

South Country Co-op



Forced Labour in Canadian Supply Chains

South Country Co-op

May 2024



Introduction

This report is South Country Co-op Limited's response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act) for the financial year ending November 30, 2023. In this Statement, the terms 'South Country Co-op', 'the Co-op', 'we', 'us', and 'our' refer to South Country Co-op Limited. The reporting entity covered by this statement is South Country Co-op business number 103619193.

For the purposes of the Act, South Country Co-op meets the entity definition by having a business in Canada, doing business in Canada, and meeting all three threshold criteria for revenue, assets, and employees. South Country Co-op is incorporated provincially and is obligated to submit a report to the Minister of Public Safety and provide a public report in response to the Supply Chains Act by May 31, 2024. Due to timing, South Country Co-op will not share this report with its members alongside the financial statements for the current reporting year. However, South Country Co-op will align its practices to produce and distribute this report alongside the financial statements for future years.

South Country Co-op is committed to continuous improvement in the areas of identification and remediation of forced and child labour in operations as well as local and global supply chains. Further, South Country Co-op is committed to respecting all human rights, in accordance with applicable law and the principles set forth in international standards, including the UN's Declaration of Human Rights, the UN Rights of Indigenous Peoples and UN Guiding Principles on Business and Human Rights.

Guided by core values of Excellence, People, Integrity, and Community, South Country Co-op is committed to making ethical business decisions and taking proactive measures to address issues such as forced and child labour.

1. Structure, Activities, and Supply Chain

Structure

South Country Co-op Limited, with the administration office located in Medicine Hat, formerly Medicine Hat Co-op Limited, was incorporated in 1956.

We are a member-owned Co-operative with locations throughout Southern Alberta. We employ approximately 700 employees at our various locations and take pride in the fact that that we have over 68,000 members.

We are a diverse organization, with cardlock locations in Bow Island, Brooks, Duchess,



Vauxhall, Hays, Lethbridge, Picture Butte, Bassano, Redcliff, Medicine Hat, Oyen, Acadia Valley, Taber & Dunmore.

We have an assisted-serve Gas Bar/Touchless Car Wash location in Brooks; two gas bars in Taber, one with a Touchless Car Wash; two locations in Lethbridge; 4 gas bars in Medicine Hat, two of which have the Touchless Car Wash; one in Dunmore, as well as one in Redcliff and one in Oyen.

South Country Co-op has a total of 10 Agro-Fertilizer operation. The locations are in Foremost, Vauxhall, Brooks, Lethbridge, Medicine Hat, Oyen, Claresholm, Barons, Lomond and High River.

There are four Food Stores, one in Taber, one in Vauxhall and two in Medicine Hat. The Medicine Hat and Taber Food Stores have Pharmacies in or near their facilities.

In total, we have seven Liquor Stores, and they are in Brooks, Dunmore, Redcliff, two in Medicine Hat and two locations in Lethbridge.

Co-operatives are democratic organizations controlled by their members, who elect representatives as their board of directors who in turn hire the management of their local association. Lifetime membership is a one-time cost of \$5 and can be purchased at any of our staffed locations.

We are proud to be part of the communities we do business in and take pride in being a community builder. We contribute to many local organizations and feel it is important to support our local businesses as well as Canadian suppliers. We purchase from over 241 local suppliers to increase sustainability within our own communities.

Our High-Performance Gasoline and Premium EP3000 Diesel is refined at the Co-op Refinery in Regina, SK and customers can take pride that the fuel they put in their tanks is from one supplier.

The continuing development of South Country Co-op is a priority for its board of directors, management and employees. South Country Co-op believes in serving the needs of their members and customers through exceptional service, quality products, variety, selection, choice and value. Traditions that started decades ago remain the cornerstone of who we are today. A promise to stay local, a commitment to the community and a business model that shares profits with anyone who wishes to become a member.



Based in Medicine Hat, AB South Country Co-op is one of 158 independent retail co-operatives (local Co-ops) from across Western Canada that make up the Co-operative Retailing System (CRS) and own Federated Co-operative Limited. South Country Co-op operates within 21 communities, High River, Bassano, Duchess, Oyen, Acadia Valley, Brooks, Lomond, Claresholm, Barons, Picture Butte, Vauxhall, Hays, Redcliff, Medicine Hat, Lethbridge, Broxburn, Taber, Bow Island, Cypress County, Dunmore, Foremost, all located in Southern Alberta. South Country Co-op is in turn owned by 68,000 members in Alberta. As part of the CRS, South Country Co-op helps build, feed and fuel individuals in our local communities across Southern Alberta. We employ 700 individuals within Alberta, Canada. South Country Co-op is committed to embracing the co-operative model through local investment, community mindedness, care for the environment and lifetime membership benefits. South Country Co-op's mission is to build stronger communities within our team while providing our members the ability to share in our profits.

South Country Co-op's business is largely business-to-consumer focused on serving the communities in which we operate. Our core retail lines of business include food, liquor, pharmacy, agriculture, bulk fuel, home and building supplies, fuel and convenience stores, and leasing.

Wholesale and Retail Trade

FCL sources and distributes products across many primary consumer and business lines to South Country Co-op with 58 retail locations in 21 communities in Alberta including food, home and building supplies, crop inputs, agricultural equipment, livestock feed, propane, lubricants, and petroleum. South Country Co-op sources 92.44 percent of the products for resale from FCL. These products are purchased by FCL from within Canada or imported and distributed throughout the CRS using FCL's fleet, distribution centres, bulk fuel distribution centres, fuel terminals and fertilizer plants. South Country Co-op sources 7.56 percent of the products for resale from within Canada or imported and distributed throughout South Country Co-op locations.

South Country Co-op sources 97.1 percent of products for resale from Canada. These products are purchased by South Country Co-op within Canada or imported from USA, Great Britain, and the Philippines.

Warehousing

South Country Co-op has 5 fertilizer terminals, located in Cypress County, Alberta, High River, Alberta, Barons, Alberta, Claresholm, Alberta, and Lomond, Alberta, where we warehouse, blend, and distribute crop nutrition products for our members. South Country Co-op sources 96



percent of the products for resale from FCL. These products are purchased by FCL from within Canada or imported and distributed throughout the CRS using FCL's fleet, distribution centres, and fertilizer plants. South Country Co-op sources 4 percent of products for resale from Canada or imported and distributed throughout South Country Co-op using external fleet and our fertilizer plants.

Leasing

South Country Co-op owns and operates buildings that are leased to external providers.

Supply Chain

South Country Co-op's supply chain is comprised of products that are sourced and/or manufactured by FCL legally owned entities and products sourced for resale. The remaining 2.90% percent of products are sourced by South Country Co-op from Canada, USA, Great Britain, and the Philippines.

Table 1: Wholesale and Retail Trade: Products Sourced for Resale

CATEGORY	DESCRIPTION
AGRICULTURE	Agricultural equipment, crop protection products, fertilizer, and feed.
ENERGY	Fuel, lubricants, propane.
FOOD	Food, convenience store items (such as candy), liquor and pharmacy.
HOME AND BUILDING SUPPLIES	Hardware, lumber, building materials, tools, paint, seasonal items, underground sprinkler, plumbing, and electrical products
AUTOMOTIVE	Tire suppliers and installation services.

Table 2: Warehousing

CATEGORY	DESCRIPTION
AGRICULTURE	Agricultural equipment and storage, crop protection products, fertilizer, and feed.



2. Policies and Processes in Relation to Forced and Child Labour

Internal

South Country Co-op possess a Loyalty Agreement with Federated Co-operatives Limited (FCL) which ensures South Country Co-op purchases a minimum of 90% of their products for resale in Food, Agriculture, Home and Building Supplies and Automotive products and a purchases 100% of Fuel from FCL (Energy).

South Country Co-op maintains Compliance and Ethics policies to which all employees must adhere to through a Code of Conduct attestation. South Country Co-op has an established internal process for anonymous reporting of actual or potential wrongdoing including any actual or potential violation of law, regulation, policy, and procedure. Procedures are put in place to protect the anonymity of whistle-blowers from retaliation. South Country's Talent and Culture Team regularly reviews human resource related policies to ensure South Country Co-op remains in compliance with applicable workplace and labour legislation.

South Country Co-op ensures that there is reduced risk of forced or child labour in operations through strict adherence to provincial and federal labour laws. As per Alberta's labour laws, South Country Co-op does not employ anyone under the age of 15 and follows all applicable young worker restrictions for employees under the age of 17. South Country Co-op does not permit youth to work during 9:00pm and 12:00am without adult supervision and are not allowed to work between 12:01am and 6:00am. The tasks they perform are low risk and are not considered hazardous work, and do not meet the definitions outlined in the legislation.

South Country Co-op is exploring the implementation of effective grievance and remediation mechanisms in effort to address concerns or potential cases of forced and child labour in the supply chain. South Country's goal is to prioritize the reporting and remediation of forced and child labour incidents, protect victims and prevent future cases. Potential mechanisms may include:

- Development of a remediation framework with information on when to safeguard the victim, develop and implement a corrective action plan with the employer, alert national authorities and consult a third-party expert organization.
- Implementation of a software solution to audit suppliers; or
- Develop a grievance mechanism that suppliers' employees can access anonymously in a format that is inclusive and accessible.

South Country Co-op is exploring the implementation of a supplier and lease Code of Conduct,



along with a revision of supplier and lease clauses to include forced labour/child labour with contracts.

South Country Co-op has identified and secured mechanisms that are in place in securing relationships with FCL. South Country Co-op is exploring and building mechanisms in securing relationships with our suppliers that are not FCL. South Country Co-op has also identified, developed, and implemented a supplier questionnaire that will be used to learn more about the vendor or vet their qualifications or suitability.

South Country Co-op is committed to the revision of internal policies to maintain compliance with applicable forced and child labour.

External

South Country Co-op maintains Compliance and Ethics policies within Pharmacy Agreements through the Code of Conduct partnership with the Alberta College of Pharmacy.

South Country Co-op maintains a valid Certificate of Recognition issued by Partnerships in Injury Reduction – Government of Alberta.

3. Identification of Risks

South Country's main supplier, FCL, accounts for 92.44 percent of total procured goods. In assessing the risk of forced labour or child labour at the direct supplier level for this relationship, FCL has concluded on the following assessment of the use of child labour and/or forced labour within their supply chain, using two separate indices - *Walk Free's Global Slavery Index* and *the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor*.

1. Goods procured within the food categories of 1) protein foods (specifically seafood); 2) beverages (specifically coffee); and 3) other (specifically chocolate):
 - a. An inherent risk of child and forced labour has been identified within the above categories. FCL has a sustainable seafood policy and, sustainably sources fair-trade-certified products to mitigate these risks.
2. Goods procured for home building centres:
 - a. Key suppliers of FCL's home building centres import from China, which has been identified as a country with a high inherent risk of forced and child labour. To mitigate this risk, FCL requires key suppliers to sign a Social Responsibility Agreement. The agreement requires suppliers to ensure they are supporting commitments to responsible sourcing and provide workers with fair wages and working hours, as well as a safe, clean, and healthy work environment.



FCL is exploring opportunities to understand and reduce the risk of forced and child labour within their supply chain therefore, South Country Co-op will be relying on this on-going assessment to continue assessing goods procured from FCL.

The remaining 7.56 % of goods purchased by South Country Co-op are procured from outside of FCL. South Country Co-op has 6 main categories of goods for resale, which include, food, agriculture, lubricants, pharmaceuticals, liquor, and home and building supplies. These product lines are primarily sourced from 2 different countries, including Canada and USA. 0.08% of products are sourced between Great Britain and the Philippines. The figure below represents the countries of origin for categories which risk assessment was conducted for. Key suppliers of South Country's business units were not identified as importing goods from high-risk countries. Using two separate indices, Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor, a high risk country would be identified as a [high inherent risk country](#) for forced and/or child labour. South Country Co-op is exploring opportunities to implement a supplier code of conduct to minimize this potential risk.

High Risk categories in which risks maybe found were not identified.

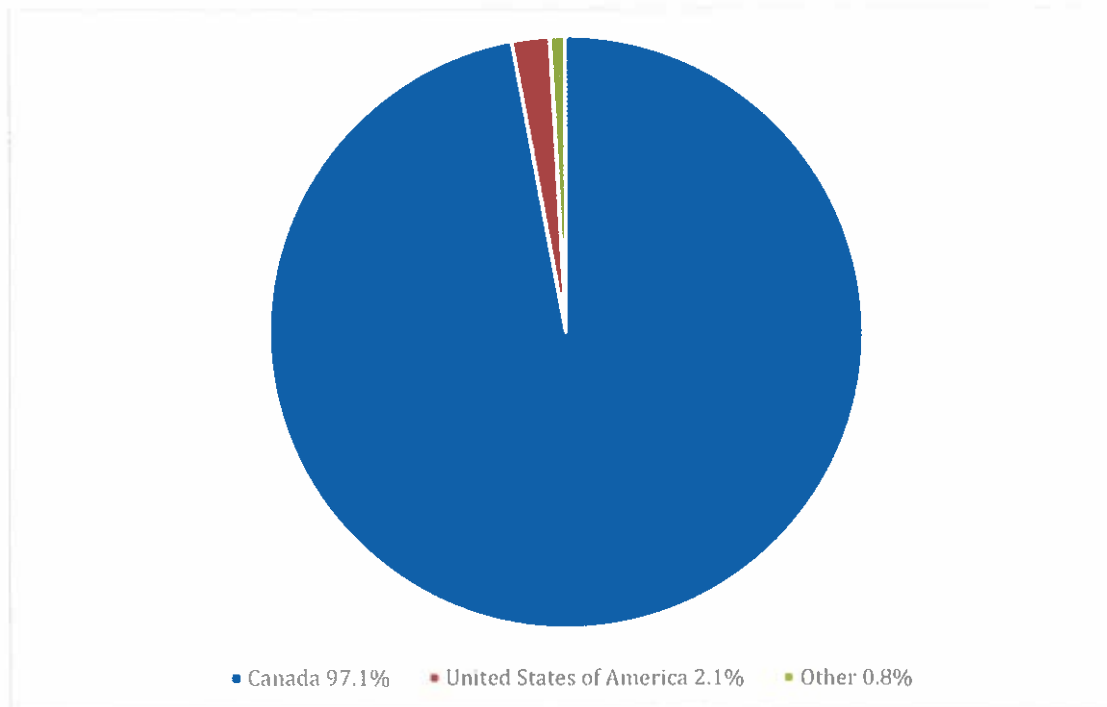


Figure 1. Total number of Contractors, Vendors, and Suppliers by country in fiscal year 2023 on <categories which risk assessment was conducted for>. "Other" country of origin is Great Britain (0.04%) and Philippines (0.04%).



South Country's supply chain mapping activities on were limited to our most commonly used material vendors. Materiality was determined by selecting the most common used Contractors, Vendors and Suppliers in 2023.

4. Remediation of Forced and Child Labour

South Country Co-op has taken action to remediate potential risks of forced and child labour through implementation of the policies and procedures outlined in Section 2 of the report. In the future, South Country Co-op will explore opportunities to increase auditing and monitoring of suppliers to reduce the risk of forced and child labour. If specific incidents of forced and child labour are identified, South Country Co-op will work with suppliers to determine and implement remedial action.

5. Remediation of Loss of Income

South Country Co-op has not identified any child or forced labour in operations or supply chains, and therefore no measures have been taken to remediate the loss of income to vulnerable families that results from any measures taken.

6. Employee Training

Annual training and attestation are currently required for all employees to ensure compliance with the South Country's Code of Conduct on company ethical standards, policies, laws, and regulations. The Code of Conduct is applicable to everyone on behalf of the organization, which includes the South Country Co-op Board of Directors, the Senior Leadership Team, and all current and new employees. South Country Co-op maintains a partnership with Respect Group Inc. that is required by all current and new employees, and the Board of Directors to complete to ensure compliance with Legislative regulations.

South Country Co-op has identified the opportunity to incorporate human rights awareness training into the annual Code of Conduct attestation to create awareness and the associated risks of forced and child labour. In addition, South Country Co-op is exploring opportunities to provide role specific training to educate team members and help them identify and respond to the risks of child and forced labour in supply chains. These opportunities will be evaluated through fiscal year 2024.



7. Efficacy of Actions

South Country Co-op has conducted a review of current policies and procedures as they pertain to child and forced labour and is currently evaluating further measures to assess the efficacy of actions. Success will be evaluated by tracking relevant performance indicators, such as levels of employee awareness, number of vendors signing the Social Responsibility Agreement, number of employees in procurement roles participating in training, as well as an annual review of the policies and procedures in place related to forced and child labour.

8. Approval and Attestation of the Report

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.

Sue Edwards
Chair, Board of Directors
May 16, 2024

Graham Getz
Chief Executive Officer
May 16, 2024

Signature 

Signature 

I have the authority to bind South Country Co-op. The Statement has been reviewed and approved by the Board on behalf of itself.



