



**2023 Report pursuant to Canada's
*Fighting Against Forced Labour and Child Labour
in Supply Chains Act, SC 2023, c 9***

Introduction

This report is produced by CANAC-MARQUIS GRENIER LTÉE (“Canac” or “we”) for the financial year ending December 31st, 2023, and states the actions that have been taken to prevent and reduce the risk of forced and child labour throughout our supply chains. We are presenting this first report pursuant to Canada’s new *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, SC 2023, c 9 (the “Act”). We are also aiming to show our commitment to ethical sourcing and corporate responsibility to continuously improve our business practices.

Steps taken to prevent and reduce risks of forced labour and child labour

Our Commitment

It is Canac’s priority to show integrity and commitment to our core values and principles that extend to our employees and suppliers. As a family-owned company doing business with local and international suppliers, we are seeking to ensure fair and ethical treatment of all workers throughout our global supply chains. We are also dedicated to addressing the challenges of supply chain compliance by placing corporate social responsibility at the center of our decisions and working procedures.

Our Actions

During the reporting period, we implemented the following measures to prevent and to reduce the risk of forced labor and child labor within our business operations and our supply chains:

- Mapping our different supply chains (identifying geographic areas of our first-tier suppliers);
- Establishing a structure to proceed with an internal assessment of risk of forced labour and/or child labour in the organization’s activities and supply chains;
- Developing due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in the organization activities and supply chains;
- Developing anti-forced labour and/or child labour standards by drafting and implementing a [Supplier Code of Conduct](#).

Details of the above actions are set out in this report.

Supplementary information

A) Structure, activities, and supply chains

Structure and activities

Canac is a private business corporation governed by the *Business Corporations Act* (Québec), whose head office is located in Quebec City. Canac operates mainly in the retail trade of hardware products, tools, wood, and other building materials. During Canac's peak season, a total of 4900 employees are working full-time or part-time in either the head office or in one of our 33 stores located in the province of Québec.

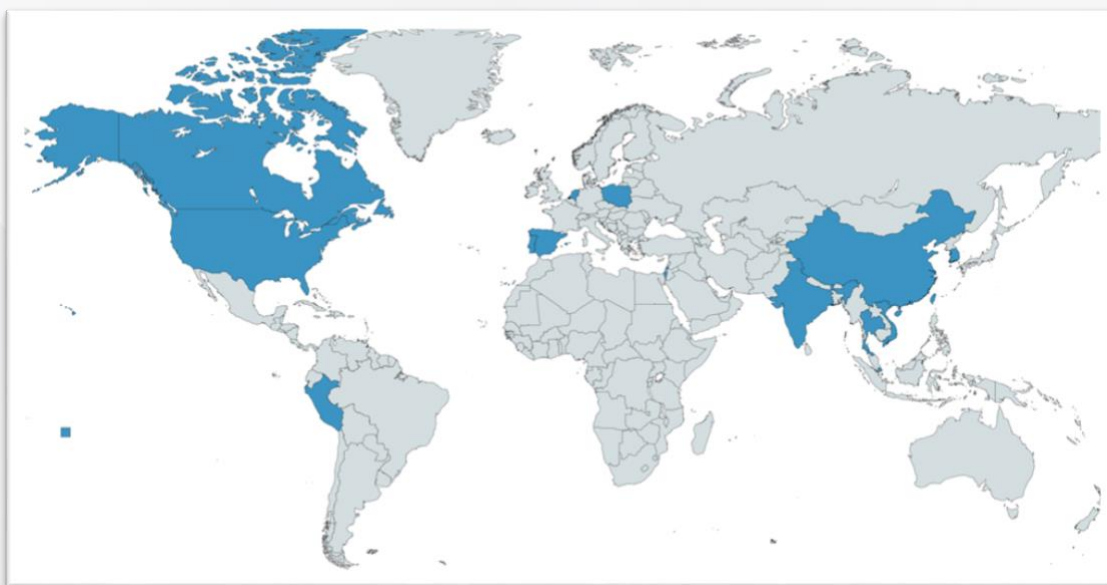
As the first independent hardware and building supply stores implemented in Québec city, Canac has an expertise of almost 150 years in the industry. With our own training center accredited by Emploi-Québec, we're aiming to perpetuate the hardware spirit of the past by ensuring that all our employees are providing our customers with advice that are both fair and adapted to their needs.

