

APP GROUP (CANADA) INC.

Report on Measures to Prevent and Reduce the Risk of Forced and Child Labour in Supply Chains

MAY 2024

I. INTRODUCTION

This is the first report of APP Group (Canada) Inc. (“**APP**”) under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”). APP Group is a Montreal-based company that owns the MACKAGE and SOIA & KYO brands of apparel. Our values are centered on innovation, quality, respect, integrity and passion. We are fully committed to responsible and sustainable business practices and are pleased to submit this report which contains the information prescribed by the Act including our current measures and plans to fight against forced and child labour in supply chains.

II. APP STRUCTURE, ACTIVITIES AND SUPPLY CHAIN

a. Structure and Activities

APP is a privately held corporation incorporated under the Québec *Business Corporations Act*. Its incorporation number is 1172551211 and its Business Number is 734214893. As of April 2024, we have a total of 195 employees. Our financial reporting year is January 1 to December 31 and this report covers the year ending December 31, 2023.

APP is a producer, wholesaler and retailer of outerwear, ready-to-wear clothing, footwear and accessories for men, women and children under the MACKAGE and SOIA & KYO brands. The company, established in 1990, conducts most of its operations from its corporate headquarters in the heart of Montreal’s fashion district, but also operates offices in New York, Miami, Paris, Munich, Shanghai and Seoul. We have stores in Canada, the US, Europe and other operations in Asia. We operate abroad through wholly-owned subsidiaries of APP. More information on our company, our brands, stores and pop ups is available on our web site: <https://www.appgroup.ca/>.

b. Supply Chains

We source and designate the components of our products and we engage various manufacturers who purchase the components and produce our branded products. These manufacturers are located in China, Vietnam, South Korea, Italy, Portugal, Romania, Bosnia, Turkiye and Armenia. The products we source from our manufacturing partners are either delivered to APP in Canada and then distributed through our sales channels in Canada, or delivered directly to our wholly

owned subsidiaries in Europe, the United States and Asia for distribution in our stores and other sales channels.

As explained in greater detail in the following section of this report, our manufacturing suppliers go through an exhaustive vetting process and must comply with internationally recognized Environmental, Social and Governance (“**ESG**”) standards, including with respect to working conditions, and forced and child labour, in their operations and their own supply chains.

III. POLICIES AND PROCEDURES IN RELATION TO FORCED AND CHILD LABOUR

Our core values include integrity and respect. As part of our commitment to the highest standards of ethical business, we are members of [amfori](#). Founded in 1977 and headquartered in Brussels, amfori is a leading business association for sustainable trade, supporting companies across the globe to operate successful and responsible businesses, by improving the ESG performance of their supply chains. As members of amfori, we use its resources and services to support our ESG supply chain objectives and we adhere to its amfori Business Social Compliance Initiative (“**BSCI**”) [Code of Conduct](#).

Before we conclude a manufacturing agreement with a manufacturer, they must accept the BSCI Code of Conduct and accept to honour the commitments stated therein or confirm their adherence and commitment to respect the code of conduct of an internationally recognized equivalent ESG compliance auditing service. Our contracts with our manufacturers involve the adoption of our Factory Compliance Manual that includes, among other things, our Manufacturing Terms and Conditions and the terms of the BSCI Code of Conduct.

The amfori BSCI Code of Conduct lists detailed commitments to be taken by our manufacturers in connection with, among other things: the right to freedom of association and collective bargaining; no discrimination, violence or harassment; fair remuneration; decent working hours; occupational health and safety; no child labour; special protection for young workers; no precarious employment; no bonded, forced labour or human trafficking; ethical business behaviour, as well as providing grievance mechanisms for workers to assert these rights.

Our Manufacturing Terms and Conditions include a manufacturer’s warranty that it will, among other things:

- provide, and will cause its subcontractors to provide, a safe working environment for all its employees and other persons performing services in connection with our products; and
- comply, and cause its subcontractors to comply, with the terms of the BSCI Code of Conduct.
- make its facilities, and the facilities of subcontractors, available for APP or its representative to meet with and interview employees for the purposes of determining compliance with the Terms and Conditions (including the terms of the BSCI Code of Conduct).

Non-compliance with the terms of the BSCI Code of Conduct can lead to termination of a manufacturer's contract with us.

Furthermore, all APP employees must comply with our internal Code of Conduct which they must read and sign at on-boarding. Our internal Code of Conduct encourages employees to report any illegal, dishonest or unethical conduct that they encounter. APP protects employees that report such behaviour from any retaliation and adverse employment consequences.

IV. RISK ASSESSMENT, MANAGEMENT AND MITIGATION

APP acknowledges that the supply chains of the apparel and accessories industry present a risk of forced labour and child labour. We have identified and assessed these risks through the amfori tools and programs and continue to strive to identify emerging risks. We consider forced and child labour risks in the manufacturing portion of our supply chain before we start doing business with a manufacturer, and this assessment is based on the sector in which we operate, the types of products we source, the locations of the manufacturing activities and the raw materials involved in the production of our goods. APP chooses not to manufacture in countries or geographical areas that present a heightened risk of forced and child labour.

We rely extensively on our membership in amfori to assist us in managing and mitigating this risk. Once one of our manufacturing suppliers accepts our Code of Conduct and a contractual agreement is reached, APP invites the Vendor to become a member of amfori at which time a monitoring audit will be conducted by an impartial auditor designated by amfori. Once completed, APP analyses the result of the audit. Identification and prioritizing of key risk areas are done based on amfori tools and programs. The audit report generates a rating between A and D. Any rating below C requires an additional audit to ensure that the concerns addressed are resolved before we proceed with the manufacturer.

As part of the amfori BSCI program, our manufacturers are audited and monitored on an annual basis, and any required follow up is completed within three months of the initial audits.

APP's manufacturer onboarding and due diligence processes mean that we are able to map our suppliers (including sub-tier suppliers) and observe the origin of a product and its components/raw materials. To support this process, amfori requires business partners to provide detailed information in relation to their respective business operations and practices.

Most importantly, APP can identify risk at site level, and then assess and remediate or mitigate risks associated with that location and its supply chain in relation to human rights or environmental compliance. This is done through amfori audits, applying their risk assessment tools, non-compliance, and corrective action plans.

V. EFFECTIVENESS OF OUR ACTION

The program we follow and detailed in the amfori BSCI System Manual is widely recognized as an effective way to ensure compliance with ESG (including forced/child labour) norms for

companies of our size and scale. Through the regular auditing and review provided for under the BSCI Code of Conduct and System Manual, we ensure that our supply chains remain demonstrably free from forced or child labour. The training we receive through amfori also ensures that we remain aware of evolving forced and child labour risks in our supply chains and the steps we can take to continuously improve our own ethical business practices.

VI. REMEDIATION MEASURES

We have not identified any incidents of forced or child labour in our supply chains. As such, we have taken no related remediation measures and, therefore, have not taken any steps to mitigate any negative effects remediation measures can have on vulnerable families. In the unlikely event an incident should arise, we are committed to taking appropriate remediation measures and assisting vulnerable families.

VII. TRAINING

APP expects all its employees to maintain high standards of ethical and equitable conduct, which is why all employees must read, understand and undertake to comply with APP's internal Code of Conduct. APP employees are expected to refrain from any illegal, dishonest or unethical behaviour under this Code of Conduct.

More particularly, employees that are part of the APP compliance team are required to follow mandatory courses and update seminars offered through the amfori Virtual Academy. In addition, amfori Virtual Academy provides unlimited and easy access to a set of courses and workshops that help foster responsible business conduct throughout the supply chain. By taking courses on the platform we have a more in-depth understanding of the measures taken by our business partners in relation to any follow-up monitoring audits conducted by amfori and are able assess the efficacy of these measures. We also actively encourage our suppliers to utilize these resources.

Each amfori BSCI training resource is built, enriched, and continuously updated considering local legislation requirements and individual language preferences. No matter what the training topic is, the goal remains to help enhance ESG due diligence efforts.

APPROVAL & ATTESTATION

In accordance with the requirements of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for APP Group (Canada) Inc. I attest that the report has been approved by the board of directors and that, based on my knowledge and having exercised reasonable diligence, the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Signature:	
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Name: Tanya Golesic

Title: CEO

Date: May 28, 2024

I have the authority to bind APP Group (Canada) Inc.