

March 2009

Hallmark Supplier Code of Conduct

A Message to our Suppliers

Hallmark's sourcing and procurement standards are consistent with our corporate beliefs and values. We ask that you carefully review these guidelines and become familiar with the principles that guide our conduct.

We view suppliers, licensees, and their subcontractors as an integral element of our business success and strive to select suppliers who adopt strong ethical standards, conduct their respective operations in a manner that respects the rights of the individuals they employ, and demonstrate careful stewardship of the environment.

As Hallmark expands its sourcing and marketing activities to meet our customers' needs, we recognize that the selection of source locations and suppliers has an impact on Hallmark's reputation and brand image.

These guidelines allow Hallmark to appropriately select new suppliers and locations for procurement, as well as identify and resolve potential problems as they arise.

Hallmark's *Supplier Code of Conduct* contains three elements:

- Workplace Standards and Practices
- Intervention/Audit Program
- Source Location Guidelines

These guidelines are subject to revision in Hallmark's continuing effort to improve its sourcing and procurement practices.

Workplace Standards and Practices

Hallmark expects its suppliers, licensees, and their subcontractors to operate their facilities and conduct employee relations in an ethical manner and to meet the requirements stipulated by law in their respective host countries. This includes, but is not limited to, laws and regulations relating to labor, compensation, work hours, health and safety, and the environment. Other specific guidelines are as follows:

Labor Practices

- Hallmark suppliers will never use forced, indentured, or prison labor in the supply of materials, products or services.
- Hallmark prefers that its suppliers hire no worker under the age of 16. If local regulations stipulate compulsory education up to an age greater than 16, that regulation will apply. Under no circumstances will Hallmark accept employment of workers under age 14, which is the compulsory education limit in some locales.
- All employment must be strictly voluntary. Factories must also respect the workers' right of free

association and should not interfere with the legal exercise of the right to free association.

- Corporal punishment and physical or mental coercion are prohibited.
- Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.
- Employers must not discriminate in hiring and employment practices on grounds of age, race, gender, national origin, religion, political or other opinion.

Compensation

- Suppliers will not pay less than the minimum wage (including trainees) in accordance with local labor laws or the prevailing market rate, whichever is higher. Workers will be fairly compensated to a similar standard for overtime work.
- Room and board, transportation, and other benefits will not be deducted from cash compensation in meeting or exceeding local salary standards. Other benefits must meet or exceed local laws and standards.

Work Hours

- All overtime, as defined by local regulations or practice, will be strictly voluntary and will be duly compensated.
- As a normal practice, the maximum number of working hours must not exceed 60 hours per week. Local government regulations will be followed if they require fewer than 60 hours per week.
- As a normal practice, workers should receive a minimum of one day off in seven days.

Health & Safety

- Employers must provide a safe and healthy work environment.
- Fire prevention equipment must be accessible (in factory and dormitory facilities), and employers are responsible for conducting fire prevention and evacuation training.
- Dormitory housing should provide clean and adequate space for employees with sanitary facilities and water supply.
- Restrooms should be clean and available for all employees.

Environment

- All local laws and regulations must be met and operations conducted in a manner that conserves resources.
- All waste materials and production by-products should be disposed of properly and in an environmentally responsible manner.

Subcontracting

- Subcontracting production without prior written consent is strictly prohibited. Suppliers are responsible for ensuring that allowed subcontractors are in compliance with Hallmark's Code of Conduct and will provide proof of compliance upon request.
- Hallmark strongly discourages the use of homeworking for production. The use of homeworking without prior written consent is strictly prohibited. Verification of compliance is the responsibility of the supplier. Homeworking of licensed product is strictly prohibited. If homeworkers are to be used, all local laws, Hallmark's Code of Conduct and Hallmark's Homeworking Policy must be followed. At a minimum:
 - the age of workers must be verified and comply with the Hallmark standard
 - hours and wages must be tracked
 - homeworkers must be guaranteed proper compensation.

Violation of the foregoing may result in cancellation by Hallmark of any purchase orders or supply agreements without any liability to Hallmark or its subsidiaries.

Intervention/Audit Program

Purpose

The Intervention Program is structured to allow Hallmark and suppliers multiple opportunities within a year to review program requirements, ensure compliance, work on improvements to exceed minimum standards, and openly discuss issues and concerns

Program

The responsible Hallmark office conducts a factory visit to verify that the supplier's premises and conditions meet the expectations set out in the Hallmark *Supplier Code of Conduct*. During the visit, mutual expectations will be reviewed and the supplier's signature of compliance will be obtained. This letter will be kept on file in the respective buying office and updated annually.

The audit process assumes open and free access to suppliers and their subcontractors at Hallmark's request, and will be conducted solely at the discretion of local Hallmark management.

After the audit is conducted, any areas requiring improvement will be addressed directly with the supplier, resulting in an improvement program. Failure to implement improvement in a timely manner can result in order cancellation by Hallmark of any purchase orders or supply agreements without any liability to Hallmark or its subsidiaries.

Source Location Guidelines

It is incumbent upon Hallmark to assess not only the need to conduct sourcing operations in the host country in support of our customers, but also to evaluate any inherent risk to our staff or to Hallmark's reputation and image. Hallmark's Policy 124 for conducting International Business provides a framework for this work.

- Political, economic and social unrest should not place Hallmark employees and agents at excessive risk.

- The host country must not — in Hallmark’s view — have an endemic child labor or human rights problem that would transcend our ability to control or positively influence the host country by our presence.
- All applicable trade agreements and local laws, including those applicable to importing into the U.S. and other countries, must be followed, as well as adherence to the Foreign Corrupt Practices Act. Concurrently, Hallmark purchasing employees are not allowed to accept gifts/advantages from any supplier and must sign an adherence statement annually to this effect.