

FISCAL YEAR 2023

Supply Chain Transparency Report

This Supply Chain Transparency Report (“report”) is published by The Aldo Group Inc., for itself and on behalf of its wholly owned subsidiary Aldo U.S. Inc., which are both reporting entities under this report. The report provides an overview of the measures and diligence processes that The Aldo Group Inc. (together with its controlled affiliates, “ALDO Group,” “we,” “us” or “our”) has implemented during its previous fiscal year, starting January 29, 2023 and ending February 3, 2024 (“FY 2023” or “this reporting period”), to prevent and reduce the risk of forced labour and child labour in its operations and supply chains.

Since the ALDO Group has adopted a single and global approach to its social compliance program for all its operations and corporate entities, we have prepared a joint report. This report is intended to meet the disclosure requirements of certain jurisdictions: in respect of The Aldo Group Inc., this report is being furnished pursuant to the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada) and in respect of Aldo U.S. Inc., it is being furnished pursuant to the Transparency in Supply Chains Act (California, US) (these laws are collectively referred to in this report as the “Transparency Acts”).

Our policies and processes, as described in this report, define “forced labour” as per the definition of the International Labour Organization and covers “all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily”. This includes practices such as prison labour, indentured labour, bonded labour, human trafficking or other similar conduct. As used in this report, references to “forced labour” and “child labour” shall have the meanings of such terms under the Transparency Acts.

ALDO
GROUP



A WORD FROM OUR CEO

Social consciousness laid the foundation upon which the ALDO Group was built. Our founding in 1972 was inspired by the civil rights movement happening in North America at the time, so from the very beginning we have looked to be more than a shoe company, striving to be an active force for good in the communities of which we're part.

Today, we operate in more than 100 countries under our three banners ALDO, Call It Spring, and GLOBO, and manage a growing portfolio of licensed brands. That we're one of the world's leading fashion retailers is a fact we're proud of, but it comes with a great responsibility. Thousands of people the world over form our supply chain and ensuring their rights, health, and safety is our duty.

Our company stands firmly against any form of human rights violations, including forced labour and child labour, and is dedicated to promoting a safe environment for all workers. This report, our first, details the measures we have in place to prevent and reduce risks of forced labour and child labour in our operations and supply chain, as well as the new steps we've taken to further improve during this reporting period. This overview outlines our commitments to safeguarding human rights, and the policies and processes we have implemented to ensure compliance in our supply chain. Improving these ways of working on a continuous basis remains our priority, and I'm proud of the steps we've taken this year to protect those who work at and for the ALDO Group, from factory to sales floor. Guided by our values of Love, Respect, and Integrity, the ALDO Group will continue to do its part to combat forced labour and child labour, as it remains a significant concern for our industry. It's a collective responsibility for us all to safeguard human rights, and in support this critical mission, I'm proud to share this report as our contribution to the collaborative endeavour of ensuring the world of fashion operates in a responsible, ethical, and transparent manner.

David Bensadoun
Chief Executive Officer

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Our Structure, Activities, and Supply Chain

OUR STRUCTURE

BUSINESS OVERVIEW

With over 50 years of experience and specialization in stylish and accessible footwear, handbags, and accessories, the ALDO Group is one of the world's leading fashion retailers. We cover all corners of the footwear market with our signature brands, ALDO and Call It Spring, and our multi-brand family concept, GLOBO. Across our portfolio of brands, we offer three core product categories: Footwear, Handbags, and Fashion Accessories.

We count more than 1500 points of sale in over 100 countries. We distribute our products through our direct-to-consumer channels (our branded brick & mortar stores and e-commerce sites) in North America, and through our network of franchise partners in all other international territories in which our signature brands are present. We also sell our products at wholesale through a network of retail accounts, such as department stores, national chains and e-tailers. Furthermore, we have private label and licensing operations for a curated, growing portfolio of third-party brands.

