

MODERN SALES CO-OP

FORCED LABOUR IN
CANADIAN SUPPLY CHAINS

Annual Report for 2023
Bill S-211

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Introduction

Forced labour and child labour is a serious and widespread human rights violation that affects millions of people around the world. According to the International Labour Organization, forced labour is defined as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". Forced labour can take various forms, such as debt bondage, trafficking, slavery, or coercion, and can occur in any sector or industry.

As a global leader in human rights and trade, Canada has a responsibility and an opportunity to combat forced labour in its domestic and international supply chains. The Canadian Senate introduced Bill S-211 ("the Bill") in 2020, an act to combat forced labour in Canadian supply chains. The bill aims to increase transparency and accountability of businesses and public bodies regarding their efforts to prevent and address forced labour in their operations and supply chains. The bill also seeks to empower consumers and investors to make informed decisions based on human rights criteria.

This report is made in compliance with the Bill, Forced Labour in Canadian Supply Chains, by Modern Sales Co-op and has been prepared for the financial reporting year of October 31, 2023.

The purpose of this report is to provide an overview of the compliance requirements and best practices for the Bill, and to offer recommendations and resources for implementing effective and transparent measures to combat forced labour and protect human rights in Canadian supply chains.

Our Business

Modern Sales Co-op (“Modern”) is a Canadian co-operative and founded in 1936. Modern has vendors from around the globe and is engaged in the business of distribution of automotive, farming, and industrial tools and supplies to a member network across Canada. Modern maintains distribution facilities in British Columbia, Alberta, Manitoba, and Ontario.

Modern’s mission statement:

Our objective is to be recognized as a fair and committed company that treats its vendors, customers, and staff, fairly and with respect. In all of our interactions with our customers, business associates and colleagues, we seek to deal with others as we would have them deal with us. Our success depends on our total commitment and support of Modern Sales Co-op vendors, staff, and fellow members.

In our supply chain, Modern strives to work with suppliers, agents, consultants, and other third parties and business partners, as well as their respective employees, directors, and officers, (collectively “Suppliers”) who share our commitment to social, ethical, and environmental responsibility.

We have over four hundred global Suppliers which provide a wide range of goods and services as part of our warehouse distribution model, as well to support our general operations.

Risk Management Process

Modern conducts its operations in full compliance with all applicable laws and regulations and is committed to the health and safety of its employees. We expect and communicate this same message with our Suppliers.

We have taken the following steps to reduce the risk of forced labour and child labour in our supply chain:

- Reviewed the impact on Modern and assessed the effectiveness of the governance structure, policies, and procedures to address the risks of forced labour and child labour.
- Conducted high level due diligence assessments across Modern's supply chain to proactively identify, address and mitigate potential issues.
- Reviewed internal recruitment policies and procedures to ensure all workers recruited are done so on a voluntary basis.

Details of these actions are set out in this Report.

Policies and Due Diligence

Modern's commitment to prevent forced labour and child labour in its business and supply chains is evidenced not only by the corporate culture, but also by appropriate policies.

We have Board Policies in effect and reviewed annually for Code of Conduct and Whistleblowing.

Our Supplier Code of Conduct communicates Modern's requirements and expectations on forced labour, child labour and human rights to our Suppliers and establishes the terms and conditions for our business relationships. All Suppliers are expected to operate within the guidelines of this Code of Conduct. We view this as a critical element of any supplier relationship and will regularly review and update our Supplier Code of Conduct to reflect Modern's changing needs and circumstances.

A Supplier Questionnaire has been put in place by Modern to help determine our supplier's risk profile and risk exposure. Our questionnaire requests information from suppliers as to whether they have policies and procedures in place that deal specifically with forced labour and child labour.

Risk Concentration and Assessment

Modern performed a risk concentration and assessment process to identify and evaluate the areas and factors that pose the highest risks of forced labour and child labour in our operations and supply chains. We assess our risk and exposure to forced labour and child labour as low, however we do, due to the nature of the business, source many products and materials from global Suppliers. Although we have assessed our risk and exposure as low, our greatest risk exposure to forced labour and child labour is through our suppliers, and the primary sources of these risks originate from obtaining goods in higher-risk geographical regions and sectors.

As part of our risk concentration and assessment analysis, we have performed the following activities:

- Developed a core team consisting of internal stakeholders to identify our greatest risk exposures due to higher-risk geographical regions and sectors.
- Prioritize Modern’s supply chains based on the likelihood, severity, and magnitude of the risks of forced labour and child labour, and that determines the most significant and urgent risks that require immediate attention and action.
- Ongoing risk mapping that identifies Modern’s operations and supply chains according to the level of risk of forced labour and child labour.

Modern’s risk concentration and assessment is conducted and updated periodically and involves the participation and input of relevant stakeholders (our employees, suppliers, member, etc.).

Measures of Remediation

Modern has not identified any forced labour or child labour in our business or supply chains. Due to these findings, Modern therefore has not had to take any actions or measures to remediate forced labour or child labour or remediate the loss of income to the vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities or supply chains.

Training

As part of every new employee's onboarding training, our Code of Conduct is reviewed by all employees and a signed acknowledgement of the Code of Conduct is obtained. Our current employee Code of Conduct does not directly address issues of forced labour and child labour, it does speak to complying with all laws, regulations, and ethical standards. Modern is in the process of updating our Code of Conduct in which forced labour and child labour will be specifically addressed, and this will be rolled out to all employees in 2024.

Assessing Effectiveness

Modern is committed in ensuring that forced labour and child labour are not being used in our business and supply chains. As such and as described in this report, we have introduced several measures to reduce and prevent these risks. Modern will continue to strive to identify emerging risks and we intend to continue developing policies, and implementing processes for identifying, forced labour and child labour in our supply chains. We assess our actions thus far, and actions planned for the near future as effective in ensuring forced labour and child labour are not being used in our business activities and supply chains.

Approval and 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 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 Modern Sales Co-op.

Joanne Pipher

Joanne Pipher
CFO
May 30, 2024