



Annual Report on Responsible Sourcing Activities May 2024

In Compliance with
The Fighting Against Forced Labour and
Child Labour in Supply Chains Act
For the Year Ended December 31, 2023

Next Floor Holdings Inc.
Next Floor Inc.
Next Floor USA Inc.



1. What steps has the entity taken in the previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity?

- Mapping activities
- Mapping supply chains
- Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains
- Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains
- Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour
- Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains
- Developing and implementing anti-forced labour and/or -child labour contractual clauses
- Monitoring suppliers
- Developing and implementing training and awareness materials on forced labour and/or child labour
- Developing and implementing procedures to track performance in addressing forced labour and/or child labour



2. Please provide additional information describing the steps taken (if applicable)

We survey each of our Tier 1 suppliers about their operations and those of their suppliers. We perform a risk assessment for each Tier 1 and Tier 2 supplier based on sector, product, geographic, and enterprise-level risks, based in part on public reports of child labor and forced labor incidence in the relevant geographic areas.

We have identified PVC resin as an input with higher risk of forced labor than other manufacturing inputs to our supply chains. Consequently, for products with significant PVC content, we monitor our product supply chains all the way back to PVC resin production, to enable us to avoid directly or indirectly and inadvertently sourcing PVC resin from geographic areas where the risk of forced labor content is materially higher than elsewhere.

We are in the process of incorporating forced labor and child labor assessments into our pre-shipment factory inspection visits.

3. Which of the following accurately describes the entity's structure?

- Corporation

4. Which of the following accurately describes the entity's activities?

- Selling goods
 - in Canada
 - outside Canada
- Distributing goods
 - in Canada
 - outside Canada
- Importing into Canada goods produced outside Canada
- Controlling an entity engaged in producing, selling or distributing goods in Canada or outside Canada, or importing into Canada goods produced outside Canada

5. Please provide additional information on the entity's structure, activities and supply chains .

Next Floor Holdings Inc. is the parent company of Next Floor Inc.

Next Floor USA Inc., Next Floor Inc., and Next Floor USA Inc. all distribute flooring products to wholesale customers, mainly in the USA and Canada.

Next Floor Inc. imports flooring products, mainly from Asia to the USA and Canada. Assisted by its affiliates which provide importation transaction services, Next Floor Inc. purchases flooring products directly from manufactures, mainly in Eastern China, Vietnam and Turkey. These flooring manufacturers are typically supplied by Tier 2 suppliers of intermediate products, who are in turn supplied by very large firms that produce the raw materials (forest products, petrochemicals, resins, additives and coatings).

6. Does the entity currently have policies and due diligence processes in place related to forced labour and/or child labour?

- Yes

6.1 If yes, which of the following elements of the due diligence process has the entity implemented in relation to forced labour and/or child labour? Select all that apply.

- Embedding responsible business conduct into policies and management systems
- Identifying and assessing adverse impacts in operations, supply chains and business relationships
- Ceasing, preventing or mitigating adverse impacts
- Tracking implementation and results

7. Please provide additional information on the entity's policies and due diligence processes in relation to forced labour and child labour (if applicable).

Our written supply contracts with all our main suppliers explicit prohibit forced labor and child labor content in any product purchased by the company, or in any manufacturing input to products purchased by the company. In face-to-face meetings, our senior supply chain managers emphasize to supplier senior management the importance of compliance with these provisions.

Our written supply contracts with all our main Tier 1 suppliers explicitly prohibit the use of any PVC resin sourced from the XUAR region of northwest China in products purchased by the company, or in manufacturing inputs to those products.

We are in the process of incorporating forced labor and child labor assessments into our pre-shipment factory inspection visits.



8. Has the entity identified parts of its activities and supply chains that carry a risk of forced labour or child labour being used?

- Yes, we have identified risks to the best of our knowledge and will continue to strive to identify emerging risks.

8.1 If yes, has the entity identified forced labour or child labour risks related to any of the following aspects of its activities and supply chains? Select all that apply.

- The sector or industry it operates in
- The types of products it produces, sells, distributes or imports
- The locations of its activities, operations or factories
- The types of products it sources
- The raw materials or commodities used in its supply chains
- Tier one (direct) suppliers
- Tier two suppliers
- The use of forced labour
- Other: PVC resin suppliers beyond Tier 2

9. *Has the entity identified forced labour or child labour risks in its activities and supply chains related to any of the following sectors and industries? Select all that apply.

- Manufacturing

10. Please provide additional information on the parts of the entity’s activities and supply chains that carry a risk of forced labour or child labour being used, as well as the steps that the entity has taken to assess and manage that risk (if applicable).

There have been public reports that two state-owned PVC resin manufacturers in the XUAR region of northwest China (Xinjiang Zhongtai Chemical and Xinjiang Tianye) participate in labor transfer programs that reportedly involve forced labor conditions. While we have no information about the veracity of these reports, out of an abundance of caution we have a policy of not sourcing directly or indirectly from the XUAR. We are confident that we do not source any product inputs from the XUAR, including indirectly from Tier 2 and Tier 3 suppliers with manufacturing operations located in the XUAR region.

After comparing review of numerous public reports about incidents of force and child labor to our detailed supply chain map, we have not identified other elements of our supply chain with moderate or high risk of forced labor and/or child labor content.



11. *Has the entity taken any measures to remediate any forced labour or child labour in its activities and supply chains?

- Not applicable, we have not identified any forced labour or child labour in our activities and supply chains.

11.1 *If yes, which remediation measures has the entity taken? Select all that apply.

- Not applicable

12. Please provide additional information on any measures the entity has taken to remediate any forced labour or child labour (if applicable).

- Not applicable

13. *Has the entity taken any measures to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains?

- Not applicable, we have not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains. w

14. Please provide additional information on any measures the entity has taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains (if applicable)

- Not applicable

15. Does the entity currently provide training to employees on forced labour and/or child labour?)

- Yes

15.1 If yes, is the training mandatory?

- Yes, the training is mandatory for employees making contracting or purchasing decisions.

16. Please provide additional information on the training the entity provides to employees on forced labour and child labour (if applicable).

Management and staff who are responsible for making supply chain decisions are required to:

- Complete an online course about force labor and child labor in supply chains,
- Review summaries of applicable legislative requirements in Canada and our other markets, and
- Review published reports of alleged forced labor and child labor for the geographic areas where we have sourcing.

17. Does the entity currently have policies and procedures in place to assess its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains?

- Yes

17.1 If yes, what method does the entity use to assess its effectiveness? Select all that apply.

- Setting up a regular review or audit of the organization's policies and procedures related to forced labour and child labour

18. Please provide additional information on how the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains (if applicable).

We conduct an annual review and re-certification of each of our main Tier 1 suppliers, including their related Tier 2 suppliers and their PVC resin suppliers.

We are in the process of implementing a continual review of pre-shipment factory inspection reports that include reporting on forced labor and child labor.



Conestogo, Ontario
May 24, 2024

In accordance with the requirements of the *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 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.”

Walter Eckhardt
Principal

A handwritten signature in black ink that reads 'W Eckhardt' with a long horizontal stroke extending to the right.

I have the authority to bind the corporations