OUR ALDO PRODUCT SERVICES DIVISION

The ALDO Group, through its ALDO Product Services (APS) division, works with a growing portfolio of licensed brands. We have licensing arrangements with the applicable trademark owner to design, produce and distribute those products in authorized channels and permitted territories. We also design and oversee the manufacture of products bearing the private label brands of our clients for their own resale through their distribution channels.

OUR CORPORATE GROUP

The Aldo Group Inc. is our Canadian operating entity, a corporation duly incorporated under the Canadian Business Corporations Act, and the parent company of Aldo U.S. Inc., a corporation duly formed under the laws of Delaware, and Aldo Group International GmbH, a limited liability company in Switzerland.

Our head office is located in Montreal, Canada. The ALDO Group also has international offices in Switzerland (city of Baar) and in China (city of Dongguan). At the end of FY 2023, we had approximately 5,800 employees across our offices, warehouses and retail stores (excluding stores operated through our franchise partners).



OUR SUPPLIERS & SUPPLY CHAIN STRUCTURE

The ALDO Group does not operate any manufacturing facilities. Our supplier base can be categorized as follows, each having different supply chain participants:

MERCHANDISE SUPPLIERS

Finished goods suppliers for our products, which are intended for resale by the ALDO Group. We maintain a long-standing network of merchandise suppliers to bring our designs to life, in accordance with our standards and requirements. This category is comprised of finished goods suppliers that are responsible for the manufacture of products bearing an ALDO Group-owned brand or a licensed trademark, which are either contractually engaged by the ALDO Group or by a buying agent acting on behalf of the ALDO Group.

In this report, our emphasis is on addressing the risks of forced labour and child labour with our merchandise suppliers. Considering that they are involved with our core product offerings, and based on our overall risk assessment, we identify this area as having the highest likelihood of potential exposure to these risks. Yet, it is also where we can exert the most significant leverage to mitigate these risks, as detailed further in this report.

NATIONAL BRAND SUPPLIERS

Suppliers providing third-party branded products to the ALDO Group for resale, where the trademark is not owned nor licensed to the ALDO Group. For national brand suppliers, which are mainly relevant for the operations of our GLOBO stores, the ALDO Group strictly acts as an authorized reseller of those brands' products.

We assess the risks of forced labour and child labour associated with national brand suppliers to be minimal. While we are confident in such suppliers' management of their respective supply chains, we continue to monitor their commitment to social compliance. As of the end of FY 2023, units received from national brand suppliers represented less than 2.3% of the volume of all merchandise purchases made by the ALDO Group.

NON-MERCHANDISE SUPPLIERS

Suppliers providing products that are not intended for resale to customers and service providers that are engaged to support our operations. This category of suppliers provides the ALDO Group with non-trade products such as office supplies, certain marketing materials, and IT equipment.

We assess the risks of forced labour and child labour associated with non-merchandise suppliers to be minimal. The ALDO Group addresses risks of forced labour and child labour associated with such suppliers mainly through its Indirect Procurement Policy and Responsible Purchase Practice Policy. For more details, please refer to section *Our Social Compliance Program and Key Policies*.

A DEEP DIVE ON OUR MERCHANDISE SUPPLIERS

All products produced for our portfolio of brands (owned or licensed) are manufactured by independent contract manufacturers. We are committed to developing business partnerships with our suppliers based on trust and collaboration. Guided and equipped by our Product, Social and Environmental Compliance Programs, the ALDO Group's sourcing office in Asia is responsible for managing the manufacturing and procurement of products, supplier oversight, product quality assurance, and sustainability within the merchandise supply chain. As a condition of doing business with the ALDO Group, all our merchandise suppliers must adhere to our standards and an assessment of each supplier's social and human rights compliance is part of the initial onboarding process. By selecting suppliers who commit to be socially and environmentally responsible during the initial onboarding process, and by continuously collaborating with them going forward through performance reviews, training programs and tailored corrective action plans when required, we leverage the long-term relationships we have developed with our key suppliers over the years to assist in our efforts to combat forced labour and child labour.

