

Kal Tire – Annual Report

Fighting Against Forced Labour and Child Labour in Supply Chains

Reporting entity legal name: Kal Tire, a corporate partnership, Total Tire Distributors Inc.

Financial reporting year: Year ended March 1, 2024.

Business number: Kal Tire, a corporate partnership 122644537; Total Tire Distributors Inc. 881047567.

Location: 1540 Kalamalka Lake Road, Vernon, British Columbia, V1T 6V2.

Board approval: This report was approved by the Kal Tire Board of Directors on May 23, 2024.

This Annual Report is being published in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* S.C. 2023, c. 9 (“**the Act**”) and sets out the actions taken by Kal Tire and its subsidiary, Total Tire Distributors Inc. (collectively, “**Kal Tire**” or the “**Company**”) to assess and manage modern slavery risks within its operations, supply chains and business activities for the financial year ending March 1, 2024 (“**FY24**”). This is Kal Tire’s first Annual Report under the Act.

This Annual Report highlights Kal Tire’s commitment to addressing modern slavery risks in its operations and supply chains by reporting on measures taken to address and mitigate these risks.

This section is to address the mandatory criteria – Section 11 (3) (a): structure, activities and supply chains.

This statement is prepared on behalf of 1) Kal Tire, a corporate partnership and 2) Total Tire Distributors Inc., as Kal Tire’s subsidiary.

Operations

Kal Tire is a wholly owned Canadian company based in Vernon, British Columbia comprising of retail, commercial and mining tire divisions. The core business of these divisions is tire sales and service and the retreading and repair of tires.

Kal Tire is Canada's largest independent tire dealer and one of North America's largest commercial tire dealers. Kal Tire in Canada is comprised of 255 company-owned stores, 34 associate stores, 11 truck tire retread plants, 2 off-the-road tire (OTR) retread plants and 6 distribution warehouses. The business services a market that includes British Columbia, Alberta, Yukon, Northwest Territories, Saskatchewan, Manitoba, Ontario and Quebec and Atlantic Canada. Kal Tire's Mining Tire Group services customers in Australia, Botswana, Canada, Chile, Colombia, Dominican Republic, Ecuador, Ghana, Guinea, Honduras, Mali, Mexico, Mozambique, Nicaragua, Panama, Papua New Guinea, South Africa, Suriname, UK, and Zambia. The Mining Tire Group also have another 4 OTR retread plans located in the United Kingdom, Mexico, Chile and Ghana, as well as a mining tire recycling facility in Chile. Kal Tire currently employs more than 6,500 team members internationally, across 5 continents.

Total Tire Distributors Inc. is a leading wholesale tire distribution company, specializing in the sale of tires and wheels to retailers and automotive businesses in Canada. Total Tire Distributors Inc. has 9 warehouses located across Canada.

Kal Tire sources tires, equipment and materials from suppliers across North and South America, Europe and Asia. We establish a relationship of trust and integrity with all our suppliers which is built upon mutually beneficial business principles. When we select and onboard new suppliers, we perform due diligence to the supplier's reputation, respect for the law, compliance with health, safety and environmental standards and references. Our main suppliers are tire manufacturers, vehicle and vehicle part manufacturers, and suppliers of garage tooling and equipment. Kal Tire is aligned directly with the industry's top tire brands. These include Bridgestone, Michelin, Nokian, Sumitomo, Sailun, Yokohama, Continental, Pirelli, Nitto, BKT, Carlstar, Maxam, Goodride, Canadian Linen and others.

This section is to address the mandatory criteria – Section 11 (3) (b): policies and its due diligence processes in relation to forced labour and child labour.

Policies Concerning Forced and Child Labour

At Kal Tire, our aim is to continually improve every aspect of our company, recognizing our responsibility to our customers, each other, our communities and the environment.

The Kal Tire Code of Conduct sets out clear provisions for how Kal Tire conducts business worldwide. The Code of Conduct applies to all divisions, team members, volunteers, and key contractors.

Kal Tire's Code of Conduct outlines our commitment to combat forced and child labour, while confirming that Kal Tire does not engage in or support forced labour or child labour. Threats, intimidation or harmful physical punishment to force people to act involuntarily will not be tolerated. Working hours and conditions will comply with applicable laws and industry standards. Basic minimum age for work must not be below the age for finishing compulsory schooling, which is generally 15. Hazardous work will not be conducted by people under the age of 18.

Kal Tire does not tolerate violence, threatening behaviours, sexual harassment or intimidation. Compliance with our Workplace Violence and Harassment Policy is mandatory for all divisions, team members, volunteers, and key contractors. Possession of weapons is strictly prohibited.

Kal Tire is fully committed to upholding international human rights standards, as referenced in the United Nations Universal Declaration of Human Rights.

Any instances of modern slavery can be reported through the Ethics Point anonymous hotline, which is hosted, maintained and monitored by a third party. The contact information for the Ethics Point hotline is included in the Kal Tire Code of Conduct.

