



**ANNUAL REPORT UNDER THE
FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT
H. TALLMAN INTERNATIONAL CORPORATION**

2024 FISCAL YEAR

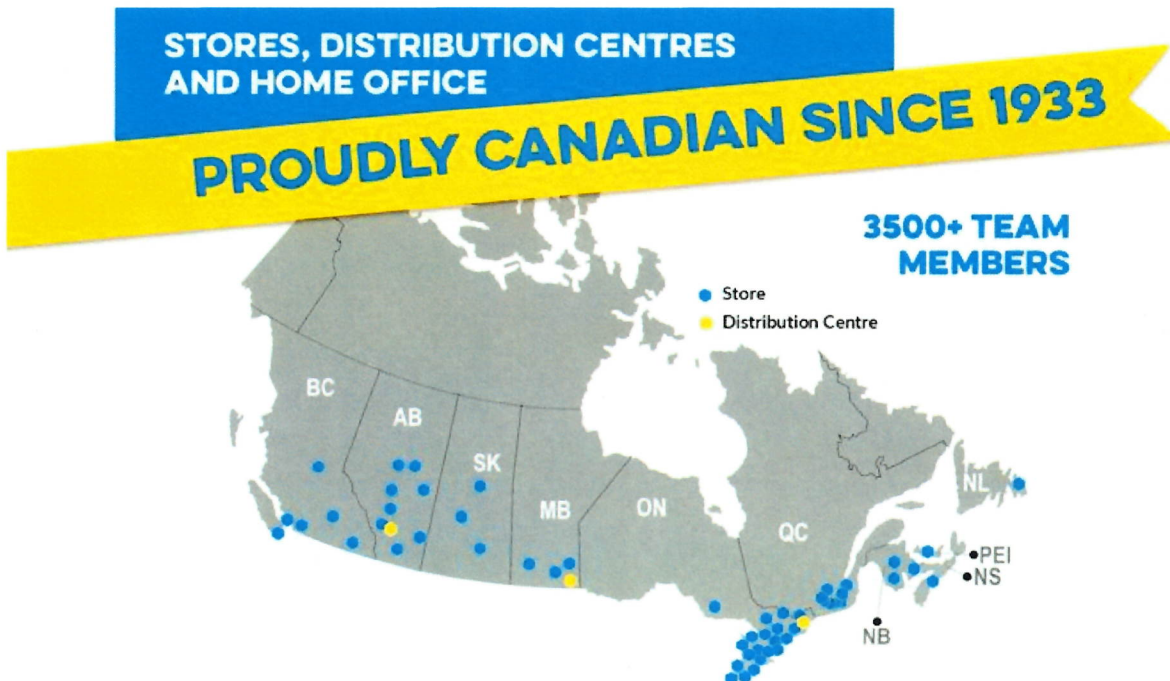
About this Report

This is the second annual report prepared by H. Tallman International Corporation under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. H. Tallman International Corporation is the corporate parent of Princess Group Inc., the owner of Princess Auto Ltd., and the report is filed on behalf of all three corporations.

This report is for the fiscal year ending December 31, 2024.

About Us

Princess Auto is a family-owned, Canadian business selling tools and equipment through brick and mortar retail stores across Canada and online. Our home office is in Winnipeg, Manitoba. Our locations across Canada include 58 retail stores, three distribution centres, and one call centre.



The Princess Auto Supply Chain

Princess Auto operates as a retailer and does not manufacture its own product. Instead, the business works with almost 700 different vendors and operates a sophisticated purchasing department. Through our global supply chain, we deliver durable, safe and value-driven products to our customers. We recognize that our supply chain can impact labour practices worldwide and that we have a responsibility to work with our vendors and their factories to generate continuous improvements regarding the identification and remediation of forced labour and child labour.

Managing the Risk of Forced Labour and Child Labour in Princess Auto's Supply Chain

Princess Auto relies on supply chain mapping to assess the risk of forced labour and child labour in its supply chain. The supply chain can be divided into five tiers, with Princess Auto having excellent insight into tiers 1 and 2 but decreasing insight into tiers 3, 4, and 5:

1. **Shipping Point**: The shipping point is the location from which finished a product is shipped. Princess Auto can consistently map the shipping point. However, the shipping point is not necessarily indicative of the location wherein a product is manufactured, particularly when Princess Auto purchases the product from a wholesaler as opposed to a manufacturer. When we track our product from the shipping point, the highest volume countries are China, USA and Canada.
2. **Country of Origin**: The country of origin is the location where a product is assembled. Generally, Princess Auto can track the country of origin for all of its product. However, the country of assembly is not necessarily the country in which the subcomponents are manufactured. For example, it is possible for a product to be labelled "Made in Canada" if it is assembled in Canada but the components are manufactured elsewhere. When we track our product from country of origin, the highest volume countries are China, USA and Canada.
3. **Manufacturer/Factories**: For a portion of Princess Auto's merchandise, the business can identify the specific manufacturer or factory. However, there are gaps in Princess Auto's information at this level because vendors do not readily disclose this information.
4. **Origin of Components**: There are informational gaps at this level because manufacturers do not disclose the place of manufacture for individual components such as gaskets or carburetors on a gas engine. While Princess Auto has some visibility to this level, it cannot fully map the origin of components without global data collection by the manufacturer.
5. **Origin of Raw Materials**: Princess Auto is not in a position to map the origin of raw materials used in products (e.g., steel or rubber) as manufacturers do not disclose such information. Absent global data collection by the manufacturers, it is not possible to conduct mapping to this level.

