

Training relating to Modern Slavery

Training is made available to all Macfarlane managers regarding our ethical and social responsibilities, with specific focus for our procurement team on modern slavery, to ensure that they understand the signs and what to do if they suspect that it is taking place within our supply chain.

Supply Chain – Risk Assessment

Macfarlane Group works with approximately 60 strategic suppliers, the majority of which are based within the UK or European Economic Area. Our supply chain is principally made up of direct third-party suppliers who supply us with products which, in turn, help us to deliver services and products to our customers.

We internally review and assess, through a risk assessment, our supply chain to evaluate human trafficking and slavery risks and we conduct supplier audits which review all aspects of the supply chain including safety, human trafficking, child labour and other legal requirements.

The level of audit is based on risk assessment and comprises a supplier audit questionnaire for low-risk suppliers, detailed on-site audit conducted by our senior procurement team for medium risk suppliers and external audit via an external auditing body for higher risk suppliers. Any external audits commissions are to the SMETA 4 Pillar standard.

Supply Chain Management and Due Diligence

The Macfarlane supplier audit policy is based on the following classification of supplier

1. Direct overseas supply:
 - a. At risk – Far East, Eastern Europe, South America & Turkey
 - b. Low risk with an annual spend greater than £250k – Western Europe
 - c. Low risk with an annual spend less than £250k – Western Europe
2. UK – indirect & goods for resale:
 - a. Spend greater than £250k or high risk supply– customer profile, brand, continuity of supply, product criticalness.
 - b. Low risk suppliers with a spend lower than £250k

The audit level for each supplier classification is as follows:

1. Direct overseas supply:
 - a. External audit conducted by a specialist audit organisation to SMETA 4 Pillar standard
 - b. Macfarlane conducted audit covering social, ethical, environmental, operational areas.
 - c. Self-assessment complying to requirements on social, ethical, environmental and operational requirements
2. UK:
 - a. Macfarlane conducted audit covering social, ethical, environmental, operational areas.
 - b. Low risk suppliers - Self-assessment complying to requirements on social, ethical, environmental and operational requirements

A number of our suppliers conduct audits on their businesses, which are published on the Supplier Ethical Data Exchange (Sedex). This is a web-based database where suppliers post labour standards information and selfassessments in addition to all site audit reports. As members of SEDEX, these reports are made available to the Macfarlane Group.

Governance

The governance of supplier audit & risk is held by the Group Procurement team with the support of the board where issues are classed as severe

Audit failures:

- Red – legal or ethical issues, requires immediate action and resolution within a week
- Amber – requires remedial action within 3 months, detailed on audit action plan.

Re-audit failures:

- Initial failure – highlighted to Procurement Director
- Second failure – highlighted to Board
- Third failure – de-selection

Red failures will be dealt with in strict accordance to the audit failure process and reported to Board level, Amber failures will be assessed on the severity of the failure and the commercial implications of actions.

Category Managers are responsible for the audit process and raising Amber or Red failures to the Procurement Director who assumes responsibility for appropriate actions and resolution.

Category managers are responsible for supply issues that are highlighted outside of the audit process e.g. press articles, service, quality issues, these should be handled using the same criteria as the audit process with any amber or red failures identified and managed via the same process.



Progress

Physical supplier audit programme re-commenced following postponement due to COVID travel restrictions in 2020/21.

All new suppliers have provided SAQ audits

Macfarlane continues membership of the ICTE Ethical Toy Programme

Future Plans

The business has identified a number of objectives for 2023, these include:

Continue training to the management and procurement team, with the completion of ethical awareness training mandatory for all decision-makers across the business.

Continuing to develop the risk assessment process to establish the ethical risks, including modern slavery in the supply chain. Particular focus being placed on strategic business units operating on stand-alone IT systems and GNFR suppliers.

A key objective of the Corporate Responsibility Committee is to create greater visibility of the ethical risk assessment process and results, with a formal review of the mechanism used on an annual basis.

Commitment to the 3 year audit cycle of 1b and 2a suppliers, conducting 20 audits per annum

Ensure all new suppliers are audited according to their risk classification before engaging in a trading relationship

Statement Approval

This statement was approved by the Chief Executive Officer on 15th February 2022, for the financial year 1 January 2021 to the 31 December 2021.

Peter D Atkinson
Chief Executive Officer