

Mercana Furniture & Décor

2023 Modern Slavery Annual Report

May.31.2024

ABOUT THIS REPORT:

Mercana Furniture and Décor has produced a stand-alone modern slavery report in relation to Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") and related guidance from Public Safety Canada. In this annual report we aim to address and to ensure all stakeholders are better able to understand how we prevent, detect and manage forced labour and child labour risks and opportunities in our business.

This report is published in May.2024 and covers Mercana Furniture and Décor's ("Mercana" or "the company", or "it") financial reporting year from Jan.01.2023 to Dec.31.2023. The content refers to the performance and the activities over which we had operational control over for all or part of Mercana's 2023 Financial year.

For the purpose of this report the terms "Mercana" or "the company" may be used interchangeably to refer to the business.

As a company with nearly 40 years of dedicated service, we are deeply committed to delivering exceptional products and services while upholding our core values. Mercana recognizes its critical role in protecting the rights of workers, enhancing supply chain transparency, and actively combating the risks of forced labour, child labor and modern slavery. Joining this mission alongside other Canadian businesses is integral to and reflects our unwavering commitment to ethical business practices.

STEPS TAKEN TO PREVENT AND REDUCE THE RISKS OF FORCED LABOUR AND CHILD LABOUR

Through the latter part of 2023 and early 2024, Mercana conducted an internal assessment to better understand its modern slavery risks within its operations and supply chains. This includes mapping all activities and assessing risk at different stages. For the remainder of 2024, the company intends to reinforce its policies related to business conduct and supplier due diligence to better address modern slavery risk. This Report details the steps that Mercana has taken to date and its intended actions for the coming year.

STRUCTURE AND OPERATIONS

Who We Are



Mercana Furniture and Décor Ltd. is a design-driven leading manufacturer and distributor of Furniture and Décor products across North America.

Headquartered in Surrey, BC, Canada with nearly 200 employees and independent contractors across North America and Asia, Mercana operates a Canadian manufacturing facility and partners with more than 60 different manufacturing facilities overseas to design and handcraft products that enhance beautiful interiors in Canada and outside Canada. Our Mercana branded products are distributed through our Canadian and US distribution centers to our North American and international customers.

Our Key Operation and Supply Chain

Mercana specializes in designing and building unique pieces of Art, Furniture, Accessories and Lighting. The company prioritizes design, quality and innovation and has been successful bringing new products with each changing season.

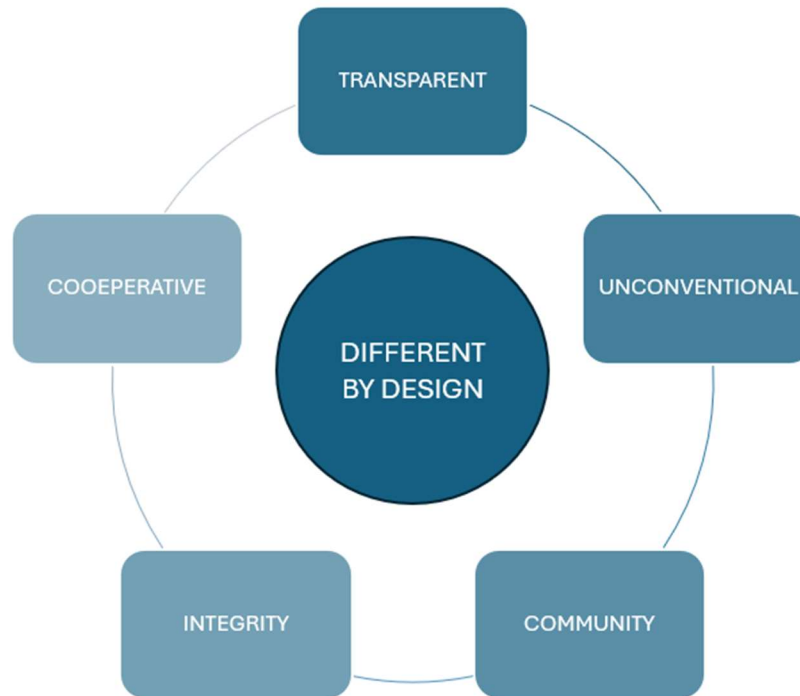
Majority of our Art pieces are designed and manufactured at our Canadian manufacturing facility. Our furniture, accessories and lighting products are designed in Canada and manufactured through our vendor partners overseas. Our products are warehoused and distributed to customers through our distribution centers in Surrey, BC, Canada and Newport News, VA, USA. The majority of Mercana's Tier 1 suppliers operate in Asia.

Our Workforce

The majority of our ~200 employees and contractors are employed in Canada; Sales to Canada, USA and International are made through our Canadian entity and thorough internal sales team and independent contractors across Canada and USA.

