

2023 FORCED LABOUR REPORT

In Compliance with the Modern Slavery Act



EQ3

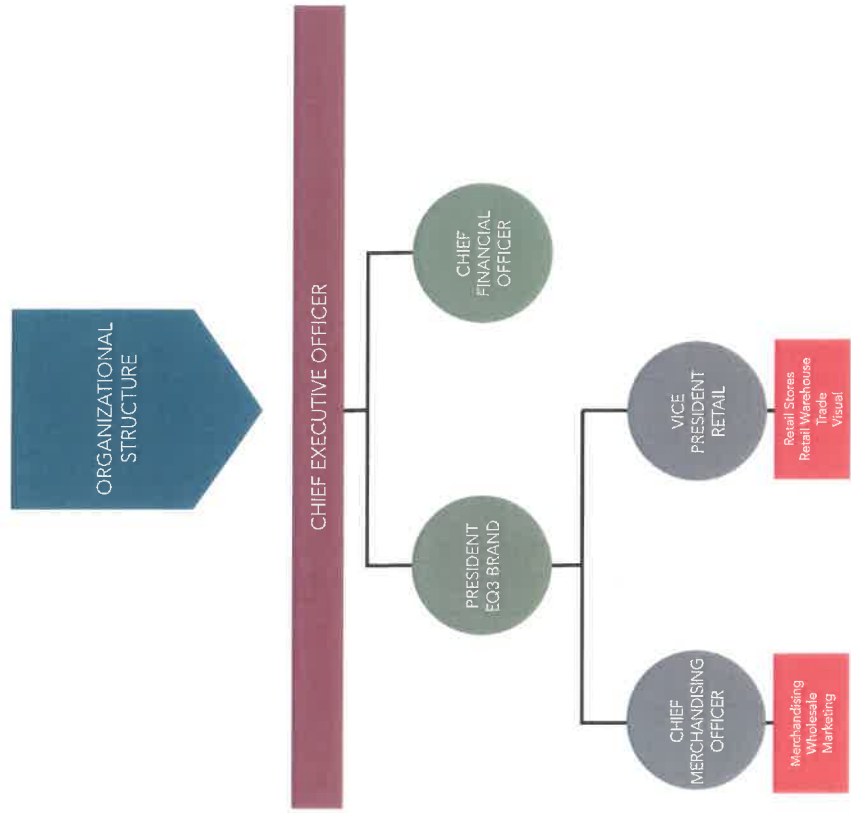
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WHO WE ARE

Established in 2001, EQ3 was born from the Palliser Group, a company with over 75 years of excellence in upholstery manufacturing. EQ3 Ltd. is an independent entity and is proud to continue a legacy of longevity, bringing together a tradition of quality with a keen eye for innovation and conscious practices.

As of December 31st, 2023, EQ3 employed 351 individuals: 318 based in Canada, and 33 based in the United States.



WHAT WE DO

EQ3 is a designer and retailer of furniture and home goods focused on a new way forward: one that values quality and never compromises on craft. Our optimism and passion are rooted in a drive for a better future—an insistence on continual improvement for EQ3, our peers, and our community.

We want to change the way furniture is made and bought, so we adopted a made-to-order Upholstery model, designing and manufacturing in-house at our Canadian headquarters in Winnipeg, Manitoba to extend the lifespan of every product.

We're also proud to partner with a range of brands who share our ethos of timeless design to offer a curated selection of their products. These EQ3 Brand Partners include Herman Miller, Humanscale, Marimekko, Pablo Designs, Tala, Silk & Snow, Neighbor, Loll Designs, and Upton.

All EQ3 collections are available for purchase through our showrooms and our ecommerce website. We also engage with strategic wholesale partners across North America to broaden our reach and improve the accessibility of our products. In addition, we have outlet locations where floor models, returns, and last-chance designs are available at discounted price points, keeping our designs in circulation and out of landfills.



OUR SUPPLY CHAINS

EQ3's purchasing decisions and selection processes are rigorous. Key considerations when choosing suppliers include product quality, working conditions, technical specifications, aesthetics, prices (including delivery costs), delivery time and terms, reliability, minimum quantity requirements, product development/new technologies, and environmental considerations.

