



Bill S-211 Fighting Against Forced Labour and Child Labour in Supply Chains

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17 Heatherglenn Crescent, Rocky View County, AB T1X 0J8



Table of Contents

Introduction 3

Section A: Structure, Activities, and Supply Chains 3

Section B: Policies and Due Diligence Processes 3

Section C – Forced Labour and Child Labour Risks 3

Section D – Remediation Measures 5

Section E – Remediation of Loss of Income 5

Section F – Training..... 6

Section G – Assessing Effectiveness 6

Attestation..... 7



Introduction

This report has been prepared by Divine Hardwood Flooring Ltd. (Business Number: 897408928RM0001) in compliance with Section 11 of Bill S-211 for the financial year ending December 31, 2023. Divine Hardwood Flooring Ltd. qualifies as a Reporting Entity under the Act, having a place of business in Canada, engaging in business activities within Canada, and meeting the specified thresholds for revenue and assets, as well as for importing and distributing goods.

Divine Hardwood Flooring Ltd. is committed to maintaining the highest standards of honesty and integrity in all its business operations. In accordance with Bill S-211, this report outlines the measures implemented by Divine Hardwood Flooring Ltd. over the previous financial year to mitigate risks associated with forced and child labour in its business framework. This report also details initiatives that speak to the commitment of Divine Hardwood Flooring Ltd. to expand its risk management practices related to forced and child labour.

Section A: Structure, Activities, and Supply Chains

Divine Hardwood Flooring, headquartered in Calgary, Canada is a leading player in delivering high-quality flooring solutions. Our core competency lies in sourcing, importing, and distributing goods in the flooring sector. We boast a robust supply chain, procuring top-quality finished goods from Asia, Europe, and the USA.

At Divine Hardwood Flooring, we take pride in our diverse product range, which includes prefinished engineered hardwood, laminate, vinyl plank & tile, carpet tile, and accessories. Our meticulously curated portfolios, extensive color options, and high-grade materials cater to the needs of both residential and commercial markets.

Our dedicated workforce spans across Canada, the USA, and Asia, united by our commitment to exceeding client expectations in the flooring realm while upholding our core values, which prioritize customers, partners, and employees. To support our operations, we maintain fully owned warehouse facilities in Calgary and collaborate with third-party logistics partners in Vancouver, Edmonton, Saskatchewan, and the USA. This strategic infrastructure enables us to deliver excellence in service and product accessibility to our valued customers.

Section B: Policies and Due Diligence Processes

In the previous fiscal year, Divine Hardwood Flooring implemented several measures to mitigate the risk of forced or child labour in its supply chain. These efforts were critical in maintaining our commitment to ethical business practices and included:

- Conducting Regular Site Visits: We regularly perform site visits for both new and existing suppliers to manage quality control and ensure that their operations align with our operational standards. This ongoing evaluation process allows us to identify issues early, maintain consistent quality, and uphold our commitment to operational excellence.

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- Engaging with Supply Chain Partners: We actively collaborate with our supply chain partners to ensure transparent and ethical supply chains to the extent that agreements with suppliers would be terminated upon discovery of any instances of child or forced labour. This engagement fosters a shared commitment to uphold integrity and compliance throughout our operational network.

Looking ahead, Divine Hardwood Flooring is dedicated to continuing to enhance its due diligence initiatives to actively reduce the risk of forced and child labour in its supply chain. Planned actions related to due diligence include:

- Supplier Code of Conduct: We are developing a supplier code of conduct by the end of this fiscal year so we can fully communicate our expectations to suppliers relating to forced and child labour across our supply chain network.
- Quality Control checklist: We are developing a quality control checklist by the end of this fiscal year to gather insight from our suppliers and further our due diligence, to identify any risks and build trust by improving transparency. We will focus on documenting our assessment of the risks of forced or child labour during these site visits.

These, and other initiatives reflected in the report herein, demonstrate Divine Hardwood Flooring's current position, and its ongoing commitment to continuing to uphold a high standard of ethical labour practices, and foster a sustainable, responsible supply chain.

Section C – Forced Labour and Child Labour Risks

During the last fiscal year, we did not conduct a risk assessment. More recently in April 2024, to understand where in our supply chain forced or child labour risks may exist, Divine Hardwood Flooring carried out a risk assessment process. This process was informed by insights from the Walk Free Global Slavery Index, the OECD Due Diligence Guidance for Responsible Business Conduct, and the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour. Through our analysis, we were able to highlight potential risks associated with specific goods and countries.

Our risk identification exercise does not imply the actual use of forced or child labour within our operations or supply chains. Instead, it aims to recognize potential scenarios where such risks might arise, thereby enabling us to implement effective preventative measures. We acknowledge that no industry is entirely free from the risks of forced and child labour, and that certain sectors of our supply chain, particularly in regions with less robust regulatory frameworks and enforcement mechanisms, are inherently vulnerable.

Our analysis involved a geographic risk assessment based on the Walk Free Global Slavery Index and other credible sources, identifying regions at higher risk of forced and child labour practices. This geographic assessment was combined with an evaluation of at-risk goods categories, enabling us to apply a targeted approach to our risk assessment strategy.

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Risk Assessment Findings

Based on our thorough analysis, Divine Hardwood Flooring has identified seven countries where some of our suppliers operate. Among these, significant expenditure came from China for the last fiscal year and is consequently exposed to a heightened risk of forced or child labour. However, the majority of our supplier expenditure is linked to countries with a lower risk of forced or child labour, such as France, the Netherlands, Germany, and the US. Importantly, we have conducted checks through site visits and found no evidence of forced or child labour within our supply chain.

In addition to geographic risk factors, we have also utilized data from the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour. This step was crucial for isolating specific goods within our import portfolio that may be more susceptible to forced or child labour issues. Based on our analysis, we did not identify any high risks products being imported into Canada.

Overall, the findings from our risk assessment suggest that our exposure to forced and child labour risks within the supply chain is limited. This does not undermine our intention to consider risks and conduct our risk management procedures and policies. As our supply chain grows, Divine Hardwood Flooring will further consider how to direct additional energy and engagement to support the mitigation and management of forced and child labour risks.

Section D – Remediation Measures

In the previous financial year, our assessments have not uncovered any instances of forced or child labour within our operations or supply chains, and thus, no remediation actions have been necessary. However, we acknowledge the significance of having robust remediation measures in place and aligning with the United Nations Guiding Principles on Business and Human Rights. Our response plan, presently under review, encompasses the following measures:

- **Immediate Action and Remediation:** If instances of forced or child labour arise within our operations or those of our suppliers, prompt action will ensue. We will engage directly with affected individuals and communities to assess the impact and devise appropriate remedial measures.
- **Engagement with Suppliers:** Acknowledging the intricacies of supply chains, we are committed to collaborative efforts with our suppliers to ensure effective implementation of remediation measures. This may entail providing guidance, educational resources, and other forms of support as needed.
- **Policy Review and Enhancement:** Identification of forced or child labour will trigger a review of relevant policies and practices to extract insights and make necessary adjustments.
- **Stakeholder Communication:** In upholding transparency and accountability, we will communicate our remediation efforts and outcomes to relevant stakeholders, while

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adhering to privacy and confidentiality requirements. This fosters trust and demonstrates our commitment to ethical business practices.

Section E – Remediation of Loss of Income

Divine Hardwood Flooring has not identified any instances of child or forced labour in its operations or supply chains in the last fiscal year or any other time, and therefore no measures have been taken to remediate the loss of income to vulnerable families. We do however recognize the importance of being prepared to take immediate and effective action should any issues arise in the future. To this end, we are reviewing a primary response to remediation, as outlined in Section D. In cases where our actions to eliminate forced or child labour do result in a loss of income for vulnerable families, we may implement additional measures as deemed appropriate on a case by case basis. Our approach is driven by an ethos of engagement rather than withdrawal, demonstrating our commitment to use our influence for positive change.

Section F – Training

Divine Hardwood Flooring has recently completed the Bill S2-11 training via the course offered at easyllama.com ensuring that all members of the purchasing and procurement team are well-versed in addressing and manage risks related to forced labour issues within our operations and supply chains. However, as of now, we have not conducted specific training solely focused on identifying and mitigating forced or child labour within our staff.

Recognizing the paramount importance of such training, we are currently in the process of developing a comprehensive program. This forthcoming training initiative will be mandatory for all staff involved in procurement and purchasing, given the pivotal role these positions play in safeguarding the integrity of our supply chains.

The objectives of this training program are threefold:

- Enhancing Awareness: Our aim is to educate our staff on the definitions and indicators of forced and child labour. This entails providing comprehensive insights into the legal frameworks, both local and international, governing labour practices, and elucidating the corresponding responsibilities of businesses under these regulations.
- Fostering Skill Development: We are committed to equipping our employees with the practical skills essential for identifying potential risks and violations within our supply chain. This will entail comprehensive training on conducting audits, evaluating supplier compliance, and discerning subtle signs indicative of unethical labour practices.
- Formulating Effective Response Strategies: Clear guidelines will be provided on how to respond effectively upon detecting issues. This includes delineating steps for internal reporting within our corporate structure, initiating constructive dialogue with suppliers for corrective actions, and collaborating with external entities where necessary to address the identified concerns.



By implementing this training program, Divine Hardwood Flooring aims to enhance the capabilities of our procurement and purchasing staff, ensuring they are not only aware of forced and child labour issues but also fully prepared to address them effectively. This proactive approach is a part of our broader commitment to ethical business practices and corporate responsibility.

Section G – Assessing Effectiveness

While in its last financial year, Divine Hardwood Flooring did not have policies and procedures to assess its effectiveness in preventing forced labour and child labour within its operations and supply chains, it is dedicated to advancing its practices in the upcoming year. This may involve collaborating with an external organization for an independent review or an audit of our efforts in this regard.

Additionally, Divine Hardwood Flooring is exploring the implementation of metrics to track progress in this area. These metrics may include:

- a) Hours dedicated to employee awareness and training events
- b) Reported cases concerning forced and child labour
- c) Managed or resolved cases linked to forced and child labour
- d) Contracts amended or initiated to include clauses against forced labour and child labour

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above.

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.

X Carlos Soares

Full Name



X

CEO

Title

X

May 17, 2024

Date

X

Signature*

I have the authority to bind 'Name of Entity'

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