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# Canarm Ltd.

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Forced Labour and Child Labour in Supply Chains Company Assessment

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# Introduction

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This report is Canarm Ltd.'s response to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3). The entities covered within this report include Canarm Ltd., Canarm Inc. and Farmweld Inc., collectively the Entities.

These Entities satisfy the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada, and meeting both the revenue and asset thresholds. The financial reporting year of the Entities covered by this report is for the year ending December 31<sup>st</sup>, 2023.

## Structure, Activities & Supply Chain

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Canarm Ltd. and Canarm Inc.

### *Structure*

Canarm Ltd. (business number: 100777457) is a privately held corporation that is headquartered in Brockville, Ontario, Canada and imports and distributes goods worldwide.

Canarm Inc. (business number 611786422) a subsidiary of Canarm Ltd., imports and distributes goods within the United States.

Both of these businesses operate within the same areas of activities and supply chain. Therefore, for this report, are referred to collectively as "Canarm".

Canarm originated as a sheet metal workshop in Gorrie, Ontario, initially operating under the name Danor Manufacturing. In response to its growing business, the enterprise shifted its base and further developed its activities within a new establishment in Brockville, Ontario. Subsequently, upon Danor's acquisition of the Canadian Armature Works, the amalgamation of the two entities occurred in 1980, forming Canarm. This rebranded entity diversified its offerings, venturing into an array of commercial and industrial products, further growing its presence in the industry.

Canarm operates out of five main locations – Brockville and Arthur Ontario, Laval Quebec, Teutopolic Illinois and Zhongshan China.

### *Activities*

Canarm is a global marketer and manufacturer specializing in lighting, air moving/ventilation, and related products, catering to the commercial, industrial, and agricultural sectors. The Entities' operations are organized into three distinct business units – Canarm Harmonized Home, Canarm HVAC and Canarm AG Systems.

Canarm Harmonized Home manufactures consumer lighting products, ceiling fans and home décor including commercial lighting fixtures and residential fans. Products within this business unit are distributed to customers throughout North America.

Canarm HVAC specializes in a wide range of commercial, industrial, and ventilation products. These

products are designed and manufactured for quality ventilation equipment for industrial, commercial, and residential applications. The brands included within this unit are ECsmart, LFI, Delhi, Green Choice, and Delair. The specific product types included are distribution products, OEM products, condo products, restaurant ventilation, and cryptocurrency mining products. Canarm serves customers of this business unit worldwide.

Lastly, Canarm AgSystems is dedicated to providing agricultural products such as livestock stabling and ventilation systems to customers worldwide. The specific brands included within this division are ECsmart, Comfy Calf Suites, Faromor (a Canarm company), Farmweld, and Canarm Equine Products. The product categories offered within this area include dairy, swine, poultry, equine, ventilation, greenhouse and grow operations, farm supplies, heat lamps, lighting and natural ventilation systems.

Canarm manufactures its products locally at its facility in Brockville, Ontario, as well as internationally at its overseas facility in Guangzhou, China.

### Supply Chain

To cater to the diverse needs of Canarm's three sectors, the company sources a range of goods, primarily encompassing ventilation equipment, lighting and ceiling fans, and agriculture equipment. See Figure 1 for a summary of goods purchased.

As a global manufacturer and distributor of commercial and industrial products, Canarm sources these materials from both domestic and international suppliers. To describe and evaluate Canarm's supply chain, suppliers who account for at least 1% or more of the total procurement spend over the 2023 fiscal year were reviewed. During this year, 70% of purchases related to ventilation equipment were from suppliers within North America, 99% of purchases related to agriculture were from suppliers within Canada, and 99% of purchases related to lighting and ceiling fans were from suppliers within China.

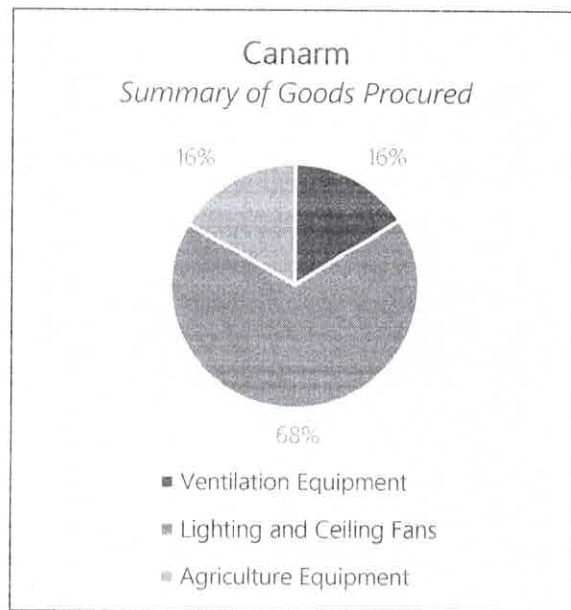


Figure 1: Summary of Goods Procured Canarm

### Farmweld Inc.

#### Structure

Farmweld Inc. (business number: 371319576), a subsidiary of Canarm Ltd., manufactures and sells equipment related to hog production. Headquartered and operating at 605 East Main Street, Teutopolis, Illinois, USA, Farmweld serves customers worldwide. There are 29 employees of Farmweld, working in the departments of sales, design, manufacturing, and shipping.

