



Home Hardware Stores Limited 2023 Modern Slavery Report



2023 Modern Slavery Report

Introduction

This report (“**Report**”) constitutes the first report prepared by Home Hardware Stores Limited (hereafter referred to as “**HHSL**” “**our**”, “**us**” or “**we**”) pursuant to the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “**Act**”) established under the laws of Canada.

This Report relates to the fiscal year ended December 31, 2023 (the “**Reporting Period**”).

As one of Canada’s most recognized and trusted brands, HHSL takes great pride in consistently delivering quality products that customers can rely on, ensuring their satisfaction and fostering repeat business. In today’s dynamic global environment, we strive to maintain prudence in our operations to uphold this trust and alignment with customers’ expectations.

HHSL is committed to conducting business in a responsible manner, which includes strengthening our approach to assessing and addressing the risks of forced labour and child labour in business operations and within our supply chain. At HHSL, our purpose is to improve life at home, with a vision to be Canada’s most trusted and preferred home improvement experience. Aligned with these core values, we acknowledge our responsibility to safeguard the human rights of all individuals associated with our business.



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

In 2023, HHSL 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 key suppliers with categorizations for jurisdictions and industries of operations based on publicly available information.
- conducted a gap analysis of HHSL's current policies and procedures related to forced labour and child labour and identified certain opportunities that may exist for us to strengthen human rights considerations in our supply chains and operations.
- conducted a high-level internal assessment of the risks of forced labour and/or child labour in our supply chains to strengthen our supplier due diligence process.
- continued the monitoring of our ethics and wrongdoing reporting channel for any complaints related to human rights and/or labour issues; and
- initiated the development and implementation of a quality assurance sourcing program for private label merchandise suppliers.

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

Structure, activities, and supply chains

3.1 Structure

Founded in 1964 in St. Jacobs, Ontario, HHSL is the largest Dealer-owned hardware, lumber, building materials, and furniture buying group in Canada. We serve a wide range of end markets, including commercial and residential programs within the home improvement, building and construction sectors, through our independent Dealer network.

Home Hardware Dealers, operating more than 1,000 independent retail stores across Canada, sell goods to the end consumer market and benefit from the consolidated strength of a common brand. Home Hardware Dealers operate under one of four banners:



Home Hardware: offers products such as housewares, hand and power tools, plumbing and electrical supplies, paint and painting supplies, sporting goods, automotive and farm supplies, giftware and seasonal items, including lawn and garden supplies.



Home Building Centre: offers products used for home renovation, repair, and maintenance projects, along with lumber, paint, hand and power tools, plumbing and electrical supplies and all manner of building materials, including plans.



Home Hardware Building Centre: offers a complete range of both hardware store and building centre products, including lumber, tools, paint, plumbing and electrical supplies and an extensive selection of building materials, along with housewares, sporting goods, automotive items and lawn and garden supplies.



Home Furniture: offers home furniture, major appliances, and accessories.

HHSL employs approximately 2,500 full- and part-time Team Members, all of whom are located in Canada, with roles ranging in trades, administration and management, finance, human resources, marketing, procurement, legal/regulatory, manufacturing and distribution services.

3.2 Activities

HHSL supports Dealers and the end consumer market by providing quality, brand name and private label products through a national distribution network, and other centralized services including, marketing, store planning, home and cottage design, training, real estate, and construction services. While HHSL provides direction on branding standards, Home Hardware retail stores are independently owned and operated by Dealers, who maintain the autonomy to manage their businesses and source product outside of HHSL’s standardized activities and supplier network.

Home Hardware stores are largely supplied through the procurement of home and home improvement goods through four owned Distribution Centers, located in St. Jacobs, Ontario, Elmira, Ontario (Home Furniture), Debert, Nova Scotia and Wetaskiwin, Alberta, respectively. HHSL also operates out of leased locations, including the Home Hardware Innovation Centre in Waterloo, Ontario and a lumber distribution center in Kitchener, Ontario. Through our extensive distribution network, HHSL supplies products to Dealers, all located within Canada with the exception of one Dealer-owned retail location on the island of Saint-Pierre de Miquelon (offshore of Canada).

