

RONA Group

2023 REPORT UNDER *THE FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT*

1 Introduction

This report constitutes the first report prepared by the RONA Group (defined below) pursuant to Canada's new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**"). It is a joint report ("**Report**") made by RONA inc. ("**RONA**") and SP RNA Holdings LLC ("**Holdco**") for the financial year ended February 2, 2024 (the "**Reporting Period**").

This Report relates to the steps taken by the RONA Group 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 or of goods imported into Canada by RONA, Holdco or their controlled subsidiaries, to the extent applicable, other than ZyTech Building Systems LP (collectively, the "**RONA Group**", "**our**", "**us**", or "**we**"). ZyTech is filing a separate report under the Act.

2 Steps taken to prevent and reduce the risk of forced labour and child labour

In general terms, the RONA Group 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:

- updated the mapping of our tier 1 suppliers;
- continued the Responsible Sourcing Program, administered through Lowe's Companies, Inc. ("**Lowe's**"), based on an initial internal assessment of risks of forced labour and/or child labour in our supply chains that relies on:
 - Lowe's conducting several audits of tier 1 suppliers outside of Canada and the United States; and
 - Lowe's action plan for addressing forced labour and/or child labour in the event that any instances of the same are found in our supply chains;
- updated the Vendor Code of Conduct, which sets out the expectation that the use of forced labour and child labour by our vendors is prohibited and provides a confidential reporting mechanism in respect of any violations, and required all new suppliers to comply with the Code;
- updated a grievance mechanism for which violations of the Vendor Code of Conduct can be reported on a confidential basis;
- updated the Human Rights Policy, which sets out the expectation that contractors, subcontractors, suppliers, vendors and other partners adhere to the Vendor Code of Conduct, which prohibits the use of human trafficking, forced labour and child labour;
- implemented, through Lowe's on RONA's behalf, procedures to track performance in addressing forced labour and/or child labour; and
- engaged external counsel to provide training on the issues of forced labour and child labour and the requirements of the Act for the RONA supply chain, legal, procurement, global sourcing, sustainable development, and quality assurance management teams.

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

3 Structure, activities, and supply chains

Structure

Founded in 1939 in Boucherville, Québec, RONA helps Canadians achieve their construction and home improvement projects by offering a wide selection of products and services. As at the end of the Reporting Period, the RONA Group has a network of 417 corporate and dealer-owned stores across Canada, 201 of which are independent dealer-owned stores.

RONA is incorporated under the *Business Corporations Act* of Québec. It is a wholly owned subsidiary of Holdco, a holding company incorporated under the laws of Delaware.

As of the end of the Reporting Period, the RONA Group has a network of 19,282 full- and part-time employees, all of whom are located in Canada.

Activities

RONA operates as retailers and wholesalers of hardware, construction and home improvement products and services, and offers products online to customers in Canada. As a holding company, Holdco is not itself involved in any retail or wholesale activities.

During the Reporting Period, RONA operated under five distinctive banners to meet the needs of retail consumers and contractors in Canada:

- **Lowe's**: a home improvement retailer carrying thousands of products covering every area of home improvement from hardware to appliances. Lowe's also carries seasonal and decor items. All of Lowe's big box locations were converted to RONA+ at the end of February 2024;
- **RONA+**: launched during the summer of 2023 to offer DIYers and decorators, as well as Pro customers, thousands of low prices, amazing product designs, flexible payment options, as well as in-store expert advice;
- **RONA**: provides Canadians with products and expert advice to help them achieve their home improvement projects since 1939. RONA sells a wide selection of building materials and hardware supplies;
- **Réno-Dépôt**: founded in 1993 to offer the big box home improvement store model in Québec; and
- **Dick's Lumber**: provides lumber and building materials to DIYers and contractors of British Columbia and Alberta since 1964.

In addition, RONA operates eight distribution centres located in Alberta, Ontario and Québec that carry hardware, lumber and building materials. The RONA Group distributes products from each of the distribution centres to RONA's stores, clients and RONA's independent dealer-owned stores, all of which are located in Canada, with the exception of one dealer-owned store located offshore of Canada on the island of Saint-Pierre and Miquelon. While RONA supplies goods to dealer-owned stores, they are independently owned and operated and may also engage in their own procurement activities.

RONA is the importer of record in Canada for a variety of goods that it imports for resale, including household appliances, building materials, seasonal and decorative items, flooring and electrical hardware, heating, lighting, plumbing and cooling equipment.

Supply chains

The RONA Group supply chains are complex and global. RONA sources goods for both products for resale and goods and services not for resale from suppliers across various industries. During the Reporting Period, we offered approximately 350,000 different products in stores and online.

The primary categories of goods sold by the RONA Group are:

- home hardware, appliances, furnishings and décor
- lumber, construction supplies and tools
- kitchen and bath products
- garden and patio tools and furnishings
- gardening and landscaping supplies; and
- seasonal and décor items.

We source the majority of these products from Canadian product suppliers, with close to 90% of our direct suppliers being located within Canada and 95% within Canada and the U.S. Other products are imported by RONA from regions in Asia.

In addition to products, most stores in the RONA network offer home installation services. A selection of install service categories is offered such as roofing, fashion plumbing, bathrooms, kitchens, countertops, flooring, woodwork, water heaters, heating, ventilation, air conditioning, as well as appliances.

To support our corporate and independent dealer-owned stores, the RONA Group has goods and services suppliers in the following categories: professional services, office space management, information and communications technology, marketing, logistics, corporate travel and office supplies.

4 Policies and due diligence processes

Policies¹

The RONA Group aims to reduce the risk of forced labour and child labour in its activities and supply chains through a number of policies.

(a) Code of Ethics and Conduct

The RONA Group's Code of Ethics and Conduct (the "**Code**") applies to all employees and directors of RONA and its subsidiaries.

The Code sets forth the RONA Group's policies and procedures in areas of key legal and ethical importance. It sets out expectations for compliance with all laws, regulations and its own policies and procedures, at all times, and outlines the RONA Group's commitment to workplace safety and to maintaining a violence-free work environment. Any violations of the Code must be reported to the legal compliance team by email.

The Code reiterates the RONA Group's commitment to conducting business in an ethical and responsible manner. This commitment also extends to the companies that choose to partner with a member of the RONA Group. In accordance with the Code, when a company offers products subsequently sold by a

¹ The below-listed policies apply to all entities and banners within the RONA Group other than (i) Dick's Lumber which, in addition to shared suppliers with the RONA Group, also has its own vendors (which are located solely in Canada and the United States); (ii) Holdco, which is a holding company with no retail or procurement activities; and (iii) ZyTech Building Systems LP, which is filing a separate modern slavery report.

member of the RONA Group or services to help a member of the RONA Group achieve its goals, the Code sets out that the supplier is expected to always do so in a legal, ethical and responsible manner.

(b) *Vendor Code of Conduct*

The RONA Group's Vendor Code of Conduct (the "**Vendor Code**") applies to all vendors who provide goods and services to RONA, or to any of its subsidiaries, affiliates, and allied businesses. The Vendor Code sets out the expectations of the RONA Group for vendors to commit to a high standard of ethical conduct in their business practices.

The Vendor Code sets out the following expectations for vendors when engaging in its business dealings with us:

- to not use any form of forced, bonded, indentured, trafficked, slave, or prison labour;
- that all work must be voluntary, and workers shall be free to leave work or to terminate their employment;
- to not require workers to surrender any government-issued identification, passport, or work permit as a condition of employment;
- to strictly prohibit child labour;
- to hire workers who meet at least the legally specified minimum age for employment, or the minimum age for completing compulsory education in the country where any product is manufactured or where any service is rendered, whichever is higher and that no worker may be hired under the age of 15;
- to ensure that any of their subcontractors comply with the Vendor Code in connection with providing goods or services to the RONA Group, and to not retain any subcontractor that fails to comply with the Vendor Code; and
- to implement management systems that facilitate compliance with the Vendor Code and any applicable laws and regulations, identify and mitigate risks relating forced labour and child labour, and which facilitate continuous improvement.

Furthermore, the Vendor Code sets out the expectation that vendors create programs to ensure the protection of worker whistleblower confidentiality and to prohibit retaliation against workers who participate in such programs in good faith, or who refuse an order that violates the Vendor Code. It also sets out the expectation of the RONA Group that all vendors provide a complaint mechanism for workers to report any workplace grievances or Vendor Code violations in accordance with any applicable laws and regulations.

If a vendor does not comply with the expectations set out in the Vendor Code, RONA reserves the right to terminate its business relationship with the vendor.

(c) *Human Rights Policy*

The Human Rights Policy reiterates the RONA Group's commitment to upholding and promoting human rights in all aspects of its business operations and creating a business that is free from discrimination, harassment, and any form of human rights violations towards our employees, contractors, subcontractors, suppliers, customers, vendors, visitors, consultants, service providers, and other partners, in accordance with the laws, regulations, and guiding principles with respect to such matters.

