

Forced Labour and Child Labour in Supply Chains Report

Fiscal Year 2023

1. ABOUT THIS REPORT

This report relates to the financial year ending November 30, 2023. It is published by Holding Foliot Inc. (the “**Company**”) in compliance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”).

The information provided in this report applies to the Company and to its subsidiaries, Foliot Furniture Inc., Foliot USA Holding Inc. and Foliot Furniture Pacific Inc. References in this report to “Foliot Furniture”, “Company”, “we”, “our” and similar terms are to Holding Foliot Inc. and its subsidiaries generally, to one or more of them, or to those who work for them.

This report highlights the key actions of the Company within the last financial year to prevent and reduce the risk of forced labour or child labour in its activities and its supply chain.

2. OUR COMMITMENT

Foliot Furniture’s conduct of business around the world is guided by its commitment to operating in a socially responsible manner.

We consider the respect of human rights to be a fundamental corporate responsibility and we place the highest importance to acting ethically and with integrity in all of our dealings and relationships, here and abroad.

We are committed to bringing long-term sustainable benefits to the communities where we operate, and fostering a culture of excellence and collaboration among our employees. As such, we provide our employees a harmonious working environment conducive to productivity and well-being and we do not tolerate any form of forced labour or child labour in our business and supply chains. We also expect our suppliers to adhere to the highest standards of ethical conduct.

3. PREVENTING AND REDUCING RISKS OF FORCED LABOUR AND CHILD LABOUR

During our last financial year, we have taken various steps to prevent and reduce the risk that forced labour or child labour be used at any step of the production of goods in Canada or elsewhere by us or of goods imported by us into Canada, including the following:

- We developed and implemented due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and child labour in our activities and supply chains, which policies include grievance mechanisms for our employees.
- We have been auditing and monitoring suppliers located in foreign countries on an annual basis.

- We conducted a general risk assessment process to analyse the flow of our international supply chain, and threats and vulnerabilities, and completed a mapping of our activities and supply chains based on geographies.
- We have ensured that the recruitment of each of our employees has been carried out on a fully voluntary basis.

Details of the above actions are set out in this report.

4. ABOUT US & OUR SUPPLY CHAIN

Foliot Furniture is a global commercial furniture manufacturer headquartered in Saint-Jerome (Quebec, Canada) serving the hospitality sector, student housing both for colleges and universities and various other end markets such as shelters, military and staff housing.

Our company is organized by functional area: sales, marketing & product development, human resources, supply chain, operations, information technology and finance, reporting to our Chief Executive Officer who in turn reports to the Board of Directors.

The furniture we sell is manufactured in Canada and in the United States and we import certain finished products and raw materials from Asia and Central America.

4.1 Our Supply Chain

Foliot Furniture is vertically integrated. We have our own laminate panel production facility in Mirabel (Quebec, Canada) which serves as the main raw material for our two furniture manufacturing facilities in Saint-Jerome (Quebec) and Las Vegas (Nevada) where we convert laminate panels into fully assembled furniture such as beds, headboards, nightstands, dressers, wardrobes, desks, vanities and tables to name a few. We also produce various soft seating products in each factory. Each manufacturing site also includes warehousing of finished goods, in addition to a third-party warehouse (3PL) located in North Carolina.

We have a vast supply chain with suppliers in Canada, the United States, Central America and Asia. While our main raw material (particle board) for laminate panel production is sourced in Canada, some of our other raw materials are sourced from Asia.

Our direct suppliers also have their own supply chains and source their products from manufacturers located in certain overseas countries and in some instances, there can be a number of levels of suppliers between Foliot Furniture and the raw materials at the very beginning of the process. As such, respecting and complying with human rights obligations is as much the responsibility of our suppliers as it is ours. This is why we require that our suppliers abide by our Supplier Code of Conduct.

5. POLICIES AND DUE DILIGENCE PROCESSES

We strive to embed responsible business conduct in our activities and supply chains through the adoption of policies that communicate the high standards expected of all our employees, partners and suppliers.

5.1 Our Human Rights Policies

Our internal policies underpin our commitment to ensure that there is no forced labour or child labour in our supply chains or in any part of our business. They reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to reduce the risk that forced labour or child labour is used in our activities or supply chains.

All our officers and employees must sign our Code of Ethics in which we pledge to provide a harmonious working environment conducive to productivity and well-being. The Code of Ethics includes whistleblower protection against retaliation.

Our Supplier Code of Conduct has been designed to help our suppliers understand their responsibilities and to create an awareness of the business and ethical standards that they must follow in their business dealings with, or on behalf of, Foliot Furniture. Notably, the Supplier Code of Conduct provides for the following:

- Obligation to comply with all applicable laws, the International Labour Organization's Declaration of Fundamental Principles and Rights at Work, as well as any contractual terms with respect to work conditions in its contract with Foliot Furniture.
- Commitment to respecting the safety and health of workers and creating safe working conditions and a healthy work environment.
- Upholding freedom of association and the effective recognition of the right to collective bargaining as well as the elimination of all forms of forced and compulsory labour and effective abolition of child labour, and discrimination in respect of employment and occupation.