### Activities

Farmweld offers three main product types including penning, stabling and feeding. Each of these products is manufactured locally, at Farmweld's head office in Illinois. Farmweld has partnered directly with Canarm for sales of products, as well as serving customers worldwide.

### Supply Chain

Farmweld sources a range of goods, primarily those related to penning, stabling, and feeding. See Figure 2 for a summary of goods purchased.

Farmweld sources these materials from suppliers within North America. During the 2023 fiscal year, 97% of purchases were from suppliers within the United States, and the remaining 3% were purchased from suppliers in Canada.



Figure 2: Summary of Goods Procured Farmweld

## Policies & Due Diligence Processes

The Entities have the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and their supply chain:

### Internal Policies

#### *Canarm - Employee Orientation Handbook & Code of Conduct*

Canarm Ltd.'s Employee Orientation Handbook is provided to all employees as part of the onboarding process and outlines the organization's standards and expectations, noting that the nature of employment with Canarm is voluntary.

The handbook also identifies hours of work, overtime, vacation, and public holidays, all of which contribute to establishing fair and equitable working conditions.

#### *Canarm - Workplace Violence and Harassment Policy*

Canarm abides by Ontario's Workplace Violence and Harassment Policy and Brockville's Health and Safety Regulations and is committed to building and preserving a safe, productive, and healthy working environment for all employees that is free from violence and harassment.

As specified within the policy, Canarm is committed to taking all necessary steps to prevent any form of violence or harassment towards job candidates, employees, managers, visitors, customers, suppliers, delivery persons, and volunteers. This statement extends across all areas of operations, encompassing training, performance evaluations, promotions, transfers, layoffs, compensation, and all other aspects of employment practices and working environments.

This policy defines workplace harassment as well as the responsibilities of Canarm, supervisors and

employees regarding workplace harassment. All instances of violence or harassment are to be reported to the Company. Canarm ensures all employees are trained on workplace violence and harassment which include identifying a potential situation and responses to remediate or escalate the issue.

#### *Canarm - Joint Health & Safety Committee*

As part of Canarm's workplace health and safety programs, the Joint Health and Safety Committee (JHSC) is comprised of both factory employees and management. The purpose of this committee is to ensure workers have the opportunity to consult with the company regularly to identify actual and potential hazards in the workplace and recommend health and safety improvements to the workplace. The committee is required to hold meetings once every three months but may meet on a more frequent basis to address specific workplace health and safety issues or if any anticipated work will involve hazardous substances or procedures.

#### *Canarm & Farmweld - Open Door Protocol*

All Entities have incorporated an informal Open-Door protocol. This enables individuals to raise concerns for management to address and mitigate as necessary. The informal approach empowers employees to express their ideas, feedback, and concerns directly to colleagues, including management.

#### *Farmweld – Safety Orientation*

Each new employee of Farmweld is provided with a Safety Orientation which encompasses safety in the following topics: Sexual Harassment, Lifting, Forklift Safety, General Safety, PPE, Emergency Action Plan, and Hazard Communication Plan. Farmweld also adheres to federal Hazard Communication Standards, requiring that Farmweld communicate with employees regarding the hazards that could be encountered while on duty. Ultimately, Farmweld's main goal is to provide a happy and healthy work environment for employees to return safely to their families.

### **Due Diligence Processes**

#### *Canarm - Supplier Agreements*

For suppliers located in China, Canarm requires a supplier agreement to be signed. The content of this agreement is specific to the quality of goods being provided and does not contain specific clauses identifying the terms and conditions for business in regard to forced and/or child labour. Canarm will evaluate updates to the supplier agreement to address expectations within its supplier relationships to specifically address forced and/or child labour.

#### *Canarm - Supplier Monitoring – Onsite Visits*

Canarm currently meets with key North American suppliers at least once per year to maintain and strengthen relationships. These visits have been identified as an opportunity for Canarm to develop and implement mechanisms related to verifying and discussing the risk of child labour and forced labour with suppliers.

