

SPI Group

2023 Modern Slavery Report

1 Introduction

This report constitutes the first report prepared by the SPI Group (as defined below) pursuant to the Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”). It is a joint report (“**Report**”) made by S.P.I Santé Sécurité inc. (also known as SPI Health and Safety Inc.) (“**SPI**”) and Groupe SPI inc. (“**SPI Holdco**”) for the financial year ended August 31, 2023 (the “**Reporting Period**”).

This Report relates to the steps taken 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 or of goods imported into Canada by SPI, SPI Holdco (the “**Reporting Entities**”) and SPI Holdco’s controlled subsidiary, Groupe Spyro International inc. (“**Spyro**”) (collectively or individually, “**SPI Group**”, “**our**”, “**us**” or “**we**”).

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

In general terms, the SPI Group took the following steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in its business and supply chains:

- initiated the mapping of our activities and supply chains;
- conducted a preliminary internal assessment of the risks of forced labour and/or child labour in our supply chains;
- continued to request that our suppliers have in place policies and procedures aimed at identifying the use of forced labour and/or child labour in their activities and supply chains;
- continued to audit the factories of our tier-one suppliers;
- requested that one of our suppliers provide proof that it imported its cotton from regions identified as lower risk
- continued to request that certain of our key suppliers provide results of third-party audits or, in the absence of such audit, to complete a self-declaration form with respect to ethical responsibility; and
- included a notice in our standard form of purchase order stating that suppliers are expected to respect workers’ rights.

Details on the foregoing are set out in further detail in this Report.

3 Structure, activities, and supply chains

3.1 Structure

Founded in 1972 in Jonquière, Québec, SPI is a Canadian leader in occupational health and safety products and services. SPI has a network of 20 retail branches across Canada, all owned and operated by SPI.

SPI is incorporated pursuant to the *Canada Business Corporations Act*. It is a whole-owned subsidiary of SPI Holdco, a holding company incorporated pursuant to the *Business Corporations Act* of Québec.

As of December 31, 2023, SPI employed approximately 420 full- and part-time employees, all of whom are located across Canada in Québec, British-Columbia, Ontario, Alberta and Saskatchewan, with roles in administration and management, human resources, health and safety, information technology, digital strategies, finance, marketing, operations, procurements and sales, customer service, installation, inspection, training and consulting services.

Spyro, a wholly-owned subsidiary of SPI Holdco, is incorporated pursuant to the *Canada Business Corporations Act*. Spyro, a team composed of 10 employees, all located in Canada, manages all importation activities for our private branded safety products, Kosto, for the SPI Group.

3.2 Activities

SPI operates as a retailer, wholesaler, importer, and distributor offering comprehensive and specialized occupational health and safety solutions encompassing technical equipment and services, consulting, and training. As a holding company, SPI Holdco is not itself directly involved in any distribution or importation of goods and services.

SPI supports customers in industries ranging from mining, construction, energy, manufacturing, and transportation with various occupational, health, and safety matters by offering comprehensive and specialized solutions that include technical equipment and services, consulting services, and training. SPI also offers ecommerce activities through spi.com.

SPI owns and operates three distribution centres in British Columbia, Alberta, and Québec that carry health and safety and technical equipment. The SPI Groups distributes products from each of the distribution centres to SPI's branches and directly to its customers, most of whom are located in Canada. Further, we offer safety training in British Columbia, Québec and Ontario.

Meanwhile, Spyro imports goods such as gloves, workwear and shoes, disposable workwear, personal protective equipment such as safety glasses and helmets, and road safety and fall equipment into Canada for subsequent distribution at SPI's branches and distribution facilities.

3.3 Supply Chains

The SPI Group sources goods globally (for both resale and internal business use). Spyro, as the importer of record of goods purchased from tier-one private brand suppliers, procures goods for the SPI Group from approximately 36 international suppliers. Spyro sources the majority of goods from China, India, Pakistan and Cambodia. SPI, meanwhile, is engaged in a smaller number of importation activities, sourcing some goods and services from suppliers in the United States.

