



# Canadian Tire Corporation, Limited

## 2023 Forced Labour and Child Labour Report

May 29, 2024

## Introduction

Canadian Tire Corporation, Limited and its group of companies are committed to reducing the risk of forced labour and child labour being used in their supply chains. While CTC's (as defined below) global supply chain is critical to its ability to deliver Canadians durable, safe and value-driven products, it is also essential to understand the scope of its social impacts. CTC does not own or operate the manufacturing facilities that produce the products sold at its retail locations, but it is important to the Company that vendors uphold responsible sourcing standards that ensure employees operate in a safe environment, are paid a fair wage and are treated with respect and dignity. CTC is committed to working with vendors to achieve continuous improvements in upholding human rights across the globe.

## Scope of Application

This 2023 Forced Labour and Child Labour Report (the "**Report**") is the joint report being filed by Canadian Tire Corporation, Limited and its applicable subsidiaries<sup>1</sup> (collectively, "**CTC**" or the "**Company**", unless the context requires otherwise), in accordance with Section 11(2)(b) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the "**Act**").

The activities described in this Report pertain to the fiscal year beginning on January 1, 2023, and ending on December 30, 2023.

## Structure, activities and supply chains

The Company operates one of the largest retail networks in Canada, with over 1,400 retail stores operated by CTC and independent Associate Dealers and franchisees, and more than 280 gas bars operated by independent retailers. CTC's Helly Hansen operation also has retail stores located in the United States of America and around the world. In 2023, CTC had consolidated revenues of over \$16 billion, and as of the end of the fiscal year, CTC employed over 14,000 full-time employees and over 19,000 part-time employees.<sup>2</sup>

CTC, either directly or through independent Associate Dealers or franchisees, operates retail stores under the following banners:

- Canadian Tire
- PartSource
- Party City
- Pro Hockey Life
- Canadian Tire Gas+
- SportChek
- Sports Experts
- Atmosphere
- Hockey Experts
- Sports Rousseau/L'Entrepôt du Hockey
- Mark's / L'Équipeur / Mark's WorkPro / L'Équipeur Pro
- Helly Hansen
- Musto

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<sup>1</sup> Entities included within the scope of this joint report are Canadian Tire Corporation, Limited, Mark's Work Warehouse Ltd., FGL Sports Ltd., INA International Ltd., Helly Hansen Leisure Canada Inc., CTC 400 Series (GP) Inc., CTC KDL Fuelco GP Inc., and CTC KDL Fuelco L.P.

<sup>2</sup> The number of employees does not include the employees of Associate Dealers, franchisees and independent retailers.

The product assortment offered across CTC’s banners varies widely, and includes automotive, gardening, sports, apparel and home décor. CTC sources merchandise globally, and operates retail sourcing offices abroad, including in Bangladesh, Hong Kong, and China (Shanghai and Shenzhen). CTC is also supported by third-party sourcing service providers in India and Mexico and maintains a subsidiary with wholesale operations based in the United States, including third-party warehouse facilities in Washington state. These operations provide access to foreign manufacturers and import sourcing support.

CTC’s supply chain function manages the flow of products between suppliers, logistics partners, distribution centres and retail stores across Canada. The global network relies upon over 2,400 owned brand and national brand merchandise vendors. In 2023, CTC imported almost 170,000,000 merchandise units into Canada, with the ten largest countries of export (based on dollar value) being:<sup>3</sup>

- China
- United States of America
- Bangladesh
- Vietnam
- Cambodia
- South Korea
- India
- Taiwan
- Malaysia
- Thailand

## Steps to prevent and reduce risks of forced labour and child labour

CTC is committed to upholding workers’ rights and working conditions across its supply chain. The Company’s supplier codes of business conduct (the “**Supplier Codes**”) outline CTC’s standards for vendors, covering topics including forced labour and child labour. All merchandise vendors are expected to either sign onto the applicable Supplier Code or provide a copy of their internal code of conduct that meets or exceeds CTC’s standards. A copy of CTC’s Supplier Code can be accessed [here](#), and a copy of Helly Hansen’s Supplier Code can be accessed [here](#).

