

A photograph of a male worker in a white t-shirt, wearing safety glasses and a blue face mask. He is using a blue and black power drill to work on a piece of light-colored fabric, possibly a sofa cushion, in a factory setting. The background shows industrial equipment and shelves. The image is dimmed to allow text to be overlaid.

PALLISER

2024 FORCED
LABOUR REPORT

IN COMPLIANCE WITH THE MODERN SLAVERY ACT

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INTRODUCTION

Palliser Furniture Holdings Ltd. is the parent company of Palliser Furniture Ltd. (the Canadian manufacturing entity). Palliser Furniture Ltd. is the parent company of two holding companies which are the shareholders of Matamoros Holdings S. de R.L. de C.V. (the Mexican manufacturing entity). Palliser Furniture Holdings Ltd. is also the majority shareholder of P.T. Palliser Indonesia (our Indonesian manufacturing entity). We are pleased to put forward our annual joint report (the “Report”), which is in fulfillment of Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act for our financial reporting year ending December 31, 2024.

Palliser strives to uphold the highest standards of legal and ethical conduct and we are committed to upholding human rights in our business activities. We are dedicated to transparency and accountability within our own manufacturing facilities but also throughout our supply chains in identifying and eradicating instances of modern slavery.

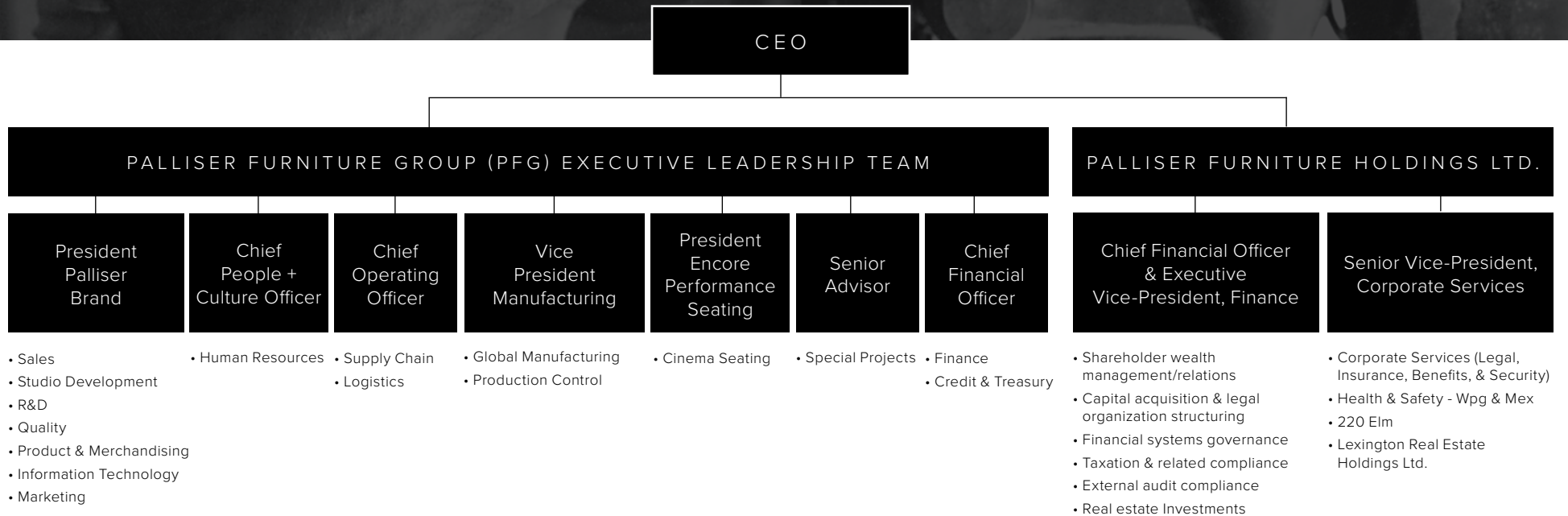


WHO WE ARE

We got our start in 1944 in Winnipeg, Manitoba and have remained a privately-held, family owned, Canadian-based organization. Through the years, our passion for quality and commitment to our customers has never wavered. Our values remain true to our storied history, while reflecting who we are today, and what we hope to achieve in the future. Palliser maintains a commitment to quality, sustainability, personalization, service excellence, and innovation with our aim to enrich your comfort of home.

As of Dec 31 2024, Palliser employed 1871 staff worldwide.

Our supply chain structure sits under the portfolio of our Chief Operations Officer. This includes our logistics team.



WHAT WE DO

Palliser is focused on creating exceptional products for the home while delivering meaningful value to our retailer partners and end consumers. Headquartered in Winnipeg Manitoba Canada, Palliser is a furniture manufacturer, specializing primarily in upholstery, with production facilities in both Canada and Mexico.

Palliser embodies business practices that promote the long-term preservation and enhancement of natural resources. We continue to define clear measures to reduce waste and become carbon neutral by 2035. Today, our commitment goes beyond merely meeting regulatory requirements and extends to championing meaningful changes to our planet that will have the greatest impact for current and future generations.



OUR SUPPLY CHAINS

Within our North American based facilities, Palliser produces upholstered products, including sofas, sectionals, chairs, beds, ottomans and accents, made to order in the configuration and fabric or leather of the customers choice. Within the same factories, Palliser’s sub-brand Encore manufactures cinema seating for movie theatre customers all around the world.

Raw materials used to produce our finished goods are sourced from many countries including USA, Canada, Germany, Italy, Brazil, China, Vietnam, Taiwan, Thailand, and South Korea.

Palliser owns and operates a facility in Java, Indonesia. This facility produces millwork for Palliser Studio locations as well as casegoods including bedroom and dining furniture it sells through its related company, EQ3.

RISKS

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

We have ever recognized the potential risks of modern slavery within the global supply chains and are committed to continue to expand our practices and policies to identify and eradicate modern slavery.

Product sourced from high-risk countries accounts for 27% of total purchase dollars in 2024. In 2024, 76 vendors made up 98% of raw material purchases, 52 of those vendors source product from areas considered high risk.

The materials of highest risk identified include metal and wood products, leather, fabric, sewing supplies and hardware. The highest risk countries that we procure these materials from are China, Taiwan, South Korea, and Vietnam as shown in the table.

MATERIAL	HIGH RISK COUNTRY
Metal Products	China, Taiwan
Wood Products	China
Leather	China
Fabric	China, Taiwan, South Korea
Sewing Supplies	China, Thailand
Hardware	China, Vietnam

IMPACT OF COVID-19

Similar to many businesses, Palliser 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 re-evaluate and enhance our approach to risk management and business continuity planning.



COMMITMENT

Palliser has taken a number of steps to assess and manage the risk of forced labour or child labour being used within our supply chains:

1. OUR POLICIES

Palliser is committed to conducting its business in accordance with a high standard of business ethics, with respect for the human dignity of its employees, and in compliance with the applicable laws of each country in which it operates. Palliser wants to do business with suppliers who share these commitments.

In 2023, Palliser sent vendors the Palliser Vendor Agreement that includes the Ethics clause, part of which is the Vendor Code of Conduct. The Ethics clause makes clear that Palliser does not do business with companies that violate the law.

The Code of Conduct Ethics clause also includes details on the following relevant areas:

- Compliance with Law
- Health & Safety
- Child Labour
- Forced Labour
- Harassment
- Abuse
- Discrimination
- Working Hours
- Wages and Benefits
- Freedom of Association
- Environmental Compliance
- Supply Chain Security Requirements
- Notice and Record Keeping
- Open and Honest Business Dealing
- Complete and Accurate Accounting Records
- Bribery and Corruption
- Gifts and Entertainment
- Conflicts and Interests
- Respect for Intellectual Property Rights
- Respect for Individual Privacy
- Media Relations
- Reporting Non-compliance

In 2024 the Code of Conduct will be further amended to specifically speak to Child Labour and Forced Labour as defined in the Canada's Fighting Against Forced Labour and Child Labour in Supply Chains 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:

RESPECTFUL WORKPLACE POLICY emphasizes a respectful and inclusive workplace aimed to prevent harassment, discrimination, and any form of exploitation, which would include forced labour. Guidelines are noted for maintaining a respectful workplace and procedures for reporting any violations.

EQUAL OPPORTUNITIES OF EMPLOYMENT ensures fair treatment and non-discriminatory practices in hiring, promotion, and employment conditions.

CLEAN & SAFE WORK ENVIRONMENT is crucial in preventing any form of forced or unsafe labour conditions. Our policies include strict adherence to safety regulations and regular reviews of workplace safety standards.

SUBSTANCE USE POLICY ensures a safe and healthy workplace, which includes support for employees dealing with substance abuse issues. This policy helps in maintaining a workforce that is free from exploitation and undue influence.

OVERTIME GUIDELINES include an overtime calculation and banked time ensuring employees are fairly compensated for extra hours worked and are not subjected to excessive working hours.

By adhering to these and other policies and ensuring their implementation, Palliser demonstrates a strong commitment to ethical labour practices and compliance with Canadian regulations regarding the prevention of forced labour.

2. DUE DILIGENCE PROCESSES

We care deeply about the well-being of everyone in our supply chain. That's why we ensure that our suppliers and their partners do not use child or forced labour in any of their operations. All employees and contractors must be at least 16 years old, and at least the age when compulsory schooling ends, or the minimum age required by local laws, whichever is higher.

At Palliser, we fully support Canada's Modern Slavery Act. Palliser recognizes that Canada's Modern Slavery defines child labour as labour or services provided or offered by persons under 18 years old and that (a) are contrary to the laws applicable in Canada; (b) are provided under mentally, physically, socially or morally dangerous circumstances; (c) interfere with their schooling; or (d) constitute the worst forms of child labour, as defined in the Worst Forms of Child Labour Convention, 1999. There may be instances where employing individuals under 18 years of age is acceptable, depending on the circumstances, and Palliser may revise its policies and clarify these instances.

Palliser maintains an office in China that sources raw materials and does quality inspections. All vendor visits in 2024 were tracked, recording who was at the factory and orders that were reviewed.

Palliser Indonesia is in compliance with its labour laws, including Indonesian Forced Labour and Child Labour laws. This includes the Ratification of International Labor Organisation ("ILO") Conventions, the Indonesian Constitution & Human Rights Laws, the Human Trafficking Law, and the Manpower Law.

All employees in our manufacturing facilities (Canada, Mexico and Indonesia) are 18 years or older.

3. EMPLOYEE TRAINING

Currently, Palliser provides HR Orientation training to all new hires including extensive Health and Safety Orientation training. In 2024, the Employee Handbook was updated to include the Palliser's statement and position relating to Bill C-211. In 2025 this education will be carried through the Health & Safety Orientation modules.

4. INTERNAL & EXTERNAL MONITORING

In addition to ensuring all vendors sign off on the Palliser Code of Conduct document, our 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 sub-contractors being used.

A team of Management from Canada and Mexico went to China in November 2024 and visited several vendor factories and completed a formal visit report. Early in 2024 Palliser sent an 'Attestation and Integrity Declaration Form: Compliance with Bill S-211' to all vendors in China and collected and stored the signed agreements in a shared folder. The team also diligently gathers information on ownership of the company and subcontractors.


ACTIONS TAKEN TO ADDRESS RISKS

To date, Palliser 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.. 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.

SIGNED ATTESTATION

This Report was approved by the Executive Board of Palliser on May 29, 2025. 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 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.

Full Name: Peter Tielmann
Title: CEO, Palliser Furniture Holdings Ltd.
Date: May 29, 2025

Signature:  _____

I have the authority to bind the corporation.