

# **Modern Slavery Annual Report**

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## **Executive Summary**

This annual report is submitted in compliance with the requirements set forth by the Minister of Public Safety and Emergency Preparedness, detailing QE Home's robust efforts to prevent and mitigate the risks of forced and child labour within its operations and supply chain.

As a leading home textile retailer in Canada, QE Home is unyielding in its commitment to ethical labour practices. All major suppliers have formally acknowledged this commitment by signing our comprehensive Vendor Code of Conduct. In addition to this, they have completed the QE Home Supplier Due Diligence process and the QE Home Supplier Modern Slavery Operational Guide, thereby further reinforcing their pledge to uphold labour standards that are in line with our ethical imperatives.

This report covers:

1. Our policies and due diligence processes, which include initial screening, on-site audits, third-party verifications, and continuous monitoring to ensure compliance.
2. A risk assessment outlining high-risk areas in our supply chain, such as raw material sourcing and sub-contracted labour, and the steps we are taking to manage these risks effectively.
3. Employee training modules that focus on understanding forced and child labour, internal code of conduct, and due diligence processes. All employees are required to undergo this training, ensuring company-wide awareness and vigilance.

By adhering to these comprehensive measures, QE Home strives to not only comply with legal mandates but also to set a benchmark in ethical sourcing and labour practices within the industry.

The report aims to be a transparent and actionable account of our ongoing efforts, and we welcome any dialogue that helps us to continually refine our approach to eradicating forced and child labour from our supply chain.

## **Introduction**

As a leading Canadian home textile retailer, QE Home (Quilts etc. 133566539) is committed to upholding the highest ethical standards throughout its operations and supply chain. This commitment extends to our unyielding stance against forced and child labour. This annual report serves to provide a comprehensive account of the initiatives, policies, and due diligence processes that QE Home has implemented to prevent and mitigate the risks of forced and child labour in its supply chain. The report follows the requirements set forth by the Minister of Public Safety and Emergency Preparedness and aims to be transparent, detailed, and actionable.

## **Structure, Activities and Supply Chains**

### Structure

Legal Structure: Corporation

Organizational Chart:

This chart is located at the bottom of the report.

### Activities

QE Home engages in a broad range of activities aimed at delivering high-quality home textile products to consumers across Canada. Our primary activities include:

- **Product Design and Development:** We prioritize innovation and consumer trends, focusing on the design and development of new products that meet the evolving preferences of our customers.
- **Material Sourcing:** We source high-quality, sustainable materials from vetted suppliers, ensuring ethical procurement practices.
- **Manufacturing Oversight:** While we do not own manufacturing facilities, we closely oversee the production process through partnerships with responsible manufacturers.
- **Quality Control:** Rigorous quality control measures are in place to ensure that all products meet our high standards before reaching our stores.
- **Logistics and Distribution:** Our logistics network is optimized for efficiency, ensuring timely distribution of products to our retail locations.
- **Retail Operations:** With over 70 stores across Canada, we maintain a strong retail presence, offering exceptional customer service and an engaging shopping experience.
- **Online Sales:** Our e-commerce platform extends our reach, allowing customers to purchase our products online.
- **Customer Service:** We provide comprehensive customer support to ensure satisfaction and foster long-term relationships.
- **Marketing and Sales:** Our marketing strategies are tailored to connect with our target audience, driving sales both in-store and online.
- **Sustainability Initiatives:** Across all activities, we integrate targeted sustainability projects continuously seeking to reduce our environmental footprint.

### Integration with Supply Chains

Our activities are closely interwoven with our supply chain, requiring constant coordination on all communication with suppliers to ensure seamless operations:

- **Design and Sourcing:** We work with suppliers to select the best materials that not only meet our quality standards but also comply with our ethical requirements.
- **Production Monitoring:** Through regular audits and supplier engagements, we monitor manufacturing processes to ensure alignment with our code of conduct.
- **Logistics Collaboration:** We partner with logistics providers who are committed to sustainable practices, ensuring that our distribution network is both efficient and environmentally conscious.

By integrating these activities with our supply chain, QE Home upholds its reputation for quality and responsibility in every aspect of its business. As Canada's first B Corp certified bedding brand, we take ethical business operations throughout our entire operations very seriously. This commitment to excellence and ethical practices is at the heart of our operations, reflecting our dedication to our customers and the planet.

