

# Fighting Against Forced Labour and Child Labour in Supply Chains Act

## 2023 Annual Report

<b>Reporting Entity Legal Name</b>	<b>Acklands-Grainger Inc.</b>	<b>WFS Ltd.</b>
<b>Financial Reporting Year</b>	2023	2023
<b>Business Number</b>	889701272	864651203
<b>Identification of Joint Report</b>	Yes	Yes
<b>Reporting in Other Jurisdictions</b>	No	No
<b>Entity Categorization</b>	Corporation	Corporation
<b>Sector / Industry</b>	Wholesale/Retail Trade	Wholesale/Retail Trade
<b>Location</b>	123 Commerce Valley Dr. E., Suite 700, Thornhill ON L3T 7W8	730 North Service Rd., Windsor, ON, N8X 3J3

In 2023, the Grainger organization enhanced the process and tools that support our Supply Chain Transparency program. As a distributor of products, our focus has been centered around our vendor partners whose products we sell in Canada. Details of specific actions and tools are outlined below.

#### A. Business Structure and Activities

Acklands-Grainger Inc. (d/b/a “**Grainger Canada**”) and WFS Ltd. (“**WFS**”, and collectively in this report referred to as “**we**”, or “**us**”) are Canadian B2B distributors of industrial products focused on the maintenance, repair, and operations (“**MRO**”) industry in Canada. Collectively, we offer over 500,000 SKUs to support the needs of our Canadian customers, and are among the largest MRO distributors in Canada.

Grainger Canada is a corporation amalgamated under the *Canada Business Corporations Act* and employs approximately 1600 employees across Canada. Grainger Canada operates from over 40 Canadian locations, which includes branches, distribution centres, service centres, and office locations. A list of branch and service centre locations can be found at [All Branches - Grainger, Canada](#). Grainger Canada is a wholly-owned subsidiary of W.W. Grainger, Inc. (“**Grainger US**”, and collectively with Grainger Canada and WFS, “**Grainger**”), a publicly listed company domiciled in the United States. Grainger Canada’s business solely focuses on Canadian business and targets the needs of customers in Canada.

WFS is a corporation amalgamated under the *Ontario Business Corporations Act*. WFS operates from four retail and warehouse locations in South-Western Ontario, and employs approximately 250 employees. A list of WFS locations can be found at <https://www.wfsltd.com/en/locations>. WFS is a wholly-owned subsidiary of Grainger Canada, and focuses on servicing the MRO needs of customers primarily in the South-Western Ontario corridor.

Both Grainger Canada and WFS are distributors of finished products, and do not engage in any manufacturing activities. We share a broad overlap of products with one another, and also with our parent company, Grainger US. While we have many local vendor relationships in support of our business, we also share vendor relationships with Grainger US, and may also source from Grainger US for supply of products that we sell in Canada.

Vendor partners whose products we distributed include many of the national brand manufacturers of tools, hardware, safety and cleaning suppliers, but also include niche manufacturers of specialty industry-specific products. Many vendor partners have supply chains that are global in nature. When we onboard a new vendor and new product into our assortment for distribution, we collect a wide variety of information about the vendor and the product, including the vendor’s operations and the origin of the product. Such information assists in our ability to identify forced labour and child labour risks within our supply chain using a risk matrix. More information on our Vendor Risk Matrix is presented below.

Based on available 2023 data, our product vendor sourcing activities are summarized in the tables below. Table 1 summarizes the approximate percentage of annual product

purchases sourced domestically or from outside of Canada. Table 2 summarizes the country or region of origin for the products sold in 2023.

Table 1. 2023 Product Sourcing\*

Sourcing Region	Grainger Canada	WFS
Canada	58%	86%
International	42%	14%

Table 2. Country/Region of Origin of Products Sold in 2023\*

Product Country/Region	Grainger Canada	WFS
Canada	6%	<1%
USA	42%	64%
East Asia	34%	24%
Europe	5%	5%
Mexico and Central America	5%	3%
South Asia	3%	1%
Southeast Asia	2%	< 1%
Middle East	< 1%	< 1%
Oceania	< 1%	< 1%
South America	< 1%	< 1%
UK	< 1%	< 1%

\* Data has been summarized by Region where multiple countries of origin exist. Numbers are presented based on available data. Unavailable data excluded from our calculations include vendor origin or product country of origin data that is in the process of being updated or verified.

