



# Forced Labour and Child Labour in Supply Chains Report

Fiscal Year 2023

## 1. ABOUT THIS REPORT

This report is made by U.C.P. Paint Inc. (“UCP”, “Company”, “we”, “our”) pursuant to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for the financial year ending December 31, 2023.

At UCP, we adhere to the highest legal and ethical standards applicable to our business and as such, all employees must follow rules of conduct that will protect the interests and safety of all employees and the Company. These principles are aligned with the objectives of the Act aimed at promoting robust labour standards and prohibiting the utilization of forced and child labour (also known as modern slavery) within the operations and supply chains of Canadian businesses.

Although we have not taken specific steps in the previous financial year to prevent and reduce the risk of forced labour and child labour in our activities and supply chain, we understand the responsibility we have in the fight against human rights abuse and we believe that respecting and complying with human rights obligations is as much of the responsibility of our suppliers as it is ours.

To that end, we have been collaborating with one of our major clients in this endeavour by maintaining our participation in a third-party audit to evaluate the compliance of our manufacturing activities with applicable labour standards. Following such audit, it was confirmed that the Company is in excellent compliance and does not pose a risk to the occurrence of modern slavery.

In addition, we are currently reviewing our internal measures to identify initiatives to prevent the risks of forced labour and child labour in our supply chain. These measures will be tailored to the specific risks we identify as we carry out our ongoing risk assessment in 2024 and beyond.

**2. ABOUT US & OUR SUPPLY CHAIN** Founded in 1960, UCP is a company located in Baie D’Urfé, Québec, Canada, specializing in the manufacturing of paints, stains, and specialty coatings, and employing approximately 75 individuals at its manufacturing site.

Our products are primarily distributed through major Canadian retail and distribution chains, industrial fabricators, and road marking applicators based in Canada. Additionally, we have a diverse customer base in the United States. UCP also offers its products under the brand name “Solignum” to contractors and property managers through our regional warehouse located in the Toronto area.

### **Our Supply Chain**

UCP purchases raw materials such as resins, additives, solvents, and pigments for the manufacture of its finished products, as well as all its packaging materials, mainly from Canadian and US suppliers. Such North American suppliers are direct manufacturers or distributors doing business with producers worldwide. In exceptional circumstances, UCP procures its products from other regions such as China, the Dominican Republic, India, Turkey and the United Arab Emirates when it is not feasible to obtain these goods from its North American suppliers. These alternative purchases account for a very minor portion of our overall procurement.

UCP places great emphasis on developing strong business relationships with its large, reliable suppliers. In fact, only a few suppliers account for the majority our supply volume, enabling us to maintain close ties and privileged business relationships with companies that share our values and interests. Such relationships allow to guarantee steady supply and best in class technologies.

### **3. POLICIES AND DUE DILIGENCE PROCESSES**

While we have not yet adopted policies and due diligence processes specifically related to forced labour or child labour, we continue to apply the highest legal and ethical standards, in compliance with our employees with our code of ethics (the “**Code**”) and our employee handbook (the “**Handbook**”). We also cooperate fully with one of our major client’s audit process to evaluate the risks of forced labour and child labour in our activities.

#### **Code of Ethics and Handbook**

Our Code and Handbook, which are signed and acknowledged by all employees during their onboarding process, outline our values. Such policies enunciate the norms and mechanisms that we believe serve to implicitly reduce the risks of modern slavery. At UCP, we are committed to establish a safe and healthy work environment in which all individuals are treated with respect and dignity, and are free from all forms of harassment and discrimination. Furthermore, UCP engages with a reputable third-party consultant that regularly helps to improve its internal health and safety practices and to develop its ethics policies and Handbook.

A complaint procedure is detailed in the Code and in the collective agreement for unionized employees that can be followed if employees believe they are victims of violence, discrimination, or harassment by colleagues or third parties.

## **Audit Process**

Every three years, one of our major clients, a large Canadian retailer, conducts a third-party social audit through Bureau Veritas of UCP's manufacturing site in Baie d'Urfé to confirm and certify compliance with legal regulations and industry standards.

In October 2023, the audit analyzed the degree of compliance and risk level of UCP's manufacturing activities in connection with laws and regulations, child labour and forced labour, harassment, hours of work, health and safety, non-discrimination, environment, amongst several others. With respect to forced labour and child labour, the audit allowed to conclude that UCP is in excellent compliance and does not pose a risk to the occurrence of modern slavery.

We have been cooperating fully with such audit process, demonstrating our commitment to upholding ethical labour practices throughout our business activities.

## **4. RISK ASSESSMENT & REMEDIATION MEASURES**

UCP considers the risk of forced labour or child labour to be extremely limited in our direct operations in Canada given that all our employees are hired in accordance with, at a minimum, the applicable laws and regulations, that our factory workers are unionized and that our human resources department actively oversees labour conditions of our Canadian employees. Our client's audit has also repeatedly confirmed that assessment.

As for our supply chain, the vast majority of our sourcing being in Canada and the US limits our direct exposure to forced and child labour risk.

In the context of the Act coming into force, we analyzed our list of suppliers to identify their country of origin and well as the origin of the raw materials, but given that we have not conducted a formal risk assessment process, no definitive risk areas have been identified. Supply chain risks will be further analyzed as the assessment process will continue in 2024 and beyond.

That said, we are aware that our own suppliers may source their products from foreign countries and that global supply chains may present visibility challenges. Furthermore, our direct sourcing from foreign countries, such as China, the Dominican Republic, India, Turkey and the United Arab Emirates, even if minimal and exceptional, may expose us to a higher risk of forced labour and child labour. To mitigate these risks, we prioritize large and reputable suppliers in our business relationships and we continue to actively identify the countries of origin for our raw materials. This increased visibility and accountability enable us to better manage risks and enhance our overall supply chain integrity.

As we have not identified any instances of forced labour or child labour in our operations or supply chain, we did not take any remedial actions or provide compensation to vulnerable families affected by such remediation measures. However, in the event that

we discover any potential contribution to instances of forced labour or child labour, we are committed to taking immediate and appropriate actions to rectify such situation.

## 5. TRAINING

We prioritize the well-being and safety of our workforce. While our employees may not receive specific training on modern slavery, all new employees are required to undergo comprehensive training on health and safety protocols, as part of the onboarding process. Further annual training is provided according to employees' needs and certain regulatory requirements. In the near future, we intend to ensure that our training program contains an ethics component, which will include human rights considerations.

## 6. ASSESSING THE EFFECTIVENESS

Our manufacturing activities are regularly assessed by one of our major clients in the contest of third-party audits of our Baie D'Urfé facility.

With respect to our supply chain, given that we have not adopted specific measures to prevent or mitigate the use of forced labour and child labour in our procurement practices, we have not adopted mechanisms to assess effectiveness. In the near future, we intend to take certain targeted steps to reduce the risks of forced and child labour in our supply chain, and we will consequently ensure that we assess their effectiveness.

## 7. APPROVAL AND ATTESTATION

This report was approved by the Board of Directors of U.C.P. Paint Inc. on May 30, 2024 pursuant to paragraph 11(4)(a) of the Act and constitutes U.C.P. Paint Inc.'s report for the financial year ending December 31, 2023.

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 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.

I have the authority to bind U.C.P. Paint Inc.

  
Full name: Zoltan Jakabovits

Title: President

Date: May 29, 2024