### *Canarm - Supplier Monitoring – Workplace Audits*

Independent Retail Ethical Sourcing Audits (RESA) are performed over a large proportion of goods imported from China. Home Depot is the third party that appoints UL, BV, or Intertek to do Social and Environmental Responsibility Audits. The auditor conducts an independent tour of the workplace facility and reviews employee metrics (e.g., wage, overtime hours, insurance/benefits policies) to ensure the manufacturer is complying with local and national labour laws. These audits are also intended to review deficiencies or violations identified in previous audits to ensure they have since been corrected by the facility. Canarm has committed to reviewing these audit reports to understand how the supplier was evaluated as it relates to this Act, and ultimately the results of these evaluations. It was noted that no child labour was found during the last audit that took place in October 2023.

## **Supply Chain Risk Assessment**

A risk assessment over the Entities industry of operation, goods procured and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of the Entities total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - Walk Free's Global Slavery Index and the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour.

### **Industry of Operations**

Canarm and Farmweld operate within the manufacturing, wholesale trade and retail distribution industries. Based on the two indices referenced above, the manufacturing industry has an inherent risk exposure to child labour and forced labour.

### **Countries' Goods are Procured From**

The Entities have limited visibility beyond direct suppliers, therefore, this risk assessment is based on the countries where direct suppliers are located.

Material direct suppliers for the Entities are based out of Canada, the United States, and China (Canarm only). Based on the findings of the two indices, China has been identified as a country with an inherent risk of exposure to child labour and forced labour.

Both Canada and the United States were identified in the indices as having a lower inherent risk exposure to child labour and/or forced labour.

### **Goods Procured**

The largest category of goods that Canarm procures is lighting, followed by motors, metals, fans, and miscellaneous supplies. In evaluating these goods across the two indices, none of the categories have been specifically identified as having an inherent risk of exposure to child labour and forced labour.

Farmweld procures goods within the categories of penning, stabling, and feeding, predominantly

involving the purchasing of steel. In evaluating the procured goods across the two indices, none of the categories have been specifically identified as having an inherent risk of exposure to child labour and forced labour.

Continued due diligence is still required for the Entities even in a low inherent risk environment.

## Remediation of Forced & Child Labour

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To mitigate the risk of child labour and forced labour within the Entities activities and supply chains, the following mechanisms in assessing supplier due diligence have been identified:

### *Canarm - Supplier Agreements*

Currently, Canarm does not mandate suppliers based in North America to complete a formal supplier agreement. While suppliers from China are required to sign standardized agreements, these do not include clauses concerning forced and/or child labour terms. Canarm has identified the opportunity to develop agreements for all suppliers, regardless of country, which include clauses addressing ethical procurement practices about forced and child labour.

### *Canarm - Supplier Monitoring – Onsite Visits*

Canarm performs routine onsite visits to key supplier operations within North America. These visits strengthen supplier relationships and establish open lines of communication should any issue arise relating to the procurement of Canarm's products. Canarm has identified the opportunity to implement a formalized questionnaire or discussion during these visits, reviewing risks related to this Act, and how they impact the supplier's activities, including their supply chain.

### *Canarm - Supplier Monitoring – Quality Compliance*

Canarm has a warranty team that visits factories in China every week. During these visits, the team looks specifically at quality compliance. There is an opportunity to expand current site visits to include essential aspects related to observing and assessing activities and/or evidence related to forced or child labour.

### *Canarm - Supplier Monitoring – Independent Supplier Audits*

Routine independent audits are performed over a key supplier operating in China. These audits involve reviewing a variety of issues, specifically those related to ethical and social issues, as well as workers' safety, to ensure the manufacturer is complying with laws and regulations.

There were no explicit findings regarding child labour or forced labour within the supplier's activities based on the audit performed during the fiscal year.

### *Canarm - Expectation of A Major Customer*

A large retail customer of Canarm has specific standards and expectations related to responsible sourcing, which, as a supplier of this retailer, Canarm is expected to comply with. Of the standards included, this customer has explicit requirements of Canarm against the use of child labour and forced labour within Canarm's activities. Adhering to these expectations further reduces the risk of child labour and forced



labour within Canarm's activities.

The Entities understand the value of discussing these risks with vendors. These conversations will continue to bring awareness to this issue to remediate the risk within their supply chains.

## Remediation of Vulnerable Family Income Loss

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The Entities are in the process of understanding and evaluating their supply chain related to the risk of child labour and forced labour. To date, Canarm and Farmweld have not identified instances of the use of child labour or forced labour within their operations or those of suppliers. The Entities are continuing their review of procurement practices to enhance the rigour of their due diligence processes including raising awareness with suppliers.

