



KING CANADA

Tel.: (514) 636-5464 • Fax: (514) 636-5474

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May 31, 2024

**2023 REPORT ON BILLS-211, AN ACT TO ENACT THE FIGHTING AGAINST FORCED
LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT AND TO AMEND THE
CUSTOMS TARIFF**

2023 FINANCIAL REPORTING YEAR





Introduction

An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (Canadian BILL S-21, which came into effect Jan.1, 2024).

The Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) requires that businesses state actions they have taken during the fiscal year to prevent and reduce the risk of forced labour or child labour within their operations and supply chain.

This is a report for Outillages King Canada Inc. (“King Canada”). This report refers to the 2023 fiscal year end, being December 31, 2023. This Report constitutes the first report prepared by the Corporation pursuant to Canada’s new Fighting Against Forced Labour and Child Labour in Supply Chains Act.

King Canada considers the respect of human rights to be a fundamental corporate responsibility and a value governing all our activities. We place the highest importance on respecting human rights while conducting our business activities everywhere we operate. We expect the same of our business partners and suppliers (as well as their contractors, agents, subcontractors, sub-agents, and labour agencies) to uphold these same principles within their operations and adhere to applicable human rights and employment standards laws.

Structure, Activities and Supply Chains

Structure

King Canada is a corporation organized and incorporated under the Canada Business Corporations Act with its head office address at 700 Meloche, Dorval, Québec, H9P 2Y4.

Activities

King Canada is a Canadian company that has been bringing quality tools and equipment to the North American market for over 40 years. King Canada has considerable industry experience to draw from. Beginning with only a few products, the product line today has been expanded to one of the most comprehensive in the industry.

In 1983 King Canada started developing a complete program, selling machinery in collaboration with their partner factories. By the late eighties, King Canada was the leading Canadian importer for machinery, power tools and industrial equipment.

From a modern and recently expanded 120,000 square foot warehouse, King Canada ships coast to coast. Employing a knowledgeable and motivated staff, capable of serving the needs of the clients, has been one of the many keys to success. This is only part of our winning equation, King Canada also seeks, and has been able to find, highly qualified distribution. This unique mix of experience means that you can find the help you need when making a product selection.

After-the-sale support is also very important to King Canada. The customer buys more than a product, they join a decades-old group of satisfied users. Housing over 70,000 parts, specialized staff stand ready



to answer questions, serve customer needs, and support an outstanding network of over 400 Service Centres. King Canada also offers a toll-free and online service to service the after sales needs of consumers across the country.

The commitment at King Canada is to constantly strive to introduce new, innovative, and exclusive products offering great value in each category. By listening to the demands of the marketplace, King Canada has been able to set itself apart from the competition.

In March 2022 – King Canada and Einhell Germany AG, an internationally renowned market leader in cordless tools and garden equipment joined forces. Einhell Germany AG acquired a majority stake, creating and energizing a dynamic team to bring a significant range of new products, primarily cordless power, and garden tools, to the Canadian market.

The combined resources of King Canada and Einhell Germany AG, will create stronger relationships with consumers, increase product assortment opportunities and leverage expertise and best practices. Einhell Germany AG is bringing its outstanding engineering in the field of rechargeable battery platforms to the collaboration. With the Einhell Power X-Change platform in particular, King Canada Inc. will gain access to the most competent battery system in the DIY market.

This new cooperation will also bring new connections, policies, and guidance in the areas of Social Management System and Cascade Effect which include:

- Workers Involvement and Protection
- The Rights of Freedom of Association and Collective Bargaining
- No Discrimination, Violence or Harassment
- Fair Remuneration
- Decent Working Hours
- Occupational Health and Safety (OHS)
- No Child Labour
- Special Protection for Young Workers
- No Precarious Employment
- No Bonded, Forced Labour or Human Trafficking
- Protection of the Environment
- Ethical Business Behaviour.

By making sustainability a core part of our operations, we build a better future for our customers, our employees, and the planet. We believe that it is possible to create products that are both sustainable and profitable, and we are committed to proving that sustainability is good for business.

Supply chains overview and risk areas of forced labour or child labour

King Canada is based in Montreal, Quebec and an entity who primarily imports goods from China and Taiwan, with some goods coming from the USA, for the purposes of wholesale distribution to chain stores, hardware and building supply stores and independent specialty tool stores in Canada.



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Since the Act was initiated, we have mapped and analysed our supply chains by geographic regions to assess risk levels. King Canada is not doing business in notorious areas that have been made public as problem areas or regions. Regarding child labour specifically, our products tend to require skilled labour and are sometimes very heavy and therefore not as prone to child labour.

Nonetheless, we acknowledge that certain of our suppliers operate in regions that have inherent risks of child labour and forced labour practices and that the supply chain of our suppliers may extend into regions potentially facing greater risk of forced labour and child labour. In these cases, we send a delegate to check out the professionalism of the organization prior to any commitment to business, including looking at the well being of the employees, including safety and the presence of child labour.

We consider the respect of human rights to be a fundamental corporate responsibility and a value governing all our activities. We place the highest importance on respecting human rights while conducting our business activities everywhere we operate.

Supplier & Vendor Code of Conduct

Previously our Supplier & Vendor Code of Conduct had been on an informal basis mostly evidenced by our own site visits to manufacturers in China and Taiwan and to our vendors in Canada. It was reasonable to expect ethical practices and over the years, there has been little or no reason to determine that the contrary would be true.

The passing of Bill S-211 has led us to re-examine our processes with regard to our policies regarding our supplier code of conduct.