A significant part of our business is focused on Upholstery designing and manufacturing. All EQ3 Upholstery is made in Winnipeg, MB, Canada by our related company, Palliser, which manufactures Upholstery in their North American facilities in both Canada and Mexico. Our upholstery designs are available in 200+ fabrics and leathers, sourced from our trusted textile mills in Brazil, Italy, Mexico, Belgium, China, Spain, France, United Kingdom, India, South Korea, and the United States.

EQ3 has an extensive global partnership network. We partner with a talented group of Indian artisans to create our handmade rugs, Palliser's Mexico plant to cut and sew our fabrics and leathers, and Palliser's owned and operated manufacturing facility in Java, Indonesia to produce bedroom, living, and dining furniture, as well as Oak and Walnut veneer millwork for both companies. We often collaborate with talented designers from around the globe to bring new forms to life.

We've also developed strategic relationships with overseas partners and use Palliser's China Office to source various products on behalf of EQ3, including lighting, solid wood, veneered casegoods, and accessories.

The two most important regions for our import business are Indonesia, and China/Taiwan, for which we utilize the resources and expertise of Palliser, to manage on our behalf.

The remainder of EQ3's import business (other casegoods and accessories) is proudly sourced both domestically, in Canada, as well as from countries around the world including Taiwan, Denmark, Thailand, Portugal, the Philippines, and the US.

A smaller portion of our import business originates from the remaining countries in our supply chain.



OPERATIONAL RISKS

EQ3 is committed to ensuring that forced labour and child labour are not used in its supply chains. We are always working to ensure materials are sourced from reputable suppliers who comply with labour laws and regulations.

We acknowledge that modern slavery risks can be linked to certain sectors, including manufacturing and textiles, both of which impact our business. A prevalence of low-skilled labour, outsourcing, poor governance, and other socio-economic factors such as poverty directly impact these industries and heighten modern slavery risk. Our vertically integrated strategy minimizes risk within our business operations. However, we have identified risks where we engage external suppliers, subcontractors, and third parties related to our import business.

EQ3 acknowledges the complexity of its supply chains and the challenges posed by limited transparency. To address these challenges, EQ3 will begin assessing labour practices at all our first-tier suppliers in 2024 and will look to implement standard vendor agreements which cover labour standards as well as other areas concerning our code of conduct.

EQ3 recognizes the difficulties in monitoring and maintaining visibility beyond tier-two suppliers.

IMPACT OF COVID-19

Similar to many businesses, EQ3 encountered significant challenges during the COVID-19 pandemic. These challenges included reduced visibility in certain parts of our supply chain and constraints on conducting physical audits, site checks, and supplier visits at our usual frequency. This period underscored the importance of adaptable and resilient supply chain strategies, prompting us to reevaluate and enhance our approach to risk management and business continuity planning.

ASSESSMENT

EQ3 has taken the following steps to prevent and reduce the risk of forced and child labour in its supply chains:

MAPPING SUPPLY CHAINS

To initiate our assessment phase, EQ3 conducted a comprehensive mapping of our supply chain based on tier-one suppliers. This involved a detailed identification of all products, vendors, and countries from which we actively source materials. The aim of this mapping was to gain a thorough understanding of our supply chain landscape and identify potential vulnerabilities related to modern slavery.

Through this process, we have been able to pinpoint specific countries that pose higher risks for child labour and forced labour practices. The first table outlines the materials sourced and their respective vendor purchase countries, providing a view of our supply chain network. Additionally, the accompanying table presents the distribution of purchase dollars by country for the year 2023, highlighting areas of significant spend and potential risk.

EQ3 PURCHASE REGIONS

Through this assessment, we identified four countries—China, Taiwan, Vietnam, and India—that present elevated risks regarding modern slavery practices. As a result, we plan to implement targeted measures to address and mitigate these challenges in 2024 and beyond. These measures will include supplier assessments, enhanced due diligence processes, and the development of corrective action plans where necessary.

Product sourced from these identified high-risk countries accounts for 13.5% of our total purchase dollars in 2023. This statistic underscores the importance of our ongoing efforts to monitor and address potential risks in these regions actively.

