

# 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.



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

*[Our Supplier Code of Conduct follows.]*

**THREAD COLLECTIVE INC.**  
**Policies regarding ethical business practices and legal compliance**

**SUPPLIER CODE OF CONDUCT**

This Code of Conduct applies to all of Thread Collective Inc.'s manufacturers, contractors, suppliers, service providers and similar business partners, and their respective owners, officers, management, employees, agents and affiliates (collectively, "Contractor") involved with our brand(s) and trademark(s) and the manufacture of our goods.

**I. OVERVIEW**

Thread Collective conducts its business in a legal and ethical manner and we expect our business partners to share the same values. While recognizing and respecting the cultural and legal differences around the world, Thread Collective is committed to ensuring the safe and fair treatment of all employees who are involved with the manufacture of goods supplied to/by Thread Collective.

To achieve this purpose, this Code of Conduct sets for the basic/minimum requirements that all Contractors must meet as a condition of doing business with Thread Collective. Since no code of conduct can be all-inclusive, we expect our Contractors to ensure that no abusive or exploitative conditions and practices or unsafe working conditions exist at the facilities where our merchandise is manufactured (or sold). If Thread Collective determines that any Contractor has violated this Code of Conduct, Thread Collective reserves the right to cancel a purchase order, return or revoke acceptance of affected goods, require the Contractor to implement a corrective action plan, or to terminate its business relationship with that Contractor.

Our Contractors are expected to communicate this Code of Conduct to each of their owners, officers, management, employees and agents involved in the manufacture of our goods.

**II. KEY EXPECTATIONS**

**1. Compliance with Applicable Laws, Regulations and Company Policies**

Our Contractors are expected to comply with all laws and regulatory requirements applicable to their business and territory, including but not limited to those related to wages, hours, labor, health, safety, the environment, immigration, import/export, and business conduct and ethics. Our Contractors are also expected to comply with this Code of Conduct.

**2. Forced Labor**

We do not tolerate the use of forced or involuntary labor. Our Contractors shall not utilize forced

or involuntary labor, whether in the form of prison labor, indentured labor, bonded labor, or otherwise.

### **3. Child Labor**

We do not tolerate the use of child labor and do not accept products or services from Contractors that use child labor. Our Contractors are expected to comply with applicable local child labor laws and employ only workers who meet the applicable minimum legal age requirement. Under no circumstances shall our Contractors hire or employ workers under the age of 14.

### **4. Worker's Compensation, Hours and Insurance**

Our Contractors are expected to comply with all applicable wage and hour labor laws and regulations governing employee compensation and working hours. If no minimum wage law applies, our Contractors shall pay their employees the prevailing industry wage. Our Contractors shall not require their employees to work in excess of the statutory requirements without proper compensation as required by applicable law. Employees should be permitted reasonable days off (at least one day off for every seven-day period) and leave privileges as required by applicable law. Furthermore, our Contractors must comply with all local laws and regulations requiring social insurance, health insurance, life insurance and/or worker's compensation insurance.

### **5. Discrimination**

Our Contractors shall not subject any person to discrimination in employment (including hiring, salary, benefits, advancement, discipline, termination, or retirement) on the basis of age, sex, race, color, ancestry, religion, creed, citizenship status, disability, national origin, marital or social status, military status, sexual orientation, gender identity and expression, or on any factors not related to the job. Our Contractors are expected to comply with all applicable local laws concerning discrimination in hiring and employment practices.

### **6. Harassment, Abuse and Discipline**

Our Contractors will treat their employees with respect and dignity and will not subject any employee to any physical, sexual, psychological, verbal, or other form of, harassment or abuse. Our Contractors must not inflict or threaten to inflict corporal punishment or any form of physical, sexual, psychological, emotional or verbal violence or punishment against any employee.

### **7. Freedom of Association and Collective Bargaining**

Our Contractors will respect the rights of employees regarding their decision of whether to associate or not to associate with any group, including any union or other collective bargaining group or unit, as long as such group are legal in their own country or state (or other political division). Our Contractors must not interfere with, obstruct or prevent such legitimate activities.

### **8. Environment**

Our Contractors are expected to conduct their operations in a way that protects the environment. Our

Contractors shall comply with all applicable environmental laws and regulations in the countries and states (or other political divisions) in which they operate.

#### **9. Health and Safety**

Our Contractors shall comply with all applicable safety and health laws and regulations in the countries in which they operate. Our Contractors are expected to provide a safe working environment that supports accident prevention and minimizes exposure to health risks occurring within or arising out of the course of work. Our Contractors are also expected to provide products and services, including uniforms and equipment as applicable, that meet all applicable health and safety requirements and standards.

#### **10. Gifts and Gratuities**

Our Contractors shall conduct business in an ethical and legal manner, free from potential personal or private interests that may result in an actual, potential or apparent conflict of interest, or otherwise affect their professional judgment or decision-making or adversely impact or harm us or our brand(s) or trademark(s). Our Contractors are NOT permitted to directly or indirectly give, accept or benefit from any gift, gratuity or bribe of any kind or value.

#### **11. Anti-Bribery and Anti-Corruption**

Our Contractors shall comply with all applicable anti-bribery and anti-corruption laws, including the Foreign Corrupt Practices Act ("FCPA"). Our Contractors shall NOT make any direct or indirect payments, or promises of payment, to foreign government officials for the purpose of inducing an unfair business advantage. Offers or agreements with foreign government officials that could reasonably be interpreted as an attempt to gain an unfair business advantage are also prohibited. This prohibition also applies even where such activity may not violate local law.

#### **12. Country of Origin**

Our Contractors will adhere to the laws and regulations in force in the countries in which they operate including the countries of manufacture and distribution pertaining to product design, manufacture, packaging, labeling, importation, advertising, distribution and sale. Commercial invoices and other necessary documentation must be provided in compliance with applicable laws. All products, unless specifically exempted under the applicable customs laws and regulations, shall be marked with the country of origin.

#### **13. Confidential Information and Privacy**

Our Contractors shall comply with all applicable laws and regulations governing the protection, use and disclosure of our proprietary, confidential and personal information, and of the information belonging to our customers and other strategic partners. The confidential or proprietary information about our company, products, customers, strategic partners, or other parties, which has been obtained through business contact with us, must not be directly or indirectly disclosed, misappropriated or used for your personal benefit or advantage or for the benefit or advantage of



third parties. Our Contractors must protect the private information and privacy of the persons with whom they deal.

### **III. COMPLIANCE & MONITORING**

#### **1. Documentation**

Our Contractors shall also create and maintain documents and records to ensure regulatory compliance and conformity to their local laws and to this Code of Conduct. Failure to comply with this Code of Conduct or the law and failure to indicate your adherence to this Code of Conduct by signing a copy of this Code of Conduct and returning it to us signed, upon our request, may result in discontinuance of our business relationship with you or any of the other remedies mentioned hereinabove.

#### **2. Right to Inspect**

We shall have the right to monitor the Contractor's facilities through visits, inspections or audits by our employees or by third parties that we hire for this purpose.

#### **ACCEPTED AND SIGNED:**

Printed Full Legal Name of Manufacturer, Contractor etc:

Print Address:

Print Name and Title of Authorized Signing Officer:

Print Email Address:

Date:

Signature: \_\_\_\_\_