

Annual Report 2024: John Watson Ltd DBA Waton Gloves and 8741105 Holdings Ltd and Fighting Against Forced Labour and Child Labour in Supply Chains Act Implementation

March 12, 2024

Dear Minister of Labour and other stakeholders,

We are pleased to present the 2024 annual joint report on John Watson Ltd DBA Watson gloves and 8741105 Holdings Ltd adherences to the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) in Canada. This report outlines both entities commitment to supporting and complying with the provisions of this significant legislation and highlights our policies, achievements, challenges, and future plans in contributing to the objectives outlined in the Act. This report covers the companies financial reporting year ending on June 1, 2024.

Introduction, Structure, Activities and Supply Chains:

The Act is a crucial legislative measure aimed at eliminating forced labour and child labour in Canadian supply chains. The Act promotes an increase in industry awareness and transparency and drives businesses to improve practices. John Watson Ltd DBA Watson Gloves (“Watson Gloves”) (Business Number 119478428RT0001) is a single entity that manufactures, imports, and distributes personal protective equipment in Canada and the United States. 8741105 Holdings Ltd (Business Number 106661903) is the privately held company that owns 100% of common shares of John Watson Ltd DBA Watson Gloves (“Watson Gloves”). Watson Gloves is headquartered in Burnaby, British Columbia and has been in business since 1918. As a responsible corporate entity, Watson Gloves recognizes the importance of aligning our practices with the goals of this legislation to contribute to a safer, more equitable working environment in Canada and our manufacturing countries. Watson Gloves imports products ranging from raw leather to finished gloves from trusted partners located in China, Pakistan, Thailand, Bangladesh, Cambodia, Vietnam, and Sri Lanka for the purpose of distribution in Canada and the United States. Through various measures and initiatives highlighted below, Watson Gloves is in full compliance with the Act, and the aim of the Act, in preventing forced labour and child labour and any other exploitive practices throughout our integrated supply chain.

Policies and due diligence processes in relation to forced labour and child labour:

Watson Gloves has a zero-tolerance policy when it comes to forced labour and child labour in our global supply chain. Our policies strictly prohibit Watson Gloves, our global suppliers, or

third-party freight carriers from any form of worker malpractice ranging from unauthorized sub-contracting to forced labour. If any case of practice that contradicts The Act is identified, business relations will immediately be terminated with no chance of rectification.

Watson Gloves requires our overseas suppliers to undergo a third-party social compliance audit every year to ensure the factories are maintaining compliance standards in their country of origin. All social compliance audits that are accepted by Watson Gloves will analyze the factory conditions for various factors such as working hours, wage, safety, environmental, business ethics, forced labor, and sufficient age. After the audit results are presented, the auditor creates a corrective action plan where the supplier is provided areas where improvement is required. Watson Gloves will follow up with the corrective action plan to ensure changes have been made. Since Watson Gloves has been requiring social compliance audits, we have had zero events of malpractice regarding forced labour and child labour present in our auditing results. For 2024, our suppliers are under current audits and are in compliance with the Act.

Watson Gloves has a vendor code of conduct which highlights business ethics, labour requirements and standards that our vendors are required to follow. The vendor code of conduct is an appendix of the annual vendor agreements which is a legally binding contract agreed upon by both parties on an annual basis. By signing the vendor agreement, our vendors are also acknowledging and agreeing to our vendor code of conduct which portrays the narrative of the Act. To do business with Watson Gloves, the supplier must sign a vendor agreement which ensures all our suppliers have acknowledged and agreed to follow our vendor code of conduct.

At Watson Gloves, we believe in building strong partnerships with our overseas suppliers that promote the betterment of both entities. We are proud to be known in the glove industry as a company who values loyalty, quality, and safety over bottom line financial figures. Watson Gloves sends multiple members of senior management ranging from the President to the Director of Purchasing to visit factories every calendar year where circumstances permit. We are unable to visit each factory every year, however in the instances where we have visited the factory, we have seen no evidence of forced labour or child labour. Watson Gloves is proud to visit our overseas business partners and see their facilities, where we use our influence to make improvements to the factories to promote safety, health, and business practices.

As Watson Gloves distributes product to major retailers in Canada, we are often asked by our customers for audit documentation highlighting our factories compliance to labour ethics. In all events our customers have come back with satisfactory responses.

At Watson Gloves vertically integrated manufacturing factory in Burnaby, our workers are part of the Workers United BC Joint Council in which labour standards are established and followed intensely.

Parts of the Business and Supply Chains that Carry a Risk of Forced Labour or Child Labour:

Watson Gloves recognizes the parts of our business and supply chains that carry a risk of forced labour or child labour. Our primary concern is our gloves being manufactured overseas in different countries of origin as these pose the biggest threat to contradiction against our labour policies. We believe the actions and measures highlighted above suppress the possibility of forced labour or child labour to a sufficient extent. In accordance with the Act, Watson Gloves has also implemented a policy where any evidence of labour malpractice will result in an immediate surprise audit at Watson Gloves choosing. This auditor will relay all results and provide Watson Gloves full documentation of findings. Once a conclusion has been made Watson Gloves will act accordingly. We believe all workers in transportation of our product from the origin country factory to our local warehouses are treated fairly and see minimal risk for forced or child labour.

Remediation Measures:

As Watson Gloves has not had any cases of forced labour or child labour, remediation methods or actions do not apply. In the event this did occur, Watson Gloves will immediately terminate business with the entity responsible for this transgression with no chance of re-establishment. Watson Gloves will consider whether any further response or remediation may be necessary, such as participation in any local proceedings or consideration for any loss of income.

Training on forced Labour and Child Labour:

The Supply Chain team at Watson Gloves are well educated on forced labour and child labour. Being in the manufacturing and distribution industry, these topics are always of the utmost importance. Watson Gloves has always had a zero-tolerance policy towards these transgressions and our employees are aware. We have seen global instances of companies face legal action for utilizing these forms of labour highlighting the need to elevate our industry and do what we can to avoid labour malpractice. Watson Gloves is considering instituting some form of formal training for the company's supply chain team to standardize knowledge on forced labour and child labour and potential risks.

Assessing Effectiveness of Policies in Place:

To assess the effectiveness of the policies illustrated throughout this report, the Watson Gloves executive team and purchasing team review the requirements each year and update accordingly. We believe our vendor code of conduct to be a fluid document indicating it is being updated annually with the most precise information. As the social compliance audits are completed each year, we believe each year is a new chance to assess their effectiveness. We have no reason to believe this measure has not been as effective as intended to this point. Our overseas partners are meticulously chosen based on several factors, including business ethics in which

labour policies would fall into. We believe our policies are effective and we will continue to make updates and progress as we continue to conduct business.

Conclusion:

In conclusion, Watson Gloves remains dedicated to the principles and objectives outlined in the Act. We express our appreciation to our employees, customers, suppliers, and the broader global community for their continued support as we work together towards creating safer and more sustainable workplaces.

In accordance with the requirements of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") and in particular section 11 thereof, I attest that I have reviewed the information contained in this report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable due diligence, I attest that all the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.


[signature _____]

[Martin Moore, CEO, Date 05/13/24]

I have the authority to bind Watson Gloves and 8741105 Holdings Ltd