We are committed to maintaining a transparent, ethical, and sustainable supply chain that prioritizes human rights and dignity. We continually strive to improve our practices to ensure that all aspects of our supply chain operate in a manner that respects and upholds the rights of all individuals involved.

MATERIAL	PURCHASE COUNTRY
Upholstery Manufacturing	Canada, Mexico
Casegoods Manufacturing	Indonesia
Wood Products	Canada, Denmark, China, Malaysia, Mexico, Thailand, Taiwan, Vietnam
Metal Products	China, India, Taiwan
Glass Products	China, Thailand
Wool Products	India
Textiles	India, China
Lighting	China
Other Accessories	China, Thailand, Philippines, Indonesia, Vietnam, Portugal, Canada, USA
Other Furniture Materials	Canada, China, Taiwan, Vietnam

COUNTRY	2023 PURCHASE BY REGION
Canada	74.33%
China/ Taiwan	8.47%
Indonesia	8.01%
Vietnam	2.76%
USA	2.65%
India	2.23%
Other Regions	1.54%
TOTAL	100%

COMMITMENT

OUR POLICIES

EQ3 is committed to conducting its business in accordance with a high standard of business ethics, respecting the human dignity of its employees, and complying with the applicable laws of each country in which it operates. EQ3 strives to do business exclusively with suppliers who share these commitments.

In 2023, on behalf of EQ3, Palliser sent vendors the Palliser Vendor Agreement, which includes an Ethics clause and the Vendor Code of Conduct. The Ethics clause contained provisions against Child Labour and Forced Labour stating that "Palliser does not do business with companies that violate the law." This Vendor Code of Conduct covers our Upholstery business and our import business from Indonesia and China/Taiwan, managed by Palliser. In 2024 the Code of Conduct will be amended to speak to the Modern Slavery Act.

As part of our commitment to preventing forced labour and ensuring ethical practices, we have also implemented comprehensive policies and guidelines outlined in our employee handbook. For sourcing activities that fall outside of Palliser Financial Group (Upholstery manufacturing, Indonesia Casegoods, and China/Taiwan sourcing), we have a separate policy in place.

Our Buying Policy requires suppliers to adhere to high standards of ethical conduct, including the prevention of modern slavery. This policy prohibits child labour, requiring team members and contractors to be at least the age at which compulsory schooling has ended (or the minimum age mandated by local laws, whichever is greater). In some locations, we work with locally stationed agents, whose service agreements include stipulations prohibiting child labour and forced labour.

We have a number of HR policies and practices in place that work to ensure a safe, equitable, and enjoyable workplace for all.

Our Equal Opportunities of Employment program ensures fair treatment and non-discriminatory practices in hiring, promotion, and all employment conditions.

Additionally, our Respectful Workplace Policy works to enforce a respectful and inclusive workplace for all, with specific language aimed at preventing harassment, discrimination, and any form of exploitation, which would include the use of forced labour. This policy also includes clear guidelines for maintaining a respectful workplace and procedures related to reporting violations.

Our overtime guidelines include specific calculations used for determining overtime pay and banked time, ensuring all our employees are not subjected to excessive working hours and compensated fairly for additional contributions.

We are firm in the belief that it is our responsibility to provide a comfortable working environment. Our Clean & Safe Work Environment policy works to enforce this, preventing any form of forced or unsafe labour conditions. Our policies include strict adherence to safety regulations and regular reviews of workplace safety standards.

Our Health & Safety Policy outlines firm guidelines that promote worker safety and prohibit harassment, bullying, and discrimination in the workplace. We remain steadfast in our commitment to the occupational health of all of our employees, as well as our customers in the use of our products.

By adhering to the above mentioned policies and ensuring their implementation and enforcement, EQ3 demonstrates our strong commitment to ethical labour practices and our compliance with Canadian regulations regarding the prevention of forced labour.

DUE DILIGENCE PROCESSES

We fully support Canada's Modern Slavery Act, which defines child labour as work by anyone under 18 that (a) breaks Canadian laws; (b) is harmful mentally, physically, socially, or morally; (c) disrupts their education; or (d) is considered the worst form of child labour according to the Worst Forms of Child Labour Convention, 1999. While there might be cases where hiring under 18 is acceptable, we may revise our policies to clarify these circumstances.

