

Federated Co-operatives Limited



Forced Labour in Canadian Supply Chains

Federated Co-operatives Limited

Updated March 2024



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Introduction

This report is Federated Co-operative Limited's (FCL) response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act) for the financial year ending October 31, 2023. The reporting entities covered by this statement are FCL, business number 10175 5007 and all FCL-owned legal entities including the Co-op Refinery Complex (CRC) business number 10112 6431, Co-op Ethanol Complex (CEC) (102078290 Saskatchewan Ltd.) business number 79313 3331, and Interprovincial Co-operative Limited (IPCO) business number 10251 6317.

For the purposes of the Act, FCL meets the entity definition by having a business in Canada, doing business in Canada and meeting all three threshold criteria for revenue, assets and employees. FCL is incorporated federally under the Canadian Co-operatives Act and is obligated to submit a report to the Minister of Public Safety and provide a public report in response to the Supply Chains Act by May 31, 2024. Due to timing, FCL will not share this report with its members alongside the financial statements for the current reporting year. However, FCL will align its practices to produce and distribute this report alongside the financial statements for future years.

FCL is committed to continuous improvement in the areas of identification and remediation of forced and child labour in operations as well as local and global supply chains. Further, FCL is committed to respecting all human rights, in accordance with applicable law and the principles set forth in international standards, including the [UN's Declaration of Human Rights](#), the [UN Rights of Indigenous Peoples](#) and [UN Guiding Principles on Business and Human Rights](#).

Guided by core values of integrity, excellence and responsibility, FCL is committed to making ethical business decisions and taking proactive measures to address issues such as forced and child labour.

1. Structure, Activities and Supply Chain

Structure

Based in Saskatoon, Saskatchewan, FCL is a co-operative that is owned by 158 independent retail co-operatives (local Co-ops) from across Western Canada, which are in turn, owned by more than 2 million individual members in Western Canada. Together FCL and the local Co-ops make up the Co-operative Retailing System (CRS), which helps build, feed and fuel individuals and communities from Vancouver Island to Northwestern Ontario and into the Arctic. The CRS is committed to embracing the co-operative model through local investment, community mindedness, care for the environment and lifetime membership benefits. FCL's



mission is to provide responsible, innovative leadership and support to the CRS for the benefit of members, employees and Western Canadian communities.

Activities

FCL's business is largely business-to-business, focusing on serving independent local Co-ops. FCL's core industries include manufacturing, wholesale and retail trade, and transportation and warehousing in the energy, food, home and building supplies, and agriculture business units.

Wholesale and Retail Trade

FCL sources and distributes products across many primary consumer and business lines to the 158 local Co-ops with 1,500 retail locations in more than 630 communities across Western Canada, including food, home and building supplies, crop inputs, agricultural equipment, livestock feed, propane, lubricants, and petroleum. These products are purchased within Canada or imported and distributed throughout the CRS using FCL's fleet, distribution centres, bulk fuel distribution centres, fuel terminals and fertilizer plants. The Grocery People (TGP) is a unit of FCL that delivers fresh groceries to independent and corporate retail stores, restaurants, and other food establishments across Western Canada.

Manufacturing

The [Co-op Refinery Complex](#) (CRC) in Regina, Sask., has the capacity to process 130,000 barrels of crude oil per day. The [Co-op Ethanol Complex \(CEC\)](#) annually produces up to 150 million litres of ethanol from purchased grains, primarily wheat and other starch-rich crops, which are blended into Co-op Fuels at the CRC. Co-op Premium Lubricants, such as diesel motor oils and transmission fluid, are blended in Western Canada for wholesale distribution across the CRS.

FCL is a member of [Interprovincial Cooperative Limited](#) (IPCO), which provides expert support in the formulation and repackaging of crop-protection products. FCL operates three feed plants located in Calgary, Alta., and Moosomin and Saskatoon, Sask. Through feed plants, FCL manufactures animal feed and pet food for sale within the CRS.

Transportation and Warehousing

FCL has four food distribution centres (DC) including Saskatoon, Sask., Winnipeg, Man., Edmonton, Alta., and Calgary, Alta., and one home and building DC in Calgary, Alta. FCL fertilizer terminals, located in Brandon, Man., Hanley, Sask. and Grassy Lake, Alta., warehouse, blend and distribute crop nutrition products for local Co-ops and their members. FCL stores and distributes fuel from the CRC in Regina, Sask. to the Carseland Terminal in Carseland Alta., enabling fuel distribution across the CRS and into many Western Canadian



communities. FCL also owns and maintains a trucking fleet that distributes fuel, food, and home and building supplies across the CRS.