## B. Policies and Due Diligence Processes

### a. *Foundational Policies*

Grainger’s [Business Conduct Guidelines](#) (“**BCGs**”) sets forth our expectations on how we do business as an organization. Ethics and integrity are cornerstones of our BCGs. In 2023, we formally memorialized our commitment to a responsible supply chain, including conformity with all applicable rules and standards related to sourcing, manufacturing and labour, and the International Labour Organization (“**ILO**”) convention and its forced labour indicators. Our BCGs apply to all employees, as well as other stakeholders of our business.

Supplementing the BCGs, the [Grainger Human Rights Principles](#) apply to all employees. This statement provides more detail regarding our philosophy on how we will conduct our business and our commitment to uphold and respect internationally recognized human

rights standards in the UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, and ILO convention.

We expect our vendors to source responsibly and to ban the use of forced/child labour in any of their operations and supply chains. In operationalizing these commitments, we contractually require that all of our vendors adhere to the Grainger [Supplier Code of Ethics](#), which were updated in 2023 to include the guiding frameworks and definitions to the ILO convention. The Supplier Code of Ethics focuses on key areas of ethical sourcing, including human rights and labour standards, and health and safety standards. Under our vendor contracts, we have audit rights that may be exercised to ensure vendors adhere to their contractual commitments.

#### *b. Due Diligence Procedural Activities*

In 2022, Grainger engaged one of the top auditing/professional services firms to assess our existing practices around ensuring ethical sourcing from our vendors. Based on their recommendations, Grainger implemented the following actions throughout 2023 in order to enhance our supply chain transparency program.

**We created a Vendor Risk Matrix unique to the Grainger organization to categorize our product vendors.** This involved considering the following factors:

- *Core Vendors vs. Indirect Procurement.* Grainger's purchase of goods from vendors for the purposes of distribution to our end user customers far exceeds the goods and services that Grainger itself consumes to operate business. Therefore we elected to focus our diligence enhancement efforts on our product vendors, as we believe this would be impactful in more broadly addressing forced/child labour risks in our overall supply chain.
- *Private Label vs National Brands.* The vast majority of products we distribute are National Brand products, however we also offer certain products under Grainger Private Labels. We have taken an approach to perform diligence on Private Label vendors and National Brand vendors in separate categories, as there are different considerations at play. The larger volume of National Brand products we distribute means that these vendors represent the majority of our supply chain risk. Private Label products make up a smaller portion of the products we sell, however our level of risk exposure, visibility into the supply chain, and ability to influence any required changes may be greater within the Private Label supply chain.
- *Import vs Domestic.* Vendors whose products we import into North America generally have higher risk priority.
- *Country/region.* Risk is based on known risk of forced/child labour using industry indices such as the US Customs and Border Protection's Withhold Release Orders

list, the Global Slavery Index, and the Sheffield Index, as developed by the Sheffield Hallam University (UK) and regarded as one of the most credible indices regarding forced labour by country/region. Examples of higher risk countries/regions include China, Vietnam, India, Taiwan, and Malaysia.

- *Product Risk.* Risk is based on the “Better Trade Tool” developed by the US Department of Labor’s Bureau of International Labor Affairs, which identifies higher risk profile products imported by Harmonized Tariff Schedule code. Examples of higher risk product categories include electronics, footwear, garments, textiles, leather goods, and gloves.

### **We explored and adopted third party audit certification standards.**

- We determined which widely accepted and credible audit schemes could be acceptable to Grainger for an independent audit. The factors we considered included: (i) the 11 ILO Forced Labour indicators; (ii) high credibility by non-government and government organizations; (iii) high adoption rate from vendors and other stakeholders; and (iv) types and frequency of independent audits conducted by service providers in countries of interest. The audit schemes we accepted are SMETA, SA8000, BSCI, WRAP and SLCP, meaning if, in response to a forced labour audit request, a vendor provides us with an audit report certified under one of these schemes, we will accept the audit results.

