



Parts Canada Development Co.

Forced Labour and Child Labour in Supply Chains Company
Assessment

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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.

Since 2024, we at Parts Canada have continued to strengthen our approach to complying with Bill S-211. During the reporting year, we maintained our supplier due-diligence practices through the use of a modern slavery questionnaire and contractual expectations embedded in our purchase order terms. In addition, we further reinforced internal awareness by posting a Bill S-211 Compliance Notice in employee common areas and on the Employee Avanti portal. Oversight of Bill S-211-related risks continues through regular risk and compliance reporting to the Board, supporting our ongoing commitment to responsible supply-chain management and compliance with the Bill S-211.

Background

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, 2024, to September 30, 2025

Identification of a revised report: Not Applicable, first report issued for this financial reporting year.

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 152 individuals (as of December 2025) across various departments, including customer service, finance, operations, IT and marketing.

Activities

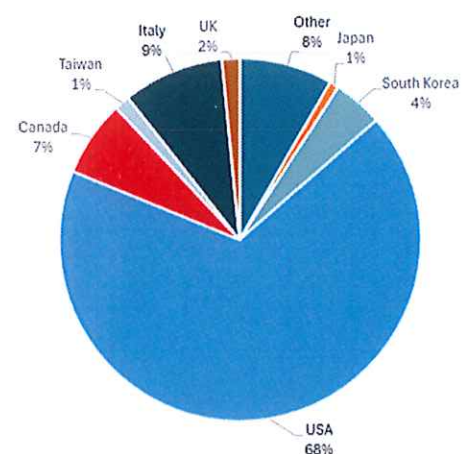
Parts Canada is a distributor, specializing in the recreational and other motor vehicles industry. Offering nine house brands and sixty exclusive brands, Parts Canada collaborates closely with dealers across Canada.

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 and Snow.

Supply Chain

To support the product categories discussed above, the majority of Parts Canada's tier one suppliers are from the United States, accounting for approximately 68% of the procurement spend in the fiscal year 2025. The remaining portion mainly comes from Canada, Japan, Italy, Taiwan, UK, and South Korea. While suppliers from Switzerland, France, Germany, Israel, China, Czech Republic, Poland, the Netherlands, Pakistan, Slovenia each contribute less than 1% and have been grouped into "Other" in the accompanying chart.

Parts Canada currently sources goods from a total of 249 vendors, with 228 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

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

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 to ensure timely intervention, affirming the commitment to employee safety. Annual regular reviews are conducted to verify compliance and effectiveness, reinforcing the organization's dedication to maintaining a violence-free workplace. Through this policy, the organization prioritizes the well-being and security of its employees, fostering a culture of trust and respect.

Workplace Harassment Policy

Parts Canada maintains a robust Workplace Harassment Policy that explicitly incorporates clauses addressing forced and child labour, underscoring its commitment to ethical standards and employee welfare. To ensure that all staff remain informed and compliant, the company has implemented a pop-up notification within its HR software. This feature requires existing employees to acknowledge every update made to policies, reinforcing awareness and accountability across the organization.

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 emphasize 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.

Supplier due diligence measures include the use of a Supplier Modern Slavery Questionnaire, which is distributed to suppliers as part of the vendor onboarding process and periodically to existing suppliers, as well as contractual controls embedded within purchase order terms and conditions.

In addition to HR system acknowledgements, Parts Canada reinforced internal awareness by posting a Bill S-211 Compliance Notice in employee common areas and on the Employee Avanti portal to promote visibility and understanding of forced labour and child labour obligations.

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 is performed annually 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 2025 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 has visibility into where its suppliers' operations are based, and where factories are located. The risk assessment was based on this data.

A total of 17 countries have been identified as countries of origin for where goods are procured from. Of this list, 3 have been identified as having a risk 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, UK, Slovenia, Germany, Switzerland, Poland, France, Netherlands, Czech Republic
3. Asia: China, Japan, Taiwan, South Korea, Pakistan, Israel

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 inherent risk 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/Textiles-related goods: garments/fashion accessories/footwear/gloves/ leather goods/accessories
2. Rubber products: Tires, snowmobile tracks, ATV/UTV track kits
3. Electronics products: Batteries, communication systems, LED lights and similar electronic components

All other remaining goods procured are not specifically identified within the indices, therefore it has been concluded that they have a low-inherent risk exposure; however, Parts Canada will continue to refine and mature this assessment as additional supplier information becomes available and as due diligence processes continue to evolve.

Remediation of Forced & Child Labour & the Remediation of Lost Income

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. Should instances of potential child or forced labour be identified they will be escalated with the Executive team who will implement an action plan to investigate and determine the appropriate actions required to address the situation.

Awareness Training

Parts Canada has undertaken initiatives to raise employee awareness about obligations regarding forced and child labour. These efforts include internal communications, policy acknowledgment, and specialized training for key team members in Human Resources and Procurement. The training addresses the purpose and requirements of Bill S-211, outlines applicable entities, teaches how to recognize signs of forced and child labour, and provides strategies to prevent such practices within the supply chain.

To enhance awareness, Parts Canada uses its HR system to ensure employees acknowledge updates to the Workplace Harassment Policy, which now includes provisions on forced and child labour. In February 2026, a Bill S-211 Compliance Notice was posted in employee kitchens, on bulletin boards, and on the Employee Avanti portal to increase visibility and understanding of these requirements.

Annual workplace violence and harassment training sessions cover the definition of violence and harassment, guidance for responding to suspected incidents, and reinforce Parts Canada's commitment to a safe work environment. Routine workplace safety training is also provided to educate employees on maintaining a healthy and secure workplace.

New employees are required to review the Employee Handbook during onboarding to ensure familiarity with Parts Canada's standards and expectations.

Assessing Effectiveness

Parts Canada assesses the effectiveness of its measures to prevent forced and child labour through ongoing monitoring of policy compliance, completion and participation rates for employee training, tracking and escalation of reported incidents, review of supplier questionnaire responses and vendor scorecards, and regular risk and compliance reporting to the Board. Trends, exceptions, and emerging risks identified through these mechanisms inform continuous improvement of the Entity's due diligence

processes. In order to assess effectiveness Parts Canada ensures 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 the continued use of supplier due diligence measures, including the enhanced supplier questionnaire for new suppliers and periodic follow-up with existing suppliers, as well as risk and compliance reporting to the Board, the company has strengthened its approach to ethical sourcing and supply-chain oversight, and that exemplifies the proactive approach to mitigating risks associated with child and forced labour.

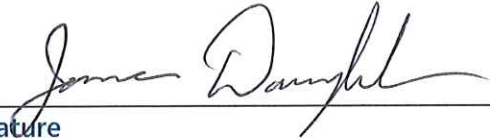
In addition to supplier-focused measures, Parts Canada has reinforced internal awareness through policy acknowledgements within its HR system and the posting of a Bill S-211 Compliance Notice in employee common areas and on the Employee Avanti portal in 2026. These efforts reflect the company's unwavering 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 committed to continuously reviewing and refining its policies, supplier engagement practices, and risk-based due diligence 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.

James Danyluk



Full Name

Signature

Vice President - Finance

March 6, 2026

Title

Date

I have the authority to bind Parts Canada Development Co.