

LFL Group Responsible Sourcing Program

Introduction from the Board of Directors

At LFL Group, we strive to conduct our business in a responsible manner. We are committed to having a strong, robust supply chain that upholds international human rights and labour standards, as set forth in our Vendor Code of Ethics. We recognize our opportunity and responsibility to actively safeguard the working conditions of the people who make our products and to contribute to the eradication of modern slavery, including forced labour and human trafficking, in our supply chain.

We also expect that our suppliers will abide by all applicable international and local laws, rules and regulations in the manufacture and distribution of merchandise and the provision of services provided to LFL Group and its related entities. To ensure accountability, our suppliers are contractually required to comply with our Responsible Sourcing Standards and encouraged to exceed those standards through continuous improvement in their operations.

To meet these ends, we have implemented a responsible sourcing program and collaboration with suppliers and partners who share our values and support us in advancing positive impact and well-being. As our business grows, we will continue to leverage collective action to elevate our practices and drive industry improvements.

Organizational Structure and Operations

Leon's Furniture Limited is the parent company that operates in Canada under the retail banners Leon's, The Brick, The Brick Mattress Store, as well as through its commercial sales channels including Appliance Canada and Midnorthern Appliance and its online channels including leons.ca, thebrick.com and furniture.ca (collectively, referred to as 'Leon's', 'LFL Group', 'we' or 'our' throughout this statement). Founded in 1909, the LFL Group has grown to be Canada's largest furniture retailer with over 300 locations nationwide and six Ecommerce sites.

We do not manufacture our own products but rather we source the products we sell through a curated supply chain which includes Canadian made and imported products. The Responsible Sourcing Program applies to all products imported by the LFL Group in order to ensure compliance with our Vendor Code of Ethics. Certain Leon's franchise locations, in addition to the products sourced by LFL Group, also source their own product and are encouraged to adhere to the standards and processes developed by LFL Group.

More information about LFL Group can be found on our website lflgroup.ca.

Responsible Supply Chain Program

Our Responsible Sourcing Program advances our commitment to fair labour practices and the well-being of the people who make our products. Our program is based on the principles of our Vendor Code of Conduct and is designed to identify, cease, prevent, or mitigate supply chain risks throughout our supply chain.

Vendor Code of Conduct

We are committed to responsible business conduct and to acting ethically and with integrity in all our business dealings and requiring the same from our vendors. All vendors are required to comply with our Vendor Code of Conduct which are based on international human and labour rights standards including:

- Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights
- International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work
- ILO Indicators of Forced Labour.

The Vendor Code of Conduct sets out specific requirements for the compliance with applicable laws including standards and requirements for safety and health, the use of child or forced labour, workplaces free of harassment, abuse and discrimination, fair working hours, wages and benefits, freedom of association, whistle-blowing protection and non-retaliation protections.

Identifying Risks

Because we do not manufacture our own products, we consider the greatest risk of child and forced labour to exist in our product supply chain. As part of our due diligence approach, we have conducted human rights and social risk mapping across our supply chain. We assess known sector risks and other risks that may be prevalent in a particular geography or production process. We also look at the economic, social, and political context across sourcing regions, as well as other indicators that could signal increasing severity of risks and impacts. This enables us to identify and prioritize actual and potential impacts and informs the way we assess our suppliers.

Supplier Selection

We take great care to select and work with vendors whose values are aligned with ours. We have developed a process under the oversight of our Responsible Sourcing Committee for approving new suppliers. We require all new suppliers to have delivered a satisfactory social compliance audit that has been conducted by an auditor recognized by APSCA – Association of Professional Social Compliance Auditors. We are underway to ensure that all current and existing suppliers have completed a current social audit completed by an APSCA-recognized audit firm.

Assessments are carried out on-site and include visual inspections of the entire facility, including on-site dormitories, documentation reviews, and interviews with management and workers. If an assessment indicates potential for severe risks, we conduct heightened due diligence. In regions with elevated risk, such as the presence of foreign migrant workers, we include additional checks pertaining to hiring channels and recruitment fees. During on-site assessments, the working and living conditions of foreign workers with special consideration to benefits (e.g., social security, pension payments), as well as inclusive working practices, worker rights and worker-management communication are evaluated.

We will ensure that our suppliers will continue to adhere to the standards we have by requiring regular updates and assessments.

Corrective Actions and Accountability

Where deficiencies or the need for corrective action is identified through internal, third party, or shared assessments, we require our suppliers to develop Action Plans to address issues identified. Our approach to corrective action is one of root cause analysis and continuous improvement, with the intention of creating positive and lasting change.

Where we believe there are deficiencies found during an audit, they should firstly be addressed by management of the vendor. We believe it is not only important for the supplier to correct the problem but also to prevent the problem from recurring. Our Responsible Sourcing Committee reviews and approves the action plan and offers guidance to effective solutions where required. We verify supplier implementation through document review or on-site assessments. Our goal is to always work in partnership with suppliers to resolve issues. However, we maintain the right to terminate supplier relationships in cases of severe or persistent non-compliance.

We address supplier issues that are material, substantiated, and raised through legitimate processes. These issues may be related to our Responsible Sourcing Program, or potential/actual breach of international human rights directly linked to operations, products, or services. Where possible, every complaint is investigated, and a response or resolution is provided to the complainant. When appropriate, we provide for or co-operate in remediation within our supply chain.

Assessing Effectiveness

We take a zero-tolerance stance against forced labour, defined by the ILO as “any work or service which is extracted from any person under the menace of any penalty, and for which the said person has not offered themselves up voluntarily.” Where we suspect forced labour practices we will investigate or cause a third party to investigate at our direction, and where forced labour practices are identified in our supply chain, we will terminate the relationship with the vendor and our Responsible Sourcing Committee will be directed to take the actions necessary to address the practice.

To assess the effectiveness of our Responsible Sourcing Committee work, we monitor, verify, and validate progress against our programs, measures, and indicators that we have taken. Where we find that our work is not meeting expectations, we will seek improvements to our Responsible Sourcing Program.

Continuous Improvement and Training

We strive to continuously evolve our approach to eradicating modern slavery from our supply chain. We believe that in order to further our commitment to responsible sourcing, we need to continuously review and improve our monitoring and processes to ensure that our goals are being met.

We also believe that the responsibility to fulfill our commitment to responsible sourcing requires the awareness and involvement of a number of supply chain team members. As a result, we will be implementing a mandatory training program on responsible sourcing and the indicators of forced labour to be completed followed by regular awareness initiatives and refresher training.

ATTESTATION

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 or entities 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.

- Gregory P. Nakonechny
- Vice President, Legal and Corporate Secretary, The Brick Warehouse LP
- May 30, 2024

A handwritten signature in black ink, appearing to read 'Gregory P. Nakonechny', written in a cursive style.