

2024 Report on the Fight Against Forced Labour and Child Labour



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What is forced labour?¹

Labour or services provided or offered to be provided by a person under circumstances that:

- could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they failed to provide or offer to provide the labour or service; or
- constitute forced or compulsory labour as defined in article 2 of the Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930.

What is child labour?¹

Labour or services provided or offered to be provided by person under the age of 18 years and that:

- are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada;
- are provided or offered to be provided under circumstances that are mentally, physically, socially or morally dangerous to them;
- interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work;
- constitute the worst forms of child labour as defined in article 3 or the Worst Forms of Child Labour Convention, 1999, adopted at Geneva on June 17, 1999.

1. *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, Chapter 9, Definitions.

Message from the President



At the Société des alcools du Québec (SAQ), our actions are guided by our four corporate values: **passion, collaboration, responsibility** and **inclusion**. Our passion for people and for our business and our determination to make a sustainable contribution to society while working closely with our partners around the planet have led us to, among other things, evaluate our supply chain from an ethical standpoint. We want it to comply with international standards relating to human rights and work conditions. We are maintaining this approach and building on a foundation that we have been laying for several years, most notably in our Supplier Code of Ethics and Conduct.

In the medium term, we also intend to put in place a rigorous due diligence framework to prevent and progressively reduce the risks of reliance on forced labour and child labour in our industry. As our actions, decisions and requirements are noticed around the globe, continuously improving our business practices in this area can only be beneficial to all.

This report provides an overview of the actions taken by the SAQ in the fight against forced labour and child labour during the fiscal year ended March 30, 2024. It was approved by the company's Board of Directors on May 30, 2024. For me, it is a concrete step that will allow us to increase dialogue with our partners so, by working together, we can help protect the well-being of the communities involved in the beverage alcohol trade, wherever they may be in our supply chain.

A handwritten signature in black ink, appearing to read 'Jacques Farcy', written over a white background.

Jacques Farcy
President and Chief Executive Officer
Member of the Board of Directors

Structure, operations and supply chain

The mission of the Société des alcools du Québec (SAQ) is to sell beverage alcohol responsibly while making a broad range of quality products available in every region of Quebec. In doing business, we are respectful of communities and the environment and strive to create value for Quebecers and to deliver an unmatched customer experience.

To accomplish this, we import—from some 6,019 suppliers in 79 countries—alcoholic products that we warehouse, distribute and sell in our 410 stores, online and to our business partners.

A government corporation, the SAQ has only one shareholder, the *Ministre des Finances du Québec*.

The SAQ maintains a close and trusting relationship with its partners. However, it does not necessarily deal directly with the producers of the raw materials used to make the products it sells. For example, the grapes used to make a wine may come from more than one vineyard or even more than one country. The origins of the component ingredients of spirits and coolers, including molasses, sugar and aromatics, are much more complex. Some beverage alcohol producers may even buy ingredients on international exchanges.



Close to
40,000
products



79
countries



6,019
suppliers of
alcoholic
beverage



7,043
employees



Wholesaler
for authorized
distributors



410
stores and
423
SAQ
Agency stores

Due diligence policy and process

At the SAQ, we support fair labour practices and the well-being of people in every part of our business, from obtaining raw materials to the shipping and sale of end products. We act responsibly, ethically and with integrity in all our business dealings and expect the same of our partners, wherever they are located on the planet, regarding compliance with international standards of human rights and labour rights, in particular:

We fully comply with international standards relating to human rights and labour rights, in particular:

- the Universal Declaration of Human Rights;
- the United Nations Guiding Principles on Business and Human Rights;
- the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work; and
- the ILO Indicators of Forced Labour.

To ensure our stakeholders are aware of our corporate values and expectations, we provide access to the following documents and tools.

Codes of ethics and conduct

To guide our work and that of our suppliers, we ask our employees to endorse our [Code of Ethics and Conduct for SAQ Employees](#) (available only in French) and our partners to endorse our [Supplier Code of Ethics and Conduct](#), which are updated from time to time. This latter code of ethics and conduct is an integral part of the contractual documents binding the SAQ's suppliers. Accordingly, in doing business with the Société des alcools du Québec, our partners undertake to:

- **comply** with the applicable Quebec and Canadian laws in their entirety;
- **go beyond** mere compliance and apply globally recognized standards and conventions in order to act ethically and honour their social responsibility and environmental commitments while adhering to the highest human rights standards;

