

Report Regarding Forced/Child Labour in Canadian Supply Chains (Bill S-211)

Reporting entity's legal name: Twelve Oaks Forest Product Inc.

Financial reporting year: November 1, 2022 to October 31, 2023

Business number(s): 83407 3827

Entity categorization according to the Act: Canadian business presence with a place of business in Canada, is doing business in Canada and has assets in Canada. The entity also meets size-related thresholds of having at least \$20 million in assets and \$40 million in revenue for one of its two most recent financial years.

Sector/industry: Wholesale trade

Location: Markham, Ontario

A. Structure, activities and supply chains

Corporate Overview:

Twelve Oaks Forest Products Inc. (the company) is a flooring wholesaler and distributor, primarily serving Ontario and Quebec. The company is owned by two family trusts, comprising four individuals. In the fiscal year 2022, The company achieved over \$40 million in sales revenue, driven by sales of engineered hardwood, vinyl, laminate flooring, and associated flooring accessories. Our product portfolio is primarily sourced from China and other Asian countries.

Organizational Structure:

The company operates with a functional departmental structure, ensuring specialized operational efficiency across various domains. Each department—Procurements and Logistics, Sales and Customer Service, Marketing and Product Development, Finance, Human Resources, and Compliance—is led by a director or executive, fostering a clear chain of command and streamlined reporting mechanisms. This structure supports strategic alignment and effective management control. Twelve Oaks has a total of 45 employees.

Corporate Responsibility and Compliance Initiatives:

Recognizing the potential risks associated with sourcing from Asia, particularly the challenges related to forced and child labor, The company has taken proactive measures to safeguard its supply chains. We are committed to complying with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Bill S-211) and embedding ethical practices as a cornerstone of our corporate ethos.

Supply Chain Due Diligence:

The company requires all vinyl flooring suppliers to undertake comprehensive supply chain mapping to pinpoint and assess potential risks related to forced labor malpractices, particularly regarding the use of PVC resin from entities identified by the Uyghur Forced Labor Prevention Act (UFLPA) or any material sourced from Xinjiang. This due diligence is crucial in maintaining transparency and ensuring the integrity of our sourcing processes. We mandate that our suppliers not only adhere to local labor laws but also align with international labor standards, including explicit prohibitions against forced and child labor.

B. Policies and due diligence processes

To fortify our commitment to responsible sourcing, The company plans to implement rigorous policies and procedures that require all suppliers to demonstrate their compliance with labor laws through the policies and due diligence processes outlined below.

Policy Statement:

The company is committed to upholding responsible business conduct throughout its operations and supply chains. This policy outlines our commitment to identifying, preventing, and mitigating any risk of forced and child labor in our supply chains, especially concerning our imports from overseas.

Procedures:

A. Embedding Responsible Business Conduct (RBC) into Policies and Management Systems

Development and Implementation: Integrate RBC into all business policies and management systems. This includes revising procurement, human resources, and compliance policies to reflect our commitment to ethical practices.

Training and Awareness: Conduct regular training sessions for all employees, particularly those in procurement and supply chain management, on RBC principles, recognizing forced and child labor, and the importance of ethical supply chains.

B. Identifying and Assessing Adverse Impacts in Operations, Supply Chains, and Business Relationships

Risk Assessment: Conduct a thorough annual risk assessment of all suppliers, focusing on geographical risks, the nature of the work, and other risk factors associated with forced and child labor.

Supplier Assessment: Include visits to production facilities, both announced and unannounced, to assess supplier compliance with our forced and child labor policies.

C. Ceasing, Preventing, or Mitigating Adverse Impacts

Supplier Contract: Incorporate an enforceable corrective action plan into our supplier contracts. This will include a clear timeline for remediation and termination clauses for non-compliance.

Supplier Engagement: Provide suppliers with a translated version of the OECD Due Diligence Guidance for Responsible Business Conduct, emphasizing the need to proactively manage potential and actual adverse impacts and to take a risk-based approach, prioritizing areas where the risk of adverse impact is most significant. Work directly with suppliers to improve their labor practices.

D. Communicating How Impacts are Addressed

Transparency: Publicly disclose efforts and progress in combating forced and child labor on the company website.

Stakeholder Engagement: Maintain open lines of communication with stakeholders, including suppliers, employees, and customers, regarding our efforts and progress.

E. Providing for or Cooperating in Remediation

Remediation Processes: Establish clear processes for remediation if forced or child labor is found in our supply chains. This includes compensating victims and ensuring their safety and well-being. Cooperate with local and international authorities to report any incidents of forced and child labor and participate in efforts to bring perpetrators to justice.