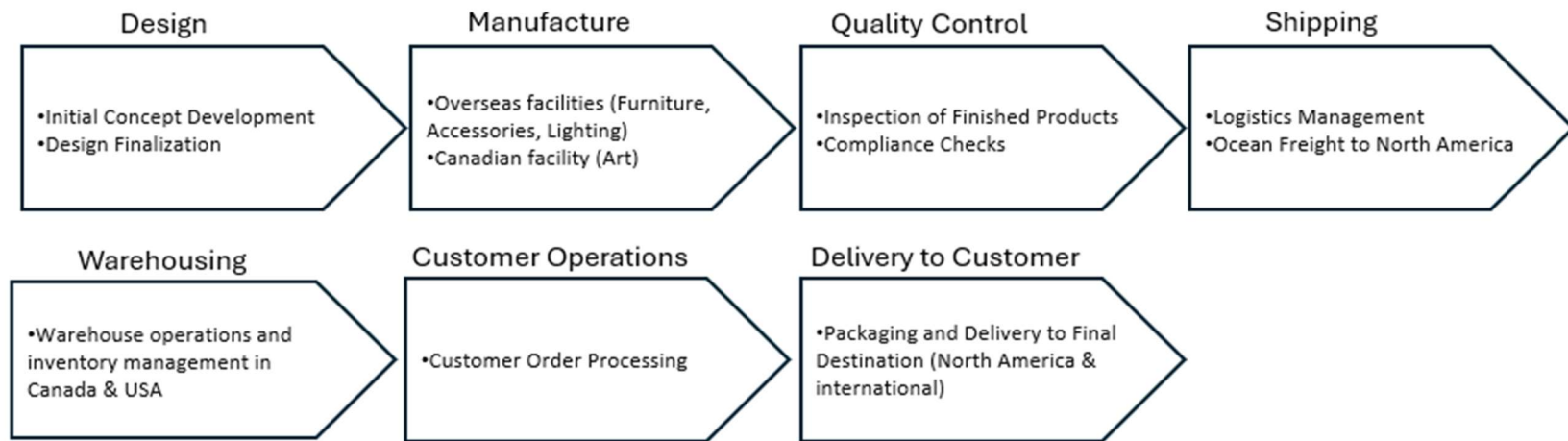
Our Values

Our Values have been developed and endorsed by our executive team and our people. They are to guide our attitude, decisions and actions we take every day. These values are:



Understanding our value chain

Mercana’s supply chain includes contractors, consultants, factories and transportation companies. In 2023, Mercana had nearly 280 vendors. Below provides a high-level overview of the key stages involved in the creation and sale of our products.



POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND CHILD LABOUR

Policies:

Mercana is dedicated to maintaining transparency in its business operations, upholding ethical practices, and adhering to our commitment to “Match Matters” in relation to “Protecting People & Communities”. This dedication is seamlessly integrated into our daily operations. We hold our contractors, suppliers, and business partners to the same high standards. At Mercana, there are due diligence policies in place which ensure that the Company’s employees involved with the purchasing process and its suppliers display ethical conduct in alignment with Mercana’s values and principles.

Below policies were in practice in 2023 and formalized in FY2024:

- **Mercana's Code of Conduct:** All employees, contractors, and business partners must adhere to the highest standards of integrity, fairness, and respect in all business dealings. This includes compliance with all applicable laws, regulations, and company policies
- **Supplier Code of Conduct:** Suppliers must adhere to ethical practices in their operations, including fair labor practices, compliance with environmental laws, and anti-corruption measures
- **Anti-Corruption and Anti-Bribery Policy:** The company has zero tolerance for corruption and bribery. All employees, contractors, and business partners are prohibited from offering, giving, soliciting, or accepting any form of bribe
- **Supplier Selection Policy:** Mercana is committed to maintaining an efficient purchasing process that provides fair and equitable treatment to both current and potential suppliers. The procurement of goods and services is conducted with the utmost integrity, in full compliance with applicable laws, and without favoritism. We ensure the best value for our company while strictly excluding any personal gain, thereby upholding our commitment to ethical practices and combating modern slavery

Supplier Due Diligence Framework:

- **Factories Selection & On-boarding:** Starting 2024, new factories are required to complete and submit Mercana's Modern Slavery Checklist. This checklist includes a range of topics related to the supplier's operations and supply chains, its modern slavery policies and protocols and any training that is in place. The purpose of this information request is to help Mercana with due diligence to assess the risk of modern slavery in our supply chain. This checklist is mandatory and is reviewed by Senior management to assess any such risks. During FY2024 Mercana will focus on developing a risk management procedure for managing identified modern slavery risks.
- **Factories Evaluation and Qualification:** Mercana receives Supplier's third-party certified audit reports or self-attestation or supplier's code of conduct regarding modern slavery criteria, as part of evaluation and qualification. During FY2024, Mercana is including modern slavery clauses in its standard contract template to ensure our factory partners acknowledge Mercana's code of conduct and policies.
- **Vendor Segmentation:** Early 2024, Mercana started developing an evaluation matrix for the assessment of the partner factories' performance against various specific operational effectiveness criteria. During FY2024, Mercana will also be categorizing all

existing and new vendor partners based on their inherent risk of forced labour or child labour and their commitment to ethical and sustainable practices and adherence to governing laws, taking into consideration a range of factors including geography and commodity risks.

