



## **Design Resources Inc. Statement on Forced Labor, Human Trafficking and Modern Slavery**

This document reflects Design Resources Inc.'s compliance with Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act, and the California Transparency in Supply Chains Act.

### **Background**

Design Resources Inc. (DRI) is a U.S. based importer providing marketing and sourcing solutions for apparel and headwear. Our products are manufactured by our long-term, contracted suppliers. DRI holds ourselves and our contracted suppliers responsible for compliance against our [Workplace Code of Conduct](#).

DRI is a Tier II, validated member of the U.S. Custom Trade Partnership Against Terrorism (C-TPAT) program. As a result, DRI uses the minimum-security criteria, in addition to other resources, to assess company practices and communicate such to all of its international business partners to encourage review and enhancement of existing management systems to detect and prohibit forced labor, modern slavery, and human trafficking within our supply chain.

### **Verification**

To ensure suppliers meet our strict compliance standards, DRI continuously monitors and enhances our systems to detect and mitigate supply chain vulnerabilities, including those related to forced and child labor. Before establishing a new relationship with a supplier, a comprehensive assessment against our Workplace Code of Conduct is conducted. These standards include our expectations for ethical labor and recruitment practices, social, health, safety, and environmental performance in the beginning, and throughout a supplier's business relationship with DRI. Additionally, DRI utilizes reports made available by sources like the U.S. Department of Labor, the U.S. Department of State, U.S. Department of Homeland Security and other country-related risk assessments to evaluate the risk of forced labor, child labor, and human trafficking throughout the supply chain. These risk assessments encompass information and findings from both internal evaluations and independent, external third-party reports.

DRI nurtures an environment for continuous improvement within our supply chain. Each vendor and/or supplier is assessed for compliance against the C-TPAT Minimum Security Criteria, DRI's Workplace Code of Conduct, customer compliance standards, applicable laws and regulations and industry best practices.



DRI will use all tools available to help support remediation and capacity-building efforts. The supplier is held responsible for improving their performance and remediating any findings against a timebound Corrective Action Plan (CAP).

### **Auditing**

Independent, external monitoring systems are used to assess our contracted suppliers' performance against our standards. We conduct regular audits of all of our contracted suppliers, which are monitored on a schedule, based on their performance level. All manufacturers must receive an independent third-party audit at least once every 12 months. These assessments may be announced or unannounced and take place before our business relationship begins and on an ongoing basis. These audits are structured to gauge compliance with our Workplace Code of Conduct, customer compliance standards, industry best practices and applicable laws and regulations. Our third-party audits assess the risks of forced and child labor, including the employment of vulnerable groups such as foreign, migrant workers, interns, and temporary workers. Moreover, supplier policies and management systems are reviewed to identify high-risk practices, such as recruitment fee payments, restriction on freedom of movement, retention of worker documentation, and inadequate disclosure of employment terms before departure from their home countries.

### **Remediation and Effectiveness**

DRI continuously seeks to improve our approach to evaluating working conditions within our supply chain. We are dedicated to supporting the capabilities of our suppliers through ongoing efforts. Through the assessment process, DRI actively engages with suppliers to develop and evaluate programs that ensure modern slavery and human trafficking in any form are not found in our supply chain. When alerted to violations, we investigate, and when applicable, collaborate with other stakeholders and external organizations to drive remediation.

In the event that DRI is made aware of an issue of non-compliance within our supply chain, a thorough investigation is conducted immediately. Management systems are reviewed and root cause analysis is conducted to ensure all corrective actions are sustainable. If a supplier continues to be noncompliant, DRI will take necessary steps, up to and including termination of our relationship with the supplier.

### **Certification**

DRI mandates that our own employees, as well as our contracted suppliers, follow our Workplace Code of Conduct. We also promote adherence to the Fair Labor Association's Principles of Fair Labor and Responsible Sourcing and Production, customer compliance standards, industry best practices, and all applicable laws, rules and regulations. Supplier manuals and agreements promote adherence to and reference the International Labor Organization's (ILO) 11 indicators of forced labor in an effort to prevent forced labor, child labor, and human trafficking in any form throughout our supply chain.



### **Accountability & Training**

DRI conducts ongoing training to understand the patterns and impacts of forced labor within our supply chain. Risk assessments are conducted for all factories to determine the level of risk and potential for human trafficking and modern slavery at each facility, measuring data to influence sourcing decisions. Training is provided to staff directly involved in the management of our contracted suppliers to educate employees on human rights, forced labor, child labor, human trafficking, and otherwise. DRI's in-house Compliance team participates in these year-round trainings and webinars, and is responsible for ensuring that all relevant stakeholders, such as employees and upper-level management involved with global sourcing, understand the risks associated with the sourcing decisions they make.

Design Resources Inc. is committed to acting ethically and with integrity and transparency in all business dealings and we expect the same from our suppliers. It is our objective to develop long-term relationships with those suppliers who demonstrate a commitment to engage with their extended supply chains, putting effective systems and controls in place to safeguard against all forms of forced labor during the manufacturing process, including materials and components used to manufacture products for DRI. We will continue working with leading testing and certification experts, compliance groups, and third-party auditors to evaluate and eliminate the risks related to human trafficking and child and forced labor within our supply chain.

This statement is for the period of January 1, 2023 to December 31, 2023.

In accordance with the requirements of the aforementioned Acts, and in particular section 11 of the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act, I attest that I have reviewed the information contained herein. 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.

I have the authority to bind Design Resources Inc.

A handwritten signature in black ink, appearing to read "Dave Reid", is written over a solid horizontal line that serves as a signature line.

Dave Reid, Chief Executive Officer