

FORCED CHILD LABOUR
REPORT

May 31, 2024



Abstract:

With the enactment of Bill S-211, the Fighting Against Forced Labour and Child Labour in Supply Chains Act, effective from January 1, 2024, new reporting obligations are imposed on both business and governmental entities engaged in the production, sale, or distribution of goods in Canada or abroad, as well as those involved in the importation of goods into Canada. This subsequent annual report responds to inquiries regarding the policies, procedures, and mechanisms implemented by Hydrofarm Canada to mitigate the risk of Forced Child Labour within its operations and supply chains.

Annual Report:

The initial independent report for the financial reporting year 2023 centers on Eddi's Wholesale Garden Supplies Ltd., operating under the legal entity Hydrofarm Canada, bearing a business number of 101568186, and headquartered at unit 103 - 15040 54 Avenue, Surrey, British Columbia. As an active participant in the Manufacturing, Wholesale Trade, Transportation, and Warehousing industry, this corporation demonstrates financial prowess, with assets and revenues surpassing the requisite thresholds of 20 million and 40 million dollars respectively, mandated for reporting purposes. Despite its significant operational footprint within Canada, that consists of the production, importing, exporting, selling and distributing of goods in and outside of Canada, the entity remains exempt from reporting obligations under supply chain legislation in jurisdictions beyond.

In terms of addressing forced labour and child labour, the entity embarked on several initiatives during the preceding financial period. These efforts include the mapping of its supply chains (Diag. 1), implementation of Supply Chain Code of Conduct (Appendix I), developing and implementing an action plan for addressing forced labour and/or child labour, due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains, child protection policies and processes, anti-forced labour and/or -child labour contractual clauses, anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists, grievance mechanisms, training and awareness materials on forced labour and/or child labour and procedures to track performance in addressing forced labour and/or child labour and the formulation of an action plan aimed at tackling forced labour and child labour. Nonetheless, the absence of formal policies and due diligence processes specifically tailored to address these issues remains notable.

Consequently, the entity has yet to commence the identification of potential risks associated with forced labour or child labour within its organizational structure (Diag. 2), operational domains and supply chains, nor has it undertaken any remedial actions in this regard. Furthermore, no instances of income loss among vulnerable families attributable to measures targeting the eradication of forced labour or child labour have been identified.

Diagram 1: Supply Chain Map

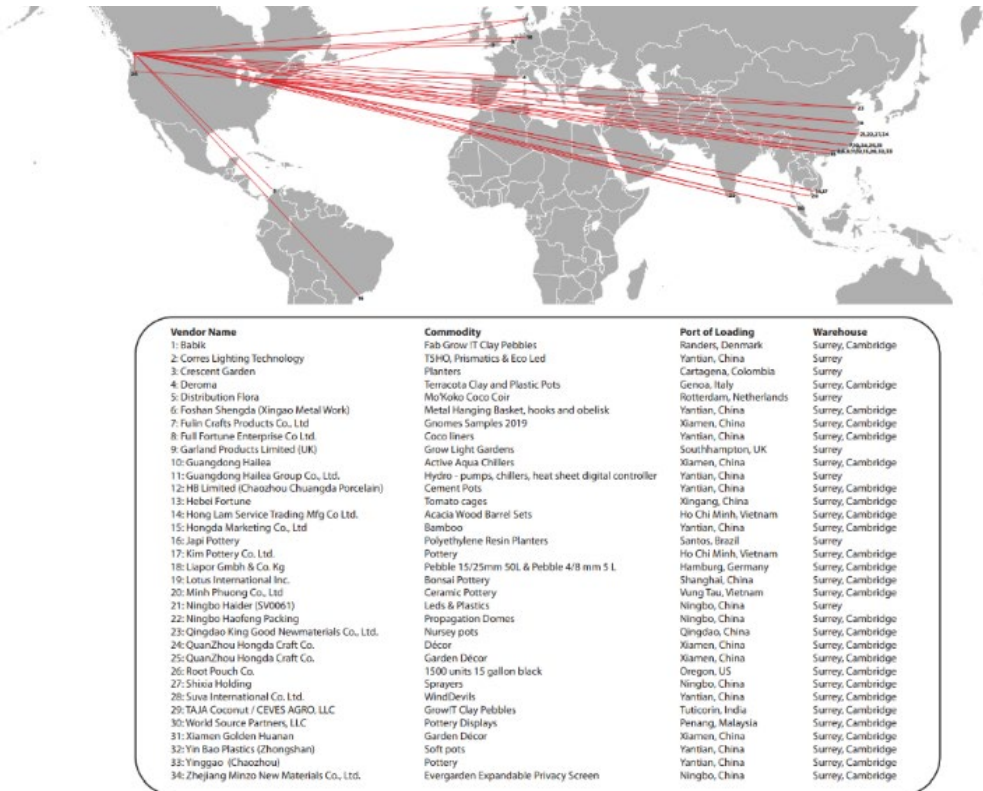
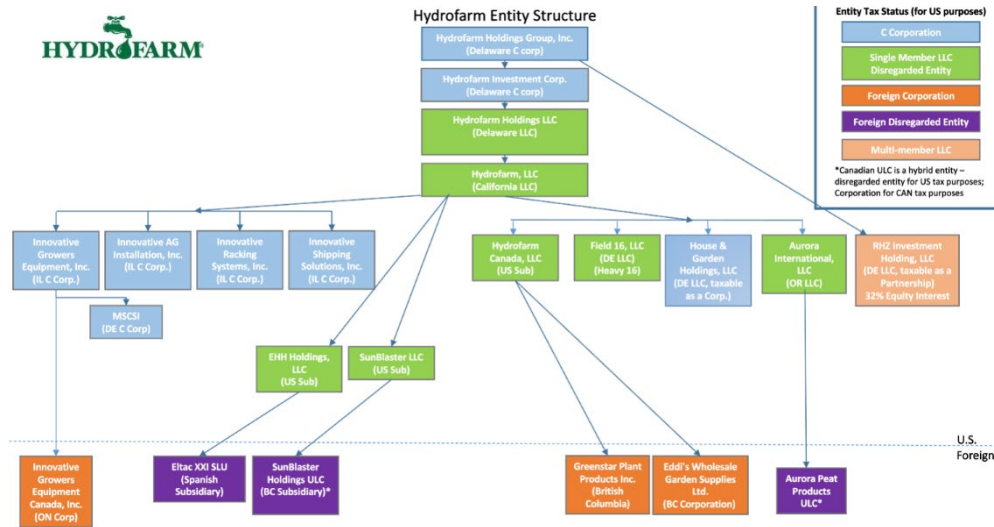


