

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, 2023, and ending December 31, 2023 (the “Reporting Period”).

This Report constitutes the first 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 75 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 the 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 approximately 600 suppliers of goods or services, mostly located in Mexico, the United States of America, Canada or 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, equipments and/or services will be produced and provided in compliance with the requirements of all applicable employment standards legislation;
  - none of their products, equipments 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.

- **Chief Compliance Officer and Compliance Department** – MABE hired a Chief Compliance Officer in charge of overseeing and managing the compliance program of the MABE group, including MC Commercial. The compliance program's aim is adherence to relevant laws, regulations, policies, and ethical standards. Additionally, the Chief Compliance Officer is tasked with identifying talent and assembling a team of professionals with diverse expertise in compliance matters.
- **Compliance roadmap and plan** – The Chief Compliance Officer created a strategic roadmap that outlines the MABE group's short term compliance objectives, priorities, and milestones.

This roadmap serves as a guiding framework for the MABE group’s compliance efforts and helps align compliance activities with business purposes. During the Reporting Period, the drafting of a Policy on Forced Labor and Child Labor applicable within the MABE group, and therefore applicable to MC Commercial, was included in the strategic roadmap.

- **Incorporation of the Compliance Committee** – MABE also incorporated the Compliance Committee, which is the MABE group’s corporate governance body in charge of reviewing investigations for possible deviations from the Code of Ethics and/or other internal policies of the MABE group, and for the definition and imposition of sanctions or other remedial actions.
- **Policies, due diligence processes, reporting channels and employee training** – As further detailed in this Report, MC Commercial also relied 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, even if they were not specifically focused on forced labour or child labour during the Reporting Period.

#### 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. As such, 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.

During the financial year beginning January 1, 2024, and ending December 31, 2024 (the “Next Reporting Period”), an updated Code of Ethics including specific provisions against forced labour and child labour will be developed.

During the Next Reporting Period, MABE will adopt a Policy on Forced Labor and Child Labor applicable generally to the MABE group. Like the Code of Ethics, the Policy on Forced Labor and

Child Labor will have broad applicability to MC Commercial's directors, executives, employees, other collaborators, and suppliers. The referred policy will aim to prevent forced labour or child labour situations and, if any such situation is detected, will provide for the prompt development and implementation of remediation measures.

The updated Code of Ethics and the Policy on Forced Labor and Child Labor will be further detailed in MC Commercial's report under the Act for the Next Reporting Period.

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. 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 Next Reporting Period, specific questions pertaining to forced labour and child labour will be added to the due diligence questionnaire, among other things. This update will be further detailed in MC Commercial's report under the Act for the Next Reporting Period.

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

MC Commercial has not detected situations of forced labour or child labour in MC Commercial's business or supply chains 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 particular aspects of MC Commercial's business or supply chains may carry such risks. The foregoing assessment will occur during the Next Reporting Period.

During the Reporting Period, 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**

MC Commercial's directors, executives, employees and other collaborators, like those of other entities within the MABE group, receive ongoing training on the Code of Ethics, generally on an annual basis. Any new director, executive, employee or other collaborator of MC Commercial is required to undergo such training as part of their onboarding process.

The Code of Ethics training was developed internally. It lasts approximately two hours. It has to be completed on a computer, and at the end of the training features an assessment. This comprehensive training aims to ensure that MC Commercial's directors, executives, employees and other collaborators understand the importance of upholding human rights as well as the MABE group's corporate values.

## 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. During the Next Reporting Period, MC Commercial will take further actions to assess its effectiveness in preventing and reducing risks of forced labour and child labour in its business and supply chains.

## 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 attest that I have reviewed the information contained in the Report for 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  
Vice-president, Management and Administration

May 31, 2024

I have authority to bind MC Commercial