We have now completed a formal Supplier & Vendor Code of Conduct and are in the process of forwarding the agreement to all existing suppliers for signature as acknowledgement that they have accepted to abide by our Supplier & Vendor Code of Conduct. All new suppliers will be required to sign and return our Supplier & Vendor Code of Conduct before becoming an approved vendor. We have also established an annual procedure to forward the Supplier & Vendor Code of Conduct to suppliers on an annual basis.

We have added a clause to our purchase orders by which acceptance of the purchase order indicates acceptance and adherence to our Vendor and Supplier Code of Conduct.

Amfori Business Social Compliance Initiative (Amfori BSCI)

We are a member of Amfori Business Social Compliance Initiative (Amfori BSCI), through our parent company Einhell GMB.

This organization, through membership, aids entities to exercise human rights due diligence more efficiently and support business partners to ensure the protection of workers' rights. Amfori BSCI, provides a recognized methodology, monitoring and auditing for identifying and remediating risks in global supply chains. This also includes a grievance process and enforcement.



High-quality social audits and other monitoring activities assist in assessing 13 performance areas to help identify, prevent, mitigate, account for and remediate labour risks, as well as adverse human rights impacts in your value chain.

Supplier Attestation

After year-end, suppliers were sent emails advising of the new legal requirement and requesting documentation, where available, of membership to Amfori and their latest audit report.

While the sending of emails was prioritized based on purchase dollars, it was also sent to relatively small vendors as well. We did not, however, send to major domestic suppliers e.g. transport/couriers or office equipment/supplies or warehouse equipment suppliers etc.

Following is a compilation regarding number of replies received:

Contacted suppliers:	95%
Received back documentation:	73% = 90% of dollars purchased
Suppliers who don't have documentation:	7%
No response received with 3 follow ups sent:	8%
There are reports (all Amfori BSCI members) from Einhell shared suppliers, which are not included in the numbers above, all current.	31 additional suppliers which are compliant

Corrective actions for suppliers that we feel do present a risk will include, but not be limited to , registering any confirmed or suspected violation with company management and following up for correction of any violation.

Our inspections consultants in China (Kingdom/Tooluck) will engage with supplier employees based in China to initiate and follow up on any issues.

Further corrective action would be reporting to local authorities and regulatory bodies as well as reporting to international authorities, such as the UN (United Nations), ILO (International Labour Board), OECD (Organization for Economic Co-operation and Development).

If corrective action is not taken by the vendor they would be removed as an approved vendor.

Third party Compliance Inspections

We are now able to leverage our relationship with parent company Einhell GMB, and their membership in Amfori BSCI Code of Conduct. The AMFORI inspection methodology includes a compliance section on labour standards, Health & Environment and business and Social Ethics including forced and child labour compliance. Our factories are regularly audited for quality assurance and satisfy the highest ethical compliance standards.



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Any and all audit reports are reviewed and discussed with management and the respective factory. Any corrective Action Plan that is noted in the report is also shared with the factory with a follow up plan and timeline for corrective actions to be taken.

We will support our suppliers' efforts to meet the standards through dialogue and cooperation.

On-site visits

Many suppliers have been in our supply chain for many years and there is regular contact with our suppliers both by senior management and our outside consultant. Over the years there have been many site visits to these factories by senior management (twice yearly). No issues were observed during these visits.

Since the onset of Covid we have not done site visits to China but our outside consultant that we contracted with in China is mandated with factory and product inspections on our behalf.

Certification bodies

A large percentage of our products need to be safety and electrically approved, and this is done by large testing authorities (CSA, TUV, cUL, Intertek) with their own codes of conduct policies. Some of those noted parenthetically, are listed as auditors for the Amfori BSCI group. It is reasonable to expect that anomalies would come to light and be reported to corporate management and appropriate authorities for action.

Remediation and Assessing Effectiveness

King Canada relies on a several third party inspection programs and we feel that it is a fairly effective tool to ensure that forced labour and child labour are not being used.

Throughout our various inspections and interactions with suppliers, we have never encountered issues suggesting the existence of child or forced labour. To date none of the audited reports show any violation of forced and child labour laws.

To date, as there has not been any identified or reported instances of child labour or forced labour we have not had to take any measures to eliminate the use of forced labour in our supply chain. Therefore, we did not have to put in place remediation actions.

Nonetheless, we will continue to improve and monitor key indicators in this regard.



Training on Child Labour and Forced Labour

During the reporting period, we did not provide formal employee training with regards to forced labour and child labour issues. We recognize that potential risk of forced labour and child labour may reside in our supply chain, and we are committed to ensuring that we engage with suppliers that have high ethical standards and that do not engage in such practices.

As a result, we will provide such training to employees on this key topic in the near future.

Employees will be acquainted with our Supplier & Vendor Code of Conduct and asked to review the content. Employees who deal specifically with purchasing and payables within our supply chain processes will be educated in the need for diligence in the area of forced labour and child labour.

We will be looking to outside agencies and entities that will be offering training and education regarding the new Act. We are looking to our Auditors regarding compliance and reporting,

Conclusion

The efforts deployed to produce the S-211 disclosure allowed us to take a deeper look at the risks pertaining to child labour and forced labour in our supply chains. In alignment with our values and mission that put sustainability at the forefront, King Canada is committed to continue to strengthen its risk managements practices and related mitigation practices with regards to child labour and forced labour risks and will implement and/or formalize various actions as discussed in this report.

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.

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.

Howard Richman

President

Outillages King Canada Inc.

I have the authority to bind Outillages King Canada Inc.