



## Parts Canada Development Co.

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Forced Labour and Child Labour in Supply Chains Company  
Assessment

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## Executive Summary

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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.

Since 2024, we at Parts Canada have made significant strides in complying with Bill S-211. We've implemented a vendor form with a mandatory modern slavery questionnaire for new suppliers and consistently followed up with existing ones. Monthly risk and compliance updates are now reported to our board, and we've provided comprehensive training on child and forced labour to our procurement and management staff, with plans to expand this training across all relevant employees. These actions reflect our commitment to updating policies, managing our supply chain diligently, raising employee awareness, and ensuring our full compliance with Bill S-211.

## Background

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The measures introduced through Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps 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. 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.

# Introduction

This report is Parts Canada Development Co. ("Parts Canada" or "Entity") response to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

**Reporting entity's legal name:** Parts Canada Development Co.

**Financial reporting year:** October 1, 2023, to September 30, 2024

**Identification of a revised report:** N/A

Parts Canada satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

## Structure, Activities & Supply Chain

### Structure

Parts Canada operates as a corporation with its headquarters located at 1820 100th Ave NE #195, Calgary, Alberta. The Entity oversees two distribution facilities situated in Calgary, Alberta, and in London, Ontario. The Entity employs 155 individuals (as of December 2024) across various departments, including customer service, finance, operations, IT and marketing.

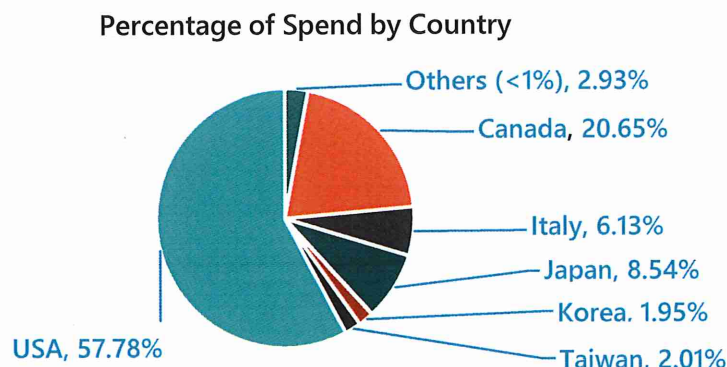
### Activities

Parts Canada is a distributor, specializing in the recreational and other motor vehicles industry. Offering nine house brands and sixty exclusive brands, Parts Canada collaborates closely with dealers across Canada.

The range of products distributed include parts and accessories for motorbikes, snowmobiles, street bikes, bicycles and ATVs, as well as helmets and apparel. These products span the sale categories of drag, street, helmet/apparel, off road, ATV, Snow, and E-Bike.

### Supply Chain

To support the product categories discussed above, the majority of Parts Canada's suppliers are from the United States, accounting for approximately 57.8% of the procurement spend in the fiscal year 2024. The remaining portion mainly comes from Canada, Japan, Italy, Taiwan, and South Korea. Suppliers from Switzerland, China, Great Britain, Luxembourg, the Netherlands, Pakistan, and Slovenia each contribute less than 1% and have been grouped into "Others" in the accompanying chart.





Parts Canada currently sources goods from a total of 168 vendors, with 149 located outside of Canada. This diverse supplier network reflects the global nature of the sourcing strategy, ensuring a broad range of products and services to meet market demands effectively.

## Policies & Due Diligence

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Parts Canada has the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and its supply chain:

### Current policies

#### Workplace Violence Policy and Workplace Harassment Policy

The policy aims to foster a safe and secure work environment free of violence. Employees are encouraged to report any instances of workplace violence to ensure timely intervention and resolution. The policies communicate a zero-tolerance stance towards workplace violence, affirming the commitment to employee safety. Regular assessments are conducted annually to verify compliance and effectiveness, reinforcing the organization's dedication to maintaining a violence-free workplace. Through these policies, the organization prioritizes the well-being and security of its employees, fostering a culture of trust and respect. Parts Canada has also taken extra steps by introducing a pop-up notification in the HR software, requiring existing employees to acknowledge policy updates related to modern slavery within the Harassment Policy.

#### Employee Conduct

The Employee Conduct policy emphasizes professional and considerate behavior among employees and provides measures for addressing abuse, infractions, negative conduct and awareness and prevention of forced or child labour. This policy ensures protection against discrimination for all team members. Employees are actively encouraged to report any violations to uphold a respectful and inclusive workplace culture.