### *Our approach to responsible sourcing*

CTC’s global sourcing network is comprised of a series of suppliers, each of which plays a role in the sourcing, production and manufacturing of products before they arrive on store shelves. The factories that supply finished goods directly to CTC are referred to as ‘Tier 1 suppliers’, and the legal entity that CTC deals with directly that owns or contracts that Tier 1 supplier is referred to as a “**vendor**”. Tier 1 suppliers acquire inputs from other suppliers, which are considered ‘Tier 2 suppliers’, and so on. Responsible sourcing efforts at CTC are currently focused on Tier 1 suppliers given the greater extent of the Company’s influence on their operations, but CTC continues to explore ways to improve the transparency of the supply chain beyond Tier 1 suppliers, through industry collaboration and piloting technologies from third parties.

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<sup>3</sup> For more information about the countries we source from, please refer to the annual CTC ESG Report available on CTC’s corporate website.

CTC applies a risk-based approach to vendors and deploys compliance mechanisms proportionate to the risk. As a retailer that sells both owned brand products (products sold under private label brands that are designed internally and manufactured for CTC) and national brand products (third-party products that are designed and manufactured outside of the Company's control and sold by multiple retailers), CTC actively manages sourcing risk in connection with the production of its owned brand products, and generally looks to, and relies upon, the efforts made by the Company's national brand vendors to address sourcing risks within their respective supply chains. However, in the event of a complaint or ongoing concern, CTC is committed to conducting an appropriate investigation. Unless otherwise noted, the balance of this Report discusses risk mitigation activities related to CTC's owned brand supply chain.

### ***Vendor selection and factory capability assessments***

One way in which CTC mitigates responsible sourcing risks, including those related to forced and child labour, is through rigorous vendor selection. CTC favours sophisticated vendors that maintain ISO 9000, ISO 14000, Six Sigma, Lean or 5S standards. The initial onboarding process includes reviewing the ownership structure, business model and relevant certifications of the potential vendor. In addition, before production commences, an in-person factory inspection is conducted, and the vendor must provide or complete a valid social compliance factory audit, which covers prohibitions on the use of forced and child labour among other human rights matters. All audits leveraged by CTC are conducted by third-party auditors, with the majority completed against the amfori Business Social Compliance Initiative (BSCI) standards which align with the standards in the Supplier Codes. CTC also accepts similar third-party audit standards, such as the following audits accepted in 2023 in place of an amfori BSCI audit (collectively referred to as 'shared audits'):

- Sedex Members Ethical Trade Audit (SMETA)
- Social Accountability International (SA8000)
- Worldwide Responsible Accredited Production (WRAP)
- Social & Labour Convergence Program (SLCP)
- Better Work
- International Council of Toy Industries (ICTI)
- Retail Ethical Sourcing Assessment (RESA)
- ELEVATE Responsible Sourcing Assessment (ERSA)
- UL Responsible Business Alliance (RBA) and Responsible Sourcing Workplace Assessment (RSWA)
- Workplace Conditions Assessment (WCA)
- Bureau Veritas (BV)
- Veriflora

In jurisdictions with access restrictions or where local auditors are limited, the Company uses its discretion to rely upon virtual audits performed by recognized third-party auditors.

## ***Ongoing factory audits***

Throughout the relationship with a vendor (with respect to both owned brands and national brands), CTC performs regular risk assessments to determine the appropriate level of monitoring. Factors include whether the vendor manufactures owned brand products, the regions in which the vendor operates, the stringency of local laws, the product assortment being manufactured, and results from past audits. Based on the results of the risk assessment, owned brand vendors are audited on a periodic basis for compliance against the Supplier Codes (generally, at least every two years). Where a non-conformance is identified, CTC's Responsible Sourcing team works with the vendor to develop a corrective action plan, with implementation verified by follow-up audits and/or appropriate third-party confirmation. In 2023, CTC assessed 1,590 factory audits across 30 countries. Furthermore, the Company also manages and mitigates risks of non-compliance against the Supplier Codes by relying on worker helplines and grievance mechanisms, as well as through periodic on-site presence on factory floors.

## ***2023 priority risk areas for forced labour and child labour***

### ***a) Cotton apparel and textile supply chain***

In 2023, the CTC risk assessment process identified the cotton apparel and textile supply chain as a priority risk area for the use of forced labour and child labour. Cotton is a key raw material in the Company's denim and t-shirt product categories, primarily retailed under the Mark's and Helly Hansen banners.

To reduce the risk of forced labour and child labour in the Mark's cotton supply chain, CTC works with CottonConnect. This organization aims to improve the knowledge, business practices and community livelihoods of cotton farmers while reducing the environmental impacts of cotton farming. CottonConnect has developed a human rights due diligence framework that includes education for farmers on its expectations with respect to forced labour and child labour, a monitoring system for compliance with its standards, and grievance mechanisms for confidential reporting of any violations. CTC supports CottonConnect by funding its programs and leveraging CottonConnect farmers within the Mark's supply chain. In addition, CTC encourages Mark's suppliers to join CottonConnect's traceability platform, TraceBale, with 48 suppliers joining in 2023 to provide greater transparency to the entire cotton supply chain.

CTC has been making similar efforts to improve the traceability of the Helly Hansen cotton supply chain through TrusTrace, inviting its vertically integrated cotton vendors (meaning those that control multiple steps along the cotton apparel and textile supply chain) to join the platform and begin sharing more information on their supply chain.

In some cases, CTC has enhanced its visibility into, and influence over, the cotton supply chain by specifying the fabric and its manufacturer to its Tier 1 supplier completing the final garment, in effect determining the Tier 2 supplier. Improving traceability within the Company's supply chains is a key initiative to better understand and mitigate responsible sourcing risks like forced labour and child labour.

## *b) Specific local issues*

Türkiye has been identified by the Company's risk assessment process as an area of concern for an increased risk of forced labour use due to an increasing migrant worker population as a result of neighbouring regional conflicts and a lack of legislated human rights protections.

Taiwan and Thailand are also of concern due to their failure to institute legal protections against exploitative practices for migrant workers, particularly the charging of significant recruitment fees by third-party recruitment agencies to secure employment. CTC supports the principle that the employer should pay for all costs of recruitment. In instances where worker-paid recruitment fees are discovered, the Responsible Sourcing team has worked with factory management to have the fees repaid to the worker and any future fees to be paid by the factory. Factory policies and practice changes are also a component of corrective action plans to prevent future worker-paid recruitment fees.

## **Policies and due diligence processes**

CTC's Supplier Codes are critical to establishing its expectations of the Company's vendors. Compliance against the standards in the Supplier Codes is managed through factory audits which are scheduled based on regular risk assessments of the Company's vendors and occur, generally, at least every two years. Where a non-conformance is identified, CTC's Responsible Sourcing team works with the vendor and factory management to develop a corrective action plan. Actions may include increased documentation to verify the implementation of consistent policies and procedures, photo or video documentation of physical changes to buildings or equipment, termination of an abusive employee, or the cessation of the business relationship with the factory. All corrective action plans are verified by follow-up audits and/or appropriate third-party confirmation.

Finally, as part of the Company's commitment to increasing transparency within its supply chain, CTC discloses a Supplier List on its website, outlining the names and addresses of all active Tier 1 owned brand apparel and footwear supplier factories.

## **Assessing and managing forced labour and child labour risks**

Global supply chains inherently have a risk of human rights violations, including the use of forced labour and child labour.

