



***J*Sonic**

2023 REPORT

**FIGHTING AGAINST FORCED LABOUR AND CHILD
LABOUR IN SUPPLY CHAINS ACT, CANADA**

Introduction

ABOUT THE REPORTING ENTITY

Reporting entity's legal name: **J. Sonic Services Inc.**

Financial reporting year: **January 1-December 31, 2023**

Business number: **131867673RC0001**

Sector/Industry: **Wholesale and Retail Trade**

Location: **Headquarters in Saint Laurent, Quebec**

Entity type: **Corporation**

J. Sonic is a corporation that has a place of business and does business in Canada, with over \$40 million in revenue and/or over \$20 million in assets in Canada. J. Sonic also imports goods into Canada from overseas.

MODERN SLAVERY STATEMENT (MESSAGE FROM THE PRESIDENT)

As we present this report in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act, we reaffirm our commitment to ethical business practices. Our rigorous audits and continuous scrutiny of our supply chain are testaments to our dedication to ensuring that our operations are free from modern slavery and child labor. This document not only reflects our legal obligations but also our deep-seated belief in the importance of human rights and dignity.

REPORT SUMMARY

Steps taken to prevent and reduce risks of forced labour and child labour in J. Sonic's supply chain (will be edited once draft is approved):

- Geographically mapping our direct suppliers based on their manufacturing countries.
- Enforcing and integrating our customers' Supplier Code of Conduct and audit requirements into our due diligence process.
- Using comprehensive compliance checklists that align with the Supplier Code of Conduct to perform audits that ensure suppliers have documentation, policies, and/or procedures in place to combat forced labor and child labor.
- Utilizing external assessments and third-party auditors, to identify and mitigate risks related to forced labor and child labor in our supply chains.
- Adhering to the UFLPA mandates, which guide our prioritization efforts in focusing due diligence on regions like Xinjiang, China, where severe risks of forced and child labor prevail.
- Overseeing and facilitating the development and execution of supplier corrective action plans, post-audit, that can address forced labor and child labor issues, if identified.
- Conducting audits annually of our active suppliers to regularly monitor and evaluate their performance in addressing forced labor and child labor.
- Assigning dedicated staff to manage and oversee the audit process, with key performance indicators (KPIs) in place to gauge the effectiveness of our programs. Additionally, our staff have recently undergone supplier code of conduct training to enhance their capabilities.

Corporate Operations

STRUCTURE & ACTIVITIES

J. Sonic Services Inc. has been providing consumer home improvement products to key retailers on a global level for 35 years. Our mission is to provide our strategic business partners with high quality and innovative products at market leading prices. Our retail partners (customers) are located in 23 countries such as: Canada, USA, Mexico, UK, France, Spain, Australia, Korea, Japan, and Taiwan.



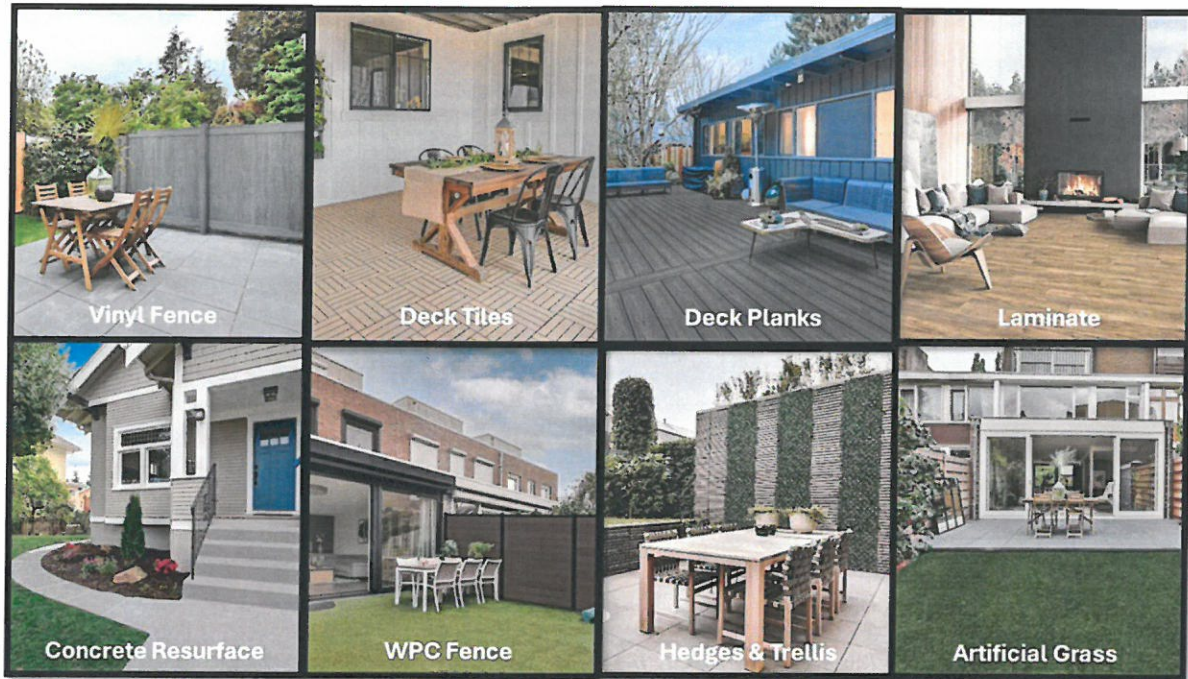
ARUBA • AUSTRALIA • BARBADOS • CANADA • COLOMBIA • COSTA RICA • DOMINICAN REPUBLIC • EL SALVADOR • FRANCE • GUATEMALA • HONDURAS • ICELAND
JAMAICA • JAPAN • MEXICO • NICARAGUA • PANAMA • PHILIPPINES • SOUTH KOREA • SWEDEN • TAIWAN • TRINIDAD • UNITED KINGDOM • UNITED STATES • US VIRGIN ISLANDS

J. Sonic has its head office in Ville Saint Laurent, Quebec with warehouses across Canada, USA & UK. Our warehouses receive stock from our global suppliers and distribute it to our customers.

Proud to be named among Canada's Best Managed Companies for the past 9 years, we have 100+ dedicated team members in Canada, who contribute to our success. J. Sonic sells products to our specific retail partners under our brands Golden Select®, Select Surfaces®, everhome®, and Creative Surfaces®.

MAIN PURCHASE CATEGORIES

We specialize in floor covering products such as laminate flooring, vinyl flooring, artificial grass, as well as artificial hedges, fencing, decking and various seasonal items, bringing DIY home improvement solutions to our customers across the world.



SUPPLY CHAIN

J. Sonic partners with global manufacturers across Asia, Europe, and North America. In 2023, J. Sonic purchased products from over a dozen tier one (direct) suppliers, broken down by countries as below:



Supplier Risk Management

DUE DILIGENCE POLICY & PROCEDURE

Supplier Code of Conducts

Some of J. Sonic's retail partners (customers) have a Supplier Code of Conduct in place that requires supplier compliance to protect worker rights. The Code of Conduct includes its purpose, scope and applicability, definitions, required documentation, compliance standards (addressing relevant issues like child labor, young workers, forced labour, bonded labour, indentured labour, slave and prison labor, and human trafficking), right to audit, consequences of code violation (listing forced and child labour as critical violations), and a hotline where violations can be reported.

Supplier Audits

J. Sonic's customers have stringent requirements for all their suppliers, mandating completion of audits before goods are shipped out. Audits are done to confirm a supplier's compliance with labor and health & safety laws relative to the workers. The audit covers areas such as Labor Practices (including forced and child labour), Wages & Working Hours, Production, Health & Safety programs, and Environmental programs.

When a customer places an order, the J. Sonic sales team receives instructions regarding the specifications of audit, such as compliance with the specific Code of Conduct of the customer or authorized auditor list. This crucial information is relayed to the Product Operations Manager at J. Sonic, who takes charge of initiating and planning the audits across various suppliers. All supplier audits are conducted by third-party auditors, with whom the J. Sonic Product Operations Manager maintains direct communication.

Suppliers are informed in advance about the audit requirements including who will conduct the audit, who should be present from the supplier's end, what a supplier might expect in terms of procedure, and an evaluation checklist.

Throughout the audit process, the Product Operations Manager keeps track of audit timelines, statuses, and results. Regular updates are provided to the relevant Product Management teams at J. Sonic, who then assess the results from the audits and share these with customers. In cases where corrective actions are necessary, suppliers are requested to submit detailed plans for rectification.

An audit is deemed complete only after the Product Managers at J. Sonic have approved a corrective action plan, ensuring compliance with both J. Sonic's standards and those of its customers. This approach underscores J. Sonic's commitment to upholding due diligence practices and meeting the expectations of its valued customers. All of J. Sonic's active suppliers undergo an annual audit.

UFLPA Requirements

The Uyghur Forced Labor Prevention Act (UFLPA), enforced by the U.S. Customs and Border Protection (CBP), prohibits the importation of goods made with forced labor from the Xinjiang Region of China. Importers in scope are required to demonstrate due diligence and effective supply chain tracing to ensure goods are not sourced from forced labor. The J. Sonic suppliers, who are subject to the UFLPA and manufacture goods for our U.S. customers, also serve our other clients globally, including those in Canada. Therefore, they undergo due diligence processes that may meet the requirements for Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act as well.

To ensure compliance with the UFLPA, J. Sonic requires suppliers susceptible to this Act to sign an item agreement certifying that they do not purchase or source any material or labour, nor are affiliated with businesses in the Xinjiang Province. The item agreement requires suppliers to provide full supply chain tracing, or any other additional documentation that would be needed to provide to U.S. Customs authorities in the situation that the containers are seized for inspection.

The item agreement includes the following information or documentation requirements from suppliers:

- Due diligence system or process to assess and address risks
- Supply chain documents tracing from raw materials to imported goods
- Supply chain management measures to control and mitigate risks
- Evidence that goods were not mined, produced, or manufactured in the Xinjiang Uyghur Region
- Evidence that goods originating in China were not mined, produced, or manufactured by forced labour

Expectations for supply chain management are laid out prior to placing the order. Prior to shipping, supply chain documents are reviewed to ensure that production was in compliance with company standards.

RISK ASSESSMENT AUDITS CONDUCTED

In 2023, J. Sonic coordinated 23 audits across our global suppliers. Some suppliers undergo multiple types of audits depending on specific customer requirements. Following are the different audits conducted:

Code of Conduct Audit

For all in-store items, the Code of Conduct (CoC) audit is conducted annually to ensure that suppliers meet all code requirements such as applicable laws and regulatory requirements. The CoC audit, coordinated by J. Sonic and conducted by an authorized third-party auditor, results in the supplier's factory inspection, and is followed by the factory submitting a Corrective Action Plan (CAP) for any failures that are detected during the audit.

The CoC audit usually takes one day, and the general schedule involves an opening meeting between the auditor and factory manager, a health and safety walkthrough, voluntary employee interviews, document review, and a closing meeting.

Auditors adhere to an evaluation checklist encompassing all necessary information or documentation that suppliers must furnish and highlights critical violations. During inspections, auditors meticulously follow this checklist, noting whether suppliers comply or if any violations are found for each item on the list. The checklist items encompass the following areas:

- Facility Documentation
- Employee Documentation
- Labor Policies
- Health & Safety
- Environmental Management
- Supply Chain Security (Transshipment & Subcontracting)

Within the "labour" section of this checklist, forced and child labour are listed among the most critical violations. Below are some of the examples of questions that are included within the audit:

1. If applicable, does the facility only use legally recognized employment agencies with a valid and current license?
2. Do actual employment terms meet the job expectations promised at the time of recruitment?
3. Are employees free from paying charges for the purpose of recruitment or employment, including fees, taxes, deposits, or bonds?

