



Forced Labour and Child Labour in Supply Chain Assessment

March 12, 2024

Table of Contents

Executive Summary.....	3
Background	4
Structure, Activities & Supply Chain Structure	5
Policies & Due Diligence	6
High Risk Areas.....	6
Remediation of Forced & Child labour & Vulnerable Family Income Loss.....	7
Awareness Training.....	7
Self-assessment Process & Requirements.....	8
Conclusion and Key Takeaways	8

Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

In Canada, the government through the Public Safety Canada has enacted Bill S-211 or Fighting Against Forced Labour and Child Labour in Supply Chain aims to protect vulnerable populations from human rights abuses and exploitation. This Bill will have a significant impact on the way Canadian business contract within the supply chain and may affect an organization if it produces, sells or distributes goods in Canada or elsewhere, import goods produced outside of Canada into the country, or controls an entity engaged in either of the above activities. This Bill took effect on January 1, 2024, with first reports required to be filed on or before May 31, 2024.

As of January 2024, Calgary Co-op has begun prioritizing the assessment of forced labour and child labour within its supply chain. It has connected with large spend suppliers that make up 80% of the 2023 spend as well as suppliers identified as high risks by senior leaders and management. It was noted that most of these suppliers are also in the process of working internally to put their processes in place to comply with Bill S-211 requirement, while some others have just started familiarizing themselves with the Bill at the time of communication with them.

Given that Bill S-211 is a new act, Calgary Co-op has yet to remediate its internal processes which includes updating their policies and procedures, supply chain management and training of employees for the remainder of year 2024.

Background

The measures introduced through Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The following are the mandatory reporting areas that must be investigated and reported:

- The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.
- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

This report covers the financial year November 1, 2022, to October 31, 2023. This is the first version of the report submitted for Calgary Co-operative Association Limited including wholly owned subsidiaries with office address at #110, 151 86th Ave SE Calgary, AB T2H 3A5.

Structure, Activities & Supply Chain Structure

Calgary Co-operative Association Limited and its wholly owned subsidiaries such as Community Natural Foods, Beacon Pharmacy, The Organic Box and Willow Park Wines & Spirits are in the primary business of operating retail food, pharmaceutical, petroleum, home health care, liquor and cannabis outlets in Alberta and Saskatchewan for the benefit of its members. The Association is incorporated under the Cooperative Act of Alberta.

As at fiscal year ending October 31, 2023, Calgary Co-op has \$757M in assets and generated \$1.3B sales. Calgary Co-op has over 400,000 member-owners and about 4,208 employees. The cooperative is governed by its Board of Directors, who are democratically elected by the member-owners of the cooperative in accordance of the bylaws of the cooperative and the Cooperative Act. There are two officers of the Board: The Chair and the Vice Chair. Board members serve 3-year terms and appointment of officers, committees and representatives take place each year following the Annual General Meeting. The Audit, Governance, Human Resources, Investment and Nominations Committees all provide oversight to the Co-operative’s management team’s most complex areas.

The executive team is composed of the following: CEO, CFO, SVP-Operations and Merchandising, SVP-Real Estate and Development & Pharmacy, VP – Marketing and Member Experiences, VP – Information Technology and VP-Human Resources.

Calgary Co-op and its subsidiaries have around 1500 tier 1 or direct suppliers or those suppliers that Calgary Co-op directly conduct business with. 96% of these suppliers are based in Canada. The rest are from the US, UK, and Japan, which are low risk countries according to Walk Free Global Slavery Index. One vendor has an address in India with spent of \$207K. It was confirmed that the vendor only provides IT services and no actual product was purchased from them. Calgary Co-op mainly procure the products they sell at their stores from wholesalers and distributors based in Canada and from some local suppliers.



While the majority of Calgary Co-op's direct suppliers are Canada based, these suppliers source their products from suppliers that operate and ship products out of high-risk countries. Calgary Co-op sells various retail products which belong to high and extreme-risk categories using the 2022 List of Goods Produced by Child Labour or Forced Labour by the US Department of Labour's Bureau of International Labour Affairs. These products include fresh produce like fruits and vegetables, dairy products, poultry, meat, liquor, and tobacco.

Policies & Due Diligence

Calgary Co-op has various policies in place to ensure that their operations adhere to requirements. It has an internal business code of conduct that guides the behaviours of all employees. Other policies also include local product procurement guidelines such as food safety regulations, good manufacturing practices, labelling, shelf life and distribution. However, Calgary Co-op does not have a standard Supplier Code of Conduct. One of its subsidiaries, (Community Natural Foods) has a Supplier Code of Conduct and has sections on forced and child labour. Moreover, Community Natural Foods is also Fair Trade Certified and adheres to the program that aims to promote sustainable and fair-trading practices for small-scale farmers and workers in developing countries. This includes adhering to Fairtrade's social standards such as providing safe working conditions, ensuring fair wages, and prohibiting forced and child labour. Conduct clauses are part of supplier contracts that include a provision or a clause about complying with different requirements. None of which though has provision specific to forced and/or child labour.