The production and manufacturing process for our products, from the stage of raw material to finished product, encompasses intricate and comprehensive production stages. The steps involved in the manufacturing will vary depending on various factors, including the product category and material composition. Supply agreements are established between the merchandise supplier which is situated at the final stage of production (Tier 1), and the ALDO Group (or, in some instances, a buying agent of the ALDO Group). As part of our supply chain mapping efforts, we have a detailed understanding of the merchandise suppliers who are responsible for the final stage of our production, including the manufacturing facilities used by said merchandise suppliers. Each merchandise supplier is required to disclose such manufacturing facilities, for each order placed by the ALDO Group.

During FY 2023, our products were produced by our merchandise suppliers in approximately 304 factories in 19 countries, where 86% of our handbags and footwear production took place in 71 factories owned by 24 strategic merchandise suppliers based mainly in China, Cambodia, Vietnam, Morocco and India. An overview of our merchandise supply chain composition by country is [available here](#). See also the *Mapping our Risks and Traceability Efforts* sections of this report.

Policies and Due Diligence Processes

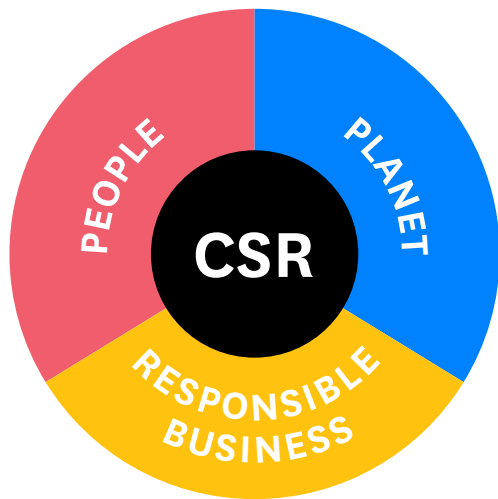
Guided by our core values, the ALDO Group strives to achieve the highest ethical standards in all we do. Those values are:

- LOVE** | Showing compassion for oneself and others while having passion for what you do.
- RESPECT** | Embodying an open-hearted attitude that embraces diversity and encourages equality.
- INTEGRITY** | Being honest and principled.

At the ALDO Group, we are on a journey to create a world of love, confidence and belonging. It is our purpose, and at the core of everything we do. The ALDO Group's corporate social responsibility (CSR) strategy has undergone a significant evolution in the last 10 years. In 2016, we launched our first official CSR strategy, set out in a 5-year plan. In 2021, we assessed our achievements and thought about the footprint we wanted to leave on the world. With this in mind, we embarked on a process to see how the ALDO Group could increase its positive social, environmental and economic impact. We then conducted a trend analysis, surveyed our stakeholders (employees, suppliers, partners, franchisees, NGOs, etc.) and performed a materiality assessment together with independent experts.

This enabled us to identify three pillars for the new CSR strategy launched in 2022: Planet, People, and Responsible Business, and eight priorities on which we wish to act and have an impact, which include human rights.

This renewed vision guided our actions in FY 2023 and will continue to do so for years to come. In addition to this report, for a more in-depth review of all our commitments, achievements and recent actions, please consult the CSR section of our corporate website, [available here](#).



OUR ORGANIZATIONAL STRUCTURE FOR SOCIAL COMPLIANCE

In our operations, the Social Compliance team, which is part of our Sourcing department, is the primary function ensuring the respect of human rights throughout our merchandise supply chains. Our internal control measures for social compliance are implemented through the organizational structure depicted below.



The Social Compliance team, which reports to our Chief Sourcing Officer, plays an important role in ensuring ethical and sustainable practices across the merchandise supply chains. Tasked with the supplier management function, this team evaluates and oversees merchandise suppliers to promote adherence to our social and environmental standards as set forth in our Code of Conduct and our Supplier Partnership Manual. For an overview of the efforts led by the Social Compliance team, please refer to the *Verifications, Certifications and Audits* section of this report.