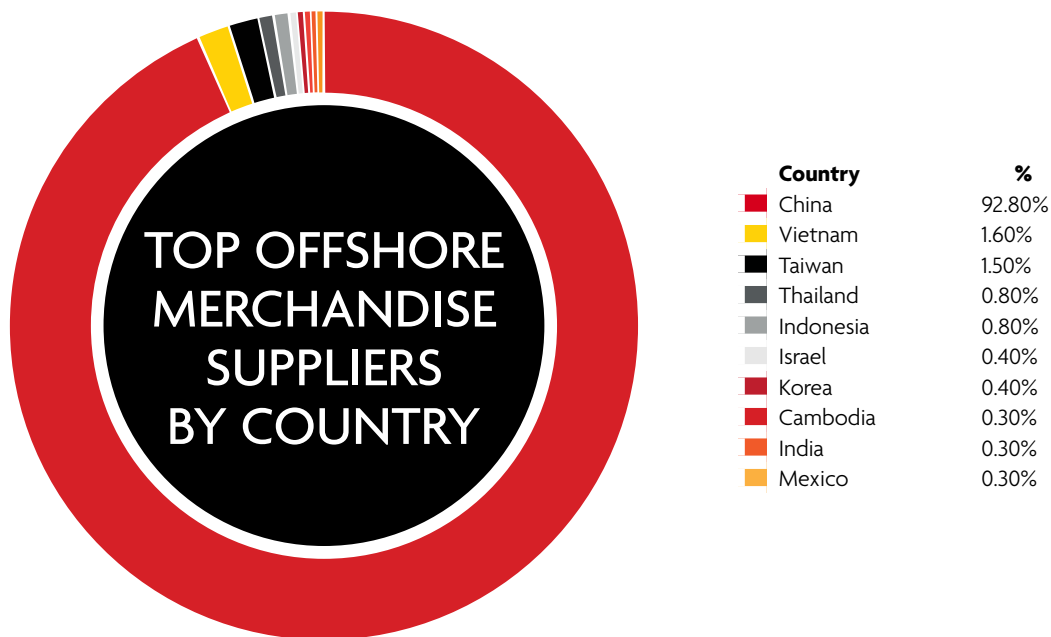
HHSL owns and operates two manufacturing facilities: BeautiTone Paint & Home Products Division (“**BeautiTone Division**”) and W.D. Packaging Inc. (“**WD Packaging**”), that ship products to Distribution Centres and directly to Home Hardware stores. BeautiTone Division is located in Burford, Ontario and produces over 600 products, including interior and exterior paint, exterior stains, primers and ceiling paints, aerosols and rust paint, specialty products and insecticides. WD Packaging is a wholly-owned subsidiary located in Elmira, Ontario that produces private label fasteners and re-packages bulk quantity items.

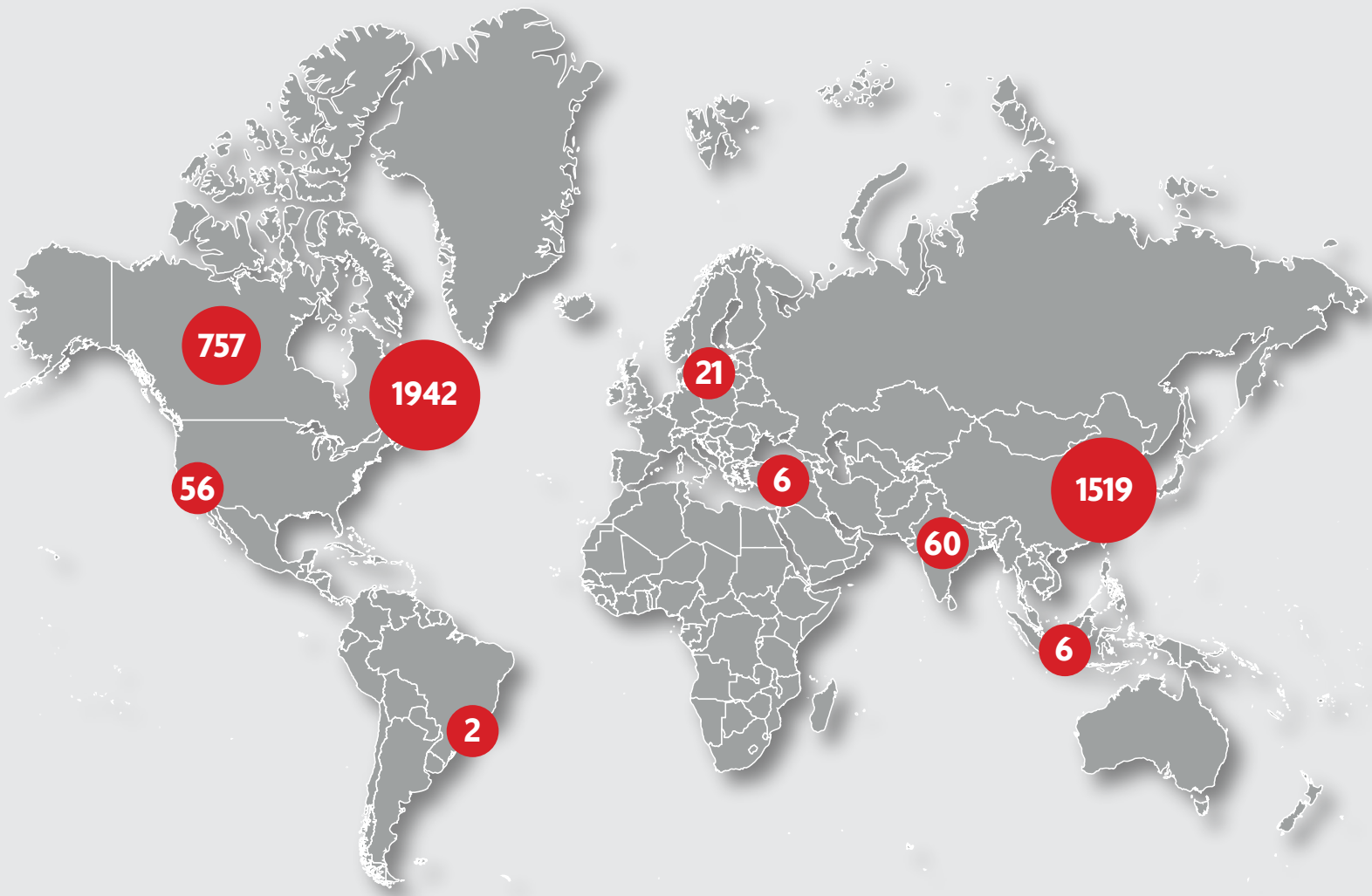
HHSL also owns and operates two retail locations (under the banners Home Hardware and Home Furniture) located in St. Jacobs, Ontario, and manages ecommerce activities through homehardware.ca.

3.3 Supply Chains

HHSL sources goods (for both resale and internal business use) globally from suppliers operating in a variety of industries. The majority of offshore goods, inclusive of private label products, are sourced from China. Our service suppliers, consisting primarily of providers for software, consulting and recruitment services are sourced from companies based in North America. Direct suppliers of our BeautiTone Division operate in North America, Australia, the United Kingdom, and the Netherlands.

HHSL aims to work with suppliers who are committed to making a positive community impact, guided by the principles outlined in our Supplier Guide (as further described below).





This map illustrates HSL's 2023 Tier 1 suppliers

Policies and due diligence processes

4.1 Policies

HHSL's endeavour to reduce the risk of forced labour and child labour in its business and supply chains and offer a safe and inclusive work environment is underpinned by a number of policies.

- a. Ethical Concerns and Wrongdoing Policy:** The Ethical Concerns and Wrongdoing Policy, which is provided to all Team Members, communicates the reporting channel for raising any ethical concerns related to business conduct (whether internally or involving any Dealer, supplier or other third party). The reporting channel is communicated and made accessible to all Team Members, Dealers, and merchandise suppliers.
- b. Supplier Guide:** The Supplier Guide sets out HHSL's guidance for business dealings with merchandise suppliers to align with our mission and vision, including compliance with applicable laws and safe work environments. A copy of our Supplier Guide is provided to our merchandise suppliers and is available and publicly posted on our website [here](#).
- c. Supplier Code of Business Conduct:** The Supplier Code of Business Conduct, as set out in the Supplier Guide, reiterates HHSL's commitment to reduce the risk of forced, involuntary or child labour in any of our operations, or those of any of our suppliers and their subcontractors. It further establishes expectations of suppliers to comply with all applicable local laws, rules and regulations and sets out HHSL's right to audit supplier operations to validate compliance with these standards.
- d. Supplier Quality Assurance Manual:** The Supplier Quality Assurance Manual reiterates HHSL's commitment to ethical standards by establishing additional quality control measures for our private label merchandise suppliers to demonstrate compliance with local labour laws, fair wages, safe working conditions, and the prohibition of child labour or forced labour.

- e. **Employee policies:** HHSL maintains various internal policies for its Team Members, such as its Team Member Handbook, Workplace Violence and Harassment Policy and Inclusion @ Home Policy, that help us maintain our commitment to providing a safe and inclusive work environment where everyone is treated with dignity and respect.

4.2 Due Diligence Processes

Supplier Quality Assurance Program

In addition to the expectations articulated in the Supplier Guide, and Supplier Code of Business Conduct, HHSL developed and initiated the implementation of a global Supplier Quality Assurance Program (“**SQAP**”). The SQAP seeks to identify and remediate certain risks, including those related to forced labour and child labour, of our offshore private label merchandise suppliers.

The SQAP establishes processes for HHSL to work with private label suppliers and third-party auditors to ensure sourced products meet applicable regulatory, safety and quality standards, and that manufacturing locations are compliant with ethical labour practices. Both legacy and new suppliers for select private label brands are required to produce audit documentation, provided by a globally recognized and accredited party, demonstrating compliance with HHSL’s quality standards as established in the Supplier Quality Assurance Manual. This includes a workplace conditions assessment report for each factory that supplies product to HHSL. Suppliers unable to produce recent audit reports, or those conducted by an unaccredited provider, are subject to HHSL’s approved third-party auditor to oversee the workplace conditions assessment.

The SQAP further establishes controls to implement corrective action plans to address nonconformities in supplier audit reports. Findings of child labour, forced labour, or slavery are categorized as “critical” and will almost always result in immediate disqualification of the supplier.

HHSL endeavours to onboard new suppliers under the SQAP and establish a cadence of re-qualification for existing in-scope suppliers.

Employment Practices

HHSL is dedicated to respecting the human rights of our Team Members through our internal employment policies and practices and through compliance with local laws and regulations. Named one of Forbes Canada’s Best Employers (2023) and Canada’s Best Employers for Diversity (2023)¹, we strive to consistently implement responsible business conduct in our hiring and retention practices with measures aimed at protecting the rights, health, and safety of employees.

HHSL annually engages in pay equity due diligence, through the review of compensation data to ensure equal pay for jobs of equal value in compliance with statutory requirements. The Human Resources and Compensation Committee, as established by our board of directors, is responsible for overseeing our talent management and compensation strategy, plans, policies, and procedures.

Audit and Risk Management Committee

The Audit and Risk Management Committee (the “**ARMC**”) is responsible for overseeing compliance with legal and regulatory requirements, management’s responsibility for assessing and reporting on the effectiveness of internal controls, overseeing the development and implementation of HHSL’s enterprise risk management processes, and our environmental, social, and governance targets. The ARMC is also accountable for overseeing HHSL’s reporting obligations under the Act.

Ethical Concerns Reporting Channel

HHSL’s Ethical Concerns and Wrongdoing Policy sets out the reporting mechanism made available to all Team Members, Dealers, suppliers, and other third parties to raise concerns regarding ethical business conduct, which may include the use of forced labour or child labour. Concerns may be raised in several ways, namely through e-mail and an anonymous toll-free number.

All reports made through the reporting channel are monitored by HHSL’s Corporate Human Resources Manager and triaged to the appropriate internal departments for further review. Depending on the nature of concern raised, the Ethical Concerns and Wrongdoing Policy provides that HHSL may undertake further investigations, and, depending on the results of the investigation, the relevant HHSL departments would consider whether and what kind of remediation measures would be appropriate. Matters of serious ethical concern received through the reporting channel are shared with the ARMC on a quarterly basis.

¹(n.d.). Canada’s Best Employers 2023. Statista R. <https://r.statista.com/en/employers/best-employers-canada-2023/ranking/>; (2023, July 11); Canada’s Best Employers for Diversity. Forbes. <https://www.forbes.com/lists/canada-best-employers-diversity/?sh=1927f56d4569>

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

5.1 Operations

HHSL considers the risk of forced labour and child labour occurring within our business operations to be low, due to our primary business and workforce being located in Canada, and our maintenance of human resource policies and procedures to enable compliance with applicable laws.

5.2 Supply Chains

During the Reporting Period, HHSL conducted a preliminary assessment of the risks of forced labour and child labour in our supply chains by initiating the mapping of key direct suppliers, including categorizing certain suppliers based on high-risk locations and high-risk industries. We acknowledge that certain manufacturing regions and materials carry a higher risk of forced labour and child labour due to its prevalence in specific countries, regions, and industries.

