



McLean Holdings Corp.

Forced Labour and Child Labour in Supply Chains Company
Assessment

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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. 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 practices are addressed and eradicated from their supply chains.

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, McLean Holdings Corp. ("McLean Holdings", "McLean") has begun prioritizing the analysis of forced labour and child labour through mapping activities for the 2022 fiscal year. McLean has statements and policies in place that emphasize our commitment to human rights and abiding by local and international legislation, but also recognizing there is always room for continuous improvement. McLean policies, supplier agreements, training modules and everyday practices serve as a strong foundation as we look to implementing more anti-forced labour and anti-child labour measures. As a growing, socially conscious, automobile dealership, McLean recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

Background

The measures introduced through Bill S-211, *Fighting Against Forced Labour and Child Labour in Supply Chains Act* ("the Act"), aims to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- 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.
 - Its structure, activities and supply chains.
 - Its policies and due diligence processes in relation to forced labour and child labour.
 - The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
 - Any measures taken to remediate any forced labour or child labour.
 - 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.
 - The training provided to employees on forced labour and child labour.
 - How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.
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Introduction

The financial year for which McLean is reporting is January 1, 2022, to December 31, 2022. This is the first version of the report submitted and the report is for the consolidated entity, McLean Holdings Corp. McLean satisfies the definition of an Entity within the Act and meets all three of the reporting thresholds with more than 250 employees, revenue in excess of 40 million and assets worth more than 20 million. This is a joint report that includes all entities operating under McLean that are required to report.

Business Structure, Activities and Supply Chain

Structure

McLean operates as a corporation based in Calgary, Alberta and is made up of the following entities Woodridge Ford Lincoln Ltd. (includes Okotoks Ford Lincoln), Advantage Ford Sales Ltd., Big 4 Motors Ltd., Village Motors Ltd., 2296041 Alberta Ltd. o/a South Centre Volkswagen (and includes Okotoks Volkswagen), Driverz Auto Sales Ltd., and Cavalcade Auto Acceptance Corp. which purchase and sell goods in line with the definition outlined within the Act. However, McLean also has a number of other entities which are incorporated within the McLean structure but do not meet the requirements of the Act. McLean specializes in the automotive industry. The goods offered include cars, OEM (Official Equipment Manufacturer) parts and distributing spare parts. The vehicle services offered include repair and other maintenance services. McLean operates in Okotoks and Calgary and has 663 employees across all our operations.

Activities

McLean operates within Alberta's automotive sector, focusing on car and automotive component distribution. Through both its dealerships and online platforms, McLean distributes a range of products including cars, OEM (original equipment manufacturing) parts, specialized vehicle spare parts, as well as servicing cars.

Supply Chain

McLean's supply chain is comprised of 2,467 direct suppliers from two countries, namely the United States of America and Canada. The majority of McLean's suppliers are distributors from within Canada and sell vehicles and parts. Canadian suppliers make up 99% of McLean's spend while the remaining 1% is attributed to the United States of America.

Policies and Due Diligence

Current Policies

McLean has a strong commitment to preventing child and forced labour and has ***DSSA (Dealership Sales and Service Agreements)*** which are provided to all dealerships to sign and serves as a cornerstone of

our commitment to fostering an environment that staunchly opposes any form of child or forced labour. It embodies our dedication to upholding the highest ethical standards across every facet of our operations. Within this document, we underscore our unwavering resolve to cultivate a workplace characterized by safety, respect, and integrity, not only for our employees but for every individual associated with McLean. The agreements also explicitly outline our commitment to compliance with applicable federal, provincial, and local laws in the conduct of our business.

McLean's **Corporate Health and Safety Policy** highlights our commitment to creating safe practices of work and creating a safe working environment for all our employees. This policy specifically mentions that employees must comply with all applicable laws regarding performance of duties within the company.

The **Threat and violence prevention policy and procedures** states McLean's dedication towards maintaining an environment free from threats and violence and that McLean's definition of violence considers any scope that falls within the Alberta Occupational Health & Safety (OHS) definition of Violence or Harassment. Additionally, the **Mutual Respect Policy** lays out our pledge to adhering to the Alberta Human Rights Act. It underscores McLean's holistic approach to creating a workplace that is not only safe and conducive to productivity but also respectful and inclusive. It emphasizes that we support diversity, equity, and inclusion, recognizing the intrinsic value of every individual irrespective of their background or role within the organization. By fostering a culture of mutual respect and understanding, McLean endeavors to create an environment where everyone feels valued, supported, and empowered to thrive.

Furthermore, McLean has a **Whistleblower intranet** to enable our employees to report any illegal incidents, any unsafe practices, or any action/condition that may harm the rights of our employees. This also ensures that every employee has a safe reporting mechanism to report anonymously and ensure their rights are respected.

Finally, all new hires are required to go through mandatory orientation which highlights the above policies and more to ensure that they are aware of their rights and can contribute to keeping McLean a safe and respectful work environment free of child and forced labour. This is also emphasized in our **Employee Contract Agreement**, that stipulates McLean's compliance to all applicable laws.

In essence, our policies encapsulate our overarching commitment to ethical excellence and underscores McLean's dedication to creating a workplace that exemplifies the highest standards of integrity, respect, and inclusivity. Through proactive measures, transparent processes, and a steadfast commitment to upholding ethical principles, we strive to ensure that we remain a beacon of ethical leadership in all aspects of operation.

Due Diligence

Most of McLean's supply chain comes from international wholesalers that are required to follow international and Canadian laws regarding the procurement of raw materials to manufacture vehicles and vehicle parts. McLean's primary car suppliers such as Ford (including Lincoln), Stellantis (including Chrysler, Dodge, Jeep, and Ram), Honda, and Volkswagen all have similar publicly provided information regarding their commitment to protecting Human Rights and adopting ethical business practices in their supply chain through various means. Some of these policies include the following: A whistleblower system

or a helpline to ensure their employees, suppliers, or other stakeholders can report any issues related to violations of safety and regulatory compliance. Some of these suppliers also state on their website that they follow the International Bill of Human Rights and the core labour standards of the International Labour Organization (ILO), and their business activities follow the UN Guiding Principles on Business and Human Rights (UN Global Compact). While McLean does not have prescribed due diligence processes for smaller vendors, we have assessed the risk with procuring from them as low. However, as part of McLean's commitment to prevent child or forced labour within our supply chain McLean will review its supplier practices to begin deploying supplier **questionnaires**. This questionnaire will be used to obtain confirmation from suppliers that they do not engage in child and or forced labour.

We recognize that there are limited due diligence processes in place aimed to reduce the risk of child labour and/or forced labour within activities and supply chain. This has been identified as an opportunity that will be considered going-forward.

Risk Identification and Management

A risk assessment over McLean's 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 McLean's total procurement spend during the 2022 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

McLean conducted a risk assessment on the countries where we have operations and found that there were low risks of forced labour or child labour in our Canadian operations. This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is a low inherent risk and continued due diligence is required.

Countries of Suppliers and Risk

McLean had a risk assessment conducted on the countries of origin for our suppliers and found that there were low risks of forced labour or child labour in the USA (25 suppliers) and Canada (2,442 suppliers). This, however, does not mitigate all the risks associated with child labour and forced labour and McLean will continue to implement necessary practices to maintain an environment free of child or forced labour.

Type of Goods Procured and Risk

The products which McLean sells and procures fall into the categories including vehicles, glass, gloves, carpets, garments, electronics, furniture, coffee, vehicle parts and other similar products. Using the two indices, an inherent risk of forced and/or child labour has been identified among the following categories of goods:

1. Glass
2. Textiles, carpets
3. Electronics

4. Gloves
5. Coffee

All other remaining goods procured are not specifically identified within the two indices, therefore it has been concluded that they have a low-inherent risk exposure. This would include McLeans biggest spend which is attributed to vehicles. Further analysis and understanding by McLean will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

Remediation Forced and Child Labour and Vulnerable Family Income Loss

McLean is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. McLean is committed to identifying and addressing human rights incidents and violations that occur within our operations and communities. To date, McLean has not identified instances of the use of child labour or forced labour within its operations or those of suppliers. McLean recognizes the significant impact forced and child labour can have on individuals and their families and thus relies on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding McLean and its suppliers up to the highest standards of practice.

Awareness Training

McLean currently provides training related to fostering a safe working environment and ensuring our employees are aware of their rights as well as complying to the applicable laws, regulations, and rules. New employees receive comprehensive information on various topics, including safe working conditions and mutual respect. Every employee has to go through policies such as the Code of Ethics, Mutual Respect, and Threats or Violence that cover topics on workplace harassment, violence to safe working conditions and adherence to applicable laws and regulations.

Leaders at McLean have also been undertaking "sensitivity training" on a bi-annual basis since 2022. The contents of the training include fostering a safe and healthy work environment with mutual respect and valuing human rights. While these trainings may not explicitly state relevance to the Act, McLean is committed in reviewing our training programs to ensure that it covers topics such as forced labour and child labour to create awareness of the issue.

Self-Assessment Process and Requirements

Currently, we do not have any self-assessment process or practices to assess our efficacy against fighting forced labour or child labour. However, as part of reviewing our supply chain and internal processes, we are committed to holding our supply chain against the high standards we set for the rest of our business and processes. McLean will evaluate and perform appropriate assessments to ensure that we can identify appropriate KPI metrics, internal auditing mechanisms, quality assessment programs with our suppliers to ensure that our supply chain is free of any forced labour or child labour.

Conclusion and Key Takeaways

Through our analysis, McLean found that none of the countries from which we procure have a high risk for forced labour and child labour although high risks could be attributed to some of the goods purchased. However, McLean has several measures in place to maintain a low risk of these practices occurring. McLean is committed to continuous improvement and has identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within the McLean supply chain.

In the upcoming years McLean Holdings has identified areas and mechanisms where we have the opportunities for enhancement to further reduce the risk of forced labour and/or child labour within activities and supply chains.

Recommendations Related to McLean Activities:

1. **Update Internal Policies:** We intend to add clauses related to zero-tolerance for the use of child labour and/or forced labour within McLean's activities to our policies and procedures. Additionally, detail will be added about who employees should discuss concerns and potential or actual instances of child labour or forced labour with. These updates will be made to our employee orientation (staff training) documents while an addendum will be added for our existing employees to read and sign.
2. **Self – Assessment mechanism:** As part of both the HR and procurement processes McLean will explore developing a self-assessment process that includes assessing compliance with our policies, covering aspects such as age verification, working conditions, employee treatment and completeness of staff records and files.
3. **Formal Recruitment Strategy:** McLean will consider the introduction of a defined recruitment strategy developed to ensure that all hiring decisions are made on a consistent criterion resulting in fairness in hiring process and compliance with legal and regulatory requirements. Additionally, McLean would continue to ensure that every new employee is compliant with all of McLean's policies.

Recommendations Related to Suppliers:

1. **Supplier Agreements:** We intend to formalize our procurement process and review all our existing supplier agreements related to child and forced labour. Additionally, if purchases are made without supplier agreements, they will be done using purchase orders. Furthermore, the contract will state that McLean has the right to audit in case of any suspected violations of the Act.
2. **Due Diligence Over Suppliers:** We are committed to improving our due diligence processes and as such will investigate the possibility of adding the following when engaging with new suppliers:
 - a. **Potential supplier questionnaire:** A questionnaire relating to the supply chain, employees, policies and procedures could give McLean a deeper understanding of the suppliers. This would include questions relating to child labour and forced labour.
 - b. **Background checks:** Conducting background checks is a proactive approach to assess the practices of suppliers McLean may want to engage with. It also would enable McLean to strengthen their supply chain integrity and minimize risks associated with supplier

relationships.

- c. Supplier Inspection Schedule: McLean will identify major suppliers and consideration of onsite visitation be evaluated for suitability to address risks that have been assessed by McLean.
3. Extend Whistleblower intranet to our suppliers: McLean will conduct a review of internal processes to explore possibilities of extending our whistleblower intranet to our suppliers. As part of our commitment towards ensuring there is no unidentified cases of child labour or forced 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.

<u>GERALD JOHN WOOD</u>	<u></u>
Full Name	Signature
<u>PRESIDENT</u>	<u>MAY 29, 2024</u>
Title	Date

I have the authority to bind *McLean Holdings Corp.* and this report covers financial year *December 31st, 2022*, and applies to *McLean Holdings Corp.* and all entities considered reporting entities in terms of the Act and any controlled subsidiaries of *McLean Holdings Corp.*