Furthermore, the ALDO Group takes a cross-functional approach to specifically manage forced labour and child labour risks. The cross-functional team consists of team members from the following departments: (i) Supply Chain, (ii) Legal and (iii) CSR. This cross-functional team works to inform and support the ALDO Group's human rights strategy and has provided key inputs to the development of this report. Our teams seek necessary external specialist support, as needed, to address forced labour and child labour risks. They do so by engaging with industry multi-stakeholder organizations, forums, and external consultants, thereby strengthening their approaches with specific expertise.

OUR SOCIAL COMPLIANCE PROGRAM AND KEY POLICIES

The ALDO Group's commitment to human rights is reflected and implemented through the following company policies and internal programs forming part of its global social compliance program.

SUPPLIER CODE OF CONDUCT. The ALDO Group's Supplier Code of Conduct ("Code of Conduct"), [available here](#) (available in English, French and Chinese), is the cornerstone of our social compliance program, especially regarding the prohibition of the use of forced labour or child labour. The Code of Conduct applies to all merchandise business partners, including vendors and other suppliers that provide goods and/or services to the ALDO Group.

- ▶ Our Code of Conduct sets out our expectations for suppliers. It lays out the required minimum standards we expect each factory of our merchandise suppliers to meet in producing our products and includes strict requirements for the fair treatment of workers. Our Code of Conduct includes the requirement for our suppliers' upstream vendors and subcontractors to be made aware of and comply with our Code of Conduct.

We have updated our Code of Conduct in 2022 to strongly re-affirm our commitment to human rights both internally and externally, and to clarify some of our requirements. Following the update, our Code of Conduct was circulated to all our employees through the ALDO Group's intranet, along with a publication to explain its content and scope of application. It was also shared with all active merchandise suppliers, who were asked to acknowledge the updated version. Additionally, during this reporting period, we completed the following projects:

- ▶ We synthesized our Code of Conduct to produce a poster, which has been provided, in both English and Chinese, to merchandise suppliers for the purposes of being displayed in their respective manufacturing facilities. The poster must be displayed in an area accessible to workers and includes information on whom to contact for complaints.
- ▶ We developed a questionnaire for factory visits, which ties in every evaluation criteria and key standard set forth in our Code of Conduct. This evaluation grid serves as a tool to verify compliance of the factories of our merchandise suppliers.

BUSINESS ETHICS POLICY. All of the ALDO Group's employees are expected to exhibit high ethical business conduct as laid out by our code of ethics, the Business Ethics Policy. This policy is publicly

[available here](#) and is readily available to all employees on the company's intranet. When joining our company, all employees must adhere to our Business Ethics Policy, which provides a framework for ethical business conduct and guidelines to help employees represent the ALDO Group. This policy specifically mandates that all employees maintain a high standard of ethical conduct in all business transactions and activities, including any decision relating to suppliers.

Further, to ensure we all have a work environment that reflects our values, we maintain a third-party independent ethics hotline exclusive to the ALDO Group, which is accessible to our employees in multiple languages, 24 hours a day, 7 days a week. All calls are confidential and can be anonymous if requested. The hotline can, among other things, be used to ask questions about, or report, any suspected violations of our Business Ethics Policy. Our ethics hotline page can be [consulted here](#).

THE ALDO GROUP'S OTHER POLICIES RELATED TO HUMAN RIGHTS ISSUES. The standards set forth under the ALDO Group's Code of Conduct are also cascaded down into supplemental policies related to specific topics. We have developed the following policies to guide our merchandise suppliers in implementing the principles of our Code of Conduct, which are contained in our proprietary Supplier Partnership Manual:

- ▶ **Forced Labour & Human Trafficking Policy:** This policy offers a more detailed definition of forced labour, in its various forms, as well as human trafficking. It provides a list of key indicators of forced labour, as they have been defined by the International Labour Organization (ILO). Additionally, this policy provides specific guidance on recruitment and employment practices for migrant workers, which have been identified as a particularly vulnerable group in our risk assessments for forced labour. In this policy, our merchandise suppliers are also instructed to adhere to the following practices when retaining migrant workers:

- ▶ Their factories must do business with reputable, government-registered recruitment agencies and only employ foreign migrant workers if they are legally permitted to work in the receiving country
- ▶ Foreign workers shall not be required to pay, directly or indirectly, any deposit or fees to recruitment agencies

- ▶ The employment contract must be communicated to migrant workers in a language understood by the foreign migrant worker and the contract must be concluded between the applicable factory and the worker (not an agency or broker)

- ▶ **Child Labour & Young Worker Policy:** This policy provides specific guidance on sound management systems, documentation, and due diligence actions that our supplier should implement to ensure that no child labour occurs under any circumstances. Of critical importance, our suppliers are mandated to verify and document the age of their employees before employment. Additionally, this policy provides that for young workers (meaning those aged between (i) the legal minimum age for employment under local law, or the age of completion of compulsory education, or 15 years old (whichever is higher), and (ii) 18 years old), the supplier must establish appropriate risk assessment and monitoring of health and working conditions.
- ▶ **Subcontractor & Sub-Supplier Policy:** This policy provides further guidance on the flow-down dissemination obligation of our suppliers to ensure compliance with our Code of Conduct with their upstream suppliers.
- ▶ **Zero-Tolerance & Penalty Policy:** This policy sets forth a penalty application matrix for matters that have been identified as "zero-tolerance issues," including child labour, forced labour, discrimination and unacceptable forms of punishment to discipline workers. The ALDO Group reserves the right to take action on a responsible exit strategy and terminate the business relationship in instances of non-compliance or lack of cooperation in respect to zero-tolerance issues.

INDIRECT PROCUREMENT POLICY AND THE RESPONSIBLE PURCHASE PRACTICE POLICY. These two policies specifically relate to the procurement of non-merchandise goods and services and they prohibit the use of forced labour and child labour. Risks of forced labour can also be present in products purchased for support functions and as such, these two policies work in tandem to provide guidance in our indirect procurement purchases and in evaluating our non-merchandise suppliers in terms of risks associated with their social, environmental, and governance practices.

DUE DILIGENCE PROGRAM. To communicate and effectively implement our social compliance programs, our proprietary Supplier Partnership Manual, which gathers all policies presented above, as well as detailed compliance processes and procedures, is communicated to each new merchandise supplier we explore doing business with. The Supplier Partnership Manual undergoes an annual revision to ensure we communicate our most up-to-date standards, requirements, and processes. The due diligence efforts listed in our Supplier Partnership Manual can be divided into five critical phases when engaging with any new merchandise supplier:

1 OUR REQUIREMENTS

Prior to signing a contract with any new merchandise supplier, the ALDO Group has instituted the process of first communicating its Code of Conduct and the Supplier Partnership Manual to said supplier.

2 DISCLOSURE OF FACTORIES

Unauthorized subcontracting is prohibited. All merchandise suppliers are required to disclose the factories, including the company name and addresses, in which they will manufacture products sold to the ALDO Group.

3 ASSESSMENT

Our assessment approach involves verification, data collection and validation. All merchandise suppliers for the footwear and handbags categories are required to submit a valid and effective social audit using industry-standardized tools at the onset of the business relationship and on a continuous basis thereafter.

4 CORRECTIVE ACTION PLANS

Any non-compliance issues will be reported to a merchandise supplier and be subject to a corrective or improvement action plan.

5 CONTINUOUS IMPROVEMENT

The ALDO Group frequently convenes supplier events or learning communities designed to share information on our expectations for suppliers, developments on local laws and regulations, and other sustainability best practices, including efforts to increase traceability within our supply chain.

Our detailed actions regarding assessment and remediation activities are found in the *Verifications, Certifications and Audits* and *Remediation Measures* sections of this report.

