



Walters Automotive Group

Forced Labour and Child Labour in Supply Chains Company
Assessment

May 27, 2024

Jen Hayes, B.Eng, MBA, PMP
Partner, Consulting
Jen.Hayes@mnp.ca
T: 416.515.5055



Attention: Dan McInnes
Chief Financial Officer
Walters Automotive Group Inc.
1010 Manitoba Avenue
Selkirk, MB R1A 3T7

Dear Dan,

Re: Assessment of Forced Labour and/or Child Labour in Supply Chains

Enclosed is the final report for the assessment of Forced Labour and/or Child Labour in Supply Chains of Walters Automotive Group ("the Company", "the Group", or "Walters Automotive"). The intent of this report is to provide an evaluation of the Company's current state, in response to the reporting criteria of Canada's Bill S-211 - *An Act to support the Fighting Against Forced Labour and Child Labour in Supply Chains Act* and to amend the Customs Tariff ("the Bill" or "Bill"). This engagement evaluates all reporting criteria under this Bill. Reporting under this Bill is the Company's responsibility, and due on or before May 31 of each year, beginning in 2024. This report must be approved by the governing body of the Company.

This report also identifies opportunities for the Company to enhance controls and activities related to Forced Labour and Child Labour within the organization and supply chains.

We wish to express our sincere thanks to the staff of Walters Automotive Group for their assistance during the completion of this assessment. Should you have any questions regarding the content of our report, please do not hesitate to contact me at 780.969.1475.

Regards,

A handwritten signature in black ink, appearing to read 'Jen Hayes'.

Jen Hayes, B.Eng, MBA, PMP
Partner, Consulting
Jen.Hayes@mnp.ca
T: 416.515.5055

MNP LLP

Table of Contents

Executive Summary	3
Background	4
Identifying Information	4
Steps Taken by Entity	5
Structure, Activities & Supply Chain	6
Policies & Due Diligence.....	9
Risk Assessment Company Activities & Supply Chain.....	11
Remediation Vulnerable Family Income Loss	11
Awareness Training	12
Conclusion Key Takeaways.....	12
Attestation.....	13

Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. 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 practices are addressed and eradicated from their supply chains.

Walters Automotive Group is taking the following steps to comply with the Bill, including:

- **Mapping activities:** identifying the activities of the company to understand how goods are produced, manufactured, grown, sold, or distributed, and where these activities exist.
- **Mapping supply chains:** identifying components of the company's supply chain including who the suppliers are, country of origin, as well as the good supplied.
- **Conducting internal assessments of risks:** The company partakes in general risk management which includes identifying events which could affect the company from achieving its strategy, and the associated mitigation activity.
- **Due diligence processes and policies:** The company has Human Resource (HR) policies and manuals, although nothing specific to voluntary recruitment of forced and child labour. Staff agree to these HR policies and manuals when joining the organization. As a general due diligence measure (internal control), Driver's Licenses are verified at the time of hiring. There is an individual appointed by the company to oversee policies and compliance.
- **Supplier due diligence:** The company uses due diligence measures when choosing and selecting suppliers to engage with, including community reputation, past performance, commodity pricing, and likelihood of deliver. The company also uses a system of oversight to monitor and oversee their performance.

Background

The measures introduced through former Bill S-211, a bill to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff Act (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- 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.
- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business 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.
- Any measures taken to remediate any forced labour or child labour.
- 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.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

The financial year for which Walters Automotive Group is reporting is January 1st, 2023, to December 31st, 2023. This is the first version of the report submitted by the entity.

Identifying Information

The following details outline the structure of the Company:

Identifying Information	
Reporting Entity's Legal Name:	Walters Automotive Group Inc. (BIN: 733520001)
Financial Reporting Year	2023
Business Number	733520001
The legal names and business numbers of each entity covered by this report:	Selkirk Chevrolet Buick GMC Ltd. (BIN: 864972500) Steele Ford 1980 Ltd. (BIN: 105009203)

HDW Holdings Inc. (BIN: 750507873)

Fairway Ford Sales Ltd. (BIN: 101732097)

6204902 Manitoba Inc. o/a "Highway Mazda" (BIN: 835303918)

Westward Ford Sales Ltd. (BIN: 105655450)

The categorizations that apply to the Company

The Walters Group:

- Has a place of business in Canada,
- Does business in Canada, and
- Has assets in Canada.

The Walters Group:

- Has at least \$20 million in assets for at least one of its two most recent financial years,
- Has generated at least \$40 million in revenue for at least one of its two most recent financial years, and
- Employs an average of at least 250 employees for at least one of its two most recent financial years

Sectors or Industries that the Entity operates in

Retail Automotive

In what country is the entity headquartered or principally located

Canada

Steps Taken by Entity

During the previous financial year, Walters Automotive Group has taken the following steps 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:

- **Mapping activities:** identifying the activities of the Walters Group to understand how goods are produced, manufactured, grown, sold, or distributed, and where these activities exist.
- **Mapping supply chains:** identifying components of the group's supply chain including who the suppliers are, country of origin, as well as the good supplied.
- **Conducting internal assessments of risks:** The group partakes in general risk management which includes identifying events which could affect the company from achieving its strategy, and the associated mitigation activity.

- **Due diligence processes and policies:** The Walters Automotive Group has Human Resource (HR) policies and manuals, although nothing specific to voluntary recruitment of forced and child labour. Staff agree to these HR policies and manuals when joining the organization. As a general due diligence measure (internal control), Driver's Licenses are verified at the time of hiring. There is a human resources professional appointed by the Group to oversee policies and compliance.
- **Supplier due diligence:** The company has due diligence measures when choosing and selecting suppliers to engage with, including community reputation, past performance, commodity pricing, and likelihood of delivery.
- **Due diligence processes and policies:** The Group has a process for workers to report, without fear of retaliation, matters related to forced and child labour; namely, they have a Whistleblower policy and an HR Leader. The organization maintains internal accountability standards and procedures to respond to failure by workers to meet organization policies; although, these are not specific to forced and child labour. The Group does have an Employee Handbook that defines policy violations, although not specific to forced or child labour.
- **Monitoring suppliers:** The company has annual reviews in place of suppliers, to ensure performance obligations are being met.

Structure, Activities & Supply Chain

The Walters Automotive Group is a family owned and operated group of companies with six franchise retail automotive stores all located in Manitoba. The Walters Group has exclusive contracts with the following original equipment manufacturers ("OEMs"): Ford, GM, Chrysler, Mazda, and Harley Davidson. Combined, the group employs approximately 350 people.

Structure

Don Walters and his son, Matthew Walters, are the second and third generation owners of the dealership group and are ultimately responsible for the management of the Group. The Walters Automotive Group has a consolidated executive administrative team overseeing all dealerships' finances, human resources, marketing, and inventory to ensure consistency and oversight. Each dealership also has a General Manager to provide day-to-day oversight of operations.

This report has been compiled in relation to the activities, supply chain and risk assessment associated with Walters Automotive Group Inc. (BIN: 733520001), Selkirk Chevrolet Buick GMC Ltd. (BIN: 864972500), Steeltown Ford 1980 Ltd. (BIN: 105009203), HDW Holdings Inc. (BIN: 750507873), Fairway Ford Sales Ltd. (BIN: 101732097), 6204902 Manitoba Inc. o/a "Highway Mazda" (BIN: 835303918), and Westward Ford Sales Ltd. (BIN: 105655450), hereafter referred to as "Walters Automotive", "The Walters Automotive Group" and the "Companies".

Activities

The Walters Automotive Group operates six franchise retail automotive dealerships that sell new and used vehicles, parts, and service to consumers.

Supply Chain:

Generally, dealers are required to source new cars and parts from their respective OEMs. The Walters Group also purchases used vehicles through customer trade-ins and new and used parts outside of their OEM agreements for resale though no one supplier making up 1% of their procurement is headquartered outside of Canada or the US.

The following outlines specific, relevant policies of the Walters Group's OEMs:

Ford Motor Company ("Ford"):

Ford has a publicly posted statement addressing forced/child labour policies titled, "Global Modern Slavery and Human Trafficking Transparency". The following outlines the highlights of this statement showing Ford's commitment to ending forced/child labour:

- Ford has signed an Action Pledge for the United Nations' International Year for the Elimination of Child Labour. This pledge describes activities taken by Ford, and other companies who have signed, to eliminate child labour.
- By signing this pledge, Ford is required to implement policies and due diligence processes within the human rights policy prohibiting the use of child labour in suppliers and business partners activities.
- Ford's policy, titled "We Are Committed To Protecting Human Rights and the Environment" explicitly addresses their stance on anti-forced labour and child labour.
- Ford requires internal recruitment practices and those of suppliers, to comply with ethical principles. This includes prohibiting the use of forced labour.
- Ford also has a "Social Responsibility and Anti-Corruption Supplier Guide" that aligns with their Supplier Code, prohibiting the use of child labour and forced labour.
- The Ford Motor Company uses a third-party tool, Responsible Business Alliance, to assess the human rights risks across globally at Ford manufacturing facilities. This tool identifies areas where human rights risks exist within Ford's facilities.
- Human rights training is offered to employees & suppliers.
- Ford utilizes a supplier questionnaire: Tier 1 production suppliers are required to complete the Sustainability Self-Assessment Questionnaire to evaluate social and environmental risks.
- Ford requires third-party supplier audits of tier-1 supplier's factories. Auditors review several factors related to the anti-use of child labour and forced labour.

General Motors Company ("GM"):

GM has publicly posted the 2022 "GM Global Human Rights Policy" addressing forced/child labour policies. The following outlines the highlights of this policy showing GM's commitment to ending forced/child labour:

- Their human rights policy states their commitment to the elimination of forced labour and

- abolition of child labour
- GM has an “Anti-Slavery and Human Trafficking Statement” which states a zero-tolerance for the use of child labour in the supply of goods and services to GM
- GM requires direct first tier suppliers to validate the risk of forced labour within supply chains
- GM provides their suppliers training to educate suppliers on human trafficking and slavery, including fundamental principles of responsible working conditions.
- General Motors has a “Responsible Minerals Sourcing Policy” showing commitment to sustainable and responsible sourcing of goods and services throughout supply chain.
- GM’s “Saliency Assessment Process” is their human rights due diligence evaluation, validation, and action to ensure to human rights.
- GM uses “Eco Vadis” to assess supplier management systems to support environment, labour and human rights, ethical and sustainable procurement. Their assessment includes evaluation of company’s policies and practices related to human rights-related issues.

Stellantis Group – Chrysler, Jeep, Fiat, Dodge (“FCA”)

FCA has publicly posted the “2020 Sustainability Report” addressing its forced/child labour policies. The following outlines the highlights of this policy showing FCA’s commitment to ending forced/child labour:

- In their “Human Rights Guidelines” – FCA prohibits the use of child labour and forced labour and expects suppliers, contractors, and other business partners to adhere to human rights standards
- FCA conducts an annual survey to detect child and forced labour globally, at FCA companies.
- A human rights self-assessment is performed by their audit and compliance groups to cover due diligence requirements of the UN. Ruggie’s standards: “Framework on Business and Human Rights” areas covered in the assessment include child and forced labour.
- FCA has an Ethics Helpline, used to report instances of human rights violations; and
- FCA has a policy on responsible sourcing where they work with suppliers to enhance transparency regarding raw material origin and human rights.

Mazda Canada Inc. (“Mazda”)

Mazda has publicly posted the “Modern Slavery Report for the Financial Year: April 2023-March 2024” which addresses its force/child labour policies. The following outlines the highlights of this report showing Mazda’s commitment to ending forced/child labour:

- Mazda’s Human Rights Policy – states Mazda is committed to upholding, promoting, and respecting human rights.
- Mazda follows the United Nations Global Compact – signed in 2014, to protect human rights, eliminate all forms of forced labour, undertaking environmental initiatives, and working against corruption.
- Mazda adopted supplier CSR Guidelines in 2010, to promote Corporate Social Responsibility activities among suppliers such as prohibition of child labour and forced labour, and requests that suppliers comply with these guidelines.
- The Dealer Sales and Service Agreement outlines each party’s respective rights and obligations concerning, among other things, the wholesale purchase, retail sale, and after-sale repair and maintenance services of Mazda products to customers.

- Mazda has established policies and procedures to protect human rights and to encourage conducting business in an open and ethical way including Employee Standards of Conduct Policy, Workplace Health and Safety Policies and Procedures, Workplace Violence and Harassment Policy, and Termination of Employment Policy.
- Mazda's Sustainability Report aims to culturally deliver meaningful results for our earth, people and society.
- Mazda has a Business Partner Code of Conduct with expectations on promoting labour and human rights within supply chain. Non-compliance is not tolerated. Mazda is also implementing a requirement for suppliers to provide, upon request, what checks a supplier has done of its supply chain to prevent bribery, corruption, and slavery.
- Mazda states it is committed to termination of contracts, reporting of illegal activity to law enforcement agencies, and excluding offending suppliers from future opportunities to conduct business with Mazda Canada.

Harley Davidson, Inc. ("HD")

Harley Davidson has publicly posted its "Modern-Anti-Slavery-Statement-2022", which addresses its forced/child labour policies. The following outlines the highlights of this report showing HD's commitment to ending forced/child labour:

- HD states it complies with Section 54 of the Modern Slavery Act 2015
- HD has a Global Code of Business Conduct and an Employee Commitment document that outline processes and policies applicable to all direct employees and contract staff prohibiting involuntary labour and human trafficking.
- Tier 1 suppliers are required to comply with Supply Agreements, Supplier Onboarding Process, Supplier Code of Conduct, and Monitoring. Direct suppliers regularly certify that the materials incorporated into the product sold to Harley Davidson comply with the laws regarding slavery and human trafficking of the country or countries where they conduct business. High risk suppliers are subject to on-site audits.
- HD's Supplier Code of Conduct – contains language clearly prohibiting the use, of any form of slave, forced, bonded, indentured, or involuntary labour, regardless of local business customs.
- New and existing apparel/accessory suppliers are requested to sign a Forced Labour affidavit to affirm that goods are not mined, produced, or manufactured wholly or in part by forced labour.
- Annual reviews of supply base are conducted with required questionnaires on labour practices.

Policies & Due Diligence

Current policies & procedures

The Walters Automotive Group has the following policies and due diligence procedures in place in relation to forced labour and/or child labour:

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 document speak directly to the treatment and behaviour of employees. The Walters Group has specific, written policies on the employee complaints processes, consensual relationships, professional conduct, respectful workplace, safe work procedures, violence prevention, vulnerable workers, working alone, working hours, and workplace cleanliness.

2. **Code of Conduct:** Certain elements of the Group's code of conduct relate to conducting work in an ethical, and professional manner and expected behaviour that must be followed. The Group 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. The Walters Group has specific, written policies regarding harassment prevention, violence prevention, consensual relationships, professional conduct, and respectful workplace.
3. **New Employee Onboarding:** When hiring a new employee, the group provides an onboarding process, which includes reviewing the Code of Conduct. This document has aspects related to forced labour and or child labour through non-discrimination, anti-harassment and professional behaviour clauses.

The Group closely follows employment standards best practices. The Group currently has two dealerships certified by the Manitoba Sales & Service Safety Association ("S2SA") as meeting "SAFE Work" standards and they are in the process of certifying the remaining dealerships. S2SA provides industry-specific safety programs to enhance employee and customer safety. Each OEM also has standards and training protocols for dealership employees. The Walters Group is in compliance with these requirements.

4. **New Employee Hiring Process:** When the Group is interviewing potential employees for hiring, part of their due diligence process is reviewing government-issued ID. This process verifies the identity and birthdate of the applicant and is retained in their employee file.
The Walters Group provides employment opportunities for local high-school students. It requires the Safe Work Manitoba Young Worker Readiness Certification Course completion for anyone employed under the age of 16 to teach younger employees the basics of workers' and employers' rights and responsibilities for safety, health and the employment relationship.
5. **Whistleblower:** The Walters Group has a mechanism in place for employees to confidentially report violations of their expectations of honest and ethical employee conduct, other policies, morals or laws, or if they have questions or inquiries. The Walters group has specific, written policies and procedures regarding employee complaints and silent witnesses (whistleblowers).
6. **Employment Contracts:** Where employees are hired on a temporary or contract basis, the Group requires an employment contract, where the individual also signs-off that they have read and understood the Walters Automotive Group Standard Handbook and Safety Manual. This contract states that the Group's policies and procedures will be adhered to throughout the duration of their employment. The contract also states the individuals' rights and responsibilities including the amount of their salary or wage. Their Safety Manual outlines safety policies and requirements of the employee and employer.

7. **Supplier Due Diligence:** Nearly all vehicles and parts purchased for re-sale are through the Walters Group's respective franchise OEMs. Purchases outside of these agreements are subject to due diligence when choosing and selecting suppliers to engage with including considering community reputation, past performance, commodity pricing, and the likelihood of delivery. The group will approve, monitor, and oversee supplier performance; although, there is no formal policy to guide buyers on how they buy. The organization does collect information on its first-tier (direct) suppliers, including name and address, company (if applicable).

Risk Assessment Company Activities & Supply Chain

A risk assessment over the Walters Group's industry of operation, goods procured, and the countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are defined as those who account for at least 1% or more of the total procurement spend during the fiscal year. This risk assessment uses two separate indices to conclude on the inherent risk of child and/or forced labour related to the Entities' industries of operation, goods procured, and countries goods are procured from. The two indices are Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor.

Industry of Operation

The Walters Group operates within the retail automotive industry. The two indices noted above have identified an inherent risk exposure within this industry.

Country Which Goods are Procured From

For the purposes of this assessment, a review of countries which goods are procured from focused on the location of direct supplier's operations. Each direct material supplier of vehicles and vehicle parts is located within Canada or the United States and have been identified as having a low risk exposure to forced and/or child labour.

Goods Procured

As described in the previous section, the goods procured within the Walters Group supply chain are divided into the categories of vehicles and vehicle parts. These goods were not identified within the two indices, therefore concluding a low-inherent risk exists.

Remediation Vulnerable Family Income Loss

To date, there have been no instances identified by the Walters Group of forced labour or child labour within their activities or supply chains. Therefore, the Companies have not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains. However, to reduce the risk of child labour or forced labour within the Companies' activities and supply chain, the Companies will continue to have conversations and engage with suppliers on the subject. The Walters Group has identified the opportunity to implement and enhance policies and due diligence mechanisms to reduce the risk of child labour and forced labour within their activities and supply chain.

Awareness Training

The Group does not have formal training on forced labour or child labour however, does have formal training on relevant topics outlined below that are completed by all employees of the Walters Group:

- Workplace Violence and Harassment
- General Health & Safety for Workers

The group is exploring opportunities to provide training to all employees in identifying, assessing, and responding to risks of child labour and forced labour within the activities and supply chains of the group.

Conclusion Key Takeaways

The Group recognizes that there are opportunities to reduce the risk of child or forced labour within its activities and supply chains. The group is considering implementing the following, to reduce this risk and assess the effectiveness of doing so:

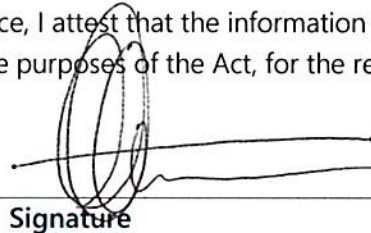
1. **Supplier Contracts:** Existing and new suppliers may be required to sign a contract with the Group, specifically outlining their responsibilities and adherence to the Group's policies and procedures. This contract would also specify that forced and/or child labour are not to be used in the suppliers' activities and, the Group will not do business with those who use forced labour and/or child labour.
2. **Code of Conduct Enhancement:** Walters Automotive is currently working to implement an "Intro to Forced Labour Training Course" into their training curriculum and to add formal policies stating a zero-tolerance for forced and child labour.
3. **Employee Compliance:** Employees will be required to annually sign-off on the code of conduct, representing their adherence to the Group's policy.
4. **Policies and Procedures:** An annual review of the group'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 activities and supply chains.
5. **Performance Indicators:** The group will track performance indicators relevant to forced labour and child labour such as, percentage of employees who partake in the to-be-implemented forced and child labour training, percentage of supplier contracts with anti-forced labour and child labour clauses.

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 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.

Matthew Walters

Full Name



Signature

President

Title

May 30, 2024

Date

I have the authority to bind Walters Automotive Group and this report covers financial year 2023 and applies to the Walters Automotive Group and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of the Walters Automotive Group if they apply.