## Sourcing

### Global Sourcing Activities

As part of our commitment to responsible sourcing and risk mitigation, QE Home maintains a diverse global supply chain. The following is an overview of product specific supply chains within some of the main countries we source from.

#### China

QE Home has a long history of positive, innovative, and sustainable procurement with select Chinese partners. Our typical supply chain in China includes sourcing diverse raw materials, weaving or knitting to create fabrics, and extensive finishing processes to meet our precise quality and design requirements. The final stages involve meticulous assembly, quality assurance, and preparation for global distribution.

#### India

India's supply chain is deeply intertwined with its rich heritage of textile craftsmanship. It begins with the procurement of fibers and extends through the production processes.

#### Hungary

Our Hungarian supply chain is dedicated to the procurement of Responsible Down Standard (RDS) down products. This begins with ethical sourcing of down, ensuring the welfare of birds. The down is then cleaned, processed, and filled into high-quality bedding products, such as duvets and pillows, aligning with our commitment to quality and sustainability.

#### Cambodia

Cambodia's involvement in our supply chain focuses on the finishing of a variety of textiles. We have seen an increase in production in Cambodia and are continuing to work with our partners to ensure long lasting, sustainable and ethical principles of business are followed.

#### Canada

In Canada, our supply chain strategy is twofold: we source home textile products such as RDS down for our bedding products, laundry products, and Kapok pillows. In addition, we procure office supplies, favoring local suppliers to reduce our carbon footprint and bolster the Canadian economy. Though these products can be found for less in other areas of the world, we do this to support local industries and ensure ethical practices. This dual-sourcing approach underscores our commitment to sustainability and local community support.

#### Bangladesh

Bangladesh's supply chain contributes significantly to our portfolio with its high-volume textile production capabilities. The focus here is on scalable operations that can efficiently produce a broad range of textiles, with ongoing efforts to enhance labour standards and operational safety.

Through these varied and specialized supply chains, QE Home maintains a balance of quality, ethical sourcing, and product diversity, ensuring that our offerings meet the high expectations of our customers while staying true to our sustainability ethos.

We continue to work with our manufacturers to ensure fair labour standards are followed. In 2023, we developed our strict supplier due diligence requirements as well as our vendor screening documentation. By using tools like these in conjunction with international auditing systems like SMETA, Oeko-Tex sTep, HIGG, and BSCI, we can be confident that our products are ethically sourced.

## Policies and Due Diligence Processes

### Policies

QE Home has a comprehensive Vendor Code of Conduct that all suppliers and partners are required to adhere to. This code mandates that suppliers must:

- Comply with all local and international laws regarding labour and employment.
- Ensure no forced or child labour is used at any stage of production.
- Provide safe and hygienic working conditions for all employees.

### Due Diligence Processes

Our Supplier Due Diligence process is a multi-step approach designed to vet and monitor suppliers for compliance with our code of conduct:

1. Initial Screening: All potential suppliers undergo an initial screening that includes an assessment of their labour practices.
2. On-Site Audits: Suppliers are subjected to 1<sup>st</sup> party on-site audits to verify compliance with labour laws and our code of conduct.
3. Third-Party Verification: We engage third-party agencies to validate the ethical standards of our suppliers.

## **Risk Assessment**

### Areas of Risk

Based on the Supplier Modern Slavery Operational Guide, the following areas have been identified as higher-risk segments within our supply chain:

- Raw material sourcing: Particularly from countries or regions known for labour law violations.
- Sub-contracted labour: Especially in manufacturing processes.

### Risk Management

1. Enhanced Due Diligence: Suppliers in high-risk areas undergo a more rigorous due diligence process, including more frequent audits and third-party verifications. We also visit supplier premises before onboarding them.
2. Supplier Education: High-risk suppliers are educated about the consequences of non-compliance and are provided with resources to improve their practices.
3. Multi-tier Auditing: Not just direct suppliers, but also secondary suppliers are audited to ensure the entire supply chain is compliant.

## **Remediation Measures**

At QE Home, our commitment to ethical business practices extends throughout our entire supply chain. We are proud to report that, to date, we have not encountered incidents requiring remediation related to forced or child labour within our operations or among our suppliers. This achievement underscores our dedication to rigorous due diligence, comprehensive supplier assessments, and ongoing monitoring. However, we remain vigilant and prepared to act decisively should any potential issues arise in the future. Here is an overview of our proactive strategies and our framework for future remediation measures, should they ever be needed:

## Preventive Actions and Ongoing Vigilance

1. **Comprehensive Supplier Audits:** We conduct regular audits of our suppliers to ensure compliance with our Vendor Code of Conduct, focusing on labour practices, working conditions, and ethical employment standards.
2. **Employee Training and Awareness:** All QE Home employees receive training on recognizing the signs of forced and child labour and understanding their role in maintaining our ethical standards. This ensures a vigilant and informed workforce adept at identifying and preventing unethical practices.

## Framework for Future Remediation

Should an incident ever be identified, our planned remediation measures include:

1. **Immediate Investigation and Assessment:** Any allegations of forced or child labour within our supply chain would trigger an immediate and thorough investigation to accurately assess the situation.
2. **Collaborative Development of Corrective Action Plans:** Working in partnership with the affected supplier, we would develop a corrective action plan tailored to address specific issues and prevent their recurrence.
3. **Support and Monitoring:** Implement continuous monitoring and support for the affected supplier to ensure sustainable compliance.
4. **Decisive Action for Non-Compliance:** In cases where a supplier fails to meet the corrective action plan requirements or if the severity of the issue indicates an inability or unwillingness to change, QE Home is prepared to terminate the relationship with the supplier.
5. **Transparency and Reporting:** We commit to transparently reporting any incidents and the steps taken to address them, upholding our commitment to ethical practices and accountability.

## Ethical Supply Chain Commitment

Discontinuing a relationship with a supplier is a significant action and one that QE Home considers a last resort, to be taken only after all efforts at remediation have been exhausted. In making such a decision, our priorities remain the welfare of the workers and the integrity of our supply chain. We are dedicated to working with our suppliers to achieve and maintain high ethical standards, but we are also prepared to make difficult decisions to uphold our core values.

Our approach to supplier relationships is rooted in partnership and mutual respect, with a strong emphasis on shared responsibility for ethical practices. However, our commitment to preventing forced and child labour is unwavering, and we will not compromise on these fundamental principles. By setting clear expectations and being prepared to act decisively, when necessary, we aim to foster a supply chain that is not only compliant but also reflective of our values and commitment to human rights.

## **Compensation Measures**

### Our Pledge

We understand that the landscape of global supply chains is complex and ever evolving. As such, QE Home remains vigilant and responsive to the dynamics of our supply chain activities and their potential effects on vulnerable populations. We pledge to continue our efforts to not only eliminate forced and child labour but also to do so in a way that supports the economic and social well-being of all individuals in our supply chain.

Should future actions inadvertently impact the income of vulnerable families, QE Home is committed to assessing these impacts thoughtfully and taking appropriate measures to support affected individuals, in line with our commitment to ethical business practices and human rights.

## **Employee Training**

### **Training Modules**

In accordance with our commitment to ethical labour practices, QE Home has developed a robust training program for its employees that covers:

1. Understanding Forced and Child Labour: Basics of what constitutes forced and child labour.
2. Code of Conduct: Thorough review of QE Home's Vendor Code of Conduct and its implications.
3. Due Diligence Processes: Training on how to conduct and interpret supplier audits and risk assessments.

### **Frequency and Method**

1. Initial Training: All new hires undergo this training as part of their orientation.
2. Annual Refresher: Training documents are included in our QE University training program for employee review.
3. Method: Training is conducted both in-person and through e-learning platforms for maximum reach and efficiency.

## **Effectiveness Assessment**

Metrics and KPIs Used to Assess Effectiveness

To measure the effectiveness of QE Home's initiatives against forced and child labour within our supply chain, we have developed the following metrics and Key Performance Indicators (KPIs):

### **Supplier Engagement and Compliance**

- Response Rate to New Documentation: Tracking the percentage of suppliers who have responded to the new Stricter Vendor Codes of Conduct and due diligence questionnaires. All new suppliers are required to sign the COC and undergo the supplier due diligence questionnaire.
- Completion of Vendor Screening Questionnaires: The proportion of vendor screening questionnaires returned with detailed answers is a critical KPI, indicating suppliers' commitment to transparency and ethical practices. All new potential vendors as of FY 2023 are required to undergo this audit.
- Signed Vendor Codes of Conduct: The number of suppliers who have returned signed updated strict Codes of Conduct, indicating formal agreement to comply with the updated standards.

### **Due Diligence and Verification**

- Third-Party Audit Compliance: The frequency and outcomes of third-party audits that verify supplier adherence to the new codes and questionnaires.
- Risk Mitigation Implementation: Measurement of the timely implementation of risk mitigation strategies in response to due diligence findings.

### **Training and Awareness**

- Employee Training Completion: The percentage of employees who have completed training on the new standards and questionnaires, aimed at 100% workforce coverage. QE Home has developed a training system for our employees that has been deployed in FY 2024.

### **Impact and Remediation**

- Incident Reporting and Remediation: The number of reported incidents related to forced or child labour and the effectiveness of the remediation process.

### **Continuous Improvement**

- Feedback Loop Efficiency: The effectiveness of the feedback loop in improving the Vendor Code of Conduct and due diligence processes based on supplier and NGO input (mainly from the Mekong Club).

By monitoring these KPIs, QE Home aims to maintain a living document and a dynamic process that continuously evolves to meet the highest standards of ethical conduct. Our partnership with the Mekong Club reinforces our commitment to not just comply with regulations but to be a leader in ethical supply chain management.

## **Compliance and Enforcement Acknowledgement**

### Legal Responsibility

QE Home acknowledges its legal responsibility to:

1. Conduct thorough due diligence within our supply chains to identify and mitigate risks related to forced and child labour.
2. Report annually on our findings and the measures taken to address these risks, ensuring transparency and accountability.
3. Maintain and implement a compliance framework that meets or exceeds the requirements set forth by relevant laws and regulations.
4. We recognize that this responsibility extends to all entities within our control and that our commitment to ethical practices is integral to our operations and supply chain management.

### Verification and Transparency

We are aware that the information provided in our reports and disclosures is subject to verification by regulatory bodies and other stakeholders. QE Home is committed to maintaining the highest standards of transparency and accuracy in our reporting. We pledge to:

- Provide complete, accurate, and honest information in our reports.
- Facilitate verification efforts by regulatory bodies, auditors, and stakeholders, offering full cooperation and access to relevant data.
- Regularly review and update our reporting and compliance processes to ensure they reflect current best practices and legal requirements.

### Enforcement Readiness

QE Home understands that non-compliance with the Act's requirements may result in enforcement actions. We are fully prepared to address any areas of non-compliance identified during audits or inspections promptly and effectively. Our internal compliance team works diligently to monitor our adherence to all regulations and to implement corrective measures when necessary.

### Continuous Improvement

Acknowledging the dynamic nature of global supply chains and the evolving landscape of labour rights, QE Home is committed to continuous improvement in our compliance and enforcement strategies. We are proactive in identifying emerging risks and adapting our policies and practices to meet new challenges and standards.

### Our Pledge

By acknowledging our compliance and enforcement responsibilities, QE Home reaffirms its commitment to ethical business practices and the protection of human rights within our operations and supply chain. We invite dialogue and collaboration with stakeholders to enhance our efforts and drive positive change in the industry.

## **Conclusion**

This annual report, in compliance with the requirements of the Minister of Public Safety and Emergency Preparedness, underscores QE Home's unwavering commitment to ethical practices and our systematic efforts to prevent and reduce the risks of forced and child labour within our operations and supply chain.

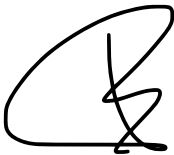
We are proud to report that our major suppliers have not only acknowledged but also demonstrated their commitment to these ethical standards. Through their engagement with our Vendor Code of Conduct and the thorough due diligence processes we have implemented, they have solidified their pledge to uphold the labour standards that QE Home stands for.

Our established policies and due diligence processes reflect an initiative-taking approach to compliance. Through comprehensive screening, meticulous audits, objective third-party verifications, and ongoing monitoring, we ensure adherence to our ethical mandates.

A core component of our report is the risk assessment, which identifies and addresses high-risk areas within our supply chain, particularly in raw material sourcing and subcontracted labour. Our management strategies for these risks are both rigorous and evolving, designed to adapt to new challenges and opportunities for improvement.

Employee training remains a cornerstone of our initiative, equipping our workforce with the knowledge and tools necessary to recognize and address the nuances of forced and child labour. It is through this company-wide awareness and preparedness that we can maintain vigilance and responsiveness across all levels of our operations.

By embracing these measures, QE Home not only fulfills regulatory obligations but also aspires to set a benchmark for ethical sourcing and labour practices within the home textile industry. We believe that our efforts contribute to a broader movement towards a more just and responsible global market.



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Phil Eng, President and CFO



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Christina Xu, COO