### **We explored and implemented technology solutions to improve vendor monitoring, supply chain mapping, risk assessment, and auditing.**

- An RFP was issued to select a 3<sup>rd</sup> party service provider for software/tools to enable enhanced support of our supply chain transparency activities. Evaluation criteria included capabilities for: (i) vendor screening; (ii) supply chain mapping; (iii) self-assessment questionnaires (SAQ); (iv) review, validate, remediate functions; and (v) audit functions.
- Two service providers were selected for their strengths in different areas:
  - One service provider (“**Platform #1**”) was selected for strengths in screening and supply chain mapping (Tier 3+). Platform #1 is a commonly used and well-regarded solution in supply chain risk intelligence, and is one of the tools used by U.S. Custom’s and Border Protection agents to screen shipments for potential risk. It uses a variety of data including import / export records, suppliers flagged for risk of forced labor, and a robust supply chain mapping tool that allows us to assess risk down to the subcontractor level. Platform #1 was launched in mid-2023 to enhance screening of new vendors and existing vendors.
  - A second service provider (“**Platform #2**”) is a well-regarded supply chain assurance provider, and was selected for more enhanced review + validate +

remediate SAQs capabilities, and to conduct audits where needed. Platform #2 was launched in conjunction with our pilot supplier audit activities in mid-late 2023, as further described below.

**We implemented a due diligence audit process to screen potentially higher risk vendors.**

- Using the newly refined vendor risk matrix, we categorized our product vendors into risk categories.
- *Private Label Vendors.* We identified approximately 24% of Private Label vendors that posed a higher risk of forced/child labour. Using the Platform #2 solution, pilot audits were commenced with the top 25% of these vendors via SAQ questionnaires to confirm whether they had undergone any third party risk audits. 42% of these vendors confirmed a valid third-party audit from an approved audit certification scheme (as previously stated, SMETA, BSCI, SA8000, SLCP, WRAP are the audit schemes Grainger will accept). 11% confirmed having completed an audit, but not from an approved audit certification scheme. 47% have not been audited. We have prioritized implementing a further pilot to audit the unaudited vendors for third-party audits in 2024.
- *National Brand Vendors.* We identified approximately 17% of our National Brand vendors that posed a higher risk of forced/child labour. A protocol was created to define the diligence process to be followed, which includes requesting supporting documentation from the vendor, reviewing the vendor's process and procedures relating to mitigating the risk of forced/child labour, and triggers for requiring third party audits. These diligence protocols are being implemented in 2024.

**To summarize our diligence and risk assessment activities for 2023,** Grainger undertook the following actions:

- created an organization-specific risk matrix to aid in categorizing and triaging our product vendor network;
- defined and adopted third-party audit standards acceptable to the organization;
- investigated and selected new software tools to enhance vendor supply chain diligence;
- identified the pool of higher risk suppliers to undertake further diligence; and
- implemented the use of our new software tools to investigate a subset of the higher risk vendors within our supply chain.

**C. Direct Remediation Activities****a. *Measures taken to remediate forced/child labour.***

Other than our program to identify risks and surveil our product vendors, Grainger has not taken any direct measures to remediate any forced/child labour in 2023.

**b. *Measures taken to remediate the loss of income resulting from measures taken to eliminate forced/child labour.***

Grainger has not taken any direct measures to remediate the loss of income resulting from measures taken to eliminate the use of forced/child labour in 2023.

**D. Training Activities**

In our BCGs, we added clarity to express our commitment to a responsible supply chain that includes our expectations that (i) our vendors source responsibly and ban the use of forced/child labour in their operations, and (ii) that our employees adhere to internal sourcing policies. All Grainger employees are required to annually certify to their commitment to adhere to our BCGs.

In early-mid 2023, we launched an RFP to select a training program service provider to create a forced labour training program for our employees. We selected a reputable global provider of workplace learning solutions to create a training course for our businesses.

We identified the initial cohort of employees that would be required to undertake this training, which includes our employees engaged in vendor management and stewardship, product procurement and merchandising, and product compliance. Completion of training is expected in 2024.

**E. Assessment of Program Effectiveness**

In 2023, Grainger has focused its efforts on making enhancements to our vendor diligence program, and we expect that refining our protocols will be an ongoing process. We expect to develop meaningful metrics to assess the effectiveness of our program in preventing and/or reducing forced/child labour as our program matures.

***Approval and 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

*Full Name:* William Chung

*Title:* Secretary, Board Director, Grainger Canada, WFS Ltd.

*Date:* May 31, 2024



*I have the authority to bind Acklands-Grainger Inc. d/b/a Grainger Canada and WFS Ltd.*