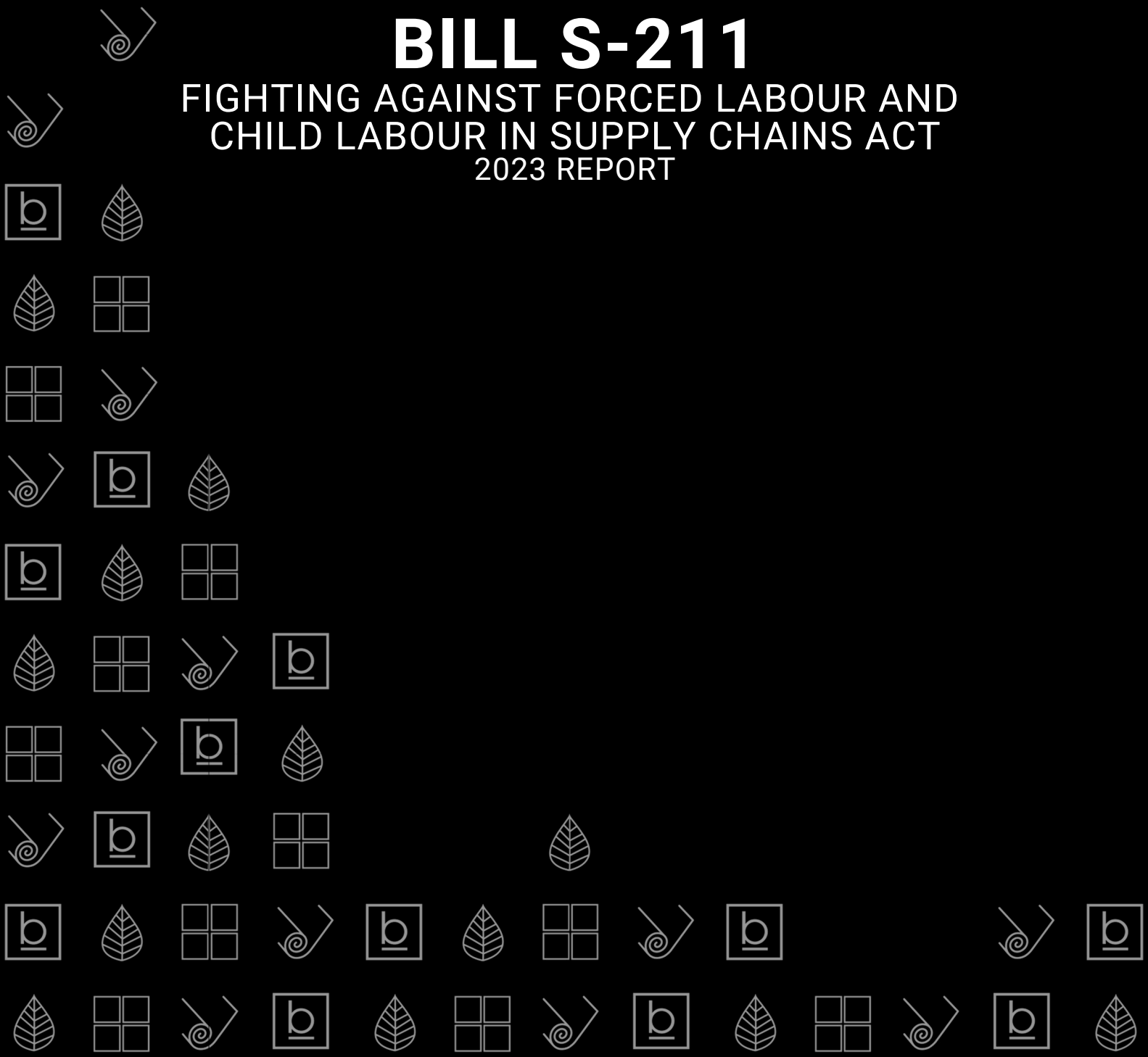


BILL S-211
FIGHTING AGAINST FORCED LABOUR AND
CHILD LABOUR IN SUPPLY CHAINS ACT
2023 REPORT



Introduction

The Bill S-211[1] which came into force on 1 January 2024, aims to prevent and reduce the risk that forced labour or child labour is used by entities or in their supply chains.

Beaulieu Canada's approach to this topic is fully in accordance with the principles of the OECD Guidelines for Responsible Business Conduct. A methodology for conducting supplier due diligence has been developed. The roll out of the methodology and the tools that supports this process are currently ongoing.

2. Presentation of the company – structure, activities and supply chains

Organizational Structure:

Beaulieu Canada Ltd operates with a functional organizational structure, with various departments such as production, sales, distribution, importation, research and development, marketing, customer service, after-sales service, finance, human resources, IT and supply chain management. Each department is headed by a departmental manager who reports to the company's President.

Organizational Mandate or Role:

As a subsidiary of the Beaulieu International Group, Beaulieu Canada is tasked with the production, sale, distribution, and importation of flooring goods. Our mandate is to ensure the efficient manufacturing and delivery of high-quality products to customers globally while adhering to ethical standards and legal regulations.

For more information on Beaulieu International Group, we refer to our Annual Report published on our [website](#).

Number of Employees:

Beaulieu Canada Ltd employs between 400 to 500 individuals in Canada and United States.

Beaulieu International Group counts around 4.700 employees worldwide.

[1] An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff



Activities Reporting:

Production: We manufacture broadloom carpets made of polypropylene, polyester or nylon, in Canada at our Acton Vale, Quebec facility.

Import: We import raw materials, components for manufacturing purposes and finish flooring goods, sourcing from various countries and regions across the globe.

Sales and Distribution: Our sales and distribution networks operate in Canada and United States, ensuring the widespread availability of our products.

Supply Chain Description:

Our supply chain encompasses suppliers of goods integral to our manufacturing and distribution processes, from raw material sourcing to the final product. This includes both direct and indirect suppliers, operating within Canada and internationally. Beaulieu Canada Ltd remains committed to transparency and diligence in managing our supply chain, ensuring compliance with regulations and fostering responsible business practices.

3. Steps to prevent and reduce risks of forced labour and child labour

Hereafter you can find further information on our corporate policies and due diligence process related to forced labour and child labour as well as sustainability in the broader sense.

In light of our sustainability goals, the Group defined a clear route towards 2030. We have taken the time to work out a sustainability strategy that we all believe in and are willing to fight for. One that's based on actionable commitments, encompasses our key priorities and reflects the spirit of the company in a sincere way.

The following routes have been defined:

- We take responsibility for the environmental impact of our operations.
- We value our employees and the people around us.
- We work towards a circular economy with the whole value chain in mind.
- We take responsibility for our climate impact.
- We act with integrity and value open communication.

In 2024, we will further work on the sustainability reporting according to the European Corporate Sustainability Reporting Directive (CSRD) which is mandatory for the group in 2026 for year 2025.

3.1 Our clear commitment to responsible business

As mentioned above, Beaulieu Canada Ltd is a subsidiary of Beaulieu International Group. As a large industrial Group, we operate in multiple countries and in diverse cultural, legal and regulatory environments. That puts responsible and ethical business conduct across the whole value chain right on top of our agenda. **From human rights to legal compliance, we see due diligence as essential to avoid adverse impacts on people, the environment, society and our own business.**

In 2022, we formalized our commitment at group level to be a Responsible Business (Responsible Business Statement). We reaffirmed our commitment to conduct our business in a manner that respects the rights and dignity of all people, adhering to the UN Guiding Principles on Business and Human Rights and the 10 Principles of the United Nations Global Compact. The 10 Principles of the UN Global Compact provides in a set of core values for human rights, labor standards, the environment, and anti-corruption.

By incorporating these principles into our strategy, policies and procedures, and establishing a culture of integrity, the company aims to uphold its basic responsibilities to people and planet, while setting the stage for long-term success.

UN Global Compact: 10 principles

Human rights

- Principle 1** | support and respect the protection of internationally proclaimed human rights; and
- Principle 2** | make sure that they are not complicit in human rights abuses.

Labor

- Principle 3** | uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4** | eliminate all forms of forced and compulsory labor;
- Principle 5** | the effective abolition of child labor; and
- Principle 6** | eliminate discrimination in respect of employment and occupation.

Environment

- Principle 7** | support a precautionary approach to environmental challenges;
- Principle 8** | undertake initiatives to promote greater environmental responsibility; and
- Principle 9** | encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10** | work against corruption in all its forms, including extortion and bribery.

Where do we stand?

To ensure we run a flawless track record on the human rights principles, we appointed a Human Rights Officer for our Group in 2023. Together with the management team, the Human Rights officer assesses, manages and prevents human rights related risks within the organization and across the value chain. Other responsibilities include:

- raising awareness
- setting up human rights related trainings
- overseeing stakeholder management
- monitoring actions and reporting on them

To determine the most salient risks related to human rights, we performed an assessment on Group Level (including the activities and the entity of Beaulieu Canada Ltd). This then formed the basis to make decisions on responsibilities, actions, tools and metrics to better mitigate these risks.

Salient human rights risks

Own Workforce

- ✓ The right to safe and healthy working conditions
- ✓ The right to equal treatment and opportunities for all
- ✓ The right to training and development

Value Chain

- ✓ The right to safe and healthy working conditions
- ✓ The right to fair working conditions (e.g. adequate wages, freedom of association, etc.)
- ✓ Diversity and equal opportunities in the value chain
- ✓ Child labor and forced labor

Mitigating human right risks for our own workforce

The right to safe and healthy working conditions is addressed in our SHE strategy, while the right to training and development is a core element in our HR strategy.

The right to equal treatment and opportunities is also covered in our sustainability strategy, but we empowered our employees with an additional tool to speak up in 2023, allowing them to signal inequities and other issues.

In conclusion, **all salient human right risks for our own workforce are managed.** In 2024, with a stronger focus on Diversity, Equity and Inclusion, we'll be able to even do better in measuring and preventing any potential risks in this area.

Mitigating human right risks in our value chain

To build a value chain that's aligned with us on key sustainability principles, such as safeguarding all human rights, we have a **multifaceted approach**, including these actions and tools (see also further in chapters 3.3 to 3.5):

- a renewed third-party risk management assessment process
- on-going sanction screenings
- our anti-bribery and anti-corruption policy
- our Responsible Business Statement
- our Code of Conduct
- a series of audits

The results of these combined efforts are reflected in our improved sustainability ratings, such as the sustainability score for our suppliers and EcoVadis for our own business. To illustrate, we obtained a Silver Medal from EcoVadis in 2023 for 3 of the sites and for the first time, EcoVadis also rated our Group as a whole. The result: a Bronze Medal. Among our strengths are our strong policies, sustainable procurement, and our third-party risk management. Now, we'll work on the identified points of improvement (e.g. track all sustainability actions in one channel) and try to do better in 2024.

3.2 Business Code of Conduct

Within our company, we rely on our core values, a set of shared beliefs, to guide our behaviors weaving honesty and diligence into every fiber of our company culture. This is supported in our Code of Business Conduct and Ethics ('Code') as well as in other policies. The policies are published on the company's intranet and are accessible to every employee.

Beaulieu Canada's administrative employees followed the web-based training on Code of Conduct.

In 2024, a new version of the Code of Business Conduct and Ethics will be launched. Training on this new Code will be planned as well.

3.3 Supplier Code of Conduct

Within all entities of the Beaulieu International Group, we are committed to ethical and responsible conduct in all of our activities, whereby compliance with laws and respect for the rights of all individuals and the environment are of vital importance. We expect the same commitment of our suppliers, agents and other involved parties.

Therefore, our suppliers need to comply with our Supplier Code of Conduct. This Supplier Code of Conduct is published on our international website [Supplier Code of Conduct](#)

The Code of Conduct is structured around three topics:

- **Human and social rights:** Suppliers must comply with all applicable employment laws and will support the protection of fundamental human rights wherever they operate in the world.
- **Environmental management:** We expect suppliers to collaborate with us in achieving our sustainability goals, complying to all applicable environmental laws, regulations and standards, promoting safety, striving for environmentally friendly production and transport and maintaining quality in their finished products.
- **Governance:** Suppliers must be committed to the highest standards of ethical conduct in all of their operations and when dealing with employees, other suppliers, government authorities and customers.

In the future, we will include in our purchase orders a reference to the terms and conditions which in turn refers to this Supplier Code of Conduct. Suppliers evaluated as high or medium risk in our supplier due diligence process will also need to confirm the Supplier Code of Conduct using our TPRM[2] web-based application (see further).

3.4 Sanction screening

The suppliers (as well as our clients) are screened against the worldwide sanction lists.

- The company only wants to work with reliable and accepted partners. All suppliers are to be screened against selected sanction party lists before entering in a relationship with the respective third party. In the event that the screening tool identifies a hit for a new supplier, the Group Legal Department needs to review the hit first and clear it before the company can enter into a relationship with a third party. We will not enter or maintain a supplier relationship when the supplier is black listed.
- Once on-boarded, the sanction screening is performed daily till termination of the activities with the third party. In the event of a hit against the selected sanctioned party lists, the third party is blocked until the Group Legal Department reviews and clears the hit.

The sanction screening process has already been installed on group level for all companies which are technically integrated on IT level. The sanction screening for the suppliers (and clients) of Beaulieu Canada is planned in the first quarter of 2024. All existing suppliers and clients will be screened in batch (and daily after the one-time upload). From then on, all new suppliers/clients will be screened before doing business with them as well as continuously as described above.

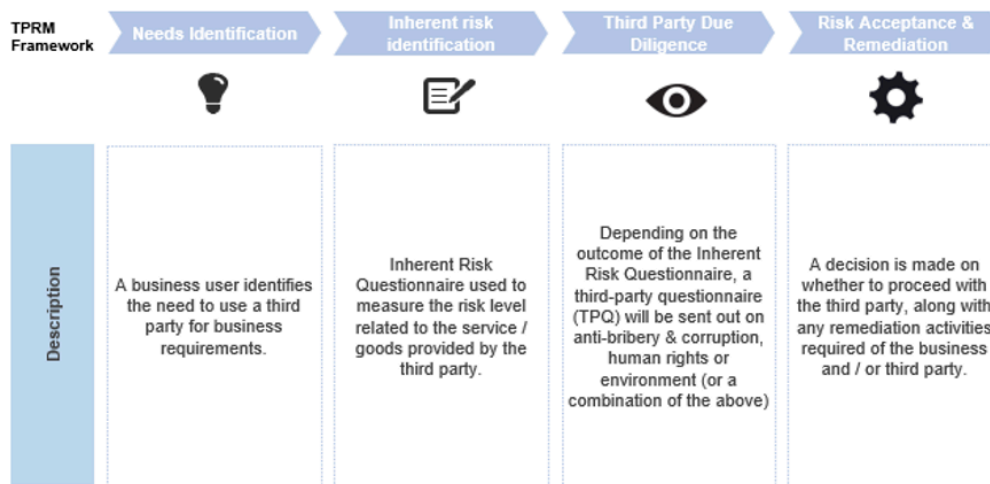
[2] TPRM = third party risk management

Besides the sanction screening process to be performed before the on-boarding of the third party, a supplier due diligence process is performed.

3.5 Supplier due diligence

As a large industrial Group, we operate in multiple countries and in diverse cultural, legal and regulatory environments. That puts responsible and ethical business conduct across the whole value chain right on top of our agenda for Governance – the G in ESG. The truth is that things many of us take for granted, such as human rights, safe working conditions, fair remuneration and legal compliance, aren't guaranteed at all times – making due diligence a must for businesses.

In 2023, we therefore designed a clear supplier due diligence process which encompasses the following steps :



In 2023, we also selected a tool to support this process. In 2024, the supplier due diligence process will be rolled out in Beaulieu Canada. The process (and tool) follows the following steps:

- Each prospective third-party relationship is assessed first for the inherent risk posed to the company based on the nature of the products or services provided and, the country of origin of the goods/services delivered. This determines whether the third party has a high, medium or low inherent risk. **The inherent risk assessment** assesses distinct categories of risk and the total risk of the relationship. Specific risk areas examined include:

- Anti-Bribery & Anti-Corruption risk (ABAC)
- Human Rights risk
- Environmental risk

The standard risk evaluation criteria on country level were based on the official **'global slavery index – vulnerability to modern slavery'** as well as the **'global rights index – workers' rights'** for human rights. The country level risk for anti-bribery & corruption risk was based on the 'Corruption Perception Index' published by Transparency International. Services and goods category did also receive a risk level relating to human rights and environmental risk. The risk evaluation framework was integrated in the selected tool which allows automated calculation of risk levels.

- Depending on the outcome and risk scoring in the inherent risk assessment phase, a **third-party questionnaire (TPQ)** is sent to the third party on one or a combination of the identified risk topics - anti-bribery & anti-corruption, human rights and or environment (for high and medium scores).
- The responses of the third party are evaluated internally by subject matter experts on respectively anti-bribery & corruption, human rights and environment. After evaluation, the third-party relationship is **accepted or denied**. Where needed, the subject matter expert evaluates whether a **mitigation plan** will be requested to the third party. A follow up of the remediation plan will be performed.
- A periodic monitoring / renewal of the third-party due diligence process is also in place.

3.6 Grievance mechanism – whistleblowing / SpeakUp

- The company seeks to conduct its business in compliance with all applicable laws, rules and regulations in all countries in which it operates. We encourage a free and open culture of communication. Several reporting channels have been established for employees, suppliers and others to report information/behavior that is inconsistent with our Code of Conduct, laws, regulations or company policies, or place the company's reputation at risk.
- In their relationship with our company, third parties can :
 - Share their concerns when they have suspicion of violation of the company's Supplier Code of Conduct.
 - Report knowledge or suspicion that there is a violation of law, regulation or company policy in relation to the company to either their usual point of contact within the company or to the internal audit department in writing or by email.
 - or through entering a report via our safe, confidential and compliant Speak Up platform <https://bintg.whispli.com/lp/speakup>

The link to the SpeakUp channel is published on the website [Beaulieu Canada](#). Internally, posters are referring employees to the SpeakUp channel as well.



Web-based training on the whistleblowing / SpeakUp was also launched end of 2023.

Periodically, a report to the Group Audit Committee is prepared on the 'reports' received and actions taken. Until now, no reports have been received relating to child and/or forced labour.

3.7 Training

As mentioned above following trainings have been organized:

- Web-based training on Code of Business Conduct & Ethics
- Whistleblowing and Speak Up

Training on forced labour and child labour has not taken place yet on the level of Beaulieu Canada specifically.

The group sustainability goals and the need for third party risk management and the upcoming supplier due diligence process has been part of awareness presentations and communications to Group Procurement and all companies of the Beaulieu International Group (general managers, finance, supply chain managers, quality).

Focused training on sustainability, human rights and environmental is planned in 2024.

4. Assessment of the risks within our company and supply chain

4.1 Beaulieu Canada - internal

As indicated above, the Responsible Business Statement clearly confirms our commitment to act as a Responsible Business. Processes, policies and procedures are in place to ensure compliance with respective laws and regulations. On group level, we prepare for reporting as required according to the European Union Corporate Sustainability Reporting Directive (CSRD). This requirement will address a number of topics which are also required by the Bill S-211.



4.2 Beaulieu Canada's supply chain

The entity currently considers the supply chain risks (including sustainability in all its aspects) when entering in a relationship with a new supplier as well as executing a supplier performance evaluation with existing suppliers.

For a number of raw materials suppliers and other suppliers based in overseas countries, Group Procurement is involved in the evaluation of the supplier. Each year, the Group also evaluates the sustainability score of the 100 most important suppliers at group level.

We are currently reviewing all the suppliers of Beaulieu Canada following our newly designed and structured supplier due diligence process (as described in 3.5). All suppliers will be evaluated in 2024. Once all suppliers have gone through the supplier due diligence process, tracking will be done on the risk profile of the suppliers as well as the status of the remediation plan communicated to the supplier (where applicable).

For the measures taken to identify and remediate violations if applicable, we refer to the previous section. Should a violation against human rights be identified at a supplier, this would be discussed with our Group Legal function as well as with our Group Sustainability Director.

Until now, no issues have been identified on human rights (forced labour and child labour).

Following our bronze Ecovadis medal at Group level, we are reviewing which improvement actions need to be considered.

Most of the raw material suppliers of Beaulieu Canada have been visited on-site and the following topics were reviewed during this visit:

- Analysis of their Quality insurance procedure
- Analysis of their Health and Safety policy
- Analysis of their Human Resources management practice
- Analysis of recycled usage materials and renewable energy

4.3 Measures taken to remediate the loss of income

We judged that vulnerable families have, to our knowledge, not experienced loss of income as a result of steps the entity has taken to eliminate forced labour or child labour risks.

Approved by Benoit Leclair, PRESIDENT of Beaulieu Canada