Our Supplier Code of Conduct also provides that Foliot Furniture has the right to terminate all contractual relationship if the supplier violates one or more of the provisions of the code or if an investigation is initiated against the supplier in connection with any violation (or alleged violation) of the laws, regulations and principles outlined in the code.

We have also included in our purchase order terms and conditions an obligation for any contracting supplier to review, acknowledge and confirm its agreement with our Supplier Code of Conduct.

5.2 Our Due Diligence Processes

We verify product supply chains through various methods, including site evaluations and inspections, and the completion of forms and questionnaires by our suppliers, among others.

Supplier Code of Conduct and Security Form - As a member of CTPAT (Customs Trade Partnership Against Terrorism) for the United States and Canada, we require that, on an annual basis, our suppliers execute a form confirming their commitment to abide by our Supplier Code of Conduct as well as a security profile form, demonstrating how the supplier adheres to each security requirement.

Our suppliers who are not CTPAT certified or not eligible for certification must provide, on an annual basis, information on their own policies regarding the abolition of forced labour and child

labour. Notably, we demand whether these suppliers have a social compliance policy that commits them to respect and eradicate all forms of forced or involuntary labour, including human trafficking, throughout their supply chains and to confirm whether they perform a risk assessment and have written procedures on risk assessment, which would cover, among other things, forced labour and child labour.

On-site Visits - Every year, we arrange on-site visits to our overseas manufacturers to meet with management and conduct further assessment, including with respect to forced labour or child labour risks. In case of doubt, questions are asked.

Supply Chain Mapping - Our due diligence assessments involve mapping the Company's supply chain and business partners based on their geographies. Our current mapping activities include mapping cargo flows and identifying direct and indirect business partners involved in the supply chain of goods from point of origin to final destination. This mapping gives us a better understanding of our suppliers' processes and of the origin of the raw materials used in the production chain. However, given the complexity of obtaining a complete picture of our suppliers' supply chains, our mapping remains partial in nature and is a work in progress.

Worker Recruitment - During our hiring process, we collect information about each of our employees. Each employee has the freedom to sign their employment offer, including all our foreign workers, and they are also free to leave Foliot Furniture at any time. Our hiring process also takes into consideration our customary internal policy, whereby we do not employ individuals who have not reached the age of 16 by the current calendar year. Furthermore, our job offers are published internally and externally to promote transparency and fairness for all.

6. RISK ASSESSMENT & REMEDIATION MEASURES

Every year, we conduct a five-step risk assessment process to analyse the flow of our international supply chain, as well as threats and vulnerabilities. Although our risk assessment is general in nature, it may include the identification of forced labour and child labour risks.

Through this process, each supplier is assigned a level of risk and a vulnerability assessment is conducted. An action plan is also prepared to mitigate any identified risks. This supply chain risk assessment is conducted in compliance with our CTPAT obligations.

Given the general nature of our supply chain risk assessment and the fact that the Company relies on global supply chains which present visibility challenges, no definitive risk areas have been identified yet, but human rights risks will be further analyzed as the assessment process continues in 2024 and beyond. We however recognize that our suppliers have their own supply chains and that some of the goods we purchase from our suppliers are manufactured in countries where the risk of forced and child labour may be higher.

To help prevent supply chains risks, we aim to maintain long-term relationships with our suppliers. Many of our suppliers are substantive, well reputed companies with which Foliot Furniture has had regular and close dealings over a long period.

That said, we have not been made aware of specific instances of forced labour or child labour in our activities and supply chains and as such, no measures have been taken in our activities and supply chains during the reporting period to remediate forced labour, child labour or loss of income to vulnerable families.

7. TRAINING AND CAPABILITY BUILDING

Our onboarding process includes specialized training to sensitize new employees with various topics such as human rights, harassment prevention, and the risks associated with forced labour and child labour. Our training process assists in preparing our employees to meet our collective responsibility to respect and protect the human rights of our customers, colleagues and employees, as well as the many workers across our supply chain.

8. ASSESSING THE EFFECTIVENESS OF OUR APPROACH

We have in place a number of measures to prevent and reduce the risk that forced labour or child labour is used in our activities and supply chains. While we have not yet taken formal actions to assess the effectiveness of those measures, we intend to assess our effectiveness in preventing and reducing risks of forced labour and child labour in our activities and supply chains at a later stage.

Ensuring that forced labour and child labour practices are not taking place in our business and supply chains is and will always be a work in progress.

9. APPROVAL AND ATTESTATION

This report was approved by the Board of Directors of Holding Foliot Inc. on May 30, 2024 pursuant to subparagraph 11 (4)(b)(ii) of the Act and constitutes our group's report for the financial year ending November 30, 2023.

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 entities of the group listed at the first page of this report. 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 indicated above.

I have the authority to bind Holding Foliot Inc.

(s) Michel Toutant

Full name: Michel Toutant

Title: Chairman

Date: May 30, 2024