The SPI Group also has service suppliers consisting primarily of providers for transportation, training and consulting services. We source the majority of these services from suppliers located in Canada.

We aim to work with suppliers who are committed to upholding our same standards, guided by the principles outlined in our Supplier Code of Conduct (as described below).

4 Policies and due diligence processes

The SPI Group's goal to reduce the risk of forced labour and child labour in its operations and supply chains is underpinned by a number of policies. We aim to review policies as needed in accordance with the results of our annual due diligence process.

(a) Procurement Policy

SPI's Procurement Policy, which Spyro adheres to in its own procurement activities, sets out the guidelines and expectations for all suppliers engaging in business with the SPI Group. Namely, it states that suppliers are expected to comply with all applicable laws regarding forced, bonded or involuntary labour, slavery, and human trafficking. The Procurement Policy also provides that suppliers may be requested to carry out responsible sourcing audits. In the event of non-compliance, suppliers may be asked to create a remediation plan and communicate details of the same to us. Where a supplier fails to comply with these standards, we may seek to terminate the business relationship.

At the time of drafting of this Report, SPI had communicated the Procurement Policy to suppliers representing approximately 60% of its sales. Meanwhile, Spyro aims to communicate the Procurement Policy to all tier-one suppliers via email, while including a notice referring to the Procurement Policy on its order forms.

(b) Supplier Code of Conduct

Spyro's Social and Environmental Responsibility Statement sets out Spyro's commitment to responsible sourcing and its expectations with respect to upholding human rights throughout its supply chains. It also details our Supplier Code of Conduct, which applies to all tier-one suppliers of goods (including raw materials) and services, which is typically incorporated by reference in our standard purchase order agreements with the majority of our key tier-one suppliers. The Supplier Code of Conduct asks that suppliers respect the rights of workers in accordance with international standards, to not use forced

labour, prison labour, debt bondage or any other type of forced labour, to not use any child labour in manufacturing activities, that local laws relating to wages and maximum allowable working hours are complied with, and that employees are free to unionize if desired, among other things.

(c) *Supplier Evaluations & Audits*

As part of the SPI Group's typical due diligence process, foreign suppliers are to undergo an annual evaluation which is carried out by the SPI Group and/or through agents. The results of that evaluation provide a "scorecard" on several key areas, including communication, quality control, documentation, and any instances of non-conformity, such as non-compliance with a provision of the Supplier Code of Conduct. The SPI Group engages in an annual review of scorecards for certain key suppliers

Spyro annually requests that certain key tier-one suppliers confirm whether they have carried out a social audit via a third-party, such as the SEDEX Member Ethical Trade Audit ("**SMETA**"), the Business Social Compliance Initiative ("**BSCI**"), Amfori or SA8000, and whether those results may be shared with the SPI Group. The social audit process engages a third-party auditor that evaluates suppliers against a common set of corporate social responsibility standards. For instance, the SMETA assesses various areas, including the use of forced and/or child labour. In the event of non-conformances, suppliers are requested to implement corrective action plans developed by the SMETA auditor.

Where we identify suppliers that have not carried out the accepted audits, the SPI Group requests that those suppliers sign and complete a Supplier Self-Declaration Form.

(d) *Employment Practices*

The SPI Group is committed to respecting the human rights of our employees by complying with all applicable laws and regulations related to human rights, worker safety, employment and labour, and our internal employment policies and practices. We strive to implement responsible business conduct in our hiring practices with measures aimed to confirm identity and legal working status of employees.

Additionally, the SPI Group engages in an annual review of compensation data, which aims to benchmark data against applicable legal standards. It is our practice to pay all permanent employees remuneration that exceeds minimum wage in the applicable jurisdiction of employment.

(e) *Ethics Hotline*

SPI endeavours to promote a culture of integrity, transparency, and honesty across the organization. The ethics hotline, communicated to all employees via our internal employee online portal, allows employees to, confidentially and anonymously, report serious wrongdoings. Complaints may be communicated through the online portal, via email or by telephone.