Our product assortment is aligned to our farm and industrial customers and spans the following categories:

- Auto Repair
- Farm
- Air & power
- Surplus
- Hydraulics
- Seasonal
- Shop & Garage
- Outdoor Power Equipment
- Metal Fabrication
- Impulse
- Trailer
- Hand Tools
- Truck
- Recreational
- Parts

Princess Auto sources globally. As a 91-year old business, it has developed relationships with almost 700 vendors. Some of those relationships date back over 50 years. To mitigate the risk of forced labour or child labour being used in Princess Auto's supply chain, the business is taking a multi-prong approach described below.

Values and Relationships

Princess Auto is a people-first organization in all aspects of its business. Its corporate values, and the quality of its business relationships with its suppliers, form the primary pillar of Princess Auto's strategy. By developing and maintaining long-term relationships with quality vendors, we encourage the fair and ethical treatment of people. Over a third of our vendors have been working with us for at least 10 years. Princess Auto invites its largest and most significant vendors (including trading houses representing multiple factories) to Winnipeg every second year to participate in the planning process. The process emphasizes shared discussions, which include a focus on Princess Auto's corporate values and priorities, laying the foundation for its people-first strategy.

Vendor Supply Agreements

Princess Auto has a Vendor Supply Agreement that it asks all merchant vendors to sign. Most, but not all, merchant vendors have signed the agreement. The agreement includes language prohibiting the vendor from obtaining goods through forced labour, slavery, child labour or other illegal or immoral means.

Princess Auto has also created a Supplier Code of Conduct as an additional layer of protection, as set out below. In 2025 we will introduce the Supplier Code of Conduct to our merchant vendors.

Supplier Code of Conduct (2024)

- (a) Princess Auto created a Supplier Code of Conduct in 2024 as an additional risk mitigation strategy, supplementing the legal and ethical standards established by Princess Auto's Vendor Supply Agreement.
- (b) The Supplier Code of Conduct will be introduced to current merchant vendors in 2025, creating heightened requirements regarding:
 - The prohibition of forced labour as defined in the Act;
 - The prohibition of child labour as defined in the Act;
 - The prohibition of corruptive practices, conflicts of interest, and inappropriate gifts.
 - The requirement of complying with all local labour, employment, environmental, and human rights law.
 - The requirement of providing a safe and healthy work environment, in compliance with all laws and regulations.

Factory Visits

Princess Auto teams travel overseas and visit factories on a regular basis, when political and health restrictions allow (eg. post COVID). While our small team cannot visit every factory in our supply chain, we prioritize factories that are new to us or that we are considering in the future. Factory visits are always led by an experienced senior member of the Princess Auto Team.

In many cases, Princess Auto does not contract directly with manufacturing facilities (factories). As a key business practice, we work through trading houses that represent multiple factories. In addition to visiting the factories ourselves, our trading houses also invest in visiting and auditing the factories that we use. Our trading house partners pre-qualify factories aligned to our expectations before presenting them to us.

Internal Reporting

All Princess Auto Team Members (Princess Auto employees are called Team Members) who make buying decisions operate out of the same location in Winnipeg, allowing constant communication and the immediate raising of potential concerns. Princess Auto's leadership team works out of the same location, as well, and has a leadership philosophy that values constant communication, we call it leadership by walking around, to break down barriers and enable the proper flow of information.

All Team Members that make buying decisions have the authority to terminate relationships if they observe problematic conduct.

Due diligence

Building relationships and heightening expectations through our Vendor Supply Agreement in 2024, and, in 2025 our Supplier Code of Conduct, is foundational. In 2024 we established a Vendor Management Team to ensure the smooth facilitation of our buying relationships. Their roles are to ensure that our vendors understand the intent of our agreements (expectations), collect and track the process, and report on non-compliance to ensure that we can mitigate risk in a timely manner.

Training on Forced Labour and Child Labour Issues

Princess Auto, in conjunction with its regulatory counsel, has provided a training session to its Board of Advisors and senior executive team on issues relating to forced labour, child labour, and the business' obligations under the Act. The training session included an analysis of Princess Auto's supply chain and the most likely risk areas and gaps. The training was revised in 2024 with training sessions for the Board and executive team planned for 2025. We intend to revisit our training annually with the executive team and Board of Advisors to ensure that we are continuously talking about risk and mitigation strategies.

In 2024 the training was expanded to include the Merchant Team. The Training focused on the issues related to child, forced labour, and our role as it relates to the Act.

Remediation of loss of income

At this time, Princess Auto has not identified any loss of income to families as a result of our efforts to eliminate forced and child labour.