Risk Assessment

A COLLECTIVE APPROACH

The long-term sustainability of the global fashion industry requires systemic change that goes beyond the capabilities of any one company. The ALDO Group seeks to address the most pressing issues faced by the industry through multi-stakeholder collaboration. We also support the use of industry-wide collaboration tools that avoid duplication and promote transparency. This is why we use industry-specific tools as the basis of all our social and environmental monitoring programs.

- ▶ The ALDO Group is a proud and active member of Cascale, formerly known as the Sustainable Apparel Coalition (SAC). Cascale is a group of brands, retailers, manufacturers and experts that share a vision of a sustainable apparel and footwear industry. Cascale developed a common set of tools, called the Higg Index, which is used to evaluate the environmental and social impact of each of the stages of the production process, and identify opportunities for improvement for the entire industry.
- ▶ We're also a signatory of the Social Labour Convergence Program (SLCP), which aims to eliminate audit fatigue in global supply chains. As an active Cascale member and a SLCP signatory, we have opted for the Higg Facility Social and Labour Module (FSLM) as our main tool. Additionally, we also accept reports from the following third-party auditing certifications: SMETA, BSCI, SA8000, WCA and WRAP.
- ▶ We are also a member of and accept audits from the ILO Better Work program, which involves a subscription program with access to the audit reports.

The ALDO Group has partnered with external organizations, such as the Footwear Distributors and Retailers of Americas (FDRA) and the Retail Council of Canada (RCC), to stay connected on pressing issues for our industry, including matters relating to social compliance and human rights. Through our different memberships, we work on a wide range of human rights risks, including those related to forced labour and child labour. Each organization helps us to advance core aspects of our strategy. Leveraging information from external sources, as well as supplier data collected through the ALDO Group's own programs, we continually work to identify and address risks in our supply chain.



MAPPING OUR RISKS

We employ a risk-based strategy to evaluate the forced labour and child labour risks associated with our operations and supply chain, and this effort is led by our Social Compliance (Sourcing) team. Given the complex nature of global fashion supply chain networks, we acknowledge that our greatest risk lies within our merchandise supplier network and its factories. When addressing forced labour and child labour issues, we concentrate our efforts in areas where they can have the greatest impact and effectiveness, employing a risk-based approach.

Conclusions drawn from the internal risk assessment can be summarized as:

- > **Geography:** Risks exist due to the locations of factories across south and east Asia where merchandise products are manufactured.
- > **Unauthorized Subcontracting:** Risks of human rights violations exist due to possible unauthorized subcontracting.
- > **Migrant Workers:** Risks exist in relation to certain vulnerable workers, such as migrant workers.
- > **Homeworking:** Some of our suppliers engage homeworkers. Risks exist due to the decentralized nature of homeworking, which may result in increased worker vulnerability to unethical practices.
- > **Materials:** Risks exist in relation to certain raw materials, such as cotton.

Based on our risk assessment, and by weighing these risks by factoring in due diligence actions already in place, we have not categorized any merchandise supplier, factory, or supplier of materials as a high or extreme risk of the use of forced labour and/or child labour.

Nonetheless, we continuously assess the forced labour and child labour risks through various methods, including social audits, supplier questionnaires, implementing and tracking corrective action plans, staying informed about industry trends and media reports, and collaborating with industry peers. These ongoing risk assessments help us gain a deeper understanding of our focus areas and priorities. As such, we took various steps during this reporting period to address those risks, as detailed in the *Traceability Efforts* and *Verifications, Certifications and Audits* sections of this report.

HIGH RISK: COTTON

Both in compliance with emerging legislation and with growing documentation of reported forced labour rights issues in certain cotton-growing regions, including the Xinjiang Uyghur Autonomous Region (XUAR) of China, cotton has been identified as risk sector for forced labour.

The ALDO Group has no relationships with suppliers or factories in the XUAR. We continue to monitor our supply chain to assess forced labour risks on a global scale and as we explore new sourcing strategies.

If higher forced labour and child labour risks are documented in relation to a sourcing region or a material, we build on our existing compliance framework and risk management guardrails to adapt. In relation to those heightened risks, in FY 2023 we implemented additional measures. Please refer to the *Traceability Efforts* section below for more information.

