



MTF Mainland Distributors Inc.

2023 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024

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Background

This report is made by MTF Mainland Distributors Inc. (“MTF”, “we”, “us” or “our”) pursuant to Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Bill S-211” or the “Act”) covering our most recently completed fiscal year from September 1, 2022 to August 31, 2023. This is the first version of the report submitted by MTF.

Forced labour can be found in almost every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide. Forced labour and child labour risks occur primarily through global supply chains of businesses. As such, there is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative labour practices are identified, addressed and eradicated from supply chains. Based on the Act, there are eight mandatory areas that must be reported:

1. The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.
2. Its structure, activities, and supply chain(s).
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) and supply chain(s) that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
5. Any measures taken to remediate any forced labour or child labour.
6. Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
7. The training provided to employees on forced labour and child labour.
8. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business(es) and supply chain(s).

1. Steps Taken by the Entity

To address the requirements of Bill S-211, the following steps have been undertaken by MTF to identify and manage risks associated with forced labour and child labour in our businesses and supply chains:

Step 1 - Assess Applicability

Our work commenced with a planning meeting involving MTF's accounting and supply chain departments and an independent consulting firm, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key board members, management, and personnel; obtaining necessary documentation and data; and developing a draft timeline for the required analysis, and ultimately for report preparation were completed.

Step 2 - Scope Identification

Management conducted an assessment and identified relevant business areas by analyzing MTF's financial statements and other data to understand transaction streams and accounts related to our supply chain. We documented MTF's business structure, related activities, and reviewed existing policies and processes that may be relevant to identifying risks and mitigations related to forced labour and child labour within our operations and supply chain.

Step 3 - Risk Assessment

We reviewed our supply chain data, analyzed suppliers, expenditures, and categories of goods across various jurisdictions, and conducted a preliminary analysis of significant suppliers in high-risk areas to assess relationships and financial flows. Following this, we prepared a comprehensive risk assessment categorizing potential exposure levels in Low, Medium, and High-risk categories with respect to forced or child labour. Factors that were considered in our risk assessment included significance of spend; categories of goods and origin (jurisdiction) of the suppliers and the origin of the goods.

Based on the results of our initial risk assessment (please refer to Section 4 for details), one of our suppliers may pose a high risk with respect to forced or child labour, who though based in Canada, imports textile products from China.

Step 4 - Remediation and Action Plans

The following remediation actions have been planned:

- 1) MTF is developing a supplier code of conduct for dealing with forced labour and child labour which is expected to be finalized by November 30, 2024 and will be communicated to our suppliers by January 31, 2025.
- 2) MTF will develop training programs and deliver training sessions to relevant individuals/groups on identifying, assessing, and responding to the risks associated with child labour and forced labour within our operations and supply chains. The first such training will be delivered by October 31, 2024.



- 3) MTF will include specific clauses in new vendor agreements (and upon renewal of existing agreements) that require vendors to commit to international laws and regulations related to identifying and preventing forced or child labour in their supply chain activities. This is expected to complete by November 30, 2024.
- 4) MTF will perform due diligence when onboarding new suppliers to assess compliance with forced and child labour requirements, which may include supplier questionnaires, interviews, site visits, etc. This measure is expected to be implemented by November 30, 2024.
- 5) MTF will perform an annual assessment to identify high risk vendors who will be requested to complete a supplier checklist.

2. Structure, Activities and Supply Chains

The entity covered in this Bill S-211 report includes:

- MTF Mainland Distributors Inc. ("MFT")

Our company group includes Wubs Investments Ltd. (British Columbia), BBOS Holdings Ltd. (British Columbia), and MTF Mainland Distributors Inc.. However, Wubs Investments Ltd. (British Columbia) and BBOS Holdings Ltd. (British Columbia) do not meet the conditions for Bill S-211. i.e., both entities are investment holding companies and are not involved in producing, selling or distributing goods, or importing goods into Canada. Hence, these two entities are not considered reporting entities as defined by the Public Safety Canada Guide and thus excluded for further analysis.

MTF's principal business activity is the operation of a number of Big Box Outlet Stores located in British Columbia and Alberta. Big Box Outlet Store is a discount retailer of clothing, furniture, appliances, and other consumer products.

MTF's supply chain spend primarily covers general merchandise, including groceries, apparel, electronics, furniture, appliance, and other reverse logistics, which are purchased from over 200 direct suppliers located in Canada, the United States, and Australia, and originally manufactured in various countries.

3. Policies & Due Diligence

MTF has established and implemented an Employee Handbook which includes the behavioral expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the document speak directly to working hours, overtime, ethic, equity, respectful treatment and behavior of employees, etc.

MTF is developing a Supplier Code of Conduct which includes a Procurement Policy and addresses risks of child labour and forced labour. MTF expects to finalize this Code of Conduct by the end of November 2024 and plans to circulate it to our vendors by January 31, 2025.

4. Risk Assessment

To assess and manage the risks associated with forced and child labour, MTF employed a systematic approach to classify suppliers into low, medium, and high-risk categories. As noted previously, this involved evaluating a combination of factors, including the origin of goods, the category of goods, and significance of spend.

Origin of Goods

The risk assessment of the origin of goods references, amongst other publicly available data, the US Department of Labour (<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods/supply-chains>).