Due Diligence Processes

In the past financial year, Kal Tire introduced a Supplier Certification Form to all 126 of our suppliers. This form is designed to ensure that our suppliers are vigilant in detecting any use of forced or child labour in their operations and supply chains. It also requires suppliers to certify that they are not currently employing forced or child labour and commits them to taking remedial action if any such instances are identified in the future. This initiative reflects our strong commitment to ethical sourcing practices and our determination to foster responsible business relationships across our supply chain.

Kal Tire distributed a questionnaire among 126 suppliers to gather information about the measures they have implemented to prevent forced and child labour within their operations and supply chains. The questionnaire includes questions about suppliers' policies and training programs regarding forced and child labour, monitoring processes within the supply chain, as well as queries about the origin of raw materials and the countries where goods are manufactured.

Further, Kal Tire will assess the supplier's response rate to the questionnaires, as well as risks within suppliers' operations and supply chains, and measures implemented by our suppliers to combat forced and child labour. We will continue working collaboratively with our suppliers to address the identified risks.

As part of our due diligence process, we have developed a contract clause to be included in all future Supplier Agreements. This clause mandates that suppliers refrain from engaging in practices that contribute to or support forced and child labour and hold their own suppliers to the same standard. Furthermore, it stipulates that suppliers must take remedial action and report any instances of forced and child labour to Kal Tire promptly. Additionally, it grants Kal Tire the authority to conduct audits and assessments of suppliers' facilities, processes, and records to ensure compliance with these standards.

This section addresses the mandatory criteria – Section 11 (3) (c): the parts of the 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.

In an effort to formulate strategies to alleviate existing and potential future risks, Kal Tire has conducted an initial assessment aimed at understanding our exposure to modern slavery risks. The evaluation encompassed key modern slavery risk indicators, such as the nature of goods and services provided, industries with high-risk profiles, and geographical vulnerabilities.

Kal Tire recognizes that the prospect of modern slavery risks may be inherent in our supply chain due to the geographical locations of certain suppliers and the origin of materials utilized in products supplied to Kal Tire. We determined that natural rubber has been pinpointed as a product linked to specific modern slavery risks during production. Kal Tire acknowledges that, in instances where visibility is currently lacking, additional modern slavery risks may be present in the secondary levels of the supplier chain and the materials utilized in the goods and services directly supplied to end-retailers of rubber products, including tires.

As mentioned above, Kal Tire engaged key suppliers regarding their commitment to identifying and mitigating modern slavery risks in their operations and supply chains by distributing a written questionnaire.

Kal Tire will analyze the supply chain tendencies based on the information provided by suppliers to further identify potential points of vulnerability and exposure to modern slavery risks.

This section is to address the mandatory criteria – Section 11 (3) (d): any measures taken to remediate any forced labour or child labour.

We have not identified any use of forced and child labour in our supply chains. If modern slavery practices are suspected, Kal Tire would conduct a thorough investigation and take remedial measures where necessary.

We encourage all team members, customers and suppliers to report any suspicion of slavery or human trafficking without fear of retaliation.

Kal Tire Code of Conduct sets out the process of reporting non-compliance. Any violations must be reported to the nearest supervisor, or if there is a reason to believe that this will be ineffective, to the next appropriate senior manager or the Kal Tire EthicsPoint portal. All complaints will be taken seriously and investigated where appropriate.

Kal Tire will take disciplinary action, up to and including termination, against any employee found to be involved in breaking the law in relation to child labour, forced labour, slavery and human trafficking.

Kal Tire has a focus on further developing the systems currently in place for ensuring ethical behaviour.

This section is to address the mandatory criteria – Section 11 (3) (e): 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.

We have not identified any loss of income to the most vulnerable families that result from any measures taken to eliminate the use of forced labour or child labour in our activities or supply chains. If any measures taken to eliminate modern slavery will affect most vulnerable families, Kal Tire will take the remediation measures as appropriate.

This section is to address the mandatory criteria – Section 11 (3) (f): the training provided to employees on forced labour and child labour.

The company is actively engaged in assessing the most effective approach to address training concerning forced and child labour. This endeavour has involved extensive research into various e-learning modules and in-person training options offered by third-party providers.

Alternatively, we are contemplating the development of an internally customized training module accompanied by knowledge assessments tailored to our industry's nuances and the specific risks inherent in our operations. We intend to integrate this training initiative within the upcoming financial year.

This section is to address the mandatory criteria – Section 11 (3) (g): how the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

Kal Tire conducts periodic visits to suppliers' facilities on an ongoing basis to validate production quality and ensure supplier compliance with various regulatory and industry requirements.

All suppliers that have provided certification regarding forced and child labour may be subject to a compliance verification process at any time.

Kal Tire monitors the progress of our actions concerning modern slavery risks in our supply chain through engagement with our suppliers, tracking the number and timeliness of responses to our inquiries, and gathering feedback on our Supplier Certification.

We remain committed to regularly assessing the effectiveness of our efforts to combat forced and child labour and the actions taken to mitigate the risk of modern slavery in our operations and supply chain.

Attestation and Signature

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.

Full name: Christopher Cole Pardell
Title: General Counsel
Date: May 28, 2024

DocuSigned by:
Chris Pardell
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I have the authority to bind Kal Tire