



Pearle Hospitality Inc.

Forced Labour and Child Labour in Supply Chains
Company Assessment

Attention: Rob Smylie, Chief Financial Officer
Pearle Hospitality Inc.
611 Tradewind Drive,
Ancaster, ON L9G 4V5

Re: Assessment of Forced Labour and/or Child Labour in Supply Chains

Dear Rob,

Enclosed is the final report for the assessment of Forced Labour and/or Child Labour in Supply Chains of Pearle Hospitality Inc. ("PHI"). The intent of this report is to provide an evaluation of PHI's current state, in response to the reporting criteria of Canada's Bill S-211 - *An Act to support the Fighting Against Forced Labour and Child Labour in Supply Chains Act* and to amend the Customs Tariff ("the Act or "Act"). This engagement evaluates all reporting criteria under this Act. Reporting under this Act is PHI's responsibility, and due on or before May 31 of each year, beginning in 2024. This report must be approved by PHI's highest governing body.

This report also identifies opportunities for PHI to enhance controls and activities related to Forced Labour and Child Labour within the organization and supply chains.

We wish to express our sincere thanks to the staff of PHI for their assistance during the completion of this assessment. Should you have any questions regarding the content of our report, please do not hesitate to contact me at (514) 515-2553.

Regards,



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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

The measures introduced through former Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps taken during its previous financial year, 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 by the entity, or of goods imported into Canada by the entity. There are seven mandatory reporting areas that must be investigated and reported on which include:

- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate 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 its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

[Beginning of Report Content]

Introduction

This report is Pearle Hospitality Inc.'s ("PHI") response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains and to amend the Customs Tariff (the Act), sections 11(1) and 11(3). PHI satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue, asset and labour thresholds.

This is the first version of the report submitted and the report is for the entity, PHI. The financial reporting year of PHI covered by this report is January 1, 2023, to December 31, 2023.

Structure, Activities and Supply Chain

Structure

PHI is located at 611 Tradewind Drive, Suite 300, Ancaster Ontario. Our portfolio includes restaurants; catering; a golf club; a farm; two luxury hotels and one under development; and Pearle Weddings and Events, a group specializing in staging weddings and events at any of Pearle Hospitality's venues in Ontario. PHI was founded by the Ciancone family in 1936 and prides itself in providing guests with genuine and thoughtful experiences with our operations, which are based solely in Canada. PHI employs 1,436 staff members in Ontario.

Activities

PHI operates within the hospitality industry, offering extraordinary cuisine, gracious service, inspiring settings, and a passion for delivering memorable moments. PHI provides accommodation, catering in their onsite restaurants, banqueting and function planning and co-ordination.

Supply Chain

PHI's major suppliers are vendors who provide food products and cleaning supplies. The main categories of food products procured are beef, pork, chicken, lamb, duck, vegetables and fruits, some prepared foods, baked goods, beverages, wines and spirits, cooking oils and cleaning supplies such as paper towels and garbage bags.

The figure below represents the makeup of our supply chain by country, PHI has 69 direct suppliers providing goods from 2 countries - Canada and United States of America (USA).

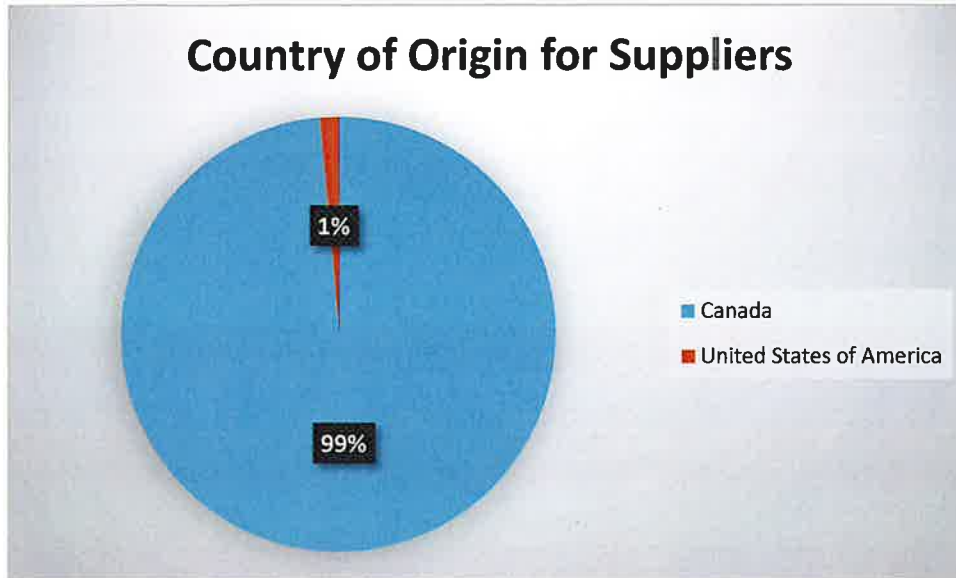


Figure 1: Origin Country of Suppliers

Policies and Due Diligence Processes

By virtue of PHI being in the hospitality industry, we recognise that our employees are our greatest assets. The following policies and due diligence procedures are in place to mitigate the risk of child labour and forced labour within our internal activities and supply chain:

Internal Policies

Team Member (Employee) Handbook

The Handbook identifies and defines inappropriate and unacceptable conduct and behaviour. The Handbook explicitly states that inappropriate or unacceptable conduct could result in disciplinary action, including termination of employment, to ensure all workers behave in a manner that is fair and equitable to their colleagues and superiors. Timekeeping and working conditions are also specified within the Handbook, including provisions for overtime for individuals who work beyond their regularly scheduled hours. Overtime is paid to all team members who work more than 88 hours in a two-week period at 1.5 times regular hourly rate to ensure that workers are adequately compensated for time spent outside their contracted working hours.

Code of Conduct Policy

This policy defines cultural standards and PHI's dedication to be accountable for doing what is right. Employees are also encouraged to speak up if they identify any injustices in their day-to-day activities to continuously set the tone to achieve Pearle's vision.

Health and Safety Policy

Our health and safety policy details PHI's commitment to providing a workplace that promotes health, physical and psychological safety. The policy demonstrates PHI's commitment to employees working in a safe and healthy environment, with supervisors and managers tasked with the responsibility of ensuring that healthy and safe working conditions are maintained.

Workplace Violence and Harassment Policy

We are committed to providing a work environment in which all individuals are treated with respect and dignity to prevent workplace violence and harassment. PHI's definition of harassment is predicated upon the Ontario Human Rights Code and PHI adheres to this definition of discrimination. This policy also explicitly states our commitment to treating employees with respect and preventing harassment and violence. It includes measures and procedures to protect team members from workplace harassment and violence and a process for team members to report incidents or raise concerns. Management, with the support of our Human Resources department, are tasked with the responsibility of investigating and dealing with all concerns, complaints, or incidents of workplace violence and harassment in a fair and timely manner, while respecting team members' privacy as much as possible. A whistle blower hotline is used which allows employees to report potential issues to a neutral third party to record. This information is then provided to PHI so that it can be investigated further to ensure it is resolved in line with our high ethical standards.

Right to Disconnect from Work Policy

To promote work-life balance and manage work-related pressures, this policy is in place to support team members' well-being, minimize stress, and ensure that team members feel they can disconnect from their work outside their regular working hours without being penalized. This includes not engaging in work-related communications, including e-mails, telephone calls, video calls, or the sending or reviewing of other messages outside of working hours. By implementing this policy, PHI aims to eliminate the risk of forced labour and ensure the well-being of its employees.

Due Diligence Processes

Hiring Procedures

All employees hired at PHI are of legal age in Ontario i.e., fourteen (14) years and older. PHI also hires a small number of temporary foreign workers through a partnership with a third party that provides staffing services. PHI adheres to stringent legal standards, ensuring that these workers receive equitable treatment and protection under Canadian law. PHI is committed to upholding the rights and protections of temporary foreign workers, as mandated by law. As evidenced by the signed contractual agreement between the third party and PHI, there is robust adherence to the legal framework governing the employment of temporary foreign workers, ensuring their fair treatment and well-being within the workplace.

Ethical Sourcing Policy

Our ethical sourcing policy underscores our commitment to sourcing products and services in a responsible manner. Our goal is to ensure that our business activities positively impact our community, the environment and the global supply chains in which we do business, and its scope applies to our suppliers, vendors, and contractors to ensure that all products are sourced from suppliers who provide fair wages, safe working conditions, and respect for the rights of their workers. All Suppliers we partner with must adhere to all local and international labor laws and standards, including those related to child labor, forced labor, discrimination and freedom of association.

Supplier onboarding process

Our supplier onboarding process is formalized to ensure we have the right partnerships with suppliers that meet our quality, ethical and sustainability standards. Where expedient, on-site audits or virtual visits are done to verify the suppliers' quality and ethical standards prior to contracting and onboarding into our procurement and inventory management systems.

Agreements

The majority of our suppliers are bound by agreements. These agreements contain terms and conditions for which suppliers must adhere to for successful onboarding by PHI, including pricing and purchase obligations. These agreements must be signed prior to PHI purchasing goods from the relevant supplier. By signing and adhering to agreement terms, suppliers are required to follow the laws of Ontario, Canada which includes federal labour standards.

Supply Chain Risk Assessment

A risk assessment over PHI's country of operation, goods procured, and countries goods are procured from has been performed over material direct suppliers, using the *Walk Free Global Slavery Index* and the *U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor*. These indexes use in-depth research in forced labour and child labour.

Countries of Operations and Risk

A risk assessment was conducted using the indices noted above to determine the risks associated with PHI's country of operation in Canada. We found that there were low inherent risks of forced labour or child labour in operations in Canada.

Countries of Suppliers and Risk

A risk assessment was conducted to determine the extent of forced labour and child labour associated with the countries from where our suppliers are located. We found that there are low inherent risks of forced labour or child labour in Canada and USA. The table depicts the number of suppliers from each country and how much of our supply chain they account for including the associated inherent risk.

Country	Suppliers (#)	Supply (%)	Inherent Risk per Country
Canada	68	99%	Low
United States of America	1	1%	Low

Type of Goods Procured and Risk

A risk assessment was conducted to determine the extent of forced labour and child labour associated with the types of goods we procure from our suppliers. We found that 29 suppliers make up 94% of PHI's total spend for the year 2023. The goods identified include Produce, Meat, Poultry, eggs, Seafood, Wines and Spirit. The risk analysis found high inherent risks for forced labour and child labour from the raw materials of these goods. **This does not mean that evidence of forced labour or child labour was found to support this risk analysis**, but that there is an increased inherent risk which necessitates closer scrutiny by PHI to ensure those risks do not flow through to the goods we procure. This includes investigating where our suppliers procure their goods, continuing to monitor the types of goods we procure, and the risk of forced labour and child labour associated with these goods.

Goods	Inherent Risk per Good	Country	% Share	Overall Risk
Food Items (Produce, Meat, Poultry, eggs, Seafood)	High	Canada	59.2%	High
Dry Goods (Paper towel, Garbage bags, Canned food)	Low	Canada	27.9%	Low

Alcohol (Wines, Spirit)	High	Canada	6.3%	High
Others < 1%	Low	Canada	5.5%	Low
Textile (Towels, Curtains)	High	Canada	1.1%	High

Remediation of Forced and Child Labour and Vulnerable Family Income Loss.

At PHI we commit to remediate human rights incidents and violations that occur within our operations and supply chains. During the year 2023, we received zero (0) complaints about Human Rights' contraventions internally and externally. Consequently, no remediation measures were required in respect to forced labour or child labour. PHI is continuing to review its procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

PHI does not have training in place on the topic of child labour or forced labour. However, the policies identified above are relevant to this Act. When onboarding new employees, part of this process includes reviewing the Team member (Employee) Handbook to ensure the individual understands the company's standards and expectations. Sections within this handbook that are relevant to child labour and forced labour include acts of abuse, violence and harassment, and employee conduct and behaviour.

We recognize the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

Steps Taken to Prevent and Reduce Risk of Child Labour or Forced Labour

PHI has taken the following proactive measures to prevent and reduce the risk of child labour or forced labour in our activities and supply chain:

1. Mapped our supply chain to complete a risk assessment to align with the Act.
2. Conducted an internal assessment of risks of forced labour and/or child labour by identifying the goods within our supply chain that have inherent risks of child labour and/or forced labour.

3. Developed employee specific policies to create a channel where employees feel safe to report instances of workplace violence, harassment and bullying.

Going forward the following remediation measures against forced/child labour will be implemented especially for our supply chains. We have identified the opportunity to undertake the following:

4. Integrate contractual clauses within supplier agreements related to anti-forced labour and/or child labour.
5. Integrate anti-forced labour and/or child labour standards/conduct into internal policies (employee handbook and training) as well as supplier due diligence procedures (supplier agreements and questionnaires).
6. Utilize supplier questionnaires and onsite visits for key suppliers to monitor supplier relationships.
7. Implement employee training relevant to child labour and/or forced labour.

At PHI, we are committed to creating a work environment that values and respects every employee, while upholding their rights and well-being. Furthermore, we are unwavering in our stance against forced labour and child labour practices. Our dedication to ethical business practices extends beyond our walls as we continue our work to keep forced labour and child labour out of our supply chains.

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 Pearle Hospitality Inc. 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: Aaron Ciancone

Date: 5/28/2024

Title: CEO

Signature: 

I have the authority to bind 'Pearle Hospitality Inc.' and this report covers fiscal year January 1, 2023, to December 31, 2023, and applies to 'Pearle Hospitality Inc.'