- **Vendor monitoring:** Mercana’s head office leadership makes annual in-person visits to the factories for monitoring purposes. Mercana also has its agent representatives that make more frequent in-person visits to the factories. FY2024, Mercana is incorporating additional checklist items to specifically monitor for modern slavery risks for the in-person visits
- **Targeted Vendor Engagement:** Mercana will use the result of the factory segmentation and continuous monitoring to guide future risk analysis and supplier interaction.

ASSESSING OUR POTENTIAL FORCED LABOUR AND CHILD LABOUR RISKS

The 2023 Global Slavery Index (GSI) estimated that 50 million people were living in situations of modern slavery in 2021, an increase of 10 million compared to data from 2016. With the global prevalence of modern slavery on the rise, Mercana recognizes the importance of our role in proactively identifying and addressing modern slavery risks in our operations and supply chain.

In 2023, while Mercana consistently followed specific due diligence criteria in purchasing, interacting, visiting, and selecting vendors, the company lacked a formal process to evaluate the risks of modern slavery within its operations and supply chains.

For FY2024, the company has established procedures to evaluate such risks. Mercana is primarily engaged in the manufacturing and distribution of furniture, accessories, art, and lighting products across multiple countries. According to the 2022 Global Estimates of Modern Slavery, the manufacturing sector is considered higher risk for modern slavery. We recognize that a range of factors, including geography and product category, can influence the risk of modern slavery in our supply chains. While no country is immune from modern slavery, some countries may have greater risk exposure and a higher prevalence of these practices.

Our assessments were informed by [Global Slavery Index | Walk Free](#), [Statistics on child labour - ILOSTAT](#) and [Sustainable Risk Rating \(ungm.org\)](#); We assessed Medium-low risk of forced labour and child labour based on the product category of our imports and location of Mercana’s partner factories.

Actions Taken, Findings and Commitment

In early 2024, we conducted review sessions with our agent representatives in Asia, during which we requested and reviewed audit reports and suppliers' codes of conduct, focusing on areas where we identified high potential risks. As of the date of this report, no instances of forced labor or child labor have been identified in Mercana's business or supply chain, and Mercana has not been subject to any investigations related to these matters.

Mercana is committed to enhancing supplier engagement activities to deepen our understanding of company policies and due diligence processes aimed at preventing and detecting modern slavery risks within our supply chains. For the remainder of 2024, Mercana will prioritize additional due diligence activities with identified high-risk suppliers, including requiring these suppliers to complete Mercana's Modern Slavery Checklist. These activities will enable the company to better assess the risks of modern slavery practices and determine if remediation actions may be required.

MANAGING OUR FORCED LABOUR AND CHILD LABOUR RISKS AND OPPORTUNITIES INCLUDING MEASURES TAKEN TO REMEDIATE THE LOSS OF INCOME TO THE MOST VULNERABLE FAMILIES

Mercana has not identified any instances of forced or child labour in its activities and supply chains within the financial year ended December 31, 2023. As such, there have been no remediations taken in the current year. The Company acknowledges the importance of ongoing monitoring to ensure that modern slavery risks remain mitigated within its operations and supply chains and is committed to regularly reviewing its risk assessments and implementing appropriate measures should the need arise in the future. We intend to adopt remediation practices focusing on ensuring those practices are fit-for-purpose.

TRAINING

No training modules specific to modern slavery were established by Mercana for FY2023, but a number of Senior leadership employees attended seminars on modern slavery specific to the new Act and its requirements within the reporting period. The discussions around modern slavery and training started in the latter part of FY2023 and there were more in-depth sessions held at the leadership and executive level early 2024. Mercana has plans to develop and implement modern slavery awareness training in 2024 for all senior leadership, middle management, all purchasing, quality control, design & product development teams.

ASSESSING EFFECTIVENESS

An assessment of the new measures mentioned in this report will be conducted at the end of the next fiscal year to determine their effectiveness. This assessment will determine what future improvements are needed to enhance our commitment to preventing and reducing the risk of modern slavery in our supply chain.

APPROVAL OF ATTESTATION AND CEO MESSAGE

This Report was approved by the Board of Directors of Mercana on behalf of itself and each of the affiliates. 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.

[I HAVE THE AUTHORITY TO BIND MERCANA AND THE MERCANA REPORTING AFFILIATES](#)

Devon Smith

CEO

May 31,2024

