



**ANNUAL REPORT UNDER THE  
FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY  
CHAINS ACT  
H. TALLMAN INTERNATIONAL CORPORATION**

**2023 FISCAL YEAR**

**About this Report**

This is the first annual report prepared by H. Tallman International Corporation under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. H. Tallman International Corporation is the corporate parent of Princess Group Inc., the owner of Princess Auto Ltd., and the report is filed on behalf of all three corporations.

This report is for the fiscal year ending December 31, 2023.

**About Us**

Princess Auto is a family-owned Canadian business selling tools and equipment through bricks and mortar retail stores across Canada and online. Our home office is in Winnipeg, Manitoba. Our locations across Canada include 55 retail stores, three distribution centres, and one call centre.

**STORES, DISTRIBUTION CENTRES  
AND HOME OFFICE**

**PROUDLY CANADIAN SINCE 1933**



## The Princess Auto Supply Chain

Princess Auto operates as a retailer and does not manufacture its own product. Instead, the business works with over 500 different vendors and operates a sophisticated purchasing department. Our global supply chain is how we deliver durable, safe and value-driven products to our customers. We recognize that our supply chain can have impacts on labour practices worldwide and that we have a responsibility to work with our vendors and their factories to generate continuous improvements regarding the identification and remediation of forced labour and child labour.

## Managing the Risk of Forced Labour and Child Labour in Princess Auto's Supply Chain

Princess Auto relies on supply chain mapping to assess the risk of forced labour and child labour in its supply chain. The supply chain can be divided into five tiers, with Princess Auto having excellent insight into tiers 1 and 2 but decreasing insight into tiers 3, 4, and 5:

1. **Shipping Point**: The shipping point is the location from which finished product is shipped. Princess Auto can consistently map the shipping point. However, the shipping point is not necessarily indicative of the location in which a product is manufactured, particularly when Princess Auto purchases the product from a wholesaler as opposed to a manufacturer.
2. **Country of Origin**: The country of origin is the location where a product is assembled. Generally, Princess Auto can track the country of origin for all of its product. However, the country of assembly is not necessarily the country in which the subcomponents are manufactured. It is possible for a product to be labelled "Made in Canada" if it is assembled in Canada but the components are manufactured elsewhere.
3. **Manufacturer/Factories**: For a portion of Princess Auto's merchandise, the business can identify the specific manufacturer or factory. However, there are gaps in Princess Auto's information at this level because vendors do not readily disclose this information.
4. **Origin of Components**: There are informational gaps at this level because manufacturers do not disclose the place of manufacture for individual components such as gaskets or carburetors on a gas engine. While Princess Auto has some visibility to this level, it cannot fully map the origin of components without global legislation requiring the disclosure of such information.
5. **Origin of Raw Materials**: Princess Auto is not in a position to map the origin of raw materials used in products (e.g., steel or rubber) as manufacturers do not disclose such information. Absent global legislation requiring the disclosure of such information, it is not possible to conduct mapping to this level.

Princess Auto sources globally. As a 90-year old business, it has developed relationships with over 500 vendors. Some of those relationships date back over 50 years. To mitigate the risk of forced labour or child labour being used in Princess Auto's supply chain, the business is taking a multi-prong approach described below.

### Values and Relationships

Princess Auto is a people-first organization in all aspects of its business. Its corporate values, and the quality of its business relationships with its vendors, form the primary pillar of Princess Auto's strategy. By developing and maintaining long-term relationships with quality suppliers, we encourage the fair and ethical treatment of people. More than 40% of our vendors have been working with us for at least 10 years. Princess Auto invites its largest vendors (including trading houses representing multiple factories) to Winnipeg every second year to participate in the planning process. The shared discussions, which include a focus on Princess Auto's corporate values and priorities, lay the foundation for its people-first strategy.

### Vendor Supply Agreements

Princess Auto has a Vendor Supply Agreement that it asks all vendors to sign. Most, but not all, vendors have signed the agreement. The agreement includes language prohibiting obtaining goods through forced labour, slavery, child labour or other illegal or immoral means.

For the small minority of vendors that have not signed off on the agreement, Princess Auto plans to create a Supplier Code of Conduct in 2024 as an additional layer of protection, as set out below.

### Supplier Code of Conduct (2024)

Because a small minority of vendors have not signed off on Princess Auto's vendor supply agreement, Princess Auto is in the process of creating a Supplier Code of Conduct as an additional risk mitigation strategy. Most vendors that have not signed the vendor supply agreement have withheld their signature because of conflicting legislation in their home country on terms unrelated to forced and child labour.

The Supplier Code of Conduct is expected to be completed by the end of 2024 and set expectations with vendors regarding:

- a prohibition against the use of forced labour;
- a prohibition against the use of child labour as defined in the Act; and
- requirements to comply with labour laws regarding workers under 18 years of age, including legal minimum age.

### Factory Visits

Princess Auto teams travel overseas and visit factories on a regular basis, when political and health restrictions allow (eg. post COVID). While our small team cannot visit every factory, we prioritize factories that are new to us or that we are considering in the future. Visits include asking questions, viewing certifications, touring the factory floor and engaging with workers. Factory visits are always led by an experienced senior member of the Princess Auto Team.

### Internal Reporting

All Team Members that tour facilities and make buying decisions have the authority to terminate relationships if they observe problematic conduct. Overseas trips are reserved for those with experience where the individuals have the confidence to raise concerns and act where necessary.

All of Princess Auto's Team Members who make buying decisions operate out of the same location in Winnipeg, allowing constant communication and the immediate raising of potential concerns. Princess Auto's leadership team is in the same location as well and has emphasized frequent information conversations to break down barriers and enable the proper flow of information.

### Training on Forced Labour and Child Labour Issues

Princess Auto, in conjunction with its regulatory counsel, has provided a training session to its board of advisors and senior executive team on issues relating to forced labour, child labour, and the business' obligations under the Act. The training session included an analysis of Princess Auto's supply chain and the most likely risk areas and blind spots.

May 14, 2024

**H. TALLMAN INTERNATIONAL CORPORATION  
PRINCESS GROUP INC.  
PRINCESS AUTO LTD.**

In accordance with the requirements of the Act, and in particular section 11 thereof, we attest that we have reviewed the information contained in the report for the entities listed above. Based on our knowledge, and having exercised reasonable diligence, we 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 in the report.

Per:   
\_\_\_\_\_  
Name: Matthew Tallman  
Title: Director

Per:   
\_\_\_\_\_  
Name: Marc Tallman  
Title: Director

We have the authority to bind each of H. Tallman International Corporation, Princess Group Inc. and Princess Auto Ltd.