The Human Rights Policy Statement, which is also incorporated in the Vendor Code and provided to vendors, sets out the RONA Group's expectation that contractors, subcontractors, suppliers, vendors, and other partners treat workers throughout the supply chain with integrity and respect and adhere to the Vendor Code, which sets out the expectation that suppliers protect workers' human rights throughout the supply chain. The Human Rights Policy Statement reiterates the RONA Group's position that human trafficking, child labour, and forced labour are strictly prohibited.

Where any events may impact the RONA Group's commitments to human rights, we will assess the risk and provide a solution or action for remediation.

The RONA Group is committed to promptly and thoroughly investigating all complaints in a confidential and impartial manner. We expect our stakeholders to report and address any human rights concerns through email or telephone, as provided through our Human Rights Policy.

(d) Lowe's Responsible Sourcing Program

By virtue of an agreement with Lowe's, Lowe's performs certain due diligence activities for and on behalf of the RONA Group for its tier 1 suppliers. These activities include continuous monitoring and auditing activities under the Responsible Sourcing Program ("RSP") and related supplier factory audits.

The RSP details the various expectations related to the prohibition of forced labour and child labour by suppliers in their operations.

Through the RSP's Retail Ethical Sourcing Assessment ("RESA"), all RONA Group tier 1 suppliers outside of Canada and the United States are audited. RESA audits focus on forced labour, child labour, employee benefits and compensation, human rights, health and safety, record-keeping, environmental compliance, and management systems.

The RESA process includes onsite observations, interviews, and document reviews. Supplier factories are required to provide consistent, accurate and authentic records on a timely basis, and failure to comply with these requirements may result in delay of shipment, order cancellation or termination of the business relationship. Once the audit is complete, auditors send a comprehensive assessment report to the Lowe's RSP team with the detailed findings identified during the assessment.

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

(a) Operations

Given that our primary business operations are conducted in Canada, that the majority of our workforce is employed in Canada, several RONA Group stores have unionized employees, and that RONA has policies and procedures in place to help ensure compliance with all applicable laws, we consider the risk of forced labour and child labour occurring within our business operations to be low. Given that Holdco is a holding company and therefore does not have any employees or operations, we do not consider there to be any risks in its operations.

RONA inc. employs contractual workers in Canada, the U.S. and in other countries, including some who are located overseas and provide services such as accounting and information technology. While we recognize that there are known risks for workers providing contracted services, particularly where recruitment agencies are used, we consider these areas of skilled work as carrying a low risk of forced labour and child labour.

(b) Supply chains

During the Reporting Period, the RONA Group updated the mapping of our tier 1 suppliers. For our direct suppliers located in Canada and the United States, we consider the risk of forced labour and child labour to be low. Certain manufacturing regions and materials carry a higher risk of forced labour due to its prevalence in specific countries. As some of our direct suppliers are located outside Canada and the United States, we consider the risk to be higher, specifically as it relates to the production of raw materials and product manufacturing.

We understand that many of our direct suppliers rely on global supply chains to provide goods and services to us. While we have not mapped our supply chain beyond the first tier, RONA aims to do so as a next step of our assessment of risks.

6 Steps taken to assess and manage the risk of forced labour and child labour

The RONA Group is dedicated to fostering a safe work environment free of human rights violations. We have a comprehensive Code of Ethics and Conduct that outlines the expected behaviour of individuals doing work for us.

During the Reporting Period, Lowe's, on behalf of the RONA Group, conducted RESA through the RSP for our tier 1 suppliers located outside of Canada and the U.S. Lowe's RSP uses a risk-based approach to assess and manage the risk of forced labour and child labour. This approach helps to prioritize efforts and adjust actions accordingly.

While no instances of forced labour or child labour were identified during the Reporting Period, we have measures in place to mitigate against potential risks. For instance, pursuant to our Vendor Code, the RONA Group sets out the expectation that vendors should ensure that their subcontractors comply with the Vendor Code in connection with providing goods or services to the RONA Group, and should not retain any subcontractor that fails to comply with the Vendor Code.

In terms of compliance monitoring, Lowe's, on behalf of the RONA Group, conducts regular assessments on suppliers' factory compliance, and reviews the assessment results using RESA.

(a) Auditing suppliers

In accordance with the Vendor Code, the RONA Group, whether acting by itself or through a third party, may take affirmative measures such as inspections and audits to ensure supplier compliance with the Vendor Code, which includes measures against the use of forced labour and child labour. The auditing process actively engages suppliers with respect to forced labour and child labour risks.

