



12205459 Canada Inc. / El Ran Furniture Ltd. / Ameublement El Ran Ltée.

2023 Forced Labour Report

In compliance with the Modern Slavery Act

Table of Contents

1. Introduction	3
2. ELRAN Group	4
3. Our activities and operations	5
4. Our supply chain	6
5. Risks	7
6. Supply Chain Challenges	7
7. Policies and due diligence processes in relation to forced labour and child labour	8
8. Remediation of any forced labour or child labour	9
9. Approval and Attestation	10



1. Introduction

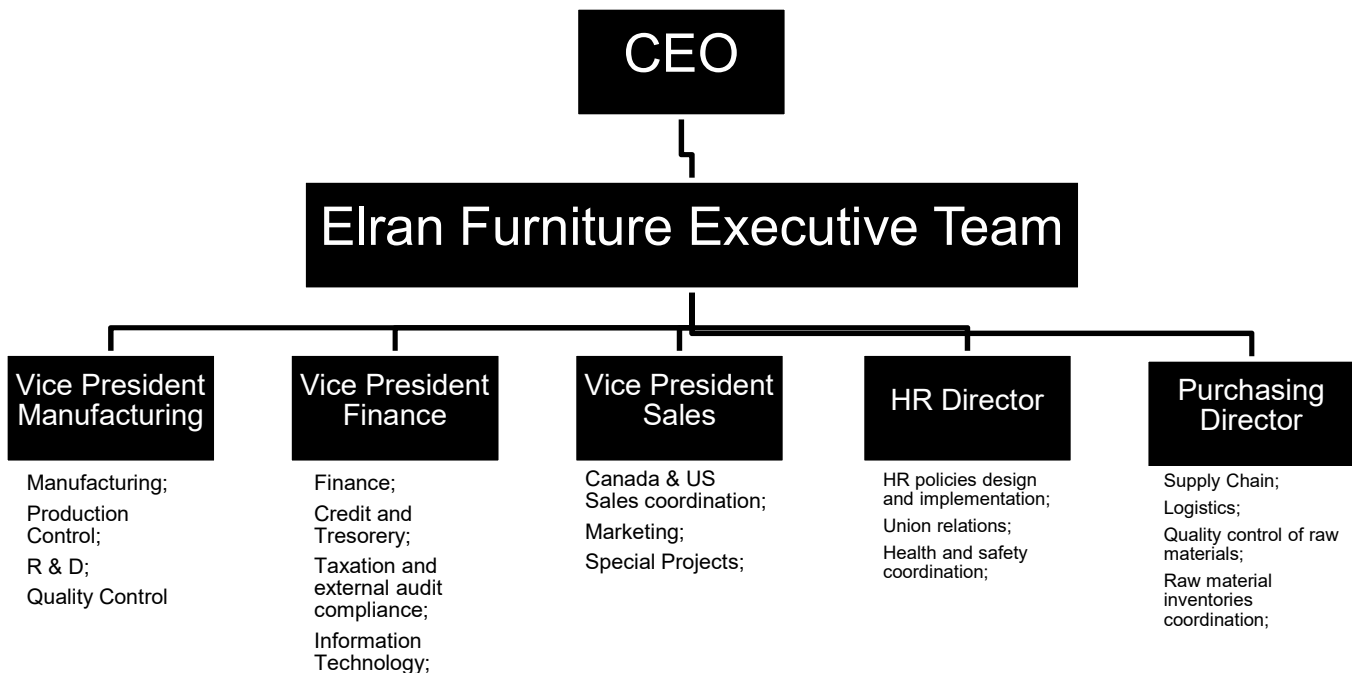
The Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) requires that businesses state actions they have taken during the fiscal year to prevent and reduce the risk of forced labour or child labour within their operations and supply chain. This is a joint report for 12205459 Canada Inc, a holding company (“**ELRANH**”) and El Ran Furniture Ltd. / Ameublement El Ran Ltée, an operating company. (“**ELRAN**” and together with ELRANH, the “**Companies**”). This report refers to the 2023 fiscal year end, being June 30, 2023 for ELRANH and July 31, 2023 for ELRAN, and describes steps taken by the Companies in 2023. ELRANH, as a holding company, substantially relies upon the efforts of ELRAN, as the operating business, for the purposes of managing and monitoring its supply chain operations and compliance programs.



2. ELRAN Group

ELRAN is a family owned & operated Canadian furniture manufacturer in activity since April 1967. Elran currently employs over 400 employees all in our 235,000 square feet factory located in Pointe-Claire, Québec. ELRAN recognize its responsibility to respect and protect the human rights of all people who work directly and indirectly for our business, in our facility and in our supply chain network. Our factory employees have been unionized for more than 40 years, the management and the union having good and respectful relations throughout all of these years.

Our supply chain structure and our logistic team is managed by our Purchasing Director.



3. Our activities and operations

ELRAN specializes in mass volume, custom made, reclining furniture. We are a just in time upholstery manufacturer; producing all custom goods and options with an incredible delivery time frame. We offer a catalog of over 120 models with custom options & a selection of over 550 fabrics & Italian leathers to select from. We have a range of style from traditional to today's modern styles, to cover all tastes. Our factory is highly automated, with qualified workers, which allows for our quick delivery, from 48 hours to 10 days.

We promote the long-term preservation and enhancement of natural resources by offering one of the best warranties in the business; lifetime on the reclining mechanism, wood frame & springs.

Our materials are all top grade, from our reclining mechanisms to our Canadian construction grade plywood used for the frames. Our foam is Canadian made and we use no sag Canadian & US made springs for their quality and durability. Elran sells to over 400 merchants in Canada. We also have distributors across the Eastern USA.

Since the company depends on highly skilled craftspeople who are not easy to replace or find, ELRAN operates an internal school, which trains people to become career upholsterers and sewers.



4. Our supply chain

In our Pointe-Claire, Québec factory, ELRAN manufactures upholstered motion furniture such as loveseats, sofas, sectionals and home theatre units, made to order in the configuration and fabric or leather of the customers choice.

Raw materials used to produce our furniture are sourced mainly from Canada as well as USA, Italy, Germany, Brazil and China.



5. Risks

ELRAN is committed to ensuring that forced labour and child labour are not used in its supply chain by working to ensure that our raw materials are purchased from reputable vendors who comply with labour laws and regulations.

While there is a potential risks of modern slavery within our global supply chain, we are working to implement practices and policies in order to identify and avoid purchasing any raw material tainted by modern slavery.

The materials of highest risk identified include metal products and hardware that are currently purchased from China.

During our fiscal year 2023, 19 vendors made up 96% of our total raw material purchases in dollars. Only 3 of those vendors supply materials produced in China, representing approximately 15% of our dollars purchases.

6. Supply Chain Challenges

Up to 2019 ELRAN conducted regular visits to our suppliers' facilities. Since 2020 and the beginning of the pandemic in the Far East our travelling and supplier visits became very difficult resulting in limited capacity to resume and conduct our normal activities.

In 2023 and subsequent to the pandemic we have been reevaluating our chain supply with the objective to increase even more our content of local raw materials and avoid the legal and ethical risks associated with foreign suppliers.

7. Policies and due diligence processes in relation to forced labour and child labour

Policies

ELRAN is having a high respect for the human dignity of its employees. ELRAN complies with the applicable labor, environment and safety laws of Québec, Canada and the US.

We are currently developing a formal Vendor Code of Conduct that will be specifically centered around Child Labour and Forced Labour as defined in the Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act.

As part of our commitment to preventing forced labour and ensuring ethical practices, we have also implemented comprehensive policies and guidelines such as:

We are an **Equal Opportunities Employer** promoting a fair treatment and non-discriminatory practices in hiring, promotion, and employment conditions. Our employees are coming from more than 50 different nationalities and backgrounds.

We have a **Psychological and Sexual Harassment at Work Prevention Policy**, including a guide on how to handle harassment situations, discrimination, and any form of exploitation, which would include forced labour.

Overtime Policy include an overtime calculation (enshrined in our union agreement) ensuring that our employees are fairly treated for the additional hours worked. Overtime is performed on a voluntary basis only and is compensated according to provincial work norms and the collective agreement.

Substance Abuse Policy ensures a safe and healthy workplace, which includes support for employees dealing with addiction issues.

We are promoting a safe and respectful environment for all of our employees and partners and we are committed to ethical labour practices and compliance with Canadian regulations regarding the prevention of forced labour.

Due Diligence

We ensure that our suppliers and their partners do not use child or forced labour in any of their operations. All employees in our manufacturing facility in Pointe-Claire, Canada are 18 years or older.

At Elran, we fully support Canada's Modern Slavery Act. Elran recognizes that Canada's Modern Slavery defines child labour as labour or services provided or offered by persons under 18 years old and that (a) are contrary to the laws applicable in Canada; (b) are provided under mentally, physically, socially or morally dangerous circumstances; (c) interfere with their schooling; or (d) constitute the worst forms of child labour, as defined in the Worst Forms of Child Labour Convention, 1999.

Employee development and training

Currently, Elran provides HR onboarding training to all new employees including extensive safety training. During 2024, we will amend our onboarding procedures in order to include a sensibilisation on forced labour and child labour possibly affecting some of our overseas suppliers.

Ongoing monitoring

During 2024 we will ensure that all of our vendors will sign off our new formal Code of Conduct. This will include questions directly related to modern slavery. Our purchasing team will also diligently gather information on ownership of each vendor and their employees and subcontractors being used.

8. Remediation of any forced labour or child labour

The fiscal 2023 was the first year when ELRAN started monitoring specifically for possible situations of any forced labour or child labour. To date, ELRAN has not faced situations of forced labour or child labour, and therefore has not had to rectify and remedy such situations including any loss of income. In 2024, we will increase our supplier visits and law compliance enforcement in order to ensure that our supply chain remains untainted by such illegal and unfortunate situations.

9. Approval and Attestation

The Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of the Companies.

In accordance with the requirements of the Act, and in particular section 11 thereof, we attest that we have reviewed the information contained in the report for the entity or entities listed above. Based on our knowledge, and having exercised reasonable diligence, we 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.



Eric Abecassis

President

May 30, 2024

I have the authority to bind the Companies



Camille Haddad

VP Manufacturing & Operations

May 30, 2024

I have the authority to bind the Companies



Sorin Mihalache

VP Finance

May 30, 2024

I have the authority to bind ELRAN