Palliser maintains an office in China that sources furniture and accessories for EQ3 and raw materials for Palliser, and conducts quality inspections. All vendor visits in 2023 were tracked, recording who was at the factory and the orders that were reviewed. Our staff in China informally reviews factory conditions.

In Indonesia, Palliser operates manufacturing facilities that directly contribute to our import inventory. These facilities are assessed for labour practices, environmental sustainability, and adherence to local and international regulations. The Indonesian manufacturing plant upholds high standards in terms of labour rights, including the prohibition of forced labour and child labour, aligning with our commitment to ethical sourcing.

In India, a well-established system works to ensure that no child or forced labour is involved in producing our products. Many of our suppliers have been audited by third parties under the SMETA framework and achieved certificates of compliance. For 2023, we have some certificates and third-party audit reports on hand that specify that no child labour or forced labour is used.

In 2023 less than 7% of our product imported was sourced in Vietnam and other remaining regions. We are currently assessing and identifying how each factory's policies on forced labour and child labour compare against Canadian Bill S-211.

Due to different legislation around legal working ages in our partner's respective countries, more work is needed to ensure that each is aligned with Canadian Bill S-211. We are committed to achieving greater compliance and visibility in 2024 and beyond.

Our due diligence processes involve conducting supplier visits outside of Canada. These visits are conducted by our head office team from Canada or our team, agents, or representatives stationed overseas. The purpose is to assess various aspects of vendor suitability, including safety, health, working conditions, compliance with labour laws, environmental standards, and the absence of forced labour or child labour. As of 2023, we determined our processes had an inconsistent structure and review rate; therefore, we are working to plan and establish a formal assessment and audit processes starting in 2024 and continuing into future years.

EMPLOYEE TRAINING

Currently, both EQ3 & Palliser provide HR Orientation training to all new hires including extensive Health & Safety Orientation training. In 2024, we will amend our training to include a component on forced labour and child labour including a discussion of EQ3's Code of Conduct.

INTERNAL & EXTERNAL REPORTING

Recognizing the inherent risks within global supply chains, EQ3 remains vigilant and committed to ethical sourcing and corporate integrity. Through vendor visits and periodic monitoring, EQ3, through Palliser, EQ3 employees, or our overseas agent network, actively identifies and mitigates the risk of modern slavery in its supply chains. EQ3 engages internally, with local vendors, and with overseas suppliers to promote transparency, uphold ethical standards, and ensure compliance with legal requirements and international labour standards.

Palliser Indonesia complies with all Indonesian Forced Labour and Child Labour laws, including the Ratification of International Labour Organisation (ILO) Conventions, the Indonesian Constitution & Human Rights Laws, the Human Trafficking Law, and the Manpower Law. The individuals that make up the workforce are all over the required working age of 18 years.

In countries where we source products outside of Palliser Furniture Group, we have signed service agreements outlining the prohibition of child and forced labour. Palliser's China office employees complete detailed vendor visit reports. This involves questions directly related to modern slavery. The team also diligently gathers information on ownership of the company and subcontractors being used. With some vendors, we possess third-party audits under the SMETA frameworks certifying that no child or forced labour has been found.

To date, our monitoring of suppliers in relation to child labour and forced labour has been informal. While we do assess these aspects when engaging with new suppliers through our agent network or site visits by our employees, there is an inadequate process for assessment, documentation, and audit structure and we are actively working towards establishing a more structured monitoring framework to ensure compliance and ethical practices throughout our supply chain.

ACTIONS TAKEN TO ADDRESS RISKS

To date, EQ3 has not faced situations of forced labour or child labour, and therefore has not had to rectify and remedy such situations including any loss of income. Therefore, we have not had to remedy or rectify such situations. Our proactive approach to supplier assessment and ongoing monitoring aims to prevent such risks from arising and ensures that our supply chain remains free from such unethical practices. We are committed to continued vigilance and improvement of our processes on an ongoing basis.

SIGNED ATTESTATION

This report was approved by the Executive Board of EQ3 Ltd. on May 29, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that 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.

DATED as of May 29, 2024.

Signed by and on behalf of EQ3 Ltd.



Mark Letain, President of EQ3 Ltd.

I have the authority to bind the corporation.