5 Risks of forced labour and child labour in our business operations and supply chains

5.1 Operations

Given that our business operations are conducted in Canada, that the entirety of our permanent workforce is employed in Canada, and that we have human resources policies and procedures in place to help ensure compliance with all applicable laws, we consider the risk of forced labour and child labour occurring within our business operations to be relatively low.

5.2 Supply Chains

As the SPI Group procures many goods from a variety of suppliers, both domestically and internationally, we acknowledge a risk that forced labour and/or child labour may be used in our extended supply chains.

During the Reporting Period, the SPI Group began a preliminary assessment of the risks of forced labour and child labour in our supply chains, in which Spyro initiated the mapping of its entire supply chain for each product and factory, which process includes categorizing suppliers based on location and type of goods.

Through our preliminary risk assessment, we have identified that raw materials such as cotton involved categorization of some suppliers as higher risk. To assess the risks of forced labour and child labour in the supply chains of our cotton containing products, we trace the cotton back to the country of origin of the bales, when possible. Other suppliers (including many of our direct domestic suppliers) were categorized as lower risk.

6 Steps taken to assess and manage the risks of forced labour and child labour in our operations and supply chains

6.1 Operations

The SPI Group's hiring process aims to ensure that all new hires have legal working status and we strive to comply with all applicable human rights and employment and labour laws.

Further, the SPI Group engages in an annual benchmark exercise aimed at reviewing all compensation and remuneration data for permanent employees, which is overseen by our Employee Success team.

6.2 Supply Chains

The SPI Group has initiated a risk assessment process involving the mapping of Spyro's entire supply chain, based on the type of goods procured and the supplier location. The SPI Group is committed to continuously assessing risks in its supply chains and strengthening its due diligence activities.

(a) Contractual Measures

The standard purchase order agreement that we presently use with our private-brand suppliers includes a reference to our Supplier Code of Conduct, which provides guidance to suppliers, including a request not to use forced, involuntary or child labour in their operations, and to take steps to establish consistent

expectations with their own subcontractors and secondary suppliers. Further, our standard purchase order agreement sets out the expectation that all private-brand suppliers comply with laws and regulations of the countries in which they do business and to respect workers' rights in accordance with internationally accepted standards, as defined in the International Labour Organization conventions.

(b) *Supplier Self-Declaration Form*

Spyro requests that all new and existing direct suppliers sign and acknowledge the Social and Environmental Responsibility Statement, stating that they have received and understood the Supplier Code of Conduct, which sets out our expectation that supply chain partners not use any form of forced labour or child labour in their activities.

The Social and Environmental Responsibility Statement provides that Spyro reserves the right to evaluate and monitor the practices of its suppliers and compliance with the terms of the Supplier Code of Conduct via questionnaires or third parties on an ongoing basis, which terms include compliance expectations related to the use of forced labour or child labour. If a supplier is found to be non-compliant with the Supplier Code of Conduct, Spyro expects the supplier to take all reasonable steps to bring itself back into compliance.

(c) *Supplier Diligence Questionnaire*

It is Spyro's typical practice to request that all new and existing supply chain partners complete a diligence questionnaire, which asks for information regarding: whether the supplier has undergone a third party audit; whether it has internal policies which it requires its own suppliers to comply with; whether its workers receive training on non-ethical social practices; whether it has in place a reporting mechanism for workers and agents to raise concerns related to non-ethical social practices; and whether the supplier takes corrective action when ethical risks are identified.

Based on the completed questionnaires, we endeavour to complete assessments and evaluate where further information is required. For example, where the supplier indicates that they do not have their own internal policies relating to non-ethical social practices, Spyro typically requests that the supplier sign and acknowledge the Supplier Self-Declaration Form to agree to be bound by our Supplier Code of Conduct.

(d) *Supplier Audits*

It is Spyro's practice to audit all its direct suppliers on an annual basis, with the majority of those audits being conducted through a designated third-party auditor. A smaller number of suppliers rely on internal assessment systems and partnerships with external certified agencies when conducting their audits. It is Spyro's practice to annually request that all tier-one suppliers confirm whether they have carried out a social audit via a third-party, such as the SMETA, BSCI, Amfori or SA8000, and whether those results may be shared with the SPI Group. Where we identify suppliers that have not carried out the designated audits, Spyro requests that those suppliers sign and complete the Supplier Self-Declaration Form.