As HHSL 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. Our preliminary risk assessment has involved categorization of some suppliers as higher risk (such as those engaged in ocean freight and the manufacturing of goods in certain regions of Asia) and others as lower risk (such as our domestic BeautiTone Division manufacturers).

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

6.1 Operations

HHSL's onboarding process requires all new hires to present valid proof of identification to confirm their legal working status in compliance with applicable employment and labour laws. Further, our management team conducts annual compliance reviews of pay equity standards.

6.2 Supply Chains

While HHSL has not completed a comprehensive assessment of risk in our supply chains, we have initiated a preliminary risk assessment process by mapping key suppliers, including developing classifications for suppliers in high-risk locations and high-risk industries. This mapping process has enabled us to begin our assessment of certain forced labour and child labour risks that may exist in our supply chain by virtue of certain suppliers' jurisdictions and/or industries of operation.

During the Reporting Period HHSL continued to identify opportunities to strengthen our human rights due diligence practices when evaluating our suppliers and vendors.

Contractual Measures

By entering into HHSL's standard merchandise supplier agreement, suppliers agree to be governed by the terms and conditions found in the Supplier Guide. The Supplier Guide establishes HHSL's expectations for suppliers to comply with all applicable laws and regulations in the manufacture and distribution of merchandise or services provided to HHSL, including the prohibition of forced, involuntary or child labour in its operations and through its subcontractors. The Supplier Guide further establishes HHSL's right to audit supplier operations to validate adherence to our contractual and ethical standards.

Supplier Quality Assurance Program

During the Reporting Period, HHSL initiated the implementation of the SQAP, under which we may review the quality management capabilities, social accountability to employees and the work environment of select private label suppliers, including their compliance with ethical labour practices free of forced labour and child labour. The SQAP also contemplates the implementation of ongoing re-qualifications for private label merchandise suppliers through third-party audits on a periodic basis.

Non-Merchandise Vendor Onboarding

HHSL's Vendor Management Team is accountable for onboarding non-merchandise vendors and performing materiality risk assessments. During the Reporting Period the team began developing a pre-qualification assessment to categorize prospective vendors based on risk (including risks related to forced labour matters) through a questionnaire distributed during engagement. HHSL anticipates reporting on the outcome of this initiative during the next reporting period.

Remediation measures

HHSL has not identified any specific instances of forced labour or child labour during the Reporting Period, nor taken any specific measures to remediate (i) instances of 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.

Training

HHSL offers various training programs for its Team Members, Dealers, and affiliates (as applicable) at the time of onboarding and on an annual basis. Mandatory training on occupational health and safety matters and anti-workplace violence and harassment is provided to Team Members during onboarding. Additionally, the Merchandise teams receive annual awareness training on relevant economic trade sanctions and the regions HHSL is ineligible to procure product from. While the training does not directly engage with issues of forced labour and child labour, all HHSL Team Members receive semi-annual reminders of the reporting mechanism available to them through the Ethical Concerns and Wrongdoing Policy, which affirms our commitment to maintaining the highest form of ethical standards in our operations.

Assessing the effectiveness of our actions

HHSL is committed to addressing the risks of forced labour and child labour in our business and supply chains. In general terms, our ARMC is responsible for overseeing compliance with legal and regulatory requirements, management's responsibility for assessing and reporting on the effectiveness of internal controls, overseeing the development and implementation of HHSL's enterprise risk management processes, and our environmental, social, and governance targets.

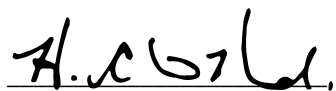
As described herein, HHSL is in the process of implementing a number of measures that are aimed to prevent, assess, manage and reduce the risks of forced labour and child labour in our business and supply chains. While we have begun the process of implementing further measures to strengthen human rights considerations in our business and supply chains, to date, no actions have been taken to formally assess the effectiveness of these measures.

Approval

This Report was approved by the board of directors of Home Hardware Stores Limited for the financial year ended December 31, 2023 pursuant to paragraph 11(4)(a) of the Act.

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 Home Hardware Stores Limited. 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 make the above attestation in my capacity as a director of Home Hardware Stores Limited for and on behalf of the board of directors of Home Hardware Stores Limited.



H. Christine Hand
Chair of the Board
Home Hardware Stores Limited
May 9, 2024

I have the authority to bind Home Hardware Stores Limited.