Calgary Co-op and its subsidiaries also perform facility tours of suppliers, supplier surveys and reference checks but policies do not outline the frequency of these activities, which suppliers should be covered, or the criteria on which they will be assessed.

Calgary Co-op plans to remediate its internal processes, including updating policies and procedures during the remainder of the year 2024.

High Risk Areas | Identification & Management

Calgary Co-op has an Enterprise Risk Management Program that helps identify and address risks that could affect Calgary Co-op's ability to meet its strategic objectives.

For Fiscal 2024, Calgary Co-op has some supplier risk management processes in place; however, these have not been formalized and do not include processes to understand the risk exposure to forced and child labour.

In Fiscal 2024 Calgary Co-op performed a risk assessment of the supply chain to determine its risk exposure to forced and child labour. The risk assessment included review of the industry's risk where Calgary Co-op operates, the country of origin of products and the type of products being sold at its stores. Based on this assessment, Calgary Co-op being under the retail industry falls under the high-risk category

as the retail industry is rated high risk, the variety of products being sold at its stores also fall under the high-risk area. For countries of origin, 96% of suppliers are based in Canada, while a small percentage are from the UK, USA and Japan which are low-risk countries. These suppliers though based in low-risk countries, supply goods that belong to high-risk categories. One supplier has an address in India with spend of \$207K and it was confirmed that the vendor has an office in Canada and only provides IT services and that no actual product was purchased from them. Moreover, Calgary Co-op inspected relevant documents and performed interviews with different stakeholders and major suppliers that make up 80% of the 2023 spend as well as those suppliers deemed high risks by senior leadership and management.

Calgary Co-op will continue to assess their suppliers during the remainder of 2024 as part of its risk identification and management initiatives. Calgary Co-op will perform annual audit of selected vendors. In addition, all vendors will be required to accept Calgary Co-op's Supplier Code of Conduct as an addendum to any current and new contracts. Calgary Co-op is in the process of drafting its Supplier Code of Conduct and will target that it be ready during fiscal year 2024.

Remediation of Forced & Child labour & Vulnerable Family Income Loss

Calgary Co-op currently doesn't have a monitoring mechanism to note if there were any instances of forced and child for the period under review; and currently does not have procedures in place to report, correct and remediate these instances. As part of 2024 activities, Calgary Co-op will continue its risk assessment and will determine if there are areas in its supply chain that is at risk of forced or child labour. Once these have been determined, Calgary Co-op will identify the remediation procedures that can be put in place to mitigate the risk of forced or child labour in that area of the supply chain, if any.

Awareness Training

Training on Bill S-211 was provided to executive and board members during Fiscal 2024. The training provided an overview of the Bill and what similar laws around the world are available, the definition and forms of forced and child labour, some examples of child and forced labour both globally and in Canada. It also provided a snapshot of how modern slavery looks like recently including statistics of how many people are suffering from modern slavery around the world. The training also talked about the common key drivers of forced and child labour such as the absence of rights, lack of physical safety, poverty and inequality, criminality, and corruption among others.

While training at the Executive and Board level was completed, a training program has not yet been extended to other employees in the organization. During Fiscal 2024, Calgary Co-op will develop, provide,

and track the delivery of awareness training to its employees and the progress will be shared in the next reporting period.

Self-assessment Process & Requirements

During fiscal year 2023, Calgary Co-op didn't have a self assessment and internal accountability process in place in relation to forced and/or child labour. In fiscal 2024 Calgary Co-op, utilized its Internal Audit department to assess its program, and will continue to develop a self-assessment process for future reporting periods.

Conclusion and Key Takeaways

Given that Bill S-211 is a new Act, Calgary Co-op has yet to implement or remediate the requirements of the act. As of January 2024, Calgary Co-op has already started the process of remediation and will complete most requirements for the remainder of the fiscal year.

Calgary Co-op will prioritize awareness training within its organization. There will be different levels of training to be provided depending on the risk of the position. Calgary Co-op will also update its policies and procedures to include provisions around forced and child labour. The assessment of its supply chain via supplier review and questionnaires sent out to vendors will continue during the fiscal year 2024 where it will consider documenting a supplier code of conduct that clearly articulates the requirement of Bill S-211 and attach it to supplier contracts. The progress of these initiatives will be shared in the next reporting period.

Approval and Attestation

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.

Brad Krizan



Full Name

Signature

Board Chair

Title

Date April 25, 2024

I have the authority to bind Calgary Co-operative Association Limited and this report covers financial year 2023 and applies to Calgary Co-operative Association Limited and its wholly owned subsidiaries.