4. Are employees free of debt due to recruitment or employment?
5. Do employees maintain custody of their original documents (e.g. passport, work permit, birth certification, official ID card, driver's license, family record book)?
6. Are employees free from pressure, coercion, or threats by any means to maintain them in employment?
7. Were employees free from pressure, coercion, or threats by any means during recruitment?
8. Are employees free to resign from employment in accordance with applicable standards?
9. Are employees free from threats of illegal terminations (e.g. threats of repatriation for foreign workers)?
10. Are employees guaranteed freedom of movement during and after working hours?
11. Does the facility avoid withholding wages or requiring deposits of any kind during the employment relationship in accordance with applicable standards?
12. Are employees free from daily production quota requirements prior to leaving the facility?
13. Do employees voluntarily agree to overtime and is mandatory overtime administered in accordance with applicable standards?
14. Is mandatory overtime permitted by law?
15. If applicable, does the facility employ prison labor in accordance with applicable standards?
16. Facility minimum hiring age standard is 16 to 17 years old with restriction. Are employees currently employed at an age in accordance with applicable standards?
17. At the time of hire, was the age in accordance with applicable standards?
18. Are working conditions (e.g. task, hours) for employees under the age of 18 in accordance with applicable standards?
19. Are required medical tests before and during employment conducted for employees under the age of 18 in accordance with applicable standards?
20. Does the facility maintain permits, licenses, parental consent forms and other documents related to the employment of apprentices, trainees, and employees under the age of 18 in accordance with applicable standards?
21. Are identified apprenticeship/ traineeships administered by the facility in accordance with applicable standards?
22. Does the facility request original, legal documentation to verify the employee's age at the time of hire?
23. Are copies of legal documentation kept and maintained in accordance with applicable standards?

At the end of the inspection, the supplier is graded and scored based on a predetermined methodology that follows both quantitative and qualitative approaches for assessing violations and their severity. If the factory passes the audit, products will be allowed to ship. If the factory fails the audit, they will need to be re-audited before any product is permitted to be shipped.

A formal assessment report will usually be issued 5-10 business days after the audit to J. Sonic. This will include the facility profile, an overview of the findings, details of the assessment against each issue area with supporting pictures, and a request for the supplier to submit the Corrective Action Plan (CAP), if required.

SMETA Audit

The [SMETA audit](#) is an additional audit that we have performed for some of our supplier's factories based on certain customer requirements. The audit is focused on maintaining labour, health, and safety standards as well as environmental performance. This is conducted by a third-party auditor from a specific pre-approved list by SEDEX, an organization that manages the SMETA audit guidelines.

After the completion of the audit, similar to the CoC audit, any violations that have been noted by the auditor will require completion of the CAP, which will delineate how the supplier is fixing any of the detected violations.

BSCI Audit

The [Amfori Business Social Compliance Initiative \(BSCI\)](#) is also a Code of Conduct audit to identify and remediate risks and concerns in supply chains. Amfori BSCI provides a common Code of Conduct that some J. Sonic's customers have adopted, against which the audit was conducted on certain suppliers.

There are 13 specific performance areas that are measured:

- 1) Social Management system and cascade effect
- 2) Workers Involvement and Protection
- 3) The rights of freedom of association and collective bargaining
- 4) No Discrimination, violence or harassment
- 5) Fair Remuneration
- 6) Decent Working Hours
- 7) Occupational Health and Safety
- 8) No Child Labour
- 9) Special Protection for Young workers
- 10) No precarious employment
- 11) No bonded, forced labour, or human trafficking
- 12) Protection of the environment
- 13) Ethical business behaviour

The factory is given a letter grade between A to E for each individual section and then an overall final letter grade based on the results of the individual sections.