TRACEABILITY EFFORTS

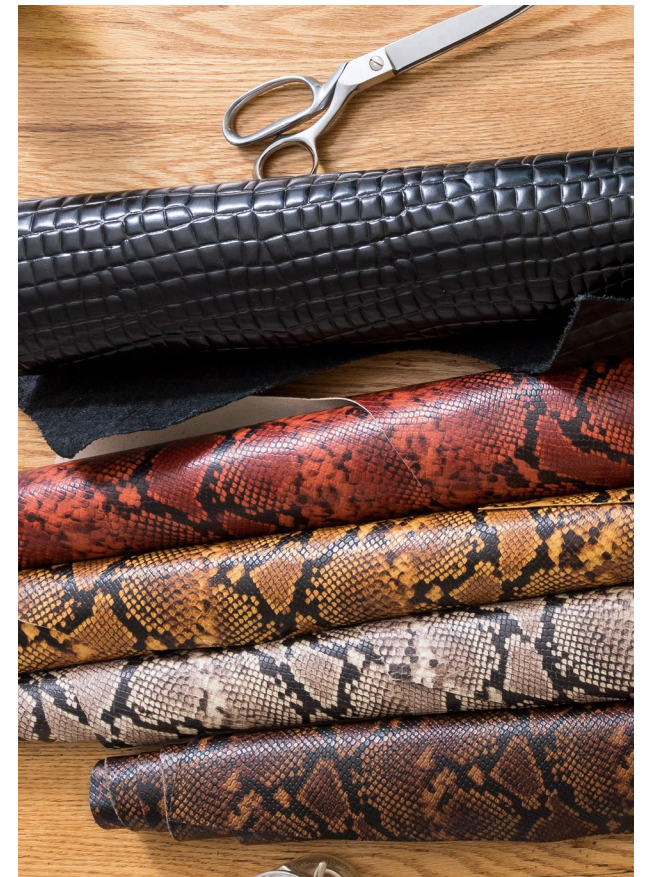
We require all merchandise suppliers to disclose their factories. This mandatory factory disclosure is also required when an existing merchandise supplier wishes to add a new factory location to its authorized list of locations or when the merchandise suppliers wish to move production to new premises. This procedure allows us to monitor, among other things, compliance with our standards, and prevent our products from being produced in restricted regions.

While we have found no indication of actual instances of forced labour or child labour occurring in our operations or our supply chain, we acknowledge that forced labour can be hidden deep in the supply chain (beyond the Tier 1 suppliers). Hence, we are committed to increasing the traceability of our products. The focus of our risk assessments over the past years has been on our merchandise suppliers and their factories, but we have made significant progress during FY 2023 to trace suppliers beyond such merchandise suppliers, particularly regarding cotton.

Tracing at the level of raw materials production is challenging, in particular with respect to tracing the origin of cotton considering the numerous production steps involved. Nonetheless, considering

the heightened risks associated with cotton, we have implemented an additional due diligence program for cotton during the reporting period of FY 2023. This cotton tracing program is how we can require our key strategic merchandise vendors to use nominated cotton suppliers which provide tracing documentation up to the raw materials. We also request documentation from merchandise suppliers every season that verifies the origin and the production steps of cotton used in our products.

Additionally, while audits are infrequent for suppliers of raw materials and inputs in our industry, we actively use supplier questionnaires to enhance our comprehension of the sourcing procedures of our merchandise suppliers and to identify any potential forced labour risks linked to them. Additional diligence and validation processes are consistently being explored to further enhance the traceability of our supply chain.



Verifications, Certifications, and Audits

All the facilities used by the ALDO Group to manufacture our owned and licensed brands' products must comply with the standards set forth in our Code of Conduct. To ensure compliance, the ALDO Group has established various programs and procedures.

PRE-SOURCING EVALUATIONS DURING THE ONBOARDING PROCESS AND ONGOING SOCIAL AUDITS

To monitor compