



# Tom Lee Music Ltd.

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

May 31, 2024

# Table of Contents

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Background .....	3
1. Steps Taken by Entity .....	4
2. Structure, Activities and Supply Chains .....	5
3. Policies & Due Diligence .....	6
4. Risk Assessment .....	6
5. Remediation - Forced & Child Labour .....	7
6. Remediation - Vulnerable Family Income Loss .....	8
7. Awareness Training .....	8
8. Ensuring Effectiveness of Processes .....	8

## Background

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This report (is made on behalf of Tom Lee Music Co. Ltd and certain of its subsidiaries listed below (collectively, "Tom Lee", "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 April 1, 2022, to March 31, 2023. This is the first version of the report submitted by Tom Lee.

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



# 1. Steps Taken by Entity

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To address the requirements of Bill S-211, the following steps have been undertaken by Tom Lee 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 Tom Lee's accounting department and an independent consulting firm, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key stakeholders 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

Management of Tom Lee conducted an assessment and identified relevant business areas by analyzing Tom Lee's financial statements and other data to understand transaction streams and accounts related to our supply chain, both at a consolidated company and individual business entity level. We documented Tom Lee'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 chain. Additionally, management evaluated and delivered 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

Tom Lee's management reviewed the supply chain 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; categories of goods and origin (jurisdiction) of the suppliers and the origin of their goods.

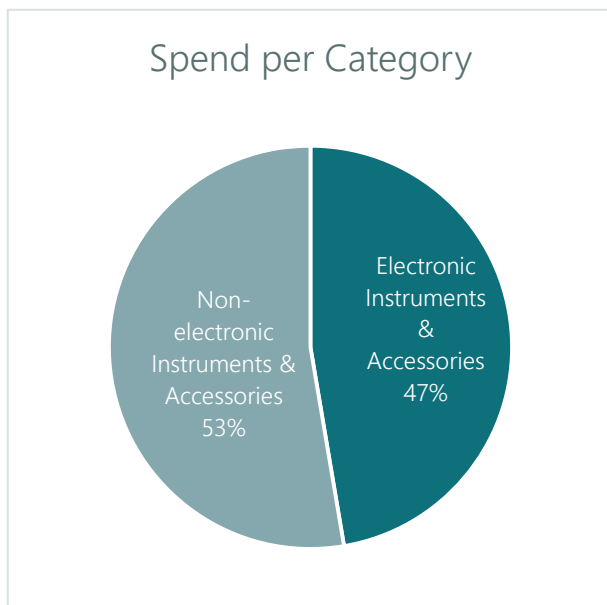
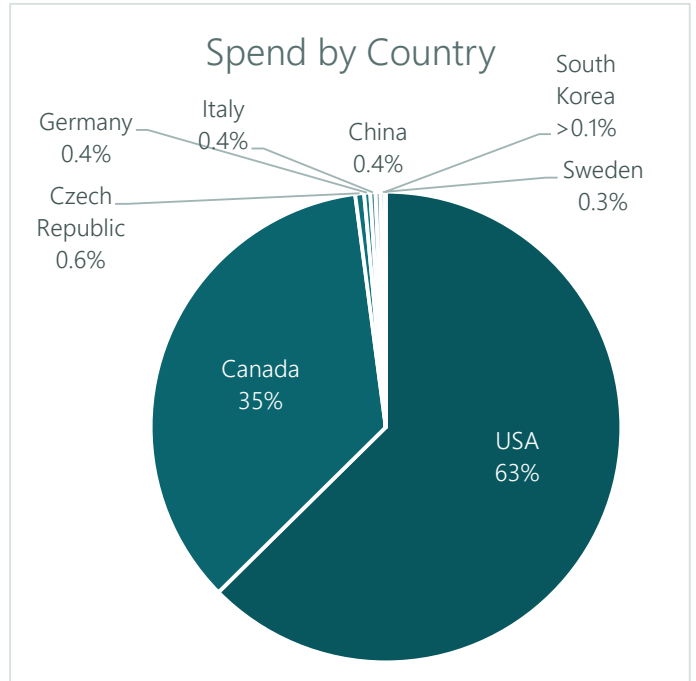
## Step 4 - Remediation and Action Plans

Based on the results of our initial risk assessment (please refer to Section 4 for details), two suppliers were identified as posing a medium risk. As a result, there is no need to develop or implement any remediation efforts.

## 2. Structure, Activities and Supply Chains

This Bill S-211 report is for Tom Lee Music Co. Ltd, which is engaged in the retail industry of buying and selling musical instruments and other music related items (e.g., sheet music, electronics, etc.) on Vancouver Island and the Greater Vancouver area. Tom Lee also provides services and education to its retail customers.

Almost all of Tom Lee’s supply chain is sourced from Canada and the US, thus inherently carrying lower risk of forced labour or child labour. Less than 2% of the supply chain comes from other low risk countries, such as Germany, Italy, Sweden, South Korea, and Czech Republic. There is less than 1% of total purchases sourced from China, which is an extreme risk country. However, as the spend and product risk are both low for the vendors from China, these vendors are not considered to be high risk.



For fiscal year 2023, Tom Lee supply chain primarily consists of a fairly even split between these two product categories:

- Electronic Instruments and Accessories
- Non-electronic Instruments and Accessories

## 3. Policies & Due Diligence

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Tom Lee has not developed specific formal policies and due diligence procedures in place as it pertains to forced and child labour mitigation. We will review procurement practices to further enhance the rigor of our due diligence processes including raising awareness with suppliers. Tom Lee have the following policies and due diligence procedures in place in relation to procurement practices

1. Employee Handbook: The handbook includes the behavioural expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the handbook speak directly to the respectful treatment and behaviour of employees.
2. Code of Conduct: Certain elements of Tom Lee's code of conduct relate to conducting work in an ethical and professional manner and expected behaviour that must be followed. Tom Lee also commits to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of discrimination.
3. Purchasing policy: A purchasing policy is in place, and speaks to the importance of transparency and sustainability in the vendor selection process, as well as regular performance reviews being performed on vendors.

## 4. Risk Assessment

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To manage the risks associated with forced and child labor, Tom Lee 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

Almost all of Tom Lee's spend in 2023 came from suppliers based in Canada and the United States, both of which are considered low-risk countries with respect to forced labor and child labor.

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

We assessed the category of goods based on the following considerations:

- Electronics: Electronic musical instruments, and electronic components of non-electronic instruments, are considered extreme risk as electronics typically are high risk and/or come from high-risk countries.

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, the risk level) associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classifications are:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 3% of the total annual supply chain spend are classified as medium risk.
- Expenditures that equal or exceed 3% of the total annual supply chain 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.
- Long-term Partner (Low Risk): Suppliers with whom Tom Lee 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 over 70 suppliers for this report. The assessment revealed that **two** of the suppliers pose a medium risk of forced labour or child labour due to the volume of spend (61% and 20% respectively) and category of goods that include high risk electronic components.

## 5. Remediation - Forced & Child Labour

To date, Tom Lee has not identified any instances of forced or 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 Tom Lee be made aware of any issues regarding the behaviour or conditions within our supply chain, Tom Lee 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 such corrective actions are implemented.

## 6. Remediation - Vulnerable Family Income Loss

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

## 7. Awareness Training

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Tom Lee continues to offer training to all employees on identifying, assessing, and responding to the risks associated with child labor and forced labor within Tom Lee's operations and supply chains. The first training session addressing child or forced labor was conducted on April 4, 2024, which included introduction to Bill S-211 from global and Canadian perspectives, what steps need to be taken, and an action plan to ensure compliance with the Bill's requirements. Other training on relevant topics is outlined below:

1. During the onboarding process for new employees, Tom Lee provides training on our Code of Conduct. This Code contains aspects related to forced labour and/or child labour through non-discrimination, anti-harassment, and professional behaviour clauses. This training is mandatory.
2. Tom Lee recognizes the importance of having employees aware of signs of child and forced labour and has identified the opportunity to incorporate training on this during the onboarding process and throughout its existing Code of Conduct policy.

## 8. Ensuring Effectiveness of Processes

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On May 31, 2024, Tom Lee 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 leading practices and mitigating our risks related to forced labor and child labor.

### **Policies and Procedures**

A review of Tom Lee's policies and procedures related to forced labour and child labour will be conducted, to identify gaps to further strengthen and reduce the risk of this within our activities and supply chains now and into the future.





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 Tom Lee Music Co. Ltd. This report covers financial year 2023 and applies to Tom Lee Music Co. *Inc.* in terms of the Act.

Jeffrey Lee

A handwritten signature in black ink, appearing to be "J Lee", written over a horizontal line. Below the signature is the label "Signature".

Full Name

Signature

Director

May 31, 2024

Title

Date