- **treat** their employees fairly and equitably, without discrimination based on gender, race, colour, origin, political or other opinions, sexual orientation, religion or any other widely recognized basis for discrimination;
- **create** an environment free from all forms of harassment, intimidation and abuse and comply with the applicable human rights legislation and international instruments, including the Universal Declaration of Human Rights;
- **support** and respect globally recognized human rights and ensure that their companies are not complicit in any violations of human rights;
- **respect** workers' rights, including freedom of association and the right to collective bargaining and union representation, by supporting internationally recognized standards such as those defined in the ILO conventions, in particular including but not limited to those regarding child labour;
- **prohibit** any and all forms of forced or compulsory labour;
- **ban** the use of child labour and the exploitation of minors;
- **pay** workers so they can meet their basic needs, irrespective of the applicable wage legislation standards;
- **apply** occupational health and safety standards in compliance with the laws and regulations in effect in order to provide healthy and safe working conditions to all their employees; and
- **take** adequate measures to prevent work-related injuries and accidents.

Any failure to comply with our Supplier Code of Conduct and Ethics may result in sanctions by the SAQ. These may, at the SAQ's discretion, range from a simple warning or a notice requiring the supplier to correct the failure to measures up to and including disqualification, prohibition from participating one or more tendering processes, rejection of any or all of the supplier's tenders, conditional awarding of contracts or cancellation and termination of the contract for default.

Due diligence policy and process (cont.)

Responsible Procurement Policy

In effect since 2012, our Responsible Procurement Policy aims to ensure that the beverage alcohol products and the goods and services we buy are produced under conditions respectful of the environment and persons (workers and communities) and to promote responsible practices through the entire supply chain.

Confidence line

It is possible to expose a litigious, questionable or unfair situation to a completely impartial body by contacting a completely confidential [hotline](#) available 24 hours a day, seven days a week, by telephone or online in complete confidentiality.

Governance of our due diligence process

Board of Directors

The Governance, Ethics and Communications Committee (GECC) of the Société des alcools du Québec monitors the company's forced labour and child labour initiatives and reviews the reporting produced by the company. The GECC recommends to the Board of Directors the adoption of the due diligence process and of the Report on the Fight Against Forced Labour and Child Labour.

Management Committee

The Vice-President, Communications and Social Responsibility, Vice-President, Merchandising and Marketing, and Vice-President, Corporate Affairs and Secretary General are the Management Committee members responsible for overseeing the due diligence process regarding forced labour and child labour. The committee approves the initiatives to be implemented to fight against all forms of slavery in the SAQ's supply chain and informs the Management Committee about them.

Coordinating Committee

The Coordinating Committee is made up of members of management from the Social Responsibility, Legal Services and Category Management departments, the last being responsible for product selection. The Coordinating Committee monitors the SAQ's supply chain, carries out risk assessments and recommends actions to take to identify, prevent and mitigate any actual or potential negative human rights impacts of its business activities. The committee stays informed about the best practices in the industry, remains up-to-date on newly published studies and influences internal teams on their continuous improvement process. It recommends and implements a due diligence process and training on the subject.

Managing risk in the supply chain

The SAQ's supply chain comprises thousands of partners in various industries, including agriculture, bottling and shipping. All these partners are themselves suppliers. The number of partners involved in our supply chain varies according to the composition of the selected beverage alcohol products and their countries of origin. For the purposes of this report, we have focused our efforts on our Level One beverage alcohol suppliers, that is the suppliers who contract directly with the SAQ.

Finding based on the origins of our products

In fiscal 2023-2024, the SAQ's offer included 40,000 beverage alcohol products from 79 countries, nearly half of which were countries considered at greater risk of not respecting human rights.

To draw the most complete portrait possible and determine which are the countries at risk in the context of this report, we used various credible and easily accessible data sources:

- Walk Free's *Global Slavery Index 2023* (GSI)¹. This index presents a snapshot of modern slavery around the globe. The GSI provides an index based on world statistical data covering 23 risk factors for the prevalence of modern slavery in 160 countries;
- The *Amfori BSCI Country Risk Classification 2022*.² This list classifies countries into two categories relative to modern slavery, namely "high-risk countries" and "low-risk countries." The list is based on indicators defined by the World Bank, which determines each country's quality of governance in various areas that can influence respect for human rights and working conditions. In the Amfori classification, countries with a modern slavery index of $\geq 40\%$ are considered to be high risk;

- The Human Rights and Rule of Law 2022 Index taken from the Fund for Peace organization's *Fragile States Index*.³ The index ranks 177 countries based on their level or risk regarding the protection and respect of human rights;
- UNICEF data for 2023.⁴ This list identifies the percentage of children between age 5 and 17 who work to the detriment of their health or growth in less developed countries;
- The 2022 Findings on the Worst Forms of Child Labor report of the U.S. Department of Labor's Bureau of International Labor Affairs (ILAB).⁵ This report presents, among other things, information on the work of children between age 5 and 14 and the worst forms of child labour identified in 131 countries.

Although analysis of these reports, lists and indices did not provide us with a detailed picture of the situation in the beverage alcohol and agriculture industries, we have used the prevalence in targeted countries – evaluated generally on their respect for human rights, political situations and economies, for example – and we have cross-referenced it with the origins of the products received in order to estimate the potential risk of modern slavery by country. Accordingly, there are six high-risk countries that have attracted our attention from among the 79 countries where we have business dealings: Chile, South Africa, Argentina, Moldavia, Mexico and Jamaica. We have no knowledge of confirmed cases involving our partners based in these countries.

However, we did find media reports of isolated confirmed cases of modern slavery in Champagne and Brazil. We have not succeeded in identifying the companies involved in the confirmed cases in Champagne but have taken action regarding those based in Brazil.

1. [Global Slavery Index 2023](#)

2. [Amfori BSCI Country Risk Classification 2022](#)

3. [Fragile State Index – Human Rights and Rule of Law 2022](#)

4. [Unicef – Child Labour Data 2023](#)

5. [ILAB – 2022 Findings on the Worst Forms of Child Labor](#)

Remedial measures

Confirmed cases

To help eliminate modern slavery, we have:

- expressed our concerns to trade associations in Champagne and received follow-up regarding the commitment to act and the actions taken to implement measures aimed at correcting and avoiding cases of forced labour in the vineyards concerned (documents received in February 2024);
- raised current and prospective partners' awareness of the issue at wine expos (Vinexpo, ProWein and Vinitaly) and during business meetings (February and March 2024);
- cleared out products from producers guilty of confirmed cases in Brazil and placed a ban on restocking the products; and
- begun preparations for implementing an action plan regarding the fight against modern slavery for our 2024-2025 fiscal year.

Unable to determine whether the vulnerable families experienced a reduction in income subsequent to these actions, the SAQ has not taken any compensatory action in response.

Although no formal training on the issue was provided in fiscal 2023-2024, we made our Category Management team, which is responsible for product selection, aware of the issue and put in place a governance mechanism for identifying and eliminating the risks of forced labour and child labour in our supply chains. Gaining awareness of our blind spots will enable us to better develop the training our employees require in order to minimize these risks. The first training sessions are planned for fiscal 2025-2026. In the interim, we will work on raising the awareness of our key employees and our suppliers.

Short-term work to specify the risks in the SAQ's supply chain with the aim of reducing and preventing modern slavery

To be carried out with our suppliers from high-risk countries or associated with a confirmed case.

Fiscal 2024-2025

- Encourage partners from the six high-risk countries and those possibly linked to a known situation to share their due diligence process, if applicable (document);
- Catalogue the credible certifications for farming practices that include criteria ensuring respect for human rights and are independently audited;
- Draw up a list of certified suppliers;
- Update our policies and codes of ethics (as needed);
- Raise the awareness of our employees responsible for purchasing around the risks of modern slavery and inform them of our due diligence process;
- Inform our suppliers of our due diligence process;
- Work with our Canadian peers and other liquor control boards to share collected information, tools and best practices;
- Establish indicators for monitoring our process;
- Prepare and implement an action plan; and
- Buy, from recognized organizations, risk indicators specific to our industry in order to obtain a clearer picture of the actual situation.

Evaluating the effectiveness of the measures

In fiscal 2023-2024, beyond identifying best practices and holding discussions with our counterparts in other government-owned beverage alcohol retailers, no other measures were taken to evaluate the effectiveness of the efforts to prevent and reduce the risk of forced labour and child labour in our activities and supply chains.

Report certification

In accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* and, more specifically, with section 11 of the Act, I hereby attest that I have examined the information contained in this report on behalf of the Société des alcools du Québec. To my knowledge and after carrying out due diligence, I hereby confirm that the information contained in this report is true, accurate and complete in all material respects for the purposes of applying the Act for the fiscal 2023-2024 reporting year.

I have the authority to bind the Société des alcools du Québec.



Jacques Farcy
President and Chief Executive Officer
Member of the Board of Directors

May 24, 2024