As for our indirect suppliers (*i.e.*, tier two and beyond), Spyro endeavours to complete the same diligence process.

The social audit process engages a third-party auditor that evaluates suppliers against a common set of corporate social responsibility standards. For instance, the SMETA assesses various areas, including the use of forced and/or child labour. In the event of non-conformances, suppliers are requested to implement corrective action plans developed by the SMETA auditor.

During the Reporting Period, a total of 36 tier-one suppliers were evaluated, approximately 22% being suppliers from which we purchase through agents, intermediaries, importers or brands and approximately 78% of which were tier-one suppliers for which we purchased from and contract with directly. Spyro plans to conduct supplier visits for tier-one suppliers or suppliers from whom we buy directly in mid-2024 and, at the time of submission of this Report, some such visits had already occurred. Visits are also conducted periodically for suppliers from whom we purchase through agents, intermediaries, importers or brands.

From the results of our preliminary assessment, the SPI Group has identified goods containing cotton as carrying a higher risk of forced labour and/or child labour. In an effort to manage and reduce these risks, we have requested that one of the two of our affected suppliers provide proof that it imported its cotton from regions identified as lower risk. The other affected factory is Amfori audited by a third party, has signed our compliance documents, has agreed to cooperate with us in the monitoring of their supply chain, and accordingly, as of the Reporting Period, we have not requested alternative sourcing. The SPI Group is committed to monitoring these risks on an ongoing basis, including through site visits.

7 Remediation measures

There is nothing to report with respect to measures taken during the Reporting Period to remediate (i) instances of any forced labour or child labour, or (ii) 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 our activities and supply chains.

8 Training

The SPI Group aims to ensure that employees are kept aware of matters of ethical sourcing and our social responsibility standards. Relevant information is disseminated through quarterly employee meetings and email communications, which are also posted on bulletin boards. The SPI Group did not offer any formal training to employees on forced labour and child labour during the Reporting Period, however, we plan to start developing and making available specific training materials for employees on forced labour and child labour during the next reporting periods.

The SPI Group also endeavours to ensure that all suppliers are aware of matters relating to forced labour and child labour. Our Supplier Code of Conduct, which is communicated to our direct suppliers,

sets out information with respect to forced labour and child labour and provides hyperlinks to relevant information set out in the International Labour Organisation conventions.

9 Assessing the effectiveness of our actions

The SPI Group is committed to proactively assessing and managing the risk of forced and child labour within its operations and supply chains by working closely with our suppliers, many of which are long-term partners, and through the implementation of policies and processes aiming to prevent these risks. In general terms, members of our executive and Compliance and Standards teams are responsible for overseeing compliance with legal and regulatory requirements, management of policy implementation, and our environmental, social, and governance strategies.

As described in this Report, the SPI Group is in the process of implementing measures that are aimed at identifying, preventing, assessing, managing, and reducing the risks of forced labour and child labour in our activities and supply chains. During the Reporting Period, we have continued to assess the results from our supplier audits through the SPI Group's third-party audit process. However, as of the end of the Reporting Period, no actions have been taken to formally assess the effectiveness of these measures.

The SPI Group plans to initiate, in the next reporting periods, the process of creating a special committee that will be responsible for overseeing environmental, social and governance matters, including forced labour and child labour.

10 Approval and attestation


This Report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the boards of directors of each of Groupe SPI inc. and S.P.I Santé Sécurité inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this joint Report for the Reporting Entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this joint report is true, accurate and complete in all material respects, for the purposes of the Act, for the Reporting Period.¹

I make the above attestation in my capacity as a director of the board of directors of each of Groupe SPI inc. and S.P.I Santé Sécurité inc. for and on behalf of the board of directors of both entities.

I have the authority to bind Groupe SPI inc. and S.P.I Santé Sécurité inc.

¹ Subject to any indications within this Report that referenced activities took place in periods other than the Reporting Period.

Per: 
Full Name: Kim Levesque
President
Date: May 27, 2024