Administrative Support

FCL provides IT infrastructure support, accounting services, risk-management services, human resources support, recruitment and ongoing employee training. FCL assists with planning and developing capital construction projects.

Marketing Support

FCL provides comprehensive marketing support across all major business lines, including centralized and regional campaigns, point-of-sale promotions, centralized flyers, content marketing and digital marketing services. FCL also provides market research analysis to identify consumer needs and perceptions and to determine the viability of new programs and services.

For more information, please see FCL's [2023 Annual Report](#).

Supply Chain

FCL's supply chain is comprised of products that are manufactured by FCL legally owned entities and products sourced for resale.

Table 1. Manufacturing

CATEGORY	DESCRIPTION	LOCATION
AGRICULTURE	IPCO is a Canadian manufacturer of agriculture products such as herbicides fungicides, glyphosates and surfactants. FCL operates three feed mills that manufacture animal feed and pet food.	IPCO's manufacturing facility is in Winnipeg, Man. The feed mills are in Saskatoon and Moosomin, Sask. and Calgary, Alta.
ENERGY	CRC and CEC manufacture petroleum and ethanol products in Saskatchewan	CRC is in Regina, Sask. and CEC is located near Belle Plaine, Sask.



Table 2. Wholesale and Retail Trade: Products Sourced for Resale

CATEGORY	DESCRIPTION
AGRICULTURE	Agricultural equipment, crop protection products, fertilizer and feed
ENERGY	Fuel, lubricants, propane
FOOD	Wholesaler to support food stores, convenience stores, liquor and pharmacy and Co-op private label food products
HOME AND BUILDING SUPPLIES	Wholesaler and private label products (hardware, lumber, building materials, tools, paint, seasonal, plumbing, and electrical products)

2. Policies and Processes in Relation to Forced and Child Labour

Internal

FCL maintains Compliance and Ethics policies to which all employees must adhere to through an annual Code of Conduct attestation. FCL has an established internal process for anonymous reporting of actual or potential wrongdoing including any actual or potential violation of law, regulation, policy and procedure. Procedures are put in place to protect the anonymity of whistle-blowers from retaliation. FCL's People and Culture team regularly reviews human resource related policies to ensure FCL remains in compliance with applicable workplace and labour legislation.

FCL ensures that there is reduced risk of forced or child labour in operations through strict adherence to provincial and federal labour laws. FCL adheres to the provincial employment standards for minimum age of employment in the provinces FCL operates in and does not have any employees under the age of 17. FCL follows the Canadian Standard in accordance with the Canadian Labour Code.

FCL is exploring the implementation of effective grievance and remediation mechanisms in effort to address concerns or potential cases of forced and child labour in the supply chain. FCL's goal is to prioritize the reporting and remediation of forced and child labour incidents, protect victims and prevent future cases. Potential mechanisms may include:

- Development of a remediation framework with information on when to safeguard the victim, develop and implement a corrective action plan with the employer, alert national authorities and consult a third-party expert organization;
- Implementation of a software solution to audit suppliers; or
- Develop a grievance mechanism that suppliers' employees can access anonymously in a format that is inclusive and accessible.



Suppliers

FCL has a long tradition of [sourcing local products and supporting local businesses](#). FCL suppliers offer a high standard of service and quality products and share our values of integrity, excellence and responsibility. Outlined below are the due diligence policies and processes FCL has embedded to reduce the risk of forced and child labour in supply chains.

In 2022, FCL launched the Care for the Environment brand attribute, which focuses on purchasing responsibly, promoting regeneration, reducing emissions and eliminating waste. Sustainable and [responsible product purchasing](#) is one of the many guiding aspects that help FCL define what products to introduce to the CRS. FCL strives to collaborate with suppliers to understand their environmental and social performance and identify future supply chain opportunities across all business lines.

FCL has a Social Responsibility Agreement with food and home and building suppliers. These agreements ensure private label suppliers are supporting commitments to responsible sourcing, providing workers with fair wages and working hours, and a safe, clean, and healthy work environment and to confirm they meet the basic principles of human rights and do not use forced, prison, or child labour.

FCL launched a [Sustainable Seafood Policy](#) in 2010. At that time only 60 per cent of fish and seafood products were harvested from sustainable sources. After several years of focused effort, FCL is proud to be procuring more than 90 per cent of all fish and seafood from sustainable sources today. In 2023, FCL conducted a survey of seafood suppliers and of those who responded, all indicated they had processes in place to meet employment standards regarding child and forced labour. Certifications required to be seafood supplier for FCL are Seafood Watch, Marine Stewardship Council Certified Wild Fishery Products, Aquaculture Stewardship Council Certified Aquaculture Products, Ocean Wise Ranked Seafood, and Best Aquaculture Practices (BAP 2-4 Start) Certified Aquaculture Products.

FCL has actively engaged in initiatives to combat forced and child labour and promote ethical practices such as sourcing 115 certified fair-trade products including a [Co-operative Coffee](#) line and [fair trade chocolate](#).

In 2023, FCL continued its involvement with the Retail Council of Canada (RCC) Responsible Sourcing Committee, collaborating with prominent Canadian companies in the retail sector. RCC's Responsible Sourcing Committee enables FCL to stay apprised of current issues and emerging trends related to responsible sourcing, and to gain insights and learn best practices from leaders in the field.



3. Identification of Risks

FCL has mapped their supply chain activities to identify product shipping location and country of origin. Results of supply chain mapping activities are shown in Figure 1, below.

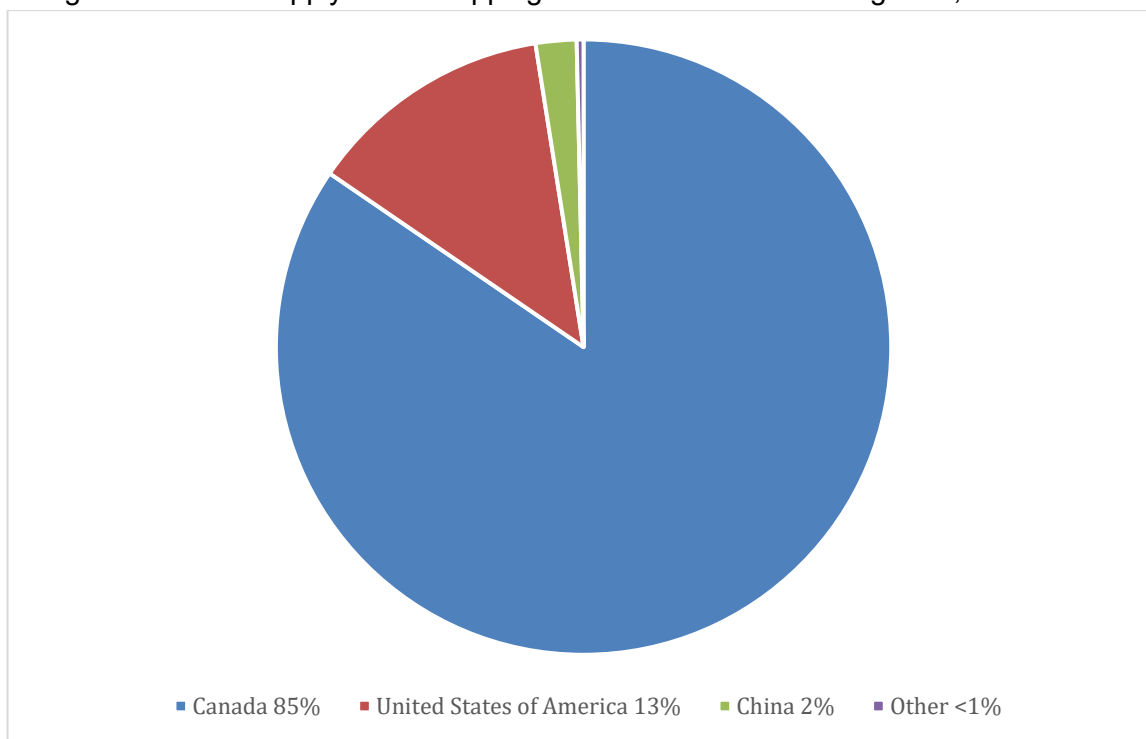


Figure 1. Total spend by country in fiscal year 2023 on goods for resale within the consumer goods lines of food, convenience stores, pharmacy, and home and building supplies.

This figure represents the countries of origin for goods for resale within consumer goods lines of food, convenience stores, pharmacy (nonprescription), crop protection, seed, agricultural equipment, and home and building supplies. In cases where FCL is responsible for importation into Canada, the country of origin is based on the vendor's country of export. Where FCL is responsible for inbound transportation, but not for import, the country of origin is based on pickup location from the vendor. If FCL is not responsible for importation or inbound transportation, the country of origin is based on the vendor's financial address as FCL does not currently have visibility into where direct suppliers procure from or manufacture. Included in the 'other' section are the countries of Mexico, Hong Kong, Italy, Thailand, Spain, Switzerland, Taiwan and Singapore.

FCL has seven main categories of goods for resale which include food (vegetables and fruit, whole grain and whole wheat, protein, beverages, and other), agriculture, energy, pharmaceuticals, liquor, fuel and home and building supplies.



Using two separate indices, [Walk Free's Global Slavery Index](#) and the [US Department of Labor's List of Goods Produced by Child Labor or Forced Labor](#), FCL has conducted an initial risk assessment of the primary food categories and identified inherent risks of forced and/or child labour: 1) protein foods (specifically seafood); 2) beverages (specifically coffee); and 3) other (specifically chocolate). To mitigate the inherent risks with these food types, FCL has implemented the following policies, procedures and management oversight controls:

- Seafood: Sustainable Seafood Policy which requires purchasers to consider social and environmental factors when selecting suppliers. This policy explicitly prohibits suppliers from using forced labour.
- Coffee & Chocolate: Strategy to purchase fair-trade-certified products which aligns with ethical sourcing practices for procurement of coffee and chocolate. Focused efforts on ethical sourcing of coffee and supporting [coffee co-operatives](#) in South America and roasting efforts in British Columbia, Canada.

Key suppliers of FCL's home building centres import goods from China. Using the same indices to assess supply chain risk, China has been identified as a [high inherent risk country](#) for forced and/or child labour. FCL has required key suppliers to sign a Social Responsibility Agreement. This agreement was implemented in 2014 and expanded upon following a supply chain risk assessment in 2019 over eight different products: beef, chicken, tomatoes, strawberries, bananas, wheat, soy, and plastic packaging. The agreement requires suppliers to ensure they are supporting commitments to responsible sourcing and provide workers with fair wages and working hours, as well as a safe, clean, and healthy work environment. Pre-pandemic, the FCL home and building supplies team travelled overseas twice annually for sourcing trips and factory visitations, where they conduct informal auditing and monitoring of the selected supplier. The team plans to reinstate this practice going forward.

Within the agricultural business line, FCL sources 100 per cent of potash and sulphate products from Canadian producers which would be considered a low risk for forced and child labour. Further, 85 per cent of urea is sourced from Canadian producers, 94 per cent from North American producers and the remaining six per cent from unknown international import sources.

FCL does not currently have a centralized supply chain auditing or monitoring program in place. However, portions of the business have formalized processes, such as IPCO, who currently performs Supplier Performance Ratings as part of the ISO Certification.



4. Remediation of Forced and Child Labour

FCL has taken action to remediate potential risks of forced and child labour through deployment of the policies and procedures outlined in Section 2 of the report. In the future, FCL will explore opportunities to increase auditing and monitoring of suppliers to reduce the risk of forced and child labour. If specific incidents of forced and child labour are identified, FCL will work with suppliers to determine and implement remedial action.

5. Remediation of Loss of Income

FCL has not identified any instances of child or forced labour in operations or supply chains, and therefore no measures have been taken to remediate the loss of income to vulnerable families.

6. Employee Training

Annual training and attestation are currently required for all employees to ensure compliance with FCL's Code of Conduct on company ethical standards, policies, laws and regulations. The Code of Conduct is applicable to everyone that conducts business on behalf of the organization which includes the FCL Board of Directors, the Senior Leadership Team and all current and new employees and contractors. FCL has identified the opportunity to incorporate human rights awareness training into the annual Code of Conduct attestation to create awareness and the associated risks of forced and child labour. In addition, FCL is exploring opportunities to provide role specific training to educate team members and help them identify and respond to risks of child and forced labour in supply chains. These opportunities will be evaluated through fiscal year 2024.

7. Efficacy of Actions

FCL has conducted a review of current policies and procedures as they pertain to child and forced labour and is currently evaluating further measures to assess the efficacy of actions. Success will be evaluated by tracking relevant performance indicators, such as levels of employee awareness, number of vendors signing the Social Responsibility Agreement, number of employees in procurement roles participating in training, as well as an annual review of the policies and procedures in place related to forced and child labour.



8. Approval and Attestation of the Report

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.

A handwritten signature in black ink, appearing to be "S. Stener", written over a horizontal line.

Sheldon Stener, K.C.
General Counsel & Corporate Secretary
April 5, 2024

I have the authority to bind 'Federated Co-operatives Limited and all FCL-owned legal entities including the Co-op Refinery Complex (CRC), Co-op Ethanol Complex (CEC), and Interprovincial Co-operative Limited (IPCO).' The Statement has been reviewed and approved by the FCL Board on behalf of itself and FCL-owned legal entities including the Co-op Refinery Complex (CRC), Co-op Ethanol Complex (CEC), and Interprovincial Co-operative Limited (IPCO).