



Report:

Fighting Against Forced Labour and Child Labour in Supply Chains

May 2024

About this Report

This report is prepared on behalf of Lorama Group Inc. ("Lorama", "Lorama Group", "we", "us") in accordance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act, S.C., 2023, c.9 (the "Act"). As mandated by the Act, this document outlines the measures we have taken in the previous financial year ending December 31, 2023, to prevent and mitigate the risk of forced or child labour in our production processes, both within Canada and internationally, as well as in our imported goods.

Steps Taken to Prevent and Reduce the Risks of Forced Labour and Child Labour

Lorama Group Inc. has taken the following measures to prevent and reduce the risks of forced labour and child labour both within our company operations and our supply chain:

- Mapped our company activities and operations from procurement of raw materials to distribution of our final product
- Mapped our Tier 1 suppliers and supply chain
- Conducted an internal assessment of risks of forced labour and/or child labour in our activities
- Contracted an external assessment of risks of forced labour and/or child labour in our supply chain
- Developed and implemented an action plan for addressing forced labour and/or child labour
- Addressed and mitigated practices in our activities and supply chains that increase the risk of forced labour and/or child labour.
- Developed and implemented due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in our activities and supply chains
- Carried out a prioritization exercise to focus our due diligence efforts on the most severe risks of forced and child labour
- Required suppliers to have policies and procedures in place for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains
- Developed and implemented grievance mechanisms to be used in the event that forced and/or child labour is identified within our organization
- Developed and implemented internal training materials on forced and child labour
- Engaged with supply chain partners on the issue of addressing forced and child labour through supplier questionnaires and scorecards

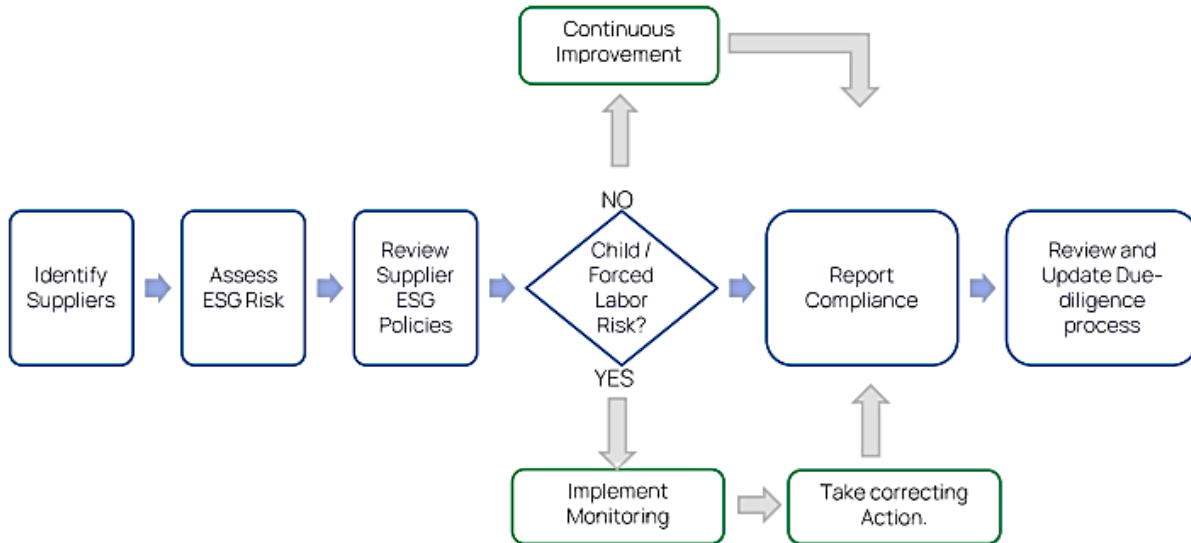


Figure 1: Flowchart for external risk assessment process

Structure, Activities and Supply Chains

Structure and Activities

Founded in 1977 and headquartered in Mississauga Ontario, Lorama Group Inc. is both a manufacturer of Colour Dispersions & Bio-based Additives, as well as an international distributor of Specialty Chemicals and Functional Extenders. Through our entrepreneurial spirit and with deep expertise in global regulatory and raw material requirements, Lorama has grown to service a multitude of markets across over 90 countries.

Having in-depth technical expertise and the ability to fully deconstruct and rebuild formulations, Lorama is recognized worldwide for our knowledge and eagerness to help with paint formulation. In addition to having global labs, our main laboratory powerhouse is situated in Mississauga, housing our R&D, technical services, and colour services group. Customers rely upon our full-time chemists for commercially proven solutions through our wholistic consultative technical sales and service approach. For over 40 years we have supplied commercially cost-effective sustainable solutions, helping our customers thrive in highly competitive markets.

In addition to our headquarters in Mississauga, Lorama has subsidiaries in Miami, Mexico, Barbados, and Brazil, as well as labs in Kenya and Malaysia. The various activities performed at each Lorama location are described in Figure 2 and our organizational hierarchy is shown in Figure 3.

Activity	Entity	Description
Manufacturing	Lorama Group Inc.	Manufacturing of resin technology, colourants, and pH modifiers
Distribution, Sales and Logistics	Lorama Group Inc. Lorama Group International Inc. Lorama Group Logistics Lorama Group Quimica Lorama Group Mercosul	Distributing and selling our products on a local, regional and international scale.
Technical Services	Lorama Group Inc. Lorama Group International Inc. Lorama Group Mercosul Lorama Group Quimica/IRO	Lab services for our customers which include formulation support and analysis, tint-base system development and consolidation, colour matching services, on-site batch and scale-up support, on-site technical support for colorants and paint bases, and troubleshooting formulation concerns.

Figure 2: Activities performed by each entity of Lorama Group Inc.

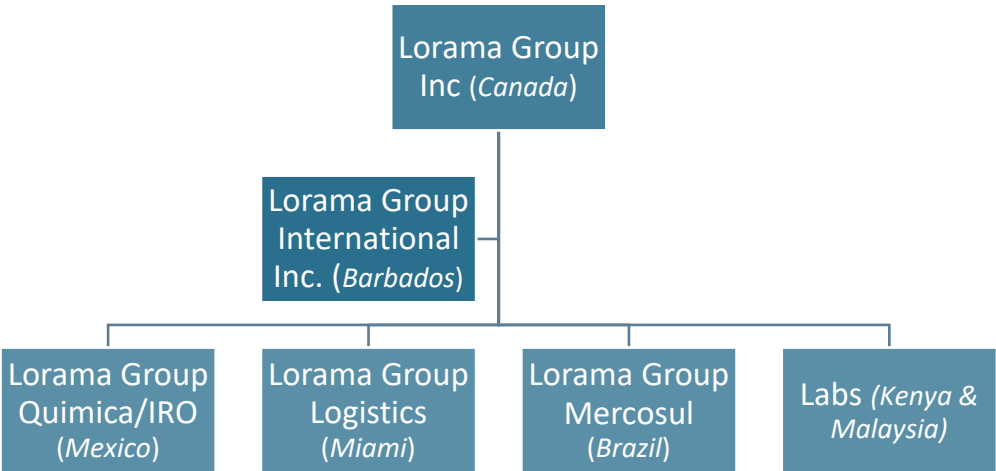


Figure 3: Lorama Group Inc. organization hierarchy

Supply Chains

As an organization, we have worked with over 150 suppliers, primarily from North America, to provide us with the materials, goods, and services we need. In this case, the term supplier includes all manufacturers, distributors, service providers, vendors, contractors, subcontractors, and consultants we work with. At Lorama Group, we recognize the important roles suppliers play in our sustainability commitments and ESG goals. Our commitment to sustainability and ESG goals drives us to collaborate with suppliers who adhere to our policies and uphold our values for environmental, quality, and human rights practices.

Policies and Due Diligence Processes

Our Policies:

Lorama has developed and implemented several policies and practices related to human and labour rights, sustainability, and quality, within our organization.

Lorama Internal Forced and Child Labour Policy: An internal policy was developed specifically against forced and child labour within our organization. This policy was made to clarify our expectations in the areas of human rights and labour practices within our Company to ensure compliance with the applicable local and international labour laws and regulations. It describes the measures we have implemented to prevent and eliminate forced and child labour in our business activities. This includes mapping our supply chain, assessing risk, adopting relevant due diligence measures, supplier engagement, remediation and grievance mechanisms, and training of our staff.

Lorama Forced and Child Labour Grievance Policy: An internal policy was developed specifically for grievances related to forced and child labour within our organization. This policy outlines the procedure to be followed by all employees, management, and third-party contractors when reporting instances of forced or child labour, and also specifies how the company will handle these grievances and the rights of employees involved in them.

Lorama Supplier Code of Conduct: A policy developed to clarify our expectations in the areas of business integrity, labour practices, human rights, environmental management, and health and safety with our suppliers. The Code includes a specific section on forced and child labour, ensuring that suppliers are complying with local and international labour laws in the jurisdiction in which they operate and ensuring no forced or child labour is being used in their operations. It also specifies the corrective actions we as a company may take in the event of non-compliance with the Code including, but not limited to, termination of contracts.

Due Diligence Processes:

The policies described above play a significant role in our due diligence efforts to eliminate any forced labour or child labour which may be present in our business or supply chain by clarifying our expectations for all employees of Lorama Group and suppliers we work with. Given the nature of our activities, we have identified the area of our business with the highest risk of forced or child labour within our supply chain. As such, additional efforts were made to better assess this risk.

- a. We developed and sent a Supplier Questionnaire to our top suppliers which requires them to provide details on their policies and processes related to quality management, human rights and business practices, child and forced labour, environmental management, and sustainability.
- b. These selected suppliers were required to complete and return this questionnaire, attaching evidence of their answers as necessary.

- c. The completed Supplier Questionnaires provide valuable insights on the extent of forced and child labor risks associated with each supplier.
- d. This enabled us to more effectively tailor our corrective actions to address these issues.

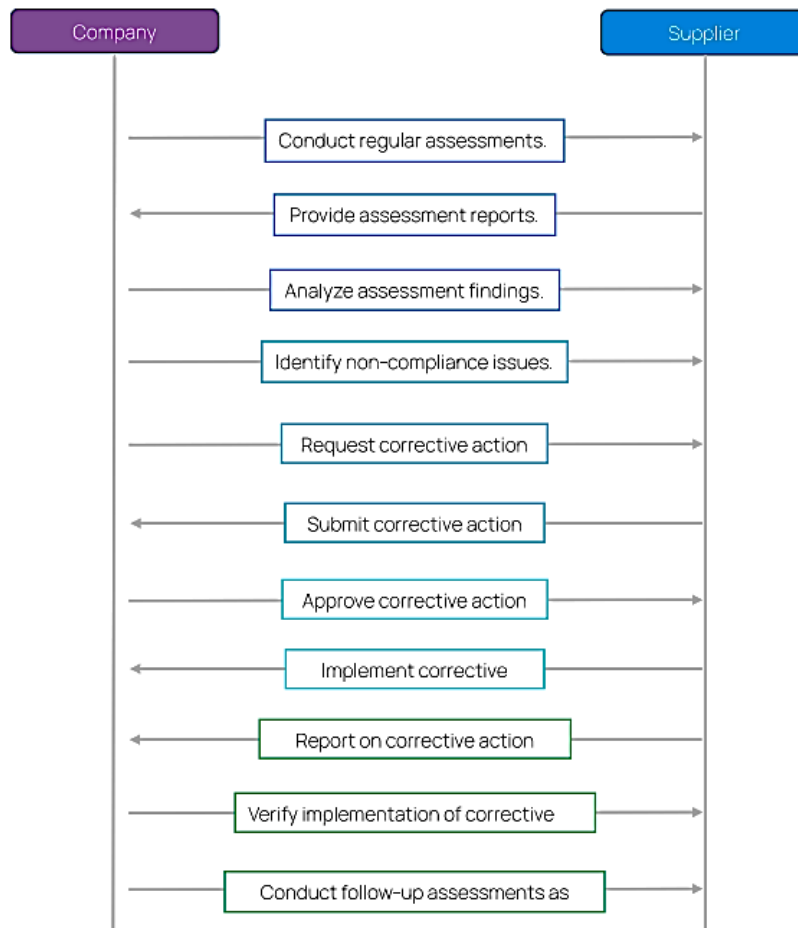


Figure 4: Risk assessment and mitigation process

Determining the Risk of Forced Labour or Child Labour

Within Lorama Group Inc:

We believe that the risk of forced or child labour within our organization is negligible as we prioritize compliance with all applicable local and international labour laws and regulations. We have an HR Department which works to uphold this commitment by establishing various policies and training programs for our employees. We have a diligent recruitment process in place to verify all employees of Lorama Group Inc. are over 18 and we only engage with reputable contract labour agencies for contract employees. To further minimize the risk of forced and child labour within our organization, Lorama Group employees received a mandatory training on Forced and Child Labour which aimed to educate them about the various risks associated with our operations and provide guidance on reporting workplace grievances effectively.

Within our Supply Chain:

For our external risk assessment, we contracted an external party to assess our top suppliers. These top suppliers were selected using our purchase data to identify the thirty suppliers with the highest purchase value as they represent a significant financial contribution to our operations. The inherent risks associated with each high-volume supplier were then evaluated based on their location, industry/sector, and their responses to the supplier questionnaire we sent. Factors such as Bill S-211 requirements, labor regulations, and industry-specific hazards were considered in this evaluation to ensure a comprehensive understanding of potential supply chain vulnerabilities.

Risk Identification: Identification and evaluation of potential threats by specific geography and sector. Through analysis from the supplier responses, potential risks, such as the presence of child labor and forced labor in our supply chain operations, were identified and evaluated.

Risk Assessment: The risk assessment process evaluated identified risks to determine their likelihood, potential impact and the overall risk.

- **Likelihood:** quantifies the probability of a risk materializing and causing harm. In our likelihood assessment, we analyzed the responses of each supplier to various risks related to child and forced labor. We counted both negative responses (i.e., responses marked as "no" and non-responses) to evaluate the likelihood of the presence of child and forced labor in the suppliers' operations and their supply chains.
- **Impact Analysis:** a qualitative approach where for each risk identified, its impact on Lorama was analysed. The rationale of its analysis was also documented in the risk assessment for better clarity.
- **Risk Rating:** based on the combination of likelihood and impact scores, a risk matrix categorizes each risk as Very Low, Low, Medium, High, or Very High, guiding the development of effective mitigation strategies.

Likelihood	Impact						
	Negligible	Minor	Moderate	Significant	Major	Severe	Critical
Very Unlikely (1-5%)	Very Low	Low	Low	Moderate	Moderate	High	High
Unlikely (6-20%)	Very Low	Low	Moderate	Moderate	High	High	Severe
Somewhat Unlikely (21-40%)	Very Low	Low	Moderate	High	High	Severe	Severe
Possible (41-60%)	Very Low	Moderate	Moderate	High	Severe	Severe	Critical
Somewhat Likely (61-80%)	Low	Moderate	High	Severe	Severe	Critical	Critical
Likely (81-95%)	Low	High	High	Severe	Critical	Critical	Critical
Very Likely (96-100%)	Moderate	High	Severe	Critical	Critical	Critical	Critical

Figure 5: Risk Rating Matrix

Steps Taken to Assess & Manage the Identified Risks of Forced or Child Labour

Mitigating the risk of child and forced labor in our supply chain required a comprehensive approach that addressed both prevention and response strategies. Some mitigation strategies tailored to remove this risk include:

Supplier Due Diligence:

- Conduct thorough background checks and due diligence on suppliers to ensure they adhere to ethical labor practices.
- Implement a supplier code of conduct that explicitly prohibits child and forced labor, outlining consequences for non-compliance.

Supplier Audits and Assessments:

- Conduct assessments and internal audits of suppliers to verify compliance with labor laws and ethical standards.
- Assess suppliers' internal policies and procedures related to recruitment, working conditions, and employee rights.

Supplier Engagement Protocol:

May encompass the following components:

1. **Workshops and Education:** Conducting workshops to educate suppliers on risk of child and forced labor and legislation such as Bill S-211 and the significance of compliance with its provisions.
2. **Policy Clauses:** Clearly outlining mandatory clauses like mitigation measures, grievance mechanisms within policies that suppliers must adhere to regarding labor standards and ethical practices.
3. **Due Diligence Procedures:** Importance of establishing due diligence procedures for evaluating and selecting suppliers based on their commitment to compliance with regulatory requirements and ethical standards.
4. **Supplier Assessments:** Emphasizing the importance of conducting regular supplier assessments and audits to monitor compliance with established policies and identify areas for improvement.
5. **Impact of Non-Compliance:** Communicating the potential consequences for suppliers if they fail to comply with the requirements mandated by Lorama, including contractual obligations and business relationships. By incorporating these elements into the supplier engagement protocol, Lorama can effectively promote awareness, accountability, and collaboration among its suppliers to uphold ethical labor practices and regulatory compliance within the supply chain.

Conclusion of Risk Assessment:

In conclusion, our external risk assessment has identified several critical risks that require immediate attention and mitigation. The primary risks include our suppliers:

1. To Have an age verification process in place,
2. To assess the presence of child and forced labour in our tier 1 and tier 2 suppliers, and
3. To have mitigation procedures in place for the risk of presence of child and forced labour, which pose significant potential impacts on our compliance to Bill S-211.

The severe and critical risks identified are present partly due to limited visibility at this early stage. Specifically, the lack of response from 20% of our selected suppliers has elevated the perceived risk levels. While the actual risk might be low, some of the perceived risks have been categorized as severe or critical so that in the event such a risk occurs adequate measures are in place to avoid the risk.

A continuous risk monitoring process will be established to adapt to any changes in the risk landscape. Regular updates to the risk management plan, along with periodic reviews and audits, will be crucial in maintaining an up-to-date and effective risk management framework. The successful implementation of these actions will not only mitigate the identified risks but also contribute to the overall robustness and sustainability of Lorama to ensure a comprehensive and cohesive approach to risk management.

Remediation Measures

To date, no instances of forced or child labour were detected in our operations or supply chain. As a result, there was no need for any remediation measures in this regard. However, should we identify any incidents of forced labor within our activities or supply chains, we are committed to exploring appropriate remedial measures in accordance with international standards.

Training on Forced and Child Labour

A brief but informative training on forced and child labour was provided to all Lorama employees via our online learning platform and via internal training sessions. This training included information on human rights and labour laws, a description of Bill S-211 and its requirements and identified high-risk industries and regions and risks within our supply chain. It also provided information about our Company policies relating to forced and child labour as well as some external support systems and organizations employees can access for more information.

Assessing our Effectiveness in Ensuring our Business and Supply Chains are Free from Forced and Child Labour

We have policies and procedures in place to assess our effectiveness in ensuring that forced labour and child labour are not being used in our activities and supply chains. These include:

- Regular review of our policies and procedures related to forced labour and child labour at least once a year by our regulatory team.
- Tracking relevant performance indicators, such as levels of employee awareness through annual training, numbers of cases of child or forced labour reported and solved through grievance mechanisms, and numbers of signed Supplier Code of Conducts and Supplier Questionnaires.
- Having our procurement team evaluate our suppliers via an Annual Supplier Assessment at least once a year to assess and review their compliance with our policies.

Continuous Improvements

As a Canadian company, it is our responsibility to ensure that our operations and activities will continuously comply with all regulations related to child labour and forced labour. Future activities we intend to do to enhance our compliance include:

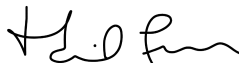
- Create an annual supplier assessment which we will use to evaluate our suppliers on various ESG topics, to include a section specifically addressing forced and child labour.
- Develop and implement a specialized training for our procurement team focused on responsible sourcing.
- Improve our screening process for onboarding new suppliers.
- Enhance our risk assessment approach to encompass more suppliers and connections throughout our entire value chain and take the required actions.

Approval and Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that the Board of Directors of Lorama Group Inc. has reviewed the information contained in this report. 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.

Hamid Faran
Chief Financial Officer

Signature: _____



Date: May 24, 2024

I have the authority to bind Lorama Group Inc.