#### Hiring and Onboarding Practices

Parts Canada's Recruitment Policy ensures fairness and thoroughness in hiring, maintaining integrity and equality. Hiring practices at Parts Canada include formalized and documented processes to ensure adherence to minimum age requirements and outline employee contracts, including minimum hours, overtime, and annual leave. This involves comprehensive background checks for all candidates which also checks the age of the applicant and once hired their SIN numbers are also used to double check that employees are legally allowed to work. New hires will also receive detailed offer letters and job contracts and must acknowledge company policies electronically.

During onboarding employees are required to review and sign off on the Employee Handbook, indicating their acknowledgment and agreement with its contents. This process underscores the importance of understanding and compliance with organizational policies and procedures and includes the aforementioned policies.

## Emergency and Injury Reporting

The Emergency and Injury Reporting Policy emphasizes Parts Canada's dedication to assisting employees in accessing medical assistance and facilitating their return to work. This policy reflects the organization's commitment to prioritizing employee well-being and safety. Employees are encouraged to report hazardous or dangerous conditions immediately to management for remediation, therefore, contributing to a safe working environment.

Parts Canada prioritizes the safety of its workforce, evident in the enforcement of mandatory personal protective equipment and the development of thorough safety protocols. These measures demonstrate the Entity's unwavering commitment to maintaining a secure working environment for its employees.

## Purchase Orders

With every purchase order dispatched to suppliers, Parts Canada includes its terms and conditions, which stipulate adherence to the laws of the Province of Alberta and Canada which encompasses Bill S-211 and addresses forced and child labour. This stance is an attempt to prevent suppliers from doing business with Parts Canada if they do not adhere to these crucial regulations. In doing so, Parts Canada reinforces its commitment to ethical business practices and the protection of human rights within its supply chain.

## Due diligence

Parts Canada is committed to ensuring compliance with Bill S-211 and reducing the risk that forced labour or child labour is used in their supply chain.

Recognizing the risks associated with suppliers manufacturing in high-risk regions, such as China, Parts Canada has proactively shifted some of its operations to other countries, including Vietnam. This strategic move aims to mitigate the risks of child and forced labour within the supply chain.

Another significant step taken is the integration of a clause within the Harassment Policy that explicitly prohibits child labour and forced labour.

Parts Canada is dedicated to continuously improving its due diligence processes to ensure ethical sourcing practices. This includes training to procurement staff on identifying and addressing risks related to child and forced labour. By taking these comprehensive measures, Parts Canada demonstrates its unwavering commitment to upholding the highest standards of ethical conduct and compliance with Bill S-211.

## Risk Assessment

A risk assessment over Parts Canada industry of operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of Parts Canada's total procurement spend during the 2024 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - Walk Free's Global Slavery Index and the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour.

## Industry of Operations

Parts Canada operates within the recreational and other motor vehicles industry. Given the two indices noted above have identified risks of child labour and forced labour inherent to the products procured below, it is concluded that this industry has an inherent risk exposure.

## Countries Goods are Procured From

Parts Canada does have visibility into where its suppliers' operations are based, and where factories are located. The risk assessment was based on this data.

A total of 12 countries have been identified for where goods are procured from. Of this list, 3 have been identified as having a risk exposure of child labour or forced labour, according to the two indices. The total number of supplier countries of origin have been summarized by continent:

1. North America: USA, Canada
2. Europe: Italy, Slovenia, Switzerland, Great Britain, Luxembourg, Netherlands
3. Asia: China, Japan, Taiwan, South Korea, Pakistan

While China, Pakistan and Taiwan had an inherent risk the remaining proportion of suppliers operate out of countries which based on the two indices, have a lower risk exposure of child labour and/or forced labour.

## Goods Procured

The products which Parts Canada distributes fall into the categories of parts and accessories for motorbikes, snowmobile, street bikes, bicycles and ATVs, as well as helmets and apparel. Using the two indices, an inherent risk of forced and/or child labour has been identified among the following categories of goods:

1. Apparel: garments/fashion accessories/footwear/gloves
2. Tires, snowmobile tracks, ATV/UTV track kits: rubber
3. Batteries, communication systems, LED lights: electronics

All other remaining goods procured are not specifically identified within the two indices, therefore it has been concluded that they have a low-inherent risk exposure. Further analysis and understanding by Parts Canada will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

# Remediation of Forced & Child Labour

Parts Canada is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. To date, Parts Canada has not identified instances of child labour or forced labour within its operations or those of suppliers. Parts Canada is continuing its review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.



## Awareness Training

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Parts Canada has trained a core team on the topic of child labour and forced labour to ensure they are aware of the requirements related to Bill S-211 compliance. This training covers the purpose and requirements of Bill S-211, which entities it applies to, how to identify signs of forced and child labour, and proactive strategies to prevent such practices throughout the supply chain. Recognizing the importance of setting the tone at the top, Parts Canada has included key management personnel, such as HR and Procurement directors, in this training. These leaders will drive compliance efforts to prevent child labour and forced labour within Parts Canada and its supply chain. Parts Canada recognizes the opportunity to enhance employee training relevant to this Act with the intention to roll out additional training, ensuring that all relevant staff members are aware of the requirements and processes related to Bill S-211 compliance.

Annual workplace violence and harassment training sessions are conducted, covering essential topics such as defining violence and harassment, guidance for employees on how to respond if they suspect an incident, and reaffirming Parts Canada's dedication to maintaining a violence-free workplace.

Parts Canada also performs routine workplace safety training for all employees. These courses are provided to educate employees on what a safe and healthy working environment is, as well as how to maintain it.

Additionally, during the onboarding of new employees, there is a requirement that they review the Employee Handbook to ensure employees understand Parts Canada's standards and expectations.

## Assessing Effectiveness

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To track Parts Canada's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

### Internal Activities

1. Policy review: Parts Canada has committed to continuing to review and update policies to ensure relevance and accuracy based on the current operating conditions in accordance with this Act.
2. Employee health and safety training: Annual training is provided to all employees regarding their health and safety within the work environment. Parts Canada keeps a listing of all courses to be delivered and the attendance for each, to understand and demonstrate these courses being provided to all employees.
3. Code of Conduct Acknowledgement: During employee onboarding, signing the code of conduct demonstrates employee understanding and commitment. Parts Canada recognizes the importance of incorporating an annual sign-off to reinforce employees' understanding of expected conduct and to promptly inform them of any document revisions. This process ensures ongoing adherence to the Entity's standards and practices.
4. Reporting on incident management: Parts Canada requires all workplace incidents to be reported to management. For each incident, an action plan is developed to resolve the incident in a timely



manner.

5. Monthly risk reporting to the board: Potential risks, including those related to Bill S-211 compliance, are flagged to the board monthly. This includes ongoing audits and updates to keep the board informed.

### Supplier Activities

1. Supplier Questionnaires: Parts Canada collects responses from all suppliers through detailed questionnaires that inquire about their risks and processes related to child labour and forced labour. These responses are maintained to understand the impact of Bill S-211 on the supply chain and assess the level of risk among vendors.
2. Supplier Onboarding and Compliance: Parts Canada emphasizes the importance of sending out a modern slavery questionnaire to all new and existing suppliers. This questionnaire is a mandatory part of the new vendor onboarding process and must be completed before a new supplier is set up. Continuous follow-up is conducted for suppliers who do not respond, especially those in high-risk countries. In the previous financial year, Parts Canada initiated the distribution of these questionnaires, addressing concerns regarding the mitigation of child labour or forced labour within supplier activities. This proactive approach exemplifies Parts Canada's commitment to ethical sourcing practices and accountability throughout its supply chain.
3. Terms and Conditions: With each purchase order, Parts Canada attaches its terms and conditions, requiring suppliers to adhere to Alberta Provincial and Canadian laws.
4. Vendor Scorecard: Parts Canada uses a vendor scorecard to evaluate suppliers. Suppliers who do not meet certain criteria may be terminated.
5. Company Assessment: Parts Canada has publicly shared a "Forced Labour and Child Labour in Supply Chains Company Assessment" on the Parts Canada webpage.

## Conclusion

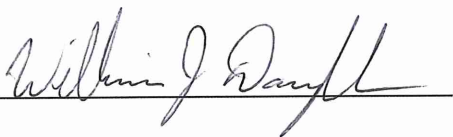
Parts Canada has made significant strides in improving its internal processes and policies to better comply with Bill S-211. Through enhanced supplier questionnaires, diligent reporting, and monthly risk assessments, the company has strengthened its commitment to ethical sourcing and workplace practices. The introduction of the modern slavery questionnaire for new and existing suppliers, alongside rigorous follow-ups, exemplifies the proactive approach to mitigating risks associated with child and forced labour.

Moreover, the continuous training provided to procurement and other relevant staff, as well as the regular updates and acknowledgements within the HR software, demonstrate an ongoing dedication to employee awareness and adherence to high standards. These efforts reflect the company's unwavering commitment to not only meeting the requirements of Bill S-211 but also leading by example in ethical business conduct.

Looking forward, Parts Canada remains steadfast in its mission to further refine and enhance its processes. By maintaining transparency, fostering accountability, and prioritizing ethical practices, the company will continue to work towards making substantial improvements, ensuring compliance and promoting a responsible supply chain for the future.

# 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 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.

William J. Danulyk	
Full Name	Signature
Vice President - Finance	March 12, 2025
Title	Date

I have the authority to bind Parts Canada Development Co.