Diagram 2: Organizational Structure



Presently, the entity does not administer training programs to its workforce on matters concerning forced labour or child labour and lacks established protocols to evaluate the efficacy of its endeavors in ensuring the absence of these practices within its activities and supply chains. These observations underscore the imperative for the organization to fortify its commitment towards combating forced labour and child labour through the implementation of robust policies, rigorous due diligence mechanisms, and comprehensive employee training initiatives.

Conclusion:

In conclusion, the findings of this report shed light on the operational landscape of Eddi's Wholesale Garden Supplies Ltd., operating as Hydrofarm Canada, during the financial reporting year 2023. Despite its notable financial standing and extensive operational activities encompassing production, importation, exportation, sale, and distribution of goods, the entity remains exempt from reporting obligations under supply chain legislation outside Canada.

The report underscores the entity's initiatives to address forced labour and child labour, including supply chain mapping, the implementation of a Supply Chain Code of Conduct, and the formulation of an action plan. However, the absence of formal policies and due diligence processes tailored to address these issues remains a significant gap. The entity has yet to initiate the identification of potential risks associated with forced labour or child

labour within its organizational structure, operational domains, and supply chains. Moreover, the absence of training programs for its workforce on these matters and the lack of established protocols to assess the effectiveness of efforts to combat forced labour and child labour highlight areas for improvement.

Moving forward, it is imperative for the organization to strengthen its commitment to combating forced labour and child labour through the implementation of robust policies, rigorous due diligence mechanisms, and comprehensive employee training initiatives. By addressing these gaps, the entity can uphold ethical standards and contribute to the global effort to eradicate forced labour and child labour from supply chains.

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Attestation:

We, the undersigned, hereby attest to the accuracy and completeness of the information presented in the report titled "Report on Eddi's Wholesale Garden Supplies Ltd. for the Financial Reporting Year 2023." This report outlines the operational activities, financial performance, and initiatives related to addressing forced labour and child labour within the organization.

We affirm that the information provided in the report is based on thorough research, analysis, and documentation obtained from reliable sources. Any opinions or recommendations expressed therein are made in good faith and are supported by evidence presented within the report.

Furthermore, we confirm that all data, figures, and statements presented in the report are true and accurate to the best of our knowledge and belief. Any discrepancies or inaccuracies identified shall be promptly rectified in subsequent revisions or updates.


Laura Harvey (May 31, 2024 18:38 PDT)

Laura Harvey

SVP & General Manager of Canada

May 31, 2024



SUPPLIER CODE OF CONDUCT

Hydrofarm Holdings Group, Inc., and its subsidiaries (the Company) are committed to the highest standards of product quality, safety and business integrity. We want to ensure that working conditions in our supply chain are safe, that workers are treated with respect and dignity, and that our suppliers' operations are environmentally conscious. We expect all our suppliers and subcontractors to share the principles which are expressed in this Supplier Code of Conduct and to replicate these standards further down the supply chain.

