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SIDE Group

Forced Labour and Child Labour in Supply Chain Assessment

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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.

In Canada, the government through the Public Safety Canada has enacted Bill S-211 or Fighting Against Forced Labour and Child Labour in Supply Chain that aims to protect vulnerable populations from human rights abuses and exploitation. Bill S-211 will have a significant impact on the way Canadian business contract within the supply chain and may affect an organization if it produces, sells, or distributes goods in Canada or elsewhere, import goods produced outside of Canada into the country, or controls an entity engaged in either of the above activities. Bill S-211 took effect on January 1, 2024, with first reports required to be filed on or before May 31, 2024.

As of January 2024, Side Management Ltd. and its Affiliate Companies, known as "Side Group" has began prioritizing the assessment of forced labour and child labour within its supply chain. Side Group has completed a risk assessment of suppliers and prioritized sending questionnaires and completing telephone interviews with those deemed high risk. This process goes hand in hand with an internal move towards consolidation and standardization of documents within the companies involved. Given that Bill S-211 is a new act, Side Group has yet to fully refine its internal processes which includes updating their policies and procedures, supply chain management, and training of employees.

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Background

The measures introduced through Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The following are the mandatory reporting areas that must be investigated and reported:

- The steps the entity has 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.
- 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.

This is the first version of the joint report submitted by Side Group and its subsidiaries as follows:

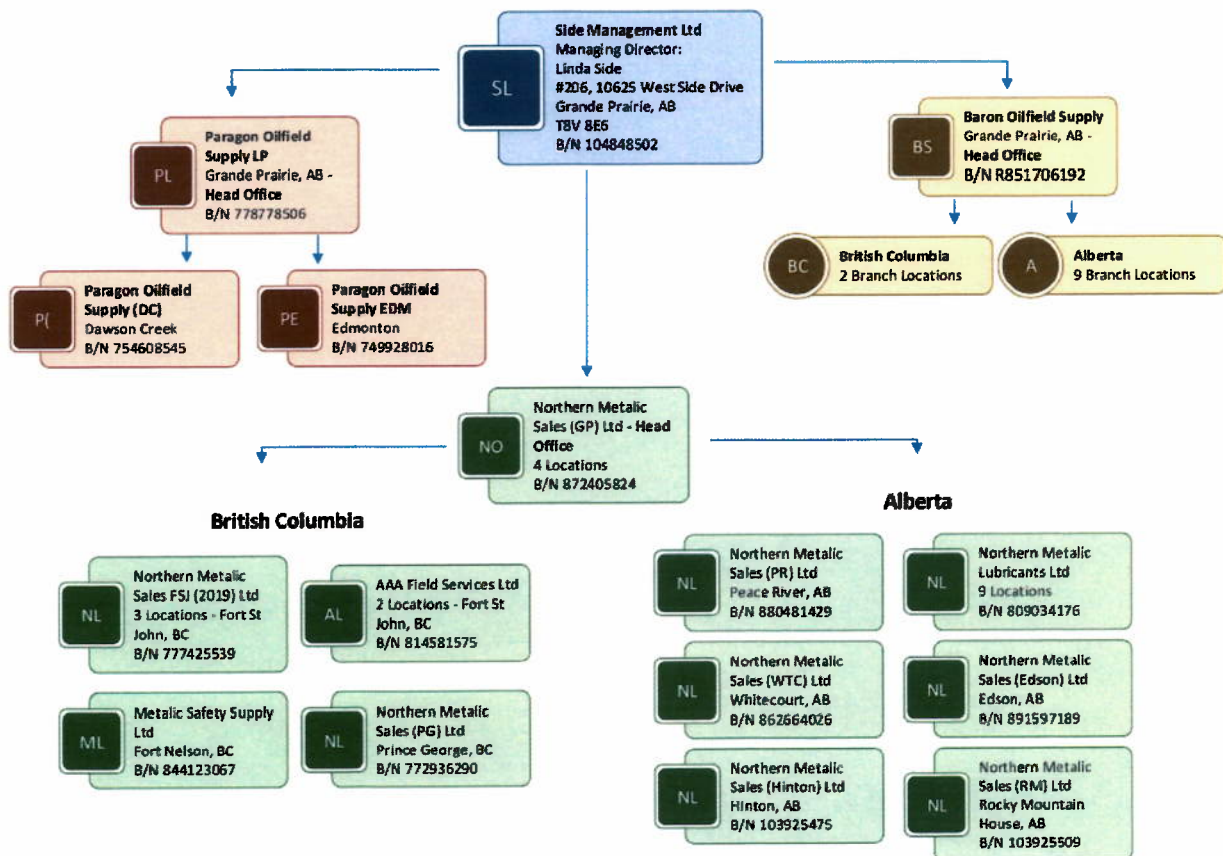
Side Management Ltd., Side Asset Management Ltd., Baron Oilfield Supply (1315599 ALBERTA LTD. & 1315740 ALBERTA LTD.), Baron Industrial Projects, Northern Metallic Sales Ltd., Devco Developments Corp., Northern Metallic Lubricants, Side Group Rail, AAA Safety Services, AAA Field Services, Paragon Oilfield Supply LP., Paragon Oilfield Supply (EDM) Limited Partnership, Paragon Oilfield Supply (DC) Limited Partnership, Northern Metallic Sales FSJ (2019) Ltd., Leyman Distributors – A Division of Northern Metallic Sales (GP) Ltd

The office address of Side Management Ltd is #206 10625 West Side Drive, Grande Prairie, AB T8V 8E6.

Structure, Activities & Supply Chain Structure

The Side Group has a long history in the Northern Alberta and Northern British Columbia region, being in business since 1954. Over the past seventy years the organization has grown via co-operative buying, acquisitions and identifying both horizontal and vertical expansion opportunities within the region. The Side Group began in 1954 as a family run business and continues as that to this day.

Our affiliates engage in a variety of industrial supply, sales, operational, logistical, development, and service-focused functions. This report will feature those companies that engage in the supply and distribution of goods only: Northern Metallic, Paragon Oilfield Supply and Baron Oilfield Supply. Those companies primarily specialize in supplying the industries of oil and gas extraction, mining, forestry, agriculture, and construction. You can see below the various legal entities who are involved with supply and distribution, and a brief snapshot of the expertise of each company.



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Some of our Northern Metallic locations are required to report on Bill S211 due to the 2024 reporting criteria based on generated revenue and/or asset value. However, as a company, we are committed to acting as a responsible Canadian corporate entity and we recognize that the responsibility for ensuring an ethical supply chain should apply to all, regardless of size. With that foremost in our mind, we have chosen to report on all our sales and distribution focused companies, regardless of whether they currently meet the "reporting entity" conditions this year. With different business numbers and head offices, some locations have different financial year dates. Dates noted are the subject of this report.

Northern Metallic

(Includes all Northern Metallic, AAA Safety Services and Metallic Safety Supply locations)

Financial Year: May 2022 – April 2023

Based in Grande Prairie, Alberta, Northern Metallic is an independent industrial supply company offering both traditional and non-traditional MRO goods and related services across Alberta and B.C. The company ensures inventory levels of over 100,000 SKUs required in the business of transportation, construction, forestry, mining, oil and gas, and agriculture.

Within this part of the organization there are 11 legal entities and 26 business locations. Northern Metallic Sales (GP) Ltd. in Grande Prairie operates as the head office location, although procurement decisions and tasks are decentralized.

Of 354 employees, 122 will make purchase orders or purchasing decisions at some time. Within non-head office locations, buying decisions and purchasing responsibilities are shared between administrative, purchasing and management staff. This includes special order items and stocked inventory. The process of moving towards centralization of buying decisions began this year.

Baron Oilfield Supply

Financial Year: May 2022 – April 2023

Originally incubated within the Northern Metallic Store chain, Baron Oilfield Supply (1986) has grown to eleven locations across Alberta and BC. One of only a handful of privately held and independent Northern American oilfield supply stores, Baron has expanded its product offering to meet the growing demand of specialized supplied for the oil and gas, petro-chemical and pulp mill industries.

Within this part of the organization, there is 1 legal entity and 11 branch locations. Grande Prairie is head office and procurement decision making is located there.

Of 93 employees, 65% will make purchase orders as a part of their daily work. This could include both replenishment of inventory stock and special-order items requested by customers.

Paragon Oilfield Supply

Financial Year: January 2023 – December 2023

Established in September 2021 by a group of employees ready to set the standard in oilfield supply. Through our current and ever-growing product offering, field infrastructure and industry leading team, we are dedicated to improving our client's experience.

Within this part of the organization, there are 3 legal entities and 3 business locations. The Grande Prairie office operates as head office location, and decision making is centralized.

Of 20 employees within the three organizations, all are trained to create purchase orders.

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Within the three arms of Side Group, we have a combined total of 1250+ distinct suppliers utilized during the past year to satisfy our inventory demands. This varies from ongoing suppliers of stocked inventory goods, purchases from suppliers within a buying group and occasional suppliers of goods bought for direct sale to our customers (i.e. non-stocked goods purchased at the specific behest of customers, for immediate resale).

Policies & Due Diligence

Internally and outside of Bill S-211, Side Group is currently in the process of consolidating policies and procedures across the full affiliate organization. Side Group has an employee handbook, which details our policies to ensure our staff are all well informed of their employment responsibilities and our commitment to upholding fair treatment. This includes all our payroll policies, which are legal within their jurisdiction, and our equal opportunities, indigenous relations, and inclusivity policies.

Side Group also has a comprehensive Health & Safety Management System document which details our responsibility as an employer to provide a safe working environment that will protect the physical, psychological, and social wellbeing of all employees.

Within Northern Metallic, we have also developed a Supply Chain Code of Conduct for Employees. This document affirms our commitment to ensuring our buyers are acting with integrity and doing their due diligence. The responsibility for compliance is detailed, as well as the encouragement of employee discourse on the matter. We note that there will be no negative repercussions or detrimental treatment for employees who raise concerns relating to this code of conduct.

Due to the decentralized nature of our businesses, suppliers are not always onboarded using the same documents or asked to provide the same information. As an organization we will be taking steps to centralize this process and enhance the rigour of the process across our companies. We have developed a Supplier Code of Conduct that we are requesting all suppliers to sign, and this will be reviewed regularly within the organization. This will extend to include a questionnaire for all new suppliers to identify any areas of concern with their sourcing practices; requiring suppliers to include information relating to both their Bill S-211 reporting status and the origin of their goods.

We are in the process of standardizing and formalizing our supplier onboarding procedure across the organization. Due to the nature of the inventory that Baron Oilfield Supply and Paragon Oilfield Supply carry, they are already evaluating prospective suppliers based on their participation in a quality control program (e.g. ISO 9000, QS 9000, AS 9000 or API Q1), and their current certification status. Certification is detailed at the time of onboarding and copies of certification are filed in our records.

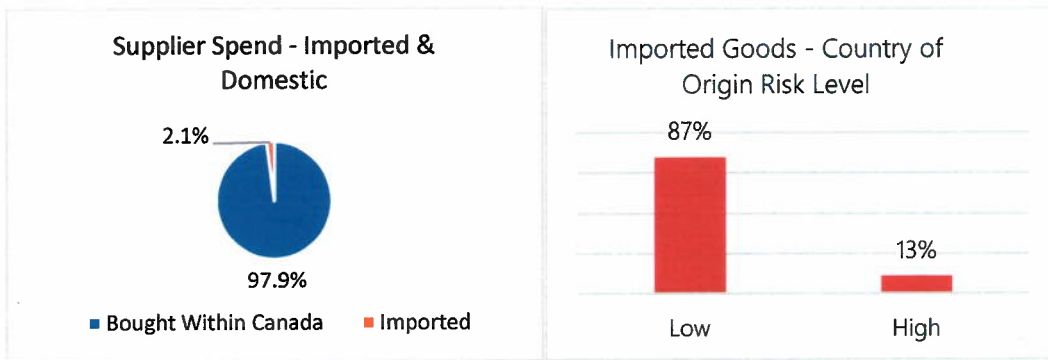
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High Risk Areas | Identification & Management

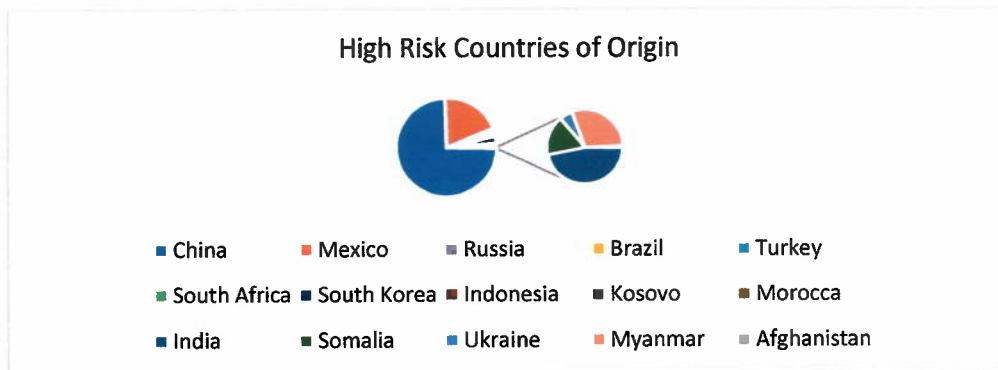
Across Side Group, we purchased goods from over 1250 distinct suppliers in the last financial year. Our method of risk assessment for these suppliers involved evaluation of the below qualifiers:

1. The country of origin of the imported goods, focus placed on countries with higher risk as noted by the U.S. Department of Labor, Bureau of International Labor Affairs ([ILAB](#))
2. The type of product purchased – prioritization of the types of goods noted in the [Walk Free 2023 Global Slavery Index](#)

During the FY-ending 2023 imported inventory equaled 2.1% of total spend and we imported from 63 suppliers. 13% of all imported product had a country of origin considered to be “high risk”:



Those goods imported from “high risk” countries of origin came from 15 different countries and were purchased from 10 suppliers:



From these details, we have identified 7 long term suppliers who meet both the following qualifiers:

1. Goods have a concerning country of origin due to that countries history of using forced or child labour in manufacturing as maintained by [ILAB](#).
2. These were common purchases for stocked inventory goods, i.e. they are not occasional use suppliers or one-time suppliers.

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These 7 suppliers represent over 80% of our high risk imported goods, and we have sent questionnaires or conducted telephone interviews with all of them. Initial responses from those companies are that they are either currently in the process of preparing their Bill S211 report and will provide a copy when available, or that they are not eligible to report.

High-Risk Goods

Using the Walk Free 2023 Global Slavery Index, we were able to identify several high-risk goods which we currently stock within our inventory and will need to investigate further. Core MRO product categories such as safety supplies, hose products, electronics, abrasives, power tools and hand tools all featured within that list of “high risk goods”. We have prioritized sending out questionnaires and conducting interviews based on this information and will investigate these items further.

Domestic Purchases

All our procurement spend in this financial year was with suppliers with head office located in Canada or the USA. Side Group does recognize that some of these “domestic goods” have likely been imported from countries of concern, and the need to map that supply chain exists. We do acknowledge that the current evaluation only represents a brief analysis of our goods procured and has limitations.

Overall, Side Group were able to request information from over 500 suppliers. These suppliers accounted for all of our high-risk inventory items, all high risk imports and were associated with over 90% of our total annual spend. Most respondents indicated that they are not eligible to report for Bill S-211. We have begun to catalogue reports from those that are eligible to report on a company wide scale. We will continue this process until the full group of suppliers has been contacted and continue information gathering until all suppliers are catalogued.

Remediation of Forced and Child Labor

Currently, Side Group is in the process of creating and standardizing our internal processes and documents to ensure that further harm is unlikely to occur within our supply chain. To mitigate the risk of child labour and forced labour within our supply chain, Side Group has started to incorporate the following mechanisms for supplier due diligence:

Supplier Interviews and Questionnaires

Side Group has initiated the distribution of supplier questionnaires to suppliers as well as interviewing the supplier’s representatives who are responsible for conducting due diligence in the matter of responsible sourcing. Based on initial responses received, no instances of child labour or forced labour were identified.

Supplier Onboarding

When considering onboarding of new suppliers, Side Group will perform a review of their business to assess the risk of child labour or forced labour as it relates to the prospective supplier. This is going to be done through questionnaire and self reporting at this time.

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Corrective Action Plan

Side Group will in future be implementing a company wide corrective action plan for any suppliers who do not conform to our mandatory policies. Investigations, site visits and audits for high-risk suppliers, purchasing holds for non-compliance and non-renewal of contracts/termination of agreements will all be considered as appropriate remediation acts. We will formalize this corrective action plan and it will form part of our company policy.

Remediation of Vulnerable Family Income Loss

Side Group is in the process of understanding and evaluating our supply chain and how it encompasses the risk of child labour and forced labour. To date, we have not identified instances of the use of child labour or forced labour within our operations or those of our suppliers. Side Group is continuing its review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

Side Group HSE department has created an online Forced Labour training video that gives a brief education on the issues around forced labour for our employees. We have had all employees with purchasing duties complete this training since introduced. The training is compulsory for both decision makers and any administrators who have the ERP permission to create purchase orders, 200+ employees in total. We will be expanding the depth of training for decision makers (e.g. lead buyers and managerial staff) in future to help them understand the importance of this as a core function of our supply chain department.

We have a Supply Chain Code of Conduct for procurement employees. This will ensure that all buyers are aware of their professional responsibility to be informed, report and comply with the prevention and detection of forced labour in any part of our Side Group business. Communicating our zero-tolerance approach both within and outside the company is the responsibility of all purchasing employees.

Self-assessment Process & Requirements

With this legislation being so new, we do not have a developed self-assessment process yet. We are at a position of information gathering across all our companies this year. We will continue to assess the information that comes to us, and determine which areas are most at risk. We have started that process by sending our questionnaires to our suppliers. For suppliers that are required to report for Bill S-211, we will have access to their reports online for further assessment. The self-assessment process will be developed in a meaningful way during the coming year and will include a corrective action plan.

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Conclusion

Given that Bill S-211 is a new act, Side Group has yet to fully refine its internal processes related to it and the improvement of our supply chain management. Areas needing development includes consolidating policies and procedures across the group, in depth training of employees and evaluating the goods that are purchased from domestic sources.

Progress has been made in specific areas including internal documentation and training. Policies are in place and are being circulated among key stakeholders. Onboarding of suppliers is a continually evolving process and this will be one of the first areas that we focus on in 2024. We have begun to approach our large volume domestic suppliers and request they complete the same questionnaire. We will broaden our analysis to encompass deeper investigation into the goods we stock from our North American suppliers including those manufactured overseas.

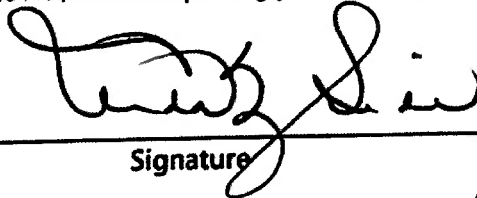
Training of procurement staff has begun but we recognize that it can always be improved upon. Our primary concern is to be sure that we are equipping our procurement staff correctly to do their due diligence before handing over to supervisory staff. More in depth ethical supply chain training for decision makers will be a core concern over the next 12-24 months.

We have a strong team of committed leaders who recognize the importance of a responsible supply chain and maintenance of accurate records over time. We believe we are in a strong position to greatly improve our supply chain mapping over the coming months and years, to match our continued growth in other areas of our business. Using these mechanisms, we are continuing the effort to mitigate the risk of child labour or forced labour through our supply chain.

Approval and 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 the entity or 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.

LINDA SIDE



Full Name

Signature

CEO/MANAGING DIRECTOR.

May 31/2024

Title

Date

I have the authority to bind SIDE GROUP and this report covers financial year 2023 and applies to SIDE GROUP