

MC COMMERCIAL INC.

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REPORT UNDER THE *FIGHTING AGAINST  
FORCED LABOUR AND CHILD LABOUR IN  
SUPPLY CHAINS ACT*

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## 1. Introduction

This Report is produced by MC Commercial Inc. (“MC Commercial”) for the financial year beginning January 1, 2024, and ending December 31, 2024 (the “Reporting Period”).

This Report constitutes the second report prepared by MC Commercial pursuant to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

## 2. Structure, Activities, and Supply Chains

### a. Structure

MC Commercial is a private corporation incorporated under the *Canada Business Corporations Act* on April 27, 2011. Its registered office is located at 5420 North Service Road, Suite 300, Burlington, Ontario, L7L 6C7. MC Commercial’s employees are based in Canada.

MC Commercial is a wholly owned subsidiary of Controladora Mabe, S.A. de C.V. (“MABE”), a Mexican company. MABE is the market leader in domestic appliances in Latin America, with 76 years of experience, and presence in around 70 countries. MC Commercial has no subsidiaries.

Although MC Commercial and MABE are separate legal entities, they collaborate closely from a corporate, regulatory, and compliance standpoint. As detailed in this Report, the policies, due diligence processes, reporting channels, and employee training generally applicable to MABE, as well as to its affiliates and subsidiaries (collectively, the “MABE group”), are also applied to MC Commercial.

### b. Activities

MC Commercial imports into Canada household major appliances such as refrigerators, freezers, cooking products, dishwashers, washers, dryers and air conditioners, and distributes them within and throughout Canada. Most of the goods are imported from Mexico, but during the Reporting Period, MC Commercial also imported goods from 9 other countries.

### c. Supply Chains

MC Commercial’s global supply chains consists of appliance suppliers manufacturing household major appliances and related service parts, designed, manufactured and certified for sale in Canadian markets. MC Commercial’s biggest direct supplier is MABE, and the appliances and service parts are sourced primarily from MABE factories.

The raw materials, components, items, and systems required to manufacture the appliances and service parts are primarily provided by suppliers with which MABE has long-term contracts, which are located around the world, and which vary from product to product.

MC Commercial seeks long-term relationships with reputable suppliers for the delivery of finished appliances and service parts, distribution services and support services.

Currently, MC Commercial has 585 suppliers of goods or services, mostly located in Mexico, the United States of America, Canada and Asia.

### 3. Steps to Prevent and Reduce Forced Labour and Child Labour Risks

During the Reporting Period, the following steps were taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods imported into Canada by MC Commercial:

- **Conditions of Purchase:** As part of its procurement processes for appliances and service parts, MC Commercial requires its suppliers to agree to its Conditions of Purchase. For many years, including during the Reporting Period, the Conditions of Purchase have required MC Commercial's suppliers of appliances and service parts to represent, warrant, certify and covenant that:
  - their products, equipment and/or services will be produced and provided in compliance with the requirements of all applicable employment standards legislation;
  - none of their products, equipment and/or services supplied to MC Commercial have been or will be produced or supplied (either by the supplier or by its sub-suppliers) utilizing forced labour or child labour; and
  - the supplier has established an effective program to ensure that its sub-suppliers are also in compliance with the foregoing conditions.

Under the Conditions of Purchase, should MC Commercial determine that any of those representations, warranties, certifications or covenants are incomplete or untrue, it has the right to immediately require the supplier to bring its products into conformity with them, or to terminate its contractual relationship with the supplier.

- **Policies, due diligence processes, reporting channels and employee training** – As further detailed in this Report, MC Commercial also relies on policies, due diligence processes, reporting channels and employee training applicable generally to the MABE group, and which are key to its commitment to ethical and responsible business practices. During the Reporting Period, MABE adopted and launched a global policy on forced labour and child labour applicable to all MABE group entities, including MC Commercial. Furthermore, MABE updated its due diligence process for onboarding suppliers by including questions relating to forced labour and child labour risks in the due diligence questionnaire used by MABE group, including MC Commercial. MABE also updated its Code of Ethics, communicated the latter to all directors, executives, employees and other collaborators of the MABE group,

including those of MC Commercial, and provided comprehensive face-to-face training in relation therewith.

#### **4. Policies and Due Diligence Processes**

##### **a. Policies**

As discussed above, MC Commercial has for many years, including during the Reporting Period, relied on its Conditions of Purchase to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods imported into Canada by MC Commercial.

In addition to the foregoing, MC Commercial is also subject to the MABE group's Code of Ethics. The Code of Ethics applies to all of MC Commercial's directors, executives, employees and other collaborators, who are required to certify their abidance by the Code of Ethics on an annual basis. Furthermore, MC Commercial's suppliers are expected to be familiar with the Code of Ethics.

The Code of Ethics sets out clear expectations regarding ethical behavior and standards of conduct. It deals with human rights, the MABE group's values, and its policies. It outlines principles such as integrity, honesty, fairness, transparency, respect for human rights, and compliance with applicable laws and regulations, which guide the MABE group's decision-making and actions. The Code of Ethics represents the MABE group's highest level of policy commitment to ethical and responsible business practices.

In the last reporting year, MABE announced that it would update the Code of Ethics to add specific provisions against forced labour and child labour. This was done during this Reporting Year. The Code of Ethics was updated and communicated to all directors, executives, employees and other collaborators of the MABE group, including those of MC Commercial. Major changes to the Code of Ethics included taking the existing guidelines from the Code of Ethics and developing several corporate policies, including the Global Policy against Child and Forced Labour and the Due Diligence Process Global Policy; developing the MABE group's Ethics line's compliance process and communication mechanisms to foster the efficient and impartial processing of ethical concerns; and providing for the existence of a Compliance Committee involving members of the MABE group's management in processing and responding to ethical concerns.

