

Royal J&M Distributing

Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023 Report For the year ended December 31, 2023

1. Introduction

This is a report (the “Report”) prepared by Royal J&M Distributing (“Royal Distributing” or the “Company” or “our” or “we”) for the financial year ending December 31, 2023 (“Fiscal 2023”). This Report constitutes the first Report made by the Company pursuant to Canada’s new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

2. Steps to prevent and reduce the risks of forced labour and child labour

The Company took the following steps during Fiscal 2023 to prevent and reduce the risk of forced labour or child labour in its business and supply chains:

- Partnered with *Current Consulting*, an external consulting firm to audit, inspect and review practices and policies of all of our supply chain partnerships abroad.
- Evaluated requirements for engaging new vendors who supply our proprietary branded products and updated these requirements in order to reduce the risk of forced and/or child labour.

3. Structure, activities and supply chains

Structure

Royal J&M Distributing (“Royal”) is a privately owned portfolio company of Prairie Capital. The head office is located at 925 Woodlawn Rd. W., Guelph, Ontario, N1K 1B7.

Royal has grown since 1990 to become Canada’s leader in the powersports industry. Through five Ontario-based retail brick and mortar locations and a robust eCommerce platform, we sell parts and accessories for snowmobiles, ATVs, UTVs, motorcycles, dirt bikes, bicycles and water sports.

As of December 31, 2023, we employed over 200 employees between our corporate headquarters, distribution centre and retail stores.

Activities

Royal’s primary activities include the procurement, distribution and sale of powersports parts, apparel and accessories. Our stores specialize in the retail sale of powersports parts, apparel and accessories and our eCommerce platform offers customers another access point to our product offerings which would come from our distribution centre or in some cases direct from our vendors. Our distribution centre also supplies goods to our retail locations.

In addition to the extensive selection of national branded products offered through our sales channels, we sell some private label brands of parts and accessories.

Supply Chains

The products we distribute and sell, and the goods we procure for use in our business operations, are sourced from a wide variety of domestic and international suppliers. We purchase most of our merchandise centrally from manufacturers, wholesalers, manufacturers' representatives, and importers.

Our strategy is to source merchandise directly from the lowest cost suppliers that meet our high-quality standards while maintaining appropriate supply chain resiliency. During 2023, our merchandise was sourced from China, Taiwan, Pakistan, Poland, Myanmar and domestically.

4. Policies, Governance & Due Diligence Processes

Vendor Requirements

We expect our suppliers to comply with applicable laws, including labour, safety, anti-corruption, and environmental law, and to otherwise meet our supplier standards. Our Vendor Supplier Requirements include compliance standards, including prohibitions against the use of forced labour and child labour.

Due Diligence Processes

In our partnership with *Connect Consulting* we take due diligence steps to assess manufacturers of our proprietary brands. Starting in Fiscal 2023, all proprietary brand manufacturers were required to be deemed acceptable via third-party audit reports. This is a process that will be repeated annually.

5. Assessing and managing potential risks

In 2023, the Company developed and executed an assessment of the risk of forced labour and child labour in its supply chains via *Connect Consulting*. Through this third party, a risk assessment and due diligence review on our direct suppliers was completed. Our assessment in 2023 did not identify any instances of child or forced labour. However, we recognize that child and forced labour can occur in every industry, sector and geographic location. As such, there is a potential for certain risks of child and forced labour occurring in Royal Distributing's supply chains. With respect to our procurement, we are aware that some of our imports originate from higher-risk jurisdictions. In response to the awareness of those potential risks, as set out above, Royal Distributing will focus our risk assessment and due diligence review 2024 on those higher-risk jurisdictions. Globally, due to our audit practices, Royal Distributing views the risk of child and forced labour in its supply chains as low.

Royal Distributing intends to enhance its assessment and management of the risk of forced and/or child labour in 2024.

6. We did not identify any instances of forced labour or child labour

In 2023, we did not identify any incidences of forced labour or child labour in our direct business activities or our supply chain, and as a result, no remediation measures were taken by the Company, including those related to remediating the economic impact of remediation efforts on the most vulnerable families.

7. Training

During 2023, training on the requirements of the Act was provided as a self-study to senior leadership of departments responsible for the procurement of goods for the Company.

In 2024, we will be providing further self-study and online guided training on the Act to our executive leadership team and the management team of departments responsible for procurement of goods for the Company. This training will be managed and tracked through our LMS (Learning Management System) to ensure all relevant individuals have completed the training.

8. Assessing effectiveness

The Company has certain measures in place to prevent and reduce the risk that forced labour or child labour is used in our business operations and supply chains, as discussed in this Report. We are considering implementing processes, where applicable, to assess the effectiveness of the measures taken to prevent and reduce the risks of forced labour and child labour in our supply chain.

9. Approval and Attestation

This Report was approved by the Board of Directors of Royal J&M Distributing pursuant to subparagraph 11(4)(b)(ii) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I hereby 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.

Jordan Smart

Jordan Smart
Chief Executive Officer, Royal J&M Distributing
May 28, 2024