

Report on Fighting Against Forced Labour and Child Labour for 2023

This report (the “**Report**”) has been prepared by Thread Collective Inc. (“**Thread Collective**” or the “**Company**”) pursuant to the reporting obligations set out under Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”). The Report covers the financial year ended December 31, 2023, and outlines the steps taken to identify and address the risk of forced and child labour (“**Forced Labour**”) at all stages of the procurement, importation and distribution of goods in Canada and abroad.

For each of its two most recent financial years, Thread Collective has met the size-related thresholds under the Act to be deemed a reporting entity in light of its assets (over \$20 million) and revenues (over \$40 million).

Thread Collective recognizes the gravity of Forced Labour and is committed to working with industry partners to develop and maintain suitable legal and ethical standards to address such risks.

1. Structure, Activities and Supply Chains

1.1 Structure

Thread Collective is a privately owned leading North American fashion wholesaler that designs, manufactures, markets, and sells a range of owned and licensed apparel and accessories. The Company is headquartered in Montreal, Quebec (Canada) and is incorporated under the *Canada Business Corporations Act*.

Thread Collective is wholly owned by 4148801 Canada Inc. The Company is affiliated and conducts business with Imperial Apparel Inc. and Stormpack Inc., which are also under the ownership of 4148801 Canada Inc.

Thread Collective also conducts business with its Chinese subsidiary, Shanghai Perfect Stitch Co., Ltd. (“**Perfect Stitch**”). Perfect Stitch provides quality assurance services for the Company as well as for other affiliates of the Company for their respective products that are manufactured in Asia.

As at December 31, 2023, the Company employed approximately 150 employees in Montreal.

1.2 Activities

The principal services the Company provides are the design, global sourcing, quality assurance and delivery of private label and branded apparel and

accessories. Thread Collective produces apparel under licence for over 20 brands, including Bebe, Hurley, Ellen Tracy and Pajar, amongst others. The majority of the Company's sales are to major retailers in Canada and the United States.

Thread Collective's multi-brand platform also includes an e-commerce business and dropship capabilities across North America.

1.3 Supply Chains

Thread Collective's supply chain consists primarily of purchasing apparel and accessories from various unaffiliated global clothing manufacturers. Thread Collective does not own or control any production facilities but maintains business relationships, on an independent contractor/services basis, with approximately 100 unaffiliated suppliers. The Company's principal suppliers are located in Cambodia, Vietnam and China.

2. Steps to Prevent and Reduce Forced Labour Risks

In general terms, in its fiscal year ending December 31, 2023, Thread Collective has taken the following steps to prevent and reduce the risk of Forced Labour in its activities and supply chains:

- **Internal Assessments:** the Company conducted internal assessments of its policies and due diligence processes for identifying and mitigating Forced Labour risks.
- **Supply Chain Mapping:** Thread Collective's logistics department conducted a mapping of the Company's direct supply chains to better identify potential Forced Labour risks.
- **Supplier Compliance:** Thread Collective continued to implement its policy of requiring all Contractors, including Perfect Stitch, to sign its Supplier Code of Conduct, which requires all Contractors to enforce anti-Forced Labour policies and to agree to on-site inspections.
- **Inspections:** the Company continued to conduct pre-production and in-line inspections of the manufacturers in its supply chains. Such inspections are carried out by Perfect Stitch and/or third parties.
- **Training:** training sessions were provided to relevant employees on company policies, including those against Forced Labour.

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

3. Policies and Due Diligence Processes

3.1 Policies

Thread Collective has established policies and procedures to promote integrity and corporate responsibility in its activities and supply chains. The Company's policies and approach to addressing the risk of Forced Labour have been developed based on international labour and human rights standards, as well as best practices across the global business community. These policies establish the baseline expectations Thread Collective has for its suppliers and personnel.

The Company's Supplier Code of Conduct ("**Supplier Code**") sets out the minimum ethical and legal standards that manufacturers, contractors, suppliers and service providers ("**Contractors**"), including Perfect Stitch, must meet to conduct business with Thread Collective. Contractors are required to communicate a copy of the Supplier Code to their management, as well as all employees and agents involved in the production of goods.

The Supplier Code expressly prohibits the use of: (i) forced or involuntary labour and (ii) child labour, as defined by local labour law. Contractors are also, irrespective of the applicable law, strictly prohibited from employing workers under the age of 14.

Thread Collective also reserves the right to monitor and inspect a Contractor's facilities to ensure compliance with the Supplier Code. In the event of non-compliance, the Company is entitled to cancel a purchase order, return or revoke acceptance of affected goods, require Contractors to implement a corrective action plan, or to terminate its business relationship with that Contractor.

3.2 Supply Chain Due Diligence

Thread Collective has implemented the following due diligence processes and policies with respect to its Contractors:

- Updating its Supplier Code and management systems to ensure ethical and responsible business conduct.
- Developing processes for identifying, addressing and prohibiting the use of Forced Labour in Thread Collective's activities and supply chains. This includes both pre-production and in-line inspections of manufacturing facilities by Perfect Stitch or third party inspectors. All inspections are documented.
- Requiring all Contractors to sign and adhere to Thread Collective's Supplier Code of Conduct, which requires Contractors to enforce anti-Forced Labour policies.
- Monitoring and/or auditing mechanisms for Contractors in the event Forced Labour practices are suspected.

- Awareness training for the Company's production department on Forced Labour and the Company's updated policies.

4. Forced Labour Risks

Thread Collective recognizes that some elements of its global supply chain and the industries in which it operates may present a risk of Forced Labour. In particular, the Company's main tier 1 and tier 2 apparel Contractors are located predominantly in Asian countries that are recognized by the [Global Slavery Index](#) to present moderate risks of Forced Labour.

In 2023, Thread Collective took preliminary measures to enhance its assessment of Forced Labour risks by adopting additional measures including supply chain mapping, developing new due diligence practises, monitoring and auditing mechanisms for new and current Contractors (as detailed in Section 2.2 above).

While Perfect Stitch has not taken independent measures to identify, assess and manage the risks of Forced Labour within its own operations during the most recent reporting period, it will cooperate with Thread Collective to do so by the next reporting deadline. **5-6. Remediation Measures**

For the financial year ending December 31, 2023, Thread Collective and Perfect Stitch have not received any complaints nor discovered any situations with respect to their respective workplaces or supply chains relating to Forced Labour. There has therefore been no specific need to remediate any adverse impacts of Forced Labour or its effects on the income of vulnerable families.

Should the Company or its affiliates identify future incidents of Forced Labour in its supply chains, it will consider appropriate remediation strategies in line with industry best practices.

7. Training

Thread Collective believes that training is important for raising awareness within the organization and building employee capabilities to mitigate risks and appropriately escalate concerns. Training is provided, on an ongoing basis, in relation to the Supplier Code and Thread Collective's internal human resources and compliance policies. Material updates or changes to these policies are followed up by additional training.

As part of this training, all employees working in the Company's production department as well as all those involved in the supply chain process, particularly in the Company's logistics department, are required to understand and comply with the Company's policies on preventing and addressing Forced Labour risks.

In 2024, Thread Collective will enhance its training of new and existing employees to reflect recent developments in its policies and procedures to combat risks of Forced Labour.

The employees of Perfect Stitch will continue to be provided with training on the Supplier Code to ensure consistency and adherence to Thread Collective's standards against Forced Labour to ensure that Perfect Stitch's employees are equally informed and equipped to handle the specific challenges and responsibilities that come with their roles, particularly in relation to mitigating risks associated with Forced Labour as regards Perfect Stitch's scope.

8. Assessing effectiveness

As detailed above, Thread Collective has a number of measures in place to prevent and reduce the risk that Forced Labour is used in its activities and supply chains.

Beginning in 2024, the Company will periodically review the effectiveness of the measures in place to mitigate the risks of modern slavery in its business and supply chains, as well as those implemented by Perfect Stitch. Thread Collective is committed to ongoing review and alignment with industry best practices of its processes and policies to reduce the risks of Forced Labour.

9. Approval

This Report was approved by the Board of Directors of Thread Collective Inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, the undersigned attests that they have reviewed the information contained in the Report for the entities listed above. Based on our knowledge, and having exercised reasonable diligence, the undersigned attests that the information in this 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 Thread Collective Inc.



Name: Jaques Bohbot
For Thread Collective Inc.
Title: Secretary