MTF's direct suppliers are based in Canada, the United States and Australia, and are all considered low-risk countries by the US Department of Labour with respect to forced labour and child labour.

However, some goods sold by MTF were imported by our suppliers or indirect suppliers from various countries including certain Asian countries which are considered high or medium risk associated with forced and child labour (such as China and Vietnam).

Category of Goods

MTF assessed the category(ies) of goods according to the US Department of Labour. The following categories of goods purchased / sold by MTF are ranked as high risk:

- Apparel, footwear, rugs and bedding products and other textile products;
- Electronics;
- Food and beverage that include or are derived from beans, corn and cocoa.

The following categories of goods purchased / sold by MTF are ranked as medium risk:

- Furniture
- Appliance

The risk assessment of the category of goods references the US Department of Labour website:

<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

Spend

Our spend analysis utilizes thresholds based on characteristics of supplier purchases to assess the risk level associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. Based on our analysis of spend characteristics and patterns, the current classification is:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 10% of the total annual supply chain spend are classified as medium risk.
- Expenditures that equal or exceed 10% of the total annual supply chain spend are deemed high risk.

Other factors

Other factors considered for the risk assessment included, but were not limited to:

- Small Local Business (Low Risk): These are locally operated small businesses known for their transparent supply chains, attributable to their small scale and emphasis on regional community

engagement.

- Publicly Traded Company (Low Risk): These are publicly traded companies that are subjected to rigorous reporting standards and often with clear, published commitments to fair trade and employment practices, thus fostering greater transparency.
- Long-term Partner (Low Risk): Supplier with whom MTF has maintained a long-term relationship, consistently proving their commitment to ethical labour practices.
- Company which has mature supply chain management processes and policies or is certified with relevant global standards, e.g., ISO (Low Risk)

Based on our risk assessment, management evaluated all suppliers of MTF. The assessment revealed that one supplier may pose a high risk of forced or child labour, who though based in Canada, imports textile products from China (0.3% of MTF's annual supply chain spend). As of the date of this report, MTF is gathering more information from this supplier about its measures or actions regarding exposure to forced labour and child labour.

5. Remediation - Forced & Child Labour

As noted above, MTF identified one supplier which may pose a high risk of forced labour and child labour.

MTF will take the following actions to reduce the risk of forced labour and child labour:

1. MTF is developing a Supplier Code of Conduct for dealing with forced labour and child labour, which is expected to complete by November 30, 2024 and will be circulated to our suppliers by January 31, 2025.
2. MTF will develop training programs and deliver training sessions to relevant individuals/groups. The first such training will be delivered by October 31, 2024.
3. MTF will include specific clauses in new vendor agreements (and upon renewal of existing agreements) that require vendors to commit to international laws and regulations related to identifying and preventing forced or child labour in their supply chain activities. This is expected to complete by November 30, 2024.
4. MTF will perform due diligence when onboarding new suppliers to assess compliance with forced and child labour requirements, which may include supplier questionnaires, interviews, site visits, etc. This measure is expected to be implemented by November 30, 2024.
5. MTF will perform an annual assessment to identify high risk vendors who will be requested to complete a supplier checklist.

As the date of this report, no instance of forced labour or child labour has been noted / reported in MTF's supply chain. MTF will closely monitor our supply chain to prevent and detect such risks. If any instance of forced labour or child labour is noted, MTF is committed to promptly address such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, developing required corrective actions with the supplier and ensuring such corrective actions are fully implemented.

6. Remediation - Vulnerable Family Income Loss

As noted above, there have been no instances identified by MTF of forced labour or child labour within the 2023 fiscal year. As such, remediation of lost income does not apply.

7. Awareness Training

MTF will develop training programs to supply chain and finance employees and senior management on identifying, assessing, and responding to the risks associated with child labour and forced labour within MTF's operations and supply chains. The first such training will be delivered on or before August 31, 2024.

8. Ensuring Effectiveness of Processes

On May 31, 2024, MTF completed and reported our initial assessment in response to Bill S-211. We are committed to ongoing reviews of our relevant processes, policies, and practices, including the assessment of MTF's suppliers. This commitment is aimed at aligning with industry leading practices and mitigating the risks, if any are identified, related to forced labour and child labour.

Policies and Procedures

Once MTF's policies and procedures related to forced labour and child labour (e.g., Supplier Code of Conduct) are developed, an annual review of such policies and procedures will be conducted to further strengthen them and reduce the risk within our activities and supply chains now and into the future.

Employee Handbook and Code of Conduct Enhancement

A forced and child labour clause will be added to the existing Employee Handbook. This clause will explicitly state that MTF has zero-tolerance for forced and/or child labour.

Supplier Activities

Supplier Agreements: MTF has identified the opportunity to implement a clause within new supplier agreements clearly stating our zero-tolerance for child labour and forced labour.

Supplier Monitoring: High-risk suppliers that are identified through our ongoing risk assessment will be monitored on an annual basis.

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.

I have the authority to bind MTF Mainland Distributors Inc. This report covers financial year 2023 and applies to MTF Mainland Distributors Inc. in terms of the Act.

Mark Funk



Full Name

Signature

Director

May 31, 2024

Title

Date