The RONA Group, through Lowe's on RONA's behalf, engages with a third-party auditor to conduct audits of new suppliers outside of Canada and the U.S. and conducts follow-up audits on current suppliers.

(b) Contractual measures

The standard form contracts of the RONA Group set out the requirement that suppliers commit to adhering to the principles and standards in our Vendor Code and to requiring their own suppliers to commit to similar principles and standards as it relates to forced labour and child labour and human rights. In addition, through our standard form vendor contracts, vendors are required to implement management systems that facilitate compliance with the Vendor Code and any applicable laws and regulations, identify and mitigate risks relating forced labour and child labour, and which facilitate continuous improvement. The standard terms are not yet in place with all vendors.

The RONA Group reserves the right to discontinue business relationships in cases of non-compliance with the Vendor Code.

Furthermore, the standard vendor contract sets out the requirement that suppliers are required to maintain all documentation to demonstrate compliance with the Vendor Code and must make such documentation available to the RONA Group or an authorized third-party agent upon request.

7 Remediation measures

During the Reporting Period, the RONA Group has not identified nor received any reports of actual or suspected instances of forced labour or child labour in its operations or supply chains. As a result, we have not had to take any measures to remediate any forced labour or child labour or to remediate any loss of income to vulnerable families. However, if we identify any instances where we have caused or contributed to any form of forced labour or child labour, we have an action plan in place to conduct a corrective action plan, conduct a follow-up assessment based on the individual case and, depending on those results, remediate accordingly.

Through grievance mechanisms set out in our Code of Ethics, Vendor Code, Human Rights Policy, and Human Rights Policy Statement, we are committed to providing access to remedies. Employees and suppliers may report ethical or legal violations, including real or suspected instances of child labour and forced labour. Our Vendor Code provides an anonymous complaint mechanism for workers to report any workplace grievances or Vendor Code violations in accordance with any applicable laws and regulations, which suppliers can use to raise concerns. In accordance with our Human Rights Policy, RONA expects any stakeholders of RONA's business to report and address any human rights concerns through email or telephone.

Further, the Vendor Code sets out the requirement that suppliers create programs to ensure the protection of whistleblower confidentiality, and prohibit retaliation against workers who participate in such programs in good faith, or who refuse an order that violates the Vendor Code. Vendors are also required to provide a complaint mechanism for workers to report any workplace grievances or Vendor Code violations in accordance with any applicable laws and regulations.

8 Training

During the Reporting Period, RONA engaged external counsel to provide tailored training to supply chain, legal, procurement, global sourcing, sustainable development and quality assurance management teams. The training covered a range of topics including the purpose and scope of the Act, international human rights frameworks, statistics related to modern slavery, the meaning and indicators of forced labour and child labour and measures to prevent and reduce modern slavery risks in the supply chain, including an overview of RONA's governance framework and policies.

In addition, during the Reporting Period, the RONA Group provided regular training through Lowe's Responsible Sourcing Program to key vendors of imported products with respect to prohibitions on the use of forced labour and child labour, including awareness training on local modern slavery laws.

9 Assessing the effectiveness of our actions

RONA has in place a number of measures to prevent and reduce the risk that forced labour or child labour is used in our activities and supply chains. During the Reporting Period, we have continued to assess the effectiveness of certain of our actions related tier 1 suppliers outside of Canada and the US by tracking results from our supplier RESA audits, which is completed by Lowe's on behalf of the RONA Group through the RSP's audit program. However, we have not yet taken other actions to assess the effectiveness of our actions more broadly.

10 Approval and attestation

This Report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the boards of directors of RONA inc. and SP RNA Holdings LLC, respectively.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this joint report for the entity specified below. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this joint report is true, accurate and complete in all material respects, for the purposes of the Act, for the Reporting Period.

I make the above attestation in my capacity as a director of the board of directors of RONA inc. (the "**RONA Board**") for and on behalf of the RONA Board.

I have the authority to bind RONA inc.

Per: 
Full Name: Andrew Iacobucci
Director
Date: May 15, 2024

I make the above attestation in my capacity as a director of the board of directors of SP RNA Holdings LLC (the "**Holdco Board**") for and on behalf of the Holdco Board.

I have the authority to bind SP RNA Holdings LLC.

Per: *Christopher Copping*
Full Name: Christopher Copping
Director
Date: May 15, 2024