## Awareness Training

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The Entities do not currently have any training specific to the topic of child labour or forced labour; however, there are several policies relevant to the Act which have been identified.

As part of Canarm's onboarding procedures, new employees are required to review the Employee Orientation Handbook to understand and adhere to the Act. The applicable policies identified with this Act include the employee code of conduct, workplace violence and harassment policy, and associated health and safety policies.

Canarm provides ongoing training to employees on the Violence and Harassment Policy. Training includes the identification of a violence or harassment incident, responses to an incident, and how to report an incident. This training is provided to all employees.

When onboarding new employees at Farmweld, a review of the Entity's Safety Orientation is performed. This review includes a summary of safety topics such as Sexual Harassment, Lifting, Forklift Safety, General Safety, PPE, Emergency Action Plan, and Hazard Communication Plan.

The Entities recognize the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

## Assessing Effectiveness

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To track the Entities effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

### Internal Activities

1. *Policy review: The Entities have committed to reviewing and updating applicable policies identified above frequently to ensure relevance and accuracy based on the current operating conditions by this Act.*
2. *Employee health and safety training: Frequent training is provided to all employees regarding their health and safety within the work environment. Canarm maintains a listing of all courses to*

be delivered and the attendance for each, to understand and demonstrate these courses being provided to all employees.

3. Canarm's Joint Health and Safety Committee: This committee meets regularly to review reported incidents and matters about employee health and safety to address associated risks and impacts effectively. Tracking mechanisms are employed to monitor meeting discussions and assess the committee's progress in resolving concerns.
4. Violence and Harassment Incident Reporting: The Entities have a zero-tolerance for violence and harassment incidents. All claims made regarding this will be reported to Human Resources for remediation and resolution.
5. Canarm's Employee Orientation Handbook Acknowledgement: Canarm requires all new employees to sign off on the Employee Orientation handbook at the time of onboarding. Canarm recognizes the importance of incorporating routine employee sign offs to reinforce their understanding of expected conduct and to promptly inform them of any document revisions. Canarm will consider the development of this exercise going forward.

#### Supplier Activities - Canarm

1. Supplier Agreements: Canarm has recognized the opportunity to establish supplier agreements across all suppliers, including those within China. Within the terms and conditions of these supplier agreements, specific clauses will outline Canarm's zero-tolerance including consequences or disciplinary measures to be taken in the event of a reported or discovered instance of a child or forced labour by Canarm.
2. Supplier Monitoring: North American key suppliers of Canarm will be monitored on an annual basis through onsite visits. The monitoring requirements should include observations and examples of what to look for to reflect compliance with the Act. Record keeping for frequency of reviews and date of last review is kept in a centralized system to ensure these reviews are being performed.
3. Independent Supplier Audits: For suppliers who have independent audits performed, Canarm has committed to reviewing and assessing each finding to understand the impact on Canarm's purchases, if any. Risks related to forced and/or child labour are prioritized for remediation, should these types of findings arise.

Quality Assurance Visits: Canarm has a quality assurance compliance team that visits factories in China. This is a mechanism that primarily oversees the quality of the factories. Canarm will evaluate an expansion of the current visit requirements to extend beyond quality into observing evidence or circumstances which could be related to forced and/or child labour.

# Steps Taken To Prevent and Reduce the Risk of Child Labour or Forced Labour

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The Entities have taken the following steps to prevent and reduce the risk of child labour or forced labour within their activities and supply chain:

1. Mapping activities: As part of this report, the Entities have mapped their activities to complete a risk assessment to align with the Act.
2. Mapping supply chains: As part of this report, the Entities have mapped their supply chains to complete a risk assessment to align with the Act.
3. Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains: As part of this report, the Entities have identified risks within their activities and supply chains that have inherent risks of child labour and/or forced labour.
4. Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains: Canarm - An external audit has been provided regarding one of the suppliers and indicating the risk of child labour or forced labour within.
5. Developing and implementing due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains: See policies and due diligence processes section for those identified as relevant to this Act.
6. Developing and implementing anti-forced labour and/or -child labour contractual clauses: Canarm has identified the opportunity to incorporate supplier agreements with contractual clauses related to this Act, for key suppliers.
7. Auditing suppliers: An Independent audit was performed over a key supplier operating in China during the year.
8. Monitoring suppliers: Canarm performs routine onsite visits of key suppliers within North America and, performs weekly factory visits for factories within China.
9. Developing and implementing training and awareness materials on forced labour and/or child labour: The Entities have identified the opportunity to implement training content related to this Act for employees.
10. Developing and implementing procedures to track performance in addressing forced labour and/or child labour: The Entities have identified multiple internal activities and supplier activities relevant to assessing effectiveness in mitigating risks related to this Act.