Through its diversified product assortment, Canac is dedicated to offer the best product value to professional construction contractors, businesses and individuals renovating or decorating their home or their office. Since the acquisition of Canac by Group Laberge in 1985, the company is continually growing by opening new stores and by renovating their maturing stores to meet evolving needs and expectations of customers.

Supply Chains

In 2023, 938 direct suppliers were reported in our centralised information system and most of our suppliers are based in Canada. More precisely, our direct local suppliers currently represent approximately 87% of our total purchase volume in Canadian dollars and the merchandise purchased from suppliers located in Canada originate from Canada or abroad. In 2024, we will continue working on specific procedures to closely monitor and update our active suppliers' portfolio and supply chain.

Beside Canada, where many of our partners are located, our suppliers are based in various countries mainly including China and the United States. Our total business volume is distributed among the countries identified in the below world map:



**These data are reviewed on an annual basis and may vary for the current year.*

In 2023, our top ten sourcing countries by dollars spent were: Canada, China, the United States, India, Vietnam, Hong Kong, Singapore, Spain, Taiwan, and Poland. As most of our imported products are produced in China, we are closely working with a third-party whose team is inspecting the products directly at the production facility on the behalf of Canac. In 2024, this third-party will be greatly involved to facilitate the diffusion and the implementation of our due diligence processes.

B) Policies and Due Diligence Processes

B.1) Mapping our different supply chains

We have identified the geographic regions where our tier 1 suppliers are located, and we have evaluated the total business volume (in CAD \$) related to their respective country. In 2024, we will continue mapping our supply chains to identify the subcontracting factories related to our vendors (if applicable).

B.2) Conducting an internal risk assessment related to forced labour and/or child labour in the organization’s activities and supply chains.

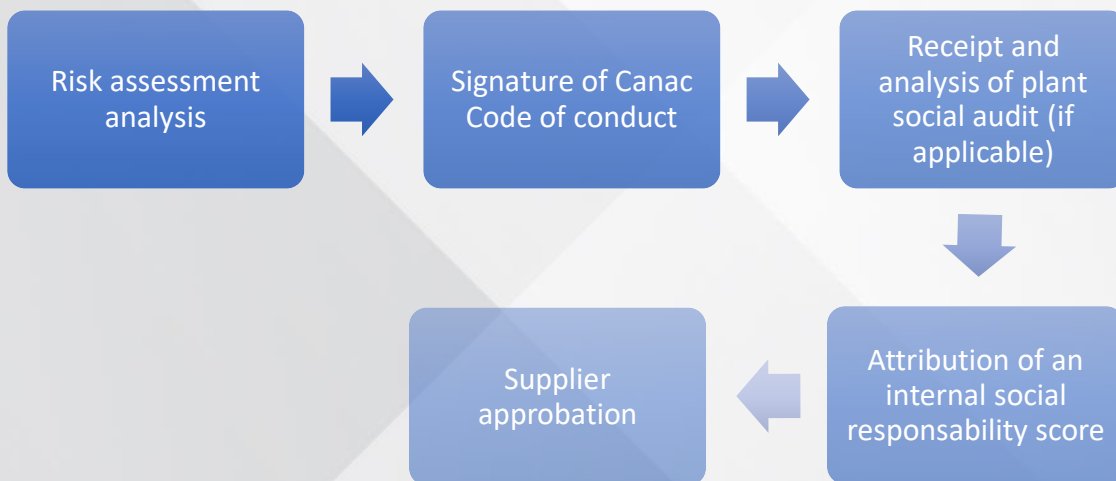
Considering the regions and industries with high prevalence rates of forced labour and child labour, we have identified the structure that will be followed to adequately evaluate the risks related to our supply chains. Details of the above action are set out in the section about forced labor and child labor risks.

B.3) Due diligence policies and processes

We have developed the following due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in our activities and supply chains.

New Supplier- Qualification Process

All new suppliers are required to undertake to comply with our [Supplier Code of Conduct](#) as part of the New Supplier Qualification Process. Moreover, we are planning to require all potential manufacturing suppliers seeking to produce our private labels products to be audited by an eligible and internationally recognized third-party organization. We created this flowchart to be applied as our official 2024 process:

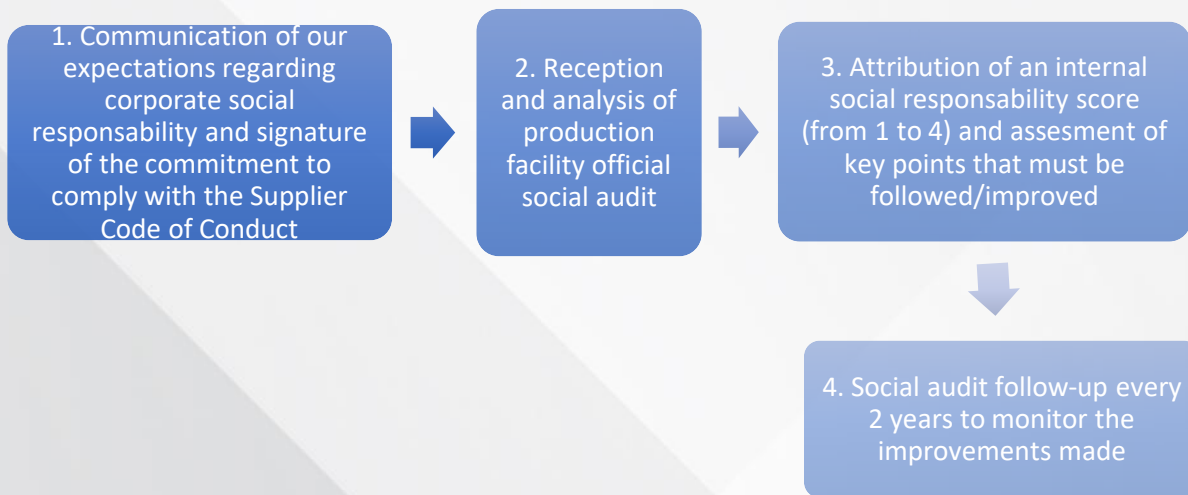


Current Supplier- Due Diligence Process

Current suppliers are required to comply with our [Supplier Code of Conduct](#) as part of our supplier management process.

Based on our preliminary risk analysis, as of today we consider that our private labels manufacturers located in Asia are currently representing the highest risk of forced and/or child labour in our supply chains. Therefore, in 2024, we will require all our tier 1 private labels manufacturers to be audited by internationally recognized and independent third parties supporting and monitoring social compliance.

However, we are planning to adjust our evaluation and due diligence processes for all our active suppliers once every step of our risk evaluation stated in section C of this report is completed. All our international manufacturing suppliers located in Asia will be subject to the below general process:



Reporting Policy

All Canac's employees and partners also have an obligation to report if they suspect forced labor or child labor in our supply chains. To do so, Canac provides multiple channels for them to report any potential breach, on a confidential basis or not, such as:

- Employees engagement: Canac employees can directly contact designated compliance person or via a confidential phone line.
- Suppliers' engagement: Through official and continuous communication, our suppliers are encouraged to communicate any concerns or incident related to forced labor or child labor directly to our purchasing and/or compliance team.

B.4) Supplier Code of Conduct

Our Supplier Code of Conduct defines the minimum standards that we require all our suppliers to comply with, but it's not meant to substitute international intergovernmental co-operation standards nor for international and local legislation. Human rights standards are a set of rights which recognize the inherent dignity, freedom, and equality of all human beings, as expressed in the United Nations International Bill of Human Rights and in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

C) Assessing and Managing Forced Labour and Child Labour risk.

Following our preliminary risks analysis, we consider there is a low risk of forced labour or child labour in our direct operations. In addition, the entirety of Canac's workforce is employed or contracted in Canada and the vast majority is employed or contracted directly by Canac, not through subcontractors. Nevertheless, we have determined that our private label manufacturers in Asia currently present the highest risk of forced and/or child labour in our supply chain. This conclusion is based on a preliminary evaluation and our analysis will be extended when the below steps will be fully completed in the upcoming year.

We consider that this complete evaluation is crucial to uphold our ethical standards and to mitigate the risk of forced and child labour in our supply chains. We define our methodology to evaluate and manage the risks as below:

- 1) Risk mapping:** Draw up an initial and comprehensive overview of Canac's fields of activity and types of business relationships and closely examine potential indicators of forced labor.
- 2) Supplier evaluation:** Evaluate our suppliers based on predetermined criteria, including but not limited to their ongoing mechanisms to ensure ethical business practices and their compliance with laws and international standards.

4) Risk scoring: Develop a risk scoring system to prioritize the identified risks based on their severity and potential impacts on the workers involved in our supply chains and on our general business conditions.

5) On-site audits: Conduct or request third parties to conduct on-site audits for high-risk suppliers or facilities to assess working conditions.

6) Continuous monitoring: Implement mechanisms for ongoing monitoring and surveillance of our supply chains to detect any potential changes in risks related to forced and child labour.

D) Remediation Measures

As of today, we have not identified any forced labor or child labor in our activities and supply chains. As such, we have not had to take any measures to remediate any forced labour or child labour. However, we have determined action plans to prevent forced labor and child labor associated harms:

- If there is a suspicion, reviewing and analysing the documentation provided by supplier's management team or related to the case to identify and to understand the problem.
- Working in collaboration with highly qualified third-party organizations to identify the causes of the problem and to apply an adequate remediation or business termination plan adapted to the case.
- As a second important deed, we have planned grievance mechanisms:
- Analysing the local laws to correctly address the problem to relevant parties including local authorities and inform them of the findings.
- Canac will formally communicate with the factory representative to begin the corrective action plan which will include solutions and preventive policies.

E) Remediation of Loss of Income to Vulnerable Families

As we have not identified any forced labor or child labor in our activities and supply chains, we have not had to take any measures to remediate any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labor or child labor in our activities and supply chains. However, based on the implementation of our due diligence processes, if remediation measures must be taken, we will determine a plan to remediate the loss income to the most vulnerable families.

F) Training

In 2023, our employees making contracting or purchasing decisions have been sensibilized to their responsibility regarding ethical sourcing, but trainings were voluntary. In 2024, official training regarding the measures that must be taken to prevent and to reduce the risk of forced and child labour throughout our supply chains will be mandatory for some employees.

The due diligence processes that have been defined in 2023 will be duly explained to all concerned party and officially applied in 2024 with the support of Canac's Purchasing Director and Canac's Import and Compliance Specialist. In 2024, Canac intends to provide training to targeted audiences that will include more details about child and forced labor due diligence processes.

G) Assessing Effectiveness

At Canac, we are committed to addressing the risks of forced labour and child labour in our activities and those of our suppliers. As explained in this report, we have introduced measures for the purpose of preventing and reducing such risks.

Although no actions have been taken to assess the effectiveness of these measures yet, we plan to evaluate its efficacy in preventing and mitigating the risk of forced labour and child labour within its operations and supply chain at a subsequent phase.

We will develop a plan to assist suppliers in renewing certifications and continue to follow up on nonconformities that are generated to reach ideal social compliance.

Approval and Attestation

This report was approved pursuant to paragraph 11 (4)(a) of the Act by the board of Canac.

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.

I have the authority to bind CANAC-MARQUIS GRENIER LTÉE.

Per : 

Full Name: Martin Gamache

Title: CEO

Date: 30/05/2024