In addition to the above, the MABE group also has several human resources policies pursuant to which it gathers information on worker recruitment and maintains internal controls to ensure that all directors, executives, employees and other collaborators of the MABE group are recruited voluntarily. Those policies apply to MC Commercial.

##### **b. Reporting Channels**

The MABE group has implemented reporting channels which it operates internally. Those channels are applicable to MABE as well as MABE's affiliates and subsidiaries, including MC Commercial. One of those channels can be used by all directors, executives, employees and other collaborators of MC Commercial, and the other can be used by anyone, including third parties such as suppliers or clients of MC Commercial. The reporting channels can be used, on a confidential and anonymous basis, to report concerns related to the MABE group's business and supply chains, including situations that may carry risks of forced labour or child labour. Depending on the channel used, a report can be made either through email or directly to the Compliance Department. Any person who submits a report is protected against any discrimination or retaliation from the MABE group as a result of this submission.

### **c. Due Diligence Processes**

MABE has several policies and procedures related to the onboarding process which apply generally to the MABE group, including MC Commercial. The aim of those policies and procedures is to avoid interactions that may pose a material risk to the MABE group, and to strive for effectiveness and transparency in the MABE group's commercial relations.

Under those policies and procedures, MC Commercial undertakes not to establish business relationships with suppliers without first completing a due diligence process and confirming that no concerns were detected.

The due diligence process relies on a questionnaire which the prospective supplier is asked to complete, in addition to submitting documentation. This questionnaire and the accompanying documentation are reviewed and approved by various teams within the MABE group. During the Reporting Period, the review and approval of the Compliance team has been made a requirement in respect of several labour-related issues. If situations that may pose material risks are identified, the establishment of the commercial relationship with the prospective supplier is not approved until the risks have satisfactorily been mitigated. The due diligence process also relies on technological tools to identify potential high-risk suppliers and/or third parties on sanctioned lists worldwide.

During the Reporting Period, the due diligence questionnaire was updated to include questions relating to forced labour and child labour risks, including questions on:

1. Policies and controls in place to detect, identify or prohibit the importation or distribution of products manufactured under circumstances which present forced labour and child labour risks;
2. Reviews, audits or controls to ensure compliance with regulations against forced labour and child labour; and
3. Training on risks related to forced labour and child labour and means of reporting such risks.

## **5. Assessment and Management of Forced Labour and Child Labour Risks**

To date, MC Commercial has not identified any specific cases of forced labour or child labour in its business or supply chains. This statement reflects the current absence of reported or observed situations and does not result from a formal risk assessment during the Reporting Period.

MC Commercial recognizes that no sector or industry involving the production or importation of goods is assumed to be entirely free of forced labour and child labour risks, and MC Commercial acknowledges that certain parts of its business or supply chains may carry such risks.

During the Reporting Period, no specific measures were taken to assess which aspects of MC Commercial's business or supply chains may carry such risks. MC Commercial relied on the policies, due diligence processes, reporting channels and employee training presented in this Report to manage the risk that forced labour or child labour be used in parts of its business or supply chains.

## **6. Remediation Measures**

MC Commercial has not detected situations of forced labour or child labour in MC Commercial's business or supply chains during the Reporting Period. As such, MC Commercial has not taken any specific remediation measures in respect of forced labour and child labour, beyond relying on the effect of the policies, due diligence processes, reporting channels and employee training presented in this Report.

No loss of income to the most vulnerable families has been identified or reported as resulting from MC Commercial's reliance on the effect of the policies, due diligence processes, reporting channels and employee training presented in this Report. As such, MC Commercial has not taken any specific remediation measures in respect of such loss of income.

## **7. Employee Training**

In the Reporting Period, the directors, executives, employees and other collaborators of MABE group entities, including MC Commercial, received training on MABE's Code of Ethics. The training material is available on MABE's intranet, and is required to be reviewed annually. Any new director, executive, employee or other collaborator of MC Commercial is required to undergo such training as part of their onboarding process.

During the fourth quarter of 2024, the Compliance team successfully delivered on-site, face-to-face training on the Code of Ethics training to all MABE collaborators, including administrative employees and operational employees, including those of MC Commercial. This initiative marked the first time such comprehensive training was provided on a group-wide basis. A total of 169 training sessions, each lasting one and a half hours, were conducted as part of a cross-divisional and cross-departmental effort.

Each Code of Ethics training addressed several topics and real examples and required the active participation of all the participants. The scenarios related to various issues, including issues related to the respect of human rights, dignity and respect, such as the prevention of forced labour or child labour. The main objective of MABE's Code of Ethics training is to ensure that all participants understand and adhere to the values, principles, and standards of conduct established by the organization.


## 8. Assessing effectiveness

During the Reporting Period, MC Commercial assessed its effectiveness in preventing and reducing risks of forced labour and child labour in its business and supply chains by relying on the reporting channels described above, through which no situations of forced labour or child labour were reported.

## 9. Attestation

The Report was approved by MC Commercial's Board of Directors, its governing body, pursuant to paragraph 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I, in the capacity of Vice-president, Management and Administration, attest that I have reviewed the information contained in the Report on behalf of the governing body of MC Commercial. 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.

  
Jennifer Caldwell (May 20, 2025 10:04 EDT)

JENNIFER CALDWELL.

Vice-president, Management and Administration

May 9, 2025.

I have authority to bind MC Commercial