[End of Report Content]

Conclusion/Key Takeaways

Areas and mechanisms have been noted with opportunities for enhancement to further reduce the risk of forced labour and/or child labour within activities and supply chains. These include:

Recommendations Related to PHI Activities:

1. **Team member (Employee) Handbook:** It is recommended that clauses related to zero-tolerance for the use of child labour and/or forced labour within PHI's hiring activities be added to the employee handbook. Within this clause, detail should be added about who employees should discuss concerns and potential or actual instances of child labour or forced labour with, as well as disciplinary action should there be an instance identified.
2. **Team member (Employee) Handbook: Annual Sign-Off:** It is recommended that employees sign off on the employee handbook annually to reflect their adherence to PHI's policies. If a clause related to this Act is incorporated to the handbook, annual signoffs is a mechanism which PHI can use in assessing the effectiveness of reducing the risk of child labour and forced labour.
3. **Employee training:** It is recommended that employee training on the topic of child labour and forced labour be implemented into existing employee training programs. PHI to decide if this training will be mandatory or optional, who will take part and how training will be delivered.

Recommendations Related to Suppliers:

1. **Supplier Agreements:** It is recommended that PHI considers the addition of anti-child labour and forced labour clauses within supplier agreements. These clauses would explicitly state a zero-tolerance for the use of child labour and/or forced labour within the supplier's operations and supply chain. This clause should include the result if an issue of non-compliance arises. See Appendix for an example to be considered.
2. **Supplier Questionnaires:** It is recommended that PHI develop and incorporate questions relating to child labour and forced labour within supplier questionnaires. Responses received from suppliers should be kept in a centralized system, to understand how the risk of child labour or forced labour affects suppliers. Examples of this include:
 - a. Confirmation if supplier is required to report or comply with this Act or laws from another country addressing forced labour or child labour
 - b. Inquiry of supplier's visibility over their own supply chain
 - c. Inquiry if supplier performs screening or due diligence processes over prospective suppliers
 - d. Inquiry regarding the hiring process and legal age of workersAn example of questions to be considered has been included within the Appendix.
3. **Supplier Code of Conduct:** It is recommended that PHI implement a supplier code of conduct. Similar to the employee handbook, this code sets the expectations of supplier performance,

conduct, and responsibility of upholding company policies and procedures. Within this code, it is recommended that disciplinary action is explicit, should there be an issue of non-compliance.

4. **Supplier Monitoring:** When attending supplier operations during on-site visits, it is recommended that PHI verify the performance and compliance of suppliers as it relates to the supplier questionnaire, code of conduct (if implemented) and supplier agreement. This provides an opportunity to conduct supplier audits and monitoring over risks related to this Act. All questionnaires should be kept on a centralized database to understand how suppliers are mitigating the risk of child and forced labour. For suppliers that PHI does not visit, it is recommended that PHI considers routine monitoring for adherence and compliance with the supplier questionnaire, code of conduct (if implemented) and supplier agreement. PHI will need to decide which suppliers are to be reviewed, and at what frequency.

Appendix

Supplier Agreements – Sample Clause:

An example of verbiage to be considered adding into supplier agreements on the topic of child labour and/or forced labour includes:

"The Supplier prohibits the use of child labor and forced labor within its operations and supply chain.

As defined by the International Labour Organization (ILO), forced labour is defined by work that is performed involuntarily and under the menace of any penalty.

As defined by the ILO, child labour is defined by work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

Our will not accept products from suppliers who use forms of forced labour or child labour."

Supplier Questionnaire – Sample Questions:

The following is a sample of questions related to child labour and forced labour to consider adding to the existing supplier questionnaire:

	Question	Response
Supply Chain/Goods		
1	Where do you source the goods / products that you supply to us? (list all countries that apply)	
2	Does your company perform screening of prospective suppliers prior to conducting business?	
3	As part of the screening process, does your company perform a screening of all prospective suppliers to assess the risks of forced labour and child labour or other human rights harm that may occur in its operations and supply chains?	
Employees		
1	Is your organization fully compliant with local law regarding minimum age of workers?	
2	If local law does not stipulate a minimum age of workers, does your organization have any employees/independent contractors under 15 years of age?	
Policies and Procedures		
1	Does your company have a policy or policies in place to deal with forced labour and child labour?	
2	Are there any other policies or procedures in place to bring to our attention (ie. Whistleblowers, human rights, working conditions etc.) If yes, please provide a copy of these policies.	
Compliance		
1	Has your company ever identified or, been investigated for the use or risk of any forced labour and/or child labour in	

	any of your business, activities, operations or supply chains (or otherwise)?	
2	If yes to the above, has there been remediation measures such as due diligence policies and processes implemented or developed, to identify, address and prohibit the use of forced labour and/or child labour in the organization's activities and supply chains?	
Training		
1	Are staff in your company trained on how to identify, assess, and respond to risks of forced labour and child labour?	