The term "Supplier" or "Suppliers" means any person or entity that is the source for goods or services, back to the primary production level. The Code is applicable to all workers and employees of any of those suppliers (including permanent, temporary, contract agency and migrant workers). This includes all workers providing work at a supplier location, such as under an employment agency or service provider. It also applies to any subcontractors and third-party labor agencies.

We reserve the right to verify compliance with the Code through internal or third-party assessments and to require implementation of corrective actions toward meeting the Policy. In cases where improvement is required, we will support the supplier to establish clear milestones and processes to support their achievement. Suppliers who ultimately fail to comply may be subject to consequences up to and including termination of business.

BUSINESS PRACTICES

Suppliers will implement management systems to facilitate compliance with all applicable laws, regulations, contractual agreements and generally recognized standards, and to promote continuous improvement with respect to the expectations set forth in this Supplier Code of Conduct.

Suppliers will have systems in place to:

- ▶ Enable fair, confidential and anonymous grievance reporting and follow-up without fear of reprisal, including whistleblower protections
- ▶ Maintain books and records in accordance with applicable law and generally accepted accounting principles
- ▶ Protect confidential information to which they have access, including its intellectual property, trade secrets, or financial information, and to safeguard any property belonging to the Company while under their control
- ▶ Avoid any situations that may adversely affect our business interests or reputation
- ▶ Prevent any form of corruption, extortion or embezzlement, including a zero-tolerance approach to bribery and kickbacks
- ▶ Conduct their business in line with fair competition and in accordance with all applicable anti-trust laws.

We reserve the right to ask suppliers for a full supply chain map to facilitate risk assessment and gauge compliance in the upstream supply chain or will require our vendors to attest to their upstream supply chain compliance. Suppliers shall be transparent about all known facilities used to produce products or services for us and provide such information upon request. At our request, suppliers are expected to provide to us reports on the occurrence of substances in any materials supplied to us that may be restricted by, or require disclosure to, governmental bodies, and/or customers.

LABOR PRACTICES

We expect suppliers to respect the personal dignity, privacy and human rights of each individual and:

- ▶ Avoid any sort of child labor in their business operations consistent with the International Labor Organization's (ILO) core labor standards
- ▶ Uphold freely chosen employment practices, with no toleration for forced, prison, bonded, indentured or involuntary labor in their operations and supply chain
- ▶ Provide employees with a written employment agreement that complies with local laws and regulations, and inform workers of their legal rights and employment conditions in a language understood by the employee
- ▶ Respect the maximum number of working hours determined in the applicable laws and provide compensation paid to employees that comply with applicable national wage laws, with all overtime work paid at the legally mandated overtime rate, or in the absence of this, a premium wage
- ▶ Protect equal opportunities for and treatment of its employees irrespective of skin color, nationality, race, disabilities, political or religious conviction, sexual orientation or gender identify, age, sex, social background, physical characteristics, union membership, family status, or pregnancy
- ▶ Refuse to tolerate sexual harassment or discrimination, and provide employees with a workplace free of corporal punishment or torture, mental or physical coercion or verbal abuse of employees, or the threat of any such treatment
- ▶ Respect the rights of employees to associate freely, join labor unions, seek representation, join works councils and engage in collective bargaining, as permitted by applicable law
- ▶ Provide a safe and healthy working environment, including appropriate controls, safe work procedures, preventative maintenance and necessary technical protective measures to mitigate health and safety risks in the workplace
- ▶ Identify and assess likely and potential emergency situations in the workplace and minimize their impact by implementing emergency plans and response procedures
- ▶ Ensure that employees have access to potable drinking water and clean toilet facilities at all times at the workplace and that accommodations, where provided, are clean, safe, affordable, and meet the basic needs of workers and conforms to applicable laws
- ▶ Respect the rights and titles to property and land of individuals, indigenous peoples and local communities and ensure that negotiations regarding property and land adhere to principles of free, prior and informed consent, as well as contract transparency and disclosure

ENVIRONMENTAL PRACTICES

We are committed to operating in a way that respects the environment, is thoughtful about the use of natural resources, and is focused on continuous improvement. At a minimum, we expect that suppliers will:

- ▶ Act in compliance with the applicable statutory and international standards of environmental protection
- ▶ Work to reduce their carbon footprint through investment in energy efficient buildings and processes, optimization of supply chains and distribution networks, and a transition to renewable energy sources
- ▶ Protect water resources by minimizing use of water in their operations, avoiding contamination from their operations, and reducing the impact on the water resources of the surrounding communities, especially in areas of high baseline water stress
- ▶ Reduce waste-to-landfill through strategic sourcing initiatives, reuse and recycling practices, optimized manufacturing and packaging systems, and employee training
- ▶ Identify and reduce the use of hazardous materials, chemicals and substances, including providing relevant employees with proper training for safe handling, storage and disposal and developing processes to prevent or mitigate accidental spills and releases into the environment