



# Refrigerative Supply Limited

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

May 31, 2024

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## Background

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This report is made on behalf of Refrigerative Supply Limited (referred to as, “RSL”, “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 January 1, 2023, to December 31, 2023. This is the first version of the report submitted by RSL.

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 the 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 chains.
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) 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.
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 chains.

# 1. Steps Taken by Entity

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To address the requirements of Bill S-211, the following steps have been undertaken by RSL 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 RSL's accounting and production departments, and an independent consulting firm where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key stakeholders, management, and personnel; obtaining necessary documentation; and developing a draft timeline for the required analysis, and ultimately for report preparation were completed.

## Step 2 - Scope Identification

Our management conducted an assessment and identified relevant business areas by analyzing RSL's financial statements and other data to understand transaction streams and accounts related to our supply chains, both at a consolidated company and individual business entity level. We documented RSL'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 chains. Additionally, our management evaluated and considered delivering training programs to ensure our team members' effectiveness in meeting the Act's requirements and documented policies relevant to supplier conduct.

## Step 3 - Risk Assessment

Our management reviewed the supply chains 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, category of goods, and origin of goods.

## Step 4 - Remediation and Action Plans

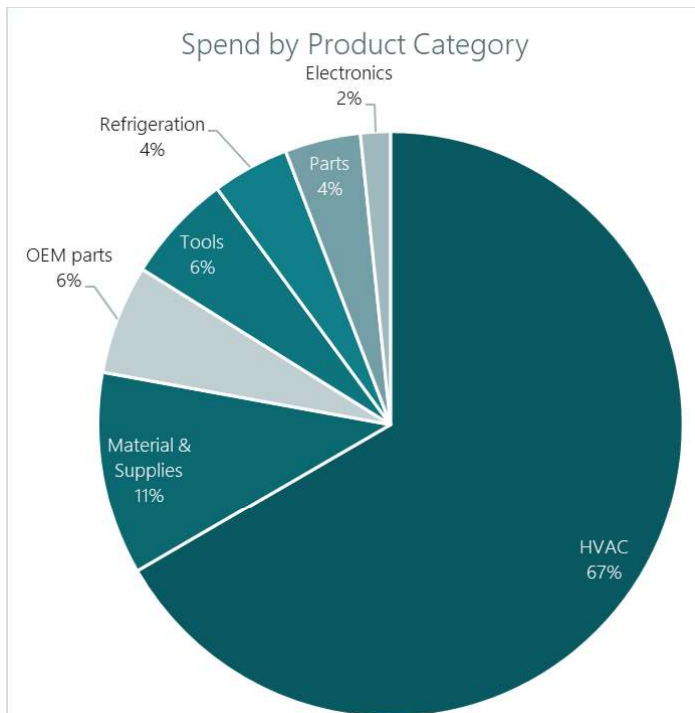
Based on the results of our risk assessment (please refer to Section 4 for details), 1 supplier has been specifically identified as being a medium risk due to the purchase volume and category of goods, however the origin of the goods is not a high-risk country. As a result, the overall risk assessment for this supplier is low risk and thus there is no need to develop or implement any remediation efforts.

## 2. Structure, Activities and Supply Chains

This Bill S-211 report is for RSL which is engaged in the wholesale distribution of heating, ventilation, air conditioning, and refrigeration (HVAC-R) parts and equipment. RSL is a privately owned entity located in Burnaby, British Columbia.

All of RSL's supply chains are sourced from Canada and the US, thus inherently carrying lower risk of forced labour or child labour. For fiscal year 2023, RSL's supply chains spend primarily consisted of the following activities:

- Heating, Ventilation, and Air Conditioning (HVAC) (67%)
- Material & Supplies (11%)
- Tools (6%)
- Original Equipment Manufacturer (OEM) Parts (6%)
- Refrigeration (4%)
- Parts (4%)
- Electronics (2%)



### 3. Policies & Due Diligence

RSL has the following policies and due diligence procedures in place in relation to procurement practices:

- 1) Requests of compliance have been sent to all current suppliers to ensure they are meeting the Bill S-211 requirements.
- 2) If any suppliers do not provide sufficient written documentation, purchases will immediately be frozen until it is provided.
- 3) Any existing inventories of suppliers who do not meet Bill S-211 obligations will be sold with the intent of sourcing replacement items from compliant suppliers.

Additionally, RSL will establish a code of conduct that requires sign-off by employees on an annual basis and will implement a clause related to Bill S-211. RSL will continue to review procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers on an annual basis through performance review.

### 4. Risk Assessment

To manage the risks associated with forced and/or child labour, RSL employs a systematic approach to classify suppliers into low, medium, and high-risk categories. This involves evaluating a combination of multiple factors, including the origin of goods, the category of goods, and significance of spend.

#### Origin of Goods

All RSL’s suppliers are based in Canada and the United States, both of which are considered low-risk countries with respect to forced labour and child labour.

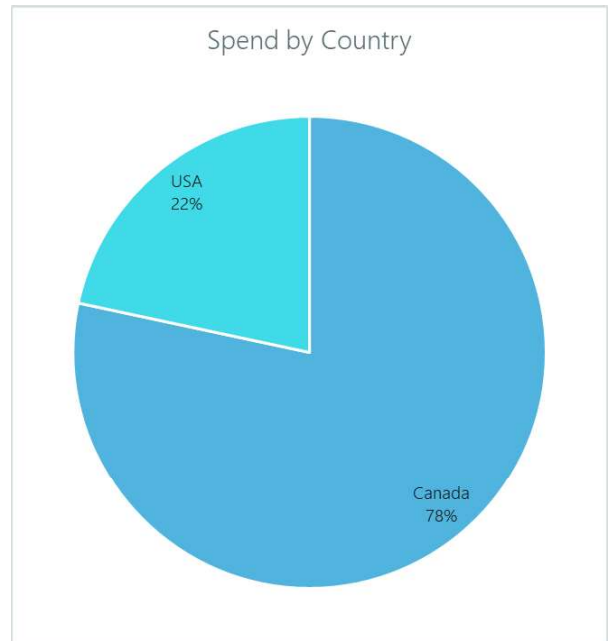
The risk assessment of the origin of goods references, amongst other publicly available data, the US Department of Labour (<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods/supply-chains>).

#### Category of Goods

RSL’s product categories procured include 1 high risk category (Electronics) which constitutes roughly 2% of total spend. The remaining product categories are considered low risk.

The risk assessment of the category of goods references the US Department of Labor.

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



### **Spend**

The spend risk rating utilizes stratification of spend per vendor into three intervals to assess the significance (and accordingly, risk level) associated with supply chains expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classification is as follows:

- Expenditures that are equal to or less than 2% of the total annual supply chains spend are considered low risk.
- Expenditures that fall between 2% and 3.5% of the total annual supply chains spend are classified as medium risk.
- Expenditures that equal or exceed 3.5% of the total annual supply chains 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 suppliers belong to publicly traded companies that are subject to rigorous reporting standards, fostering greater transparency.
- Long-term Partner (Low Risk): Supplier with whom RSL has maintained a long-term relationship, consistently proving their commitment to ethical labour practices.
- Suppliers with Unionized Workforces (Low Risk): Suppliers that have their workforce represented by labour unions are recognized for their advocacy of workers' and human rights.

Based on our comprehensive risk assessment, management evaluated roughly 200 suppliers to develop this report. The assessment revealed that one medium risk supplier based on the category of good and the magnitude of total spend. The remaining suppliers are all assessed as having a low risk of forced labour and child labour.

## **5. Remediation - Forced & Child Labour**

RSL has not identified any instances of forced and child labour and our risk assessment and analysis, as described previously, does not reveal any high-risk exposures. Consequently, there are currently no remediation efforts required.

Should RSL be made aware of any potential issues regarding conditions of forced or child labour within our supply chains, RSL is committed to promptly address such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, developing appropriate corrective actions with the supplier, and ensuring applicable corrective actions are implemented.

## **6. Remediation - Vulnerable Family Income Loss**

As noted above, there have been no instances identified by RSL of forced labour or child labour. As such remediation does not apply.

## 7. Awareness Training

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No training related to child labour and/or forced labour has been conducted as of this report. RSL will offer training in June to all relevant employees on identifying, assessing, and responding to the risks associated with child labour and/or forced labour within RSL's operations and supply chains.

RSL recognizes the importance of having employees aware of signs of child and forced labour and will incorporate training on this topic as well as incorporating this topic in the Code of Conduct.

## 8. Ensuring Effectiveness of Processes

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On May 31, 2024, RSL completed and reported our initial assessment of Bill S-211, and we remain committed to ongoing reviews of our processes, policies, and practices, including the assessment of our suppliers. This commitment is aimed at aligning with industry best practices and mitigating our risks related to forced labour and child labour.

### **Policies and Procedures**

RSL's policies and procedures will be reviewed to identify gaps and further strengthen and reduce the risk of forced and child labour within our activities and supply chains now and in the future.

A Code of Conduct will be implemented for all staff and a forced and child labour clause will be included in the Code of Conduct. This clause will explicitly state that RSL has zero-tolerance for forced and/or child labour. Employees will be required to annually acknowledge and sign-off on the Code of Conduct, representing their adherence to RSL's policy.

### **Supplier Activities**

**Supplier Agreement:** RSL has identified the opportunity to implement a clause within new supplier agreements clearly stating our zero-tolerance for child labour and forced labour. This clause will identify the outcome or disciplinary action should an instance of child or forced labour be reported to or discovered by RSL.

**Supplier Monitoring:** Key suppliers of RSL will be monitored on an annual basis through performance reviews. Record keeping for frequency of reviews and date of last review will be kept in a centralized system to ensure these reviews are being performed by RSL management.





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 RSL. This report covers financial year 2023 and applies to RSL in terms of the Act.

Linda Gibbs As approved and accepted by Linda Gibbs

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Full Name Signature

Board Member May 30, 2024

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Title Date

Alison Hamilton As approved and accepted by Alison Hamilton

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Full Name Signature

Board Member May 30, 2024

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Title Date