Good Manufacturing Process Audit

In addition to the audits that assess labour practices, suppliers undergo a Good Manufacturing Process (GMP) audit that assesses the factory conditions and processes for manufacturing products in accordance with J. Sonic's customer's quality standards. The GMP audit is conducted annually, coordinated by J. Sonic, and conducted by an authorized third-party auditor. During the various quality checks and product testing, the facility is also thoroughly inspected for any other legal or worker safety violations.

RISK MITIGATION & REMEDIATION MEASURES

The Corrective Action Plan (CAP) plays a crucial role in mitigating risks within our supply chain. Once the initial audit report is released to J. Sonic revealing violations, suppliers must develop and execute a CAP based on the severity of the violation. The CAP must comprehensively outline the steps the supplier will take to address all concerns identified during the inspection. This includes providing a detailed written plan along with photographic or evidential documentation demonstrating the planned actions to implement.

If any critical violations were found (including forced or child labour), the factory must cease production immediately. Within 48 hours of notification of the critical violation, the factory would need to provide a detailed CAP specific to the critical violations.

For all other levels of violations, the CAP must be finalized and approved within 7 days of the audit report's release, before the audit process concludes. An audit is deemed complete only after the Product Managers at J. Sonic have approved a corrective action plan, ensuring compliance with both J. Sonic's standards and those of its customers. Subsequent auditors will have access to the CAP and can review it to verify that previous concerns have been effectively addressed.

Through our comprehensive audits coordinated in 2023, no instance of forced and/or child labour has been reported in our supply chain for us to deploy any remediation measures. However, we recognize that

these risks may lie further down in our supply chain in factories that are not yet covered by our audit procedures.

Workforce Empowerment

DEDICATED SUPPORT

At J. Sonic, the Product Operations Manager ensures that all factories undergo timely audits and tracks their status and documentation while facilitating team review and continuous improvement efforts.

Specific responsibilities include:

- **Assessment:** Review current audit status to identify non-audited or outdated factories.
- **Initiate Audits:** Schedule audits for these factories with relevant parties.
- **Document and Track:** Maintain a centralized document tracking audit dates and details.
- **Team Review:** Schedule meetings with the team to discuss audit status and any issues.
- **Follow-Up and Improvement:**
 - Monitor audit progress, follow up on delays, and escalate issues if needed.
 - Continuously improve audit processes based on feedback and industry standards by ensuring the factory completes the corrective action plan for any findings.

AUDIT AND QUALITY CONTROL REPRESENTATION ABROAD

J. Sonic has dedicated representation based in China. The team's responsibility is to vet potential factories to ensure they meet the standards to pass various audits, as well as to perform quality control prior to product shipping. They periodically visit partner factories to monitor production, ensure general audit standards are being met, and to perform quality control. While the team is based in China, they frequently visit production sites in Vietnam to perform these same duties. In the event that they are not available, J. Sonic occasionally relies on a third party quality control companies such as SGS to support this process.

CODE OF CONDUCT TRAINING

In 2023, the J. Sonic Product Operations Manager attended a 2 hour, in-person Code of Conduct training developed and conducted by one of J. Sonic's customers. Topics covered in the training were as follows:

- Goals of the Code of Conduct
- Process of conducting Code of Conduct audits
- Importance of accurate information from suppliers
- Timely assessment of audit results
- Implementation of corrective action plans

Although the training was not specifically focused on forced and child labour, these were among the critical issues outlined.

KEY PERFORMANCE INDICATORS FOR PROGRAM EFFECTIVENESS

Audit Completion Rate: Percentage of factories that undergo audits within the scheduled timeframe.

Documentation Accuracy: Ensure accuracy and completeness of audit tracking documentation.

Team Collaboration: Effectiveness of team meetings to review audit status and address any issues.

Continuous Improvement: Number of process improvements implemented based on audit feedback and industry best practices.

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.

Full name: Jean Aucoin

Title: President

Date: May 22, 2024

I have the authority to bind J. Sonic Services Inc.

Signature:

