

VISUAL COMFORT & Co.

Visual Comfort & Co. Report for Canada's Fighting Forced Labour & Child Labour in Supply Chains Act (Bill S-211) for fiscal year ended 2023

Scope of Report

This report applies to every wholly owned entity of Visual Comfort & Co. including the reporting entities identified below:

- VC Brands, LLC
- Visual Comfort of America, LLC

Company officer covering both entities was consulted in developing the report, in order to ensure consistency in our policies and standards, due diligence programs, and approach to mitigating forced labor and child labor risks in our operations and supply chain.

This report is issued in compliance with the Fighting Forced Labour and Child Labour in Supply Chains Act, and serves as our disclosure for the fiscal year ending December 31, 2023. The report outlines the steps we have taken to prevent, identify, and address forced labor and child labor risks across our business and supply chain.

Organizational Structure

Visual Comfort & Co. is a corporation headquartered in the United States of America providing lighting and fans. At Visual Comfort & Co., our mission is to bring Visual Comfort to every space and setting by harnessing the transformative power of light and design. Visual Comfort & Co. is the premier resource for decorative lighting, architectural lighting, and ceiling fans from the most influential designers in the world. We are proud to offer a market-leading range of premium products across categories, styles, and price points, with commitment to beautiful design and a world-class customer experience.

Visual Comfort & Co. consist of two (2) entities: *VC Brands, LLC* and *Visual Comfort of America, LLC* both with the same CEO, same owners and same Board of Directors. We are private equity owned and headquartered in Houston, TX since 1983, with history in the lighting business for over hundred years. The company has four locations in the USA for offices and warehousing as well as close to fifty showrooms across the country. In total employing over twelve hundred employees.

Visual Comfort & Co. sell products in Canada as the importer on file, but with no other presence in Canada.

Supply Chain

Visual Comfort & Co. purchases products such as parts, packaging and contract manufactured goods from domestic and international suppliers. We work with more than 250 direct suppliers in over 15 countries, encompassing suppliers of all sizes, from small family owned businesses to global

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corporations. Our supply chain includes component manufacturers and contract manufacturing suppliers making entire lighting fixtures. Even though the total supplier count is over 250, the 30 largest suppliers represent 97% of our total spend and operate in China, Vietnam, Taiwan, Philippines, South Korea, USA, India, Canada and Thailand.

Policies and Due Diligence Processes

Visual Comfort & Co. has adopted a series of core policies that communicate our position on forced labor and child labor, prohibit their use in our operations and supply chains.

All employees over which we have management control are required to sign and comply with our Employee Code of Conduct set forth in our Employee Handbook.

All suppliers of parts and products with whom we do business are required to sign, agree and comply with our Supplier Quality Manual which includes the Code of Conduct for suppliers and is based on SA8000 and other international human rights standards. It outlines the expectations we have of our suppliers on labor practices, health and safety, ethics and anti-bribery.

Visual Comfort & Co. has partnered with Assent, Inc. a leading practitioner in risk management and data collection, to collect answers to a series of questions and provide a risk assessment for each supplier on questions related to forced labor and child labor. Suppliers are actively engaged with to lower the risks and assure compliance. Visual Comfort & Co. also audit its largest suppliers on a yearly basis.

Internal Responsibility

Our Board plays an essential role in guiding our approach to sustainability, including on issues related to the prevention of forced labor and child labor. We have established a cross-functional ESG team which is responsible for implementing our human rights commitments, including and in relation to child labor and forced labor. This team is led by our Chief Operating Officer, who has day-to-day responsibility for ESG issues such as climate impacts, responsible sourcing and human rights. This team ensures Visual Comfort & Co. expectations are communicated to employees and suppliers. It is also responsible for ensuring that relevant staff who select and interact with suppliers, including purchasing staff, receive training on how to identify, prevent and address risks of forced labor and child labor in the supply chain. The team briefs the Board of Directors and executive leaders about the results of all our due diligence efforts. The ESG policy of Visual Comfort & Co. is updated yearly to reflect our continuous improvements in this area and key focus areas.

Supplier Vetting

Prior to on-boarding, Visual Comfort & Co. vets new suppliers' conformance to our requirements on forced labor and child labor through a supplier survey. All suppliers are also required to yearly sign and adhere to a more detailed Supplier Quality Manual that covers these topics. Suppliers in higher-risk countries or categories are subjected to greater scrutiny and Visual Comfort has partnered with Assent, Inc. to collect answers to a series of questions and provide a risk assessment for each supplier.

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Grievance Mechanism

Our internal Employee handbook covers our whistle-blower policy to encourage grievance reporting.

Forced Labor and Child Labor Risks

We recognize that in certain countries and certain industries, there is a greater risk of forced labor and child labor. The primary areas of our supply chain that carry a risk of forced or child labor include parts and product manufacturing. As the leading North American manufacturer of lighting fixtures and ceiling fans, with operations in the USA, we recognize that we are exposed to the risk of forced labor in the electronics industry (LED drivers and LED boards) and the South-East Asian region primarily. In line with our risk-based approach, we partnered with Assent, Inc. to collect answers to a series of questions and provide a risk assessment for each supplier. This assessment monitors behavior and activities to ensure compliance and actions are triggered when gaps are found.

Risk Assessment

The risk of forced labor and child labor in supply chains is dynamic, complex, and often hidden. In order to surface this risk, Visual Comfort & Co. has prioritized efforts that give us visibility into our supply chain, so that we can identify susceptibilities and work with our business partners to address those risks.

To safeguard the objectivity, accuracy, and strength of our efforts to prevent forced labor and child labor, we partnered with Assent, Inc., a leading provider of risk management services, to assist us in reviewing our supply chain and identifying risks of forced labor and child labor. Working with Assent, Inc. we conducted a risk evaluation that consists of two key components, namely direct engagement and indirect monitoring of suppliers. The third component is our own internal risk assessment.

1. Direct Engagement with Suppliers

Leveraging the industry-standard Slavery and Trafficking Risk Assessment Tool (STRT), we engaged with over 99% of our supplier spend (356 suppliers) during the reporting year. We collected information from suppliers on their operational environments, policies, procedures, and practices, as well as the measures they have in place to detect, prevent, and address the risk of forced labor and child labor. Information on the types of materials and goods produced, the geographic location of production and/or sourcing, as well as labor practices were collected. The information gave us insight into risk factors such as the use of migrant or underaged workers, use of recruitment agencies, payment of recruitment fees and withholding of workers' documents, all of which are indicators of forced labor and child labor.

The STRT facilitated the evaluation of suppliers' policies addressing forced labor and child labor, as well as identifying protective measures supporting their workforce. Additional inquiries within the STRT help assess each supplier's level of due diligence in managing these risks, addressing issues, or taking corrective actions. Once the collection of information was completed, our third party service provider evaluated the quality of each supplier's response and assigned a risk score based on the supplier's inherent risk for forced labor and child labor, as well as their risk control practices. This enabled us to

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“segment” suppliers as high, medium or low risk based on associated risks, and to take appropriate responses for each category of risk.

2. Indirect Monitoring of Suppliers

In addition to the direct engagement with our suppliers to assess risk, we are regularly reviewing a wide variety of publicly available information. This ranges from social media posts to NGO and academic reports, government sanctions lists, denied parties lists, adverse media and other reports that gives us daily, ongoing insight into our supply chain and ourselves.

3. Internal Risk Assessment

In addition, prior to on-boarding any new supplier, Visual Comfort & Co. vets new suppliers' conformance to our requirements on forced labor and child labor through a supplier survey. All suppliers are also required to sign yearly and adhere to a more detailed Supplier Quality Manual that covers these topics. Visual Comfort & Co. also audits its largest suppliers on a yearly basis and any new supplier with enough prospective business in the future. Our internal Employee handbook covers our whistle-blower policy to encourage grievance reporting. Training has been provided for the US-based purchasing team.

Corrective Actions

During the reporting year, our risk assessment identified a number of suppliers with potential risks because of weak forced labor and/or child labor management systems and policies. No indication of forced labor was found, but we are working with them to implement actions to improve policies. Such suppliers were advanced to the corrective actions step of our due diligence program. The process is facilitated by our third-party partner, Assent, Inc. who collects the information for us. So far, all engaged suppliers were able to provide the necessary information to assure Visual Comfort & Co. of compliance with forced labor laws, and subsequently will improve their risk assessment score.

59% of our suppliers by spend (56 suppliers) have completed the risk assessment so far.

44% of our suppliers by spend (10 suppliers) were engaged in improvement actions and resolved or on path to submit updated assessment.

This work is of continual improvement nature and will never cease.

Remediation Measures

Our aim is to provide effective identification and remedy if there is evidence that we have contributed to any impacts. We will use our leverage to encourage our suppliers and partners to provide remedy where we find impacts directly linked to our business operations or products. Our internal employee handbook promotes and allows our employees to raise grievances and seek remedy.

In the event of any forced or child labor findings, we take immediate action to remediate the situation. This includes working with the supplier to address the issue, providing support for affected individuals, and, if necessary, terminating the relationship with the supplier.

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During the reporting year, we did not identify any actual cases of forced labor or child labor in our direct supply chain.

Measures to Remediate Loss of Income

During the reporting year, we did not identify any actual cases of child labor in our direct supply chain, and therefore we did not take any steps that led to loss of income to vulnerable families.

Training and Capacity Building

Training about our ESG program and forced labor risks have been held for purchasing team in 2023 and our operations team has been briefed on our overall ESG efforts, which included forced labor topics. We are currently developing an internal Sustainability report that will be published publicly in the future.

Assessing Effectiveness

Currently, we are able to track the performance through a combination of internal and external mechanisms. We use these mechanisms to assess the performance of each activity undertaken such as the percentage of supply chain responding to annual surveys through our partner Assent, Inc. including risk scores and actions taken. Internally, we track number of suppliers audited per year and their audit score, as well as number of internally trained personnel.

Third party auditing for social compliance have been used at a handful of our key suppliers covering a large portion of our spend. No major non-compliances have been found. All risks that were identified were also addressed with an action plan.

Our policies and supplier code of conduct is shared with all our suppliers.

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Approval and Attestation

This report has been reviewed and approved by Visual Comfort & Co. Chief Operating Officer.

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.

A handwritten signature in black ink, appearing to read "Gary Hirschel". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Gary Hirschel

5/30/2024

Chief Operating Officer
Visual Comfort & Co.

I have the authority to bind Visual Comfort & Co.