

Quality Craft's Fighting Against Forced Labour and Child Labour in Supply Chain Report (2024)

ABOUT THIS REPORT

Quality Craft Ltd. has prepared this joint report (the "**Report**") on behalf of itself and Quality Craft Industries Inc. (collectively, "**Quality Craft**") pursuant to the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") for the financial year ended December 31, 2024.

This Report describes the steps taken to enhance transparency in our supply chains by outlining the steps taken during the 2024 financial year to prevent and reduce the risk that forced labour or child labour ("**Modern Slavery**") is used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. This has been done in accordance with the mandatory reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

This is a joint Report made on behalf of the entities listed above (collectively, the "**Quality Craft Reporting Entities**"). All references in this Report to "**we**", "**us**", "**our**", "**Quality Craft**" or the "**Reporting Entities**" refer collectively to the Quality Craft Reporting Entities unless otherwise indicated. This Report has not been externally assured.

The Quality Craft Reporting Entities do not report under similar legislation in any other jurisdiction.

INTRODUCTION

At Quality Craft our mission is to provide our customers with world class solutions driven by the most innovate products with the most compelling brands. To better fulfill this mission, we are committed to conducting our business with integrity and a dedication to those in the communities in which we operate. We further have a strong commitment to upholding all laws, statutes and regulations in jurisdictions in which we operate, and expect the same from the suppliers we work with.

Additionally, we strive to build long term mutually beneficial relationships with our suppliers and recognize the value of strong partnerships.

STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

Company Structure

Quality Craft Ltd., founded in 1984, is incorporated under the *Business Corporations Act* (British Columbia) and has more than four decades of experience in over 100 different product categories. Our head office is in Surrey, British Columbia and we have other offices in Montreal, Quebec and a support centre in Romeoville, Illinois. Quality Craft Industries Inc. is incorporated in Washington, USA. The Quality Craft Reporting Entities are all operated out of Surrey and Romeoville.

Quality Craft also has a China office in Shanghai. The Shanghai office is responsible for working with upper management of the Quality Craft divisions to assist with selecting suppliers, negotiating prices, terms and conditions and to help with communications between our suppliers and our offices in North America. In total, Quality Craft employs approximately 45 employees.

Activities and Operations

Quality Craft has been importing and marketing quality, high volume consumer goods to retailers and distributors in North America since 1984. Quality Craft directs its product development focus on three key categories: storage, outdoor living and flooring, through the three product brands: Montezuma, Blue Sky Outdoor Living and Admira, respectively.

- **Montezuma** provides intuitive tool and garage solutions that allow consumers to securely and efficiently organize their lives, including toolboxes, workstations and garage storage systems.
- **Blue Sky Outdoor Living** is known for its innovative outdoor living products, offering a wide variety of outdoor accessories specifically designed to enhance recreational outdoor experiences, including fire pits, patio furniture and custom outdoor kitchens.
- **Admira** specializes in flooring and wall products to help consumers transform their home and commercial spaces, including tile, hardwood, laminate, and wood wall panelling.

Quality Craft's customers include almost all large Canadian and United States retailers and distributors of home improvement products.

Our Supply Chains

In 2024, the Quality Craft Reporting Entities engaged with 35 suppliers that provided it with the following finished goods in respect of all three of its brands. These goods were predominantly imported or sourced from Southeast Asia and the United States.

POLICIES AND DUE DILIGENCE

Supplier Code of Conduct

Quality Craft has a Supplier Code of Conduct (the "**Supplier Code**"), applicable to all of Quality Craft's suppliers. The Supplier Code requires all suppliers comply with a number of human rights and labour standards including prohibiting Modern Slavery, fairly compensating employees, maintaining reasonable work hours, and respecting employee rights regarding freedom of association. The Supplier Code further sets out that all suppliers must comply with all local and national laws and regulations of the jurisdictions in which the suppliers operate as well as with the practices of their industry.

Vendor Agreements

Through our Vendor Agreements, Quality Craft negotiates with each supplier a production inspection standard on the basis of different commodities. Quality Craft has the right to perform inspections of any factories, and suppliers must agree to provide inspectors with any information required and to fully cooperate with the inspection.

In addition, Quality Craft has implemented an addendum applicable to its existing agreements. It sets out Quality Craft's expectations of its suppliers with respect human rights, compliance with applicable laws, and child and forced labour.

Employee Handbooks

Quality Craft's Canadian and United States Employee Handbooks (the "**Employee Handbooks**") set out our personnel policies, procedures and obligations and are guidelines that set out the conduct we expect of employees of the Quality Craft Reporting Entities.

We prohibit retaliation or punishment against employees for reporting complaints in good faith. Any employee who retaliates against another employee for filing a discrimination or harassment claim will be subject to discipline up to and including discharge.

Enhanced Due Diligence

With respect to specific vendor agreements, Quality Craft has processes in place that provide for enhanced due diligence in respect of some of its suppliers based on a variety of considerations. As part of this enhanced due diligence process, Quality Craft can review and consider several areas of risk, including those related to Modern Slavery.

POTENTIAL RISKS IN OUR OPERATIONS AND SUPPLY CHAINS

In 2024, we undertook the following steps to prevent or reduce the risk of Modern Slavery in our supply chains and operations:

- Conducted an annual review of our vendor agreements;
- Implemented an addendum applicable to existing agreements;
- Conducted site visits of select suppliers;
- Investigated and evaluated potential risks of Modern Slavery related to specific imports; and
- Reviewed and considered the Act and the Updated Governmental Guidance.

Potential Risks in Our Operations

The Quality Craft Reporting Entities consider the risk of Modern Slavery occurring within our operations to be low. Our workforce exists almost exclusively within Canada and the United States, both of which have comprehensive and strict labour, employment, and human rights laws. In addition, the employees in our Shanghai office work closely with upper management and are in professional skilled positions.

Potential Risks in Our Supply Chains

We recognize that there is a risk of Modern Slavery occurring within our supply chains, as there is with all supply chains. We understand that geographic considerations, the nature of the raw material and particular industries can carry a higher risk of Modern Slavery. There are also risks linked to certain industries even in countries considered to have lower risks of Modern Slavery.

Through conducting its own research into the prevalence of Modern Slavery, Quality Craft has identified that its procurement of finished goods creates a potential risk for Quality Craft's supply chains to be linked to Modern Slavery. Quality Craft, however, assesses and manages this by implementing and applying the policies and processes set out in this Report.

Quality Craft recognizes that its procurement engages manufacturing in countries and in factories that may use migrant or low-skilled labour and/or engage contracted labour which are susceptible

to poor working conditions. As noted above, however, through our Shanghai office, we have direct insight into selection and negotiation of our suppliers.

Accordingly, based on our current knowledge and assessment, we view the risks of Modern Slavery in our supply chains as low to moderate.

Notwithstanding these risks, Quality Craft is not aware of any specific instances of modern slavery in its supply chains. Accordingly, no steps were required to remediate Modern Slavery, or the loss of income associated with remediation efforts.

Management and Mitigation of Potential Risks

In addition to the policies and procedures set out in this Report, Quality Craft invests in the community as we understand the importance of investing in the communities in which we operate. For example, in 2020, Quality Craft founded QC Cares, an initiative to give back to our local and global communities. QC Cares mission is to provide an overall sense of pride to our team and the communities in which we live and work. This initiative continues today. At the local level, we are engaging in community outreach and supporting community groups in both Surrey, British Columbia and Romeoville, Illinois. At the global level, we are supporting social initiatives like Breast Cancer Awareness and Movember (Men's Health Awareness).

TRAINING

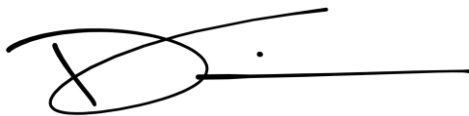
As the Quality Craft Reporting Entities continue the development of their actions to prevent and reduce the risk of Modern Slavery in 2024, we will consider implementing, as appropriate, a more focused training module on Modern Slavery.

ASSESSING EFFECTIVENESS

We will continue to re-evaluate the need to implement measures to assess the effectiveness of the processes we have in place based on the evaluation of our risks as described in this Report.

APPROVAL & ATTESTATION

This Report was approved pursuant to section 11(4)(b)(ii) by the Board of Directors for Quality Craft Ltd.

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line extending to the right.

I have the authority to bind Quality Craft Ltd.

Dennis Hale, Director

Quality Craft Ltd.

May 31, 2025