Across corporate operations, the [CTC Code of Conduct](#) addresses topics such as providing a healthy, safe workplace and fair hours and wages to CTC's employees, supported by the activities of the Triangle Ethics Office.<sup>4</sup>

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<sup>4</sup> While the majority of the Company's subsidiaries are bound by the standards set forth in the Code of Conduct, some of the subsidiaries also maintain their own codes of conduct, including Helly Hansen.

With respect to the Company's supply chain, CTC has a dedicated Responsible Sourcing team that regularly assesses ongoing and emerging risks. The Responsible Sourcing team annually reviews country-related risk exposure, leveraging amfori's ESG Risk Compass data and internal purchase volumes of products across all banners. The amfori Countries' Risk Classification data includes risks associated with Voice & Accountability, Political Stability & Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption, which can be indicative other risks like forced labour and child labour. The team also monitors current events and industry publications like [Walk Free's Global Slavery Index](#) and integrates changes in risk exposure into the assessment process. In response to the assessment and changes in CTC's risk profile (either the risk associated with the country or the purchase volumes from the country), the Responsible Sourcing team may implement additional mitigation measures such as seeking alternative suppliers in lower-risk countries or increasing the monitoring of audits and vendor engagements in higher-risk countries.

CTC is also a member of numerous industry associations, such as the Retail Council of Canada's (RCC) Responsible Sourcing Committee, the Retail Industry Leaders Association's (RILA) Responsible Sourcing Committee, the American Apparel & Footwear Association (AAFA), Nirapon and amfori, which supports the Responsible Sourcing team's ongoing awareness of current and emerging risks, as well as industry trends and best practices.

Based on CTC's risk assessment process, the Company has identified the areas of its supply chains that carry the greatest risk of forced labour or child labour. These risk areas, and the measures taken to mitigate them, are discussed above under '*2023 priority risk areas for forced labour and child labour*'.

## **Remediation measures**

As described above, where a non-conformance is identified in a vendor audit, CTC's Responsible Sourcing team works with the vendor to develop a corrective action plan, with implementation verified by follow-up audits and/or appropriate third-party confirmation.

## **Remediation of loss of income**

CTC has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in the Company's activities and supply chains.

## **Training**

In 2023, CTC developed a Responsible Sourcing e-learning module that reviews the Company's responsible sourcing process, the standards of the Supplier Codes, and the role that employees play in recognizing potential risks to global sourcing. This training must be completed annually by all CTC employees in the Merchandising, Product Design and Development, Branding, Sourcing and Product Quality Assurance teams up to the VP level who interact with vendors and factories. Training is also available to all employees in Canada on a voluntary basis to enable and encourage a better understanding of vendor standards and how to identify and prevent non-compliances with the Supplier Codes.

## Assessing effectiveness

The primary method to assess the effectiveness of CTC's responsible sourcing efforts is the results of the Company's regular vendor audits. As described above, where a non-conformance is identified in a vendor audit, CTC's Responsible Sourcing team works with the vendor to develop a corrective action plan, with implementation verified by follow-up audits and/or appropriate third-party confirmation.

## More information

CTC and its affiliates publish other materials that discuss responsible sourcing practices, including risks related to forced labour and child labour, in some cases including affiliates other than those covered by this Report, which provide additional information and context. Please refer to the Helly Hansen Ethical Trade Norway Report available on Helly Hansen's website, as well as the CTC 2023 ESG Report which will be published on the CTC corporate website in summer 2024.

For more information and context, please see the following:

- [CTC Code of Conduct](#)
- [CTC Supplier Code of Business Conduct](#)
- [Helly Hansen Code of Conduct](#)
- [Supplier List](#)
- [2022 ESG Report Summary](#)

## Approval and Attestation

The Report was approved by the Board of Directors of Canadian Tire Corporation, Limited in accordance with Section 11(4)(b)(ii) of the Act.

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.



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**J. Michael Owens**  
Chairman of the Board  
I have the authority to bind Canadian Tire Corporation, Limited



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**Greg Hicks**  
President and Chief Executive Officer  
I have the authority to bind Canadian Tire Corporation, Limited