F. Review and Update

Policy Review: Regularly review and update the policy and associated procedures to adapt to new risks, legal requirements, and best practices. Ensure that all changes are communicated effectively to all staff and suppliers.

By adopting and rigorously implementing this policy and its procedures, the company demonstrates its commitment to ethical business practices and compliance with Canadian law regarding forced and child labor in supply chains. This proactive approach not only protects the company from legal and reputational risks but also contributes to the global fight against these inhumane practices.

C. Forced labour and child labour risks

Given the complexity of global supply chains, especially those involving numerous suppliers from regions like China and other parts of Asia, we have identified several factors that can lead to potential risks associated with forced and child labor.

Identify Potential Risks

Lack of Visibility and Control: In complex supply chains, the manufacturer from whom the company purchases often lacks visibility beyond their direct suppliers. Third-tier and further removed suppliers of raw materials and other components might not adhere to the labor standards imposed by the primary contracting company, leading to potential non-compliance within the supply chain.

Local Labor Practices and Regulations: Different countries have varying degrees of labor regulation enforcement. In some areas, enforcement may be weak and non-standardized, which can lead to the exploitation of workers.

High Demand and Quick Turnaround Times: The flooring industry is cyclical in nature. Peak demand seasons can lead to rush orders that put pressure on all levels of the supply chain. This pressure can result in overtime, hurried recruitment, and corners being cut on labor standards.

Complicity and Lack of Awareness: Suppliers may either knowingly or unknowingly support forced or child labor due to a lack of awareness of their supply chain or a willful ignorance driven by cost considerations.

Addressing and Mitigating Potential Risks

Supplier Assessment and Certifications: Regular and thorough audits of suppliers and their facilities, including unexpected audits, can help ensure compliance with labor laws. Certifications like SA8000 or similar can also indicate a supplier's commitment to high social and ethical standards.

Capacity Building and Training: Raise awareness and educate suppliers and their employees about the risks and realities of forced and child labor, and train them on how to avoid these practices in their operations. We can host web-based information seminars and share guidelines and best practices outlined in the OECD Due Diligence Guidance for Responsible Business Conduct.

Strengthening Contracts: Though we cannot ensure compliance from the entire chain of custody, our contracts with our direct suppliers need to include strict clauses that require suppliers to adhere to labor laws and ethical standards, with penalties for non-compliance.

Appoint a Champion: Appoint a champion who will be responsible for familiarizing themselves with the details of the guidelines outlined in the OECD Due Diligence Guidance for Responsible Business Conduct in a broader context. This individual can provide insights into best practices and become a source of information.

Through proactive measures and vigilant management of their supply chain, companies can significantly reduce the risk of contributing to or being indirectly linked to forced and child labor, thus complying with Bill S-211 and upholding ethical business practices.

D. Remediation measures

Upon assessing our own activities and the information provided by our suppliers, The company has not identified any risks of forced or child labor being used. Thus, the question of remediation is considered not applicable.

E. Remediation of loss of income

As with section D. The question of remediation of loss of income is considered not applicable to the company.

F. Training

The company is committed to the ethical integrity of our operations and supply chains and has instituted a rigorous training regimen to address these crucial issues. Entity-wide participation is strongly recommended. The training program is mandatory for all employees involved in contracting, purchasing decisions, and the sales force, emphasizing its importance from the executive level downward to ensure thorough understanding and implementation of practices that prevent forced and child labor.

The training begins with our executives and top management, who are responsible for disseminating key information to their teams, focusing on roles directly involved in sourcing and purchasing. Developed internally, our training sessions last one hour and include a dedicated Q&A segment to enhance clarity and engagement. These sessions are conducted quarterly to reinforce knowledge and adapt to any new developments.

Furthermore, we extend an invitation to our customers to participate in these training sessions, demonstrating our commitment to transparency and collaborative prevention efforts. This comprehensive approach ensures that all levels of our organization are equipped and committed to identifying and mitigating risks associated with forced and child labor in our supply chain.


G. Assessing effectiveness

We have notified suppliers in writing of Canada's Bill S-211 Act and informed them that no products carrying a risk of forced labor or child labor should be sold to Canada through The company. No further actions have been taken to assess their effectiveness in preventing and reducing risks of forced labor and child labor in their activities and supply chains.

H. 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.

Full name: Ai Dong (Aileen) Yao
Title: CFO and Compliance Officer
Date: May 16, 2024

Signature: 

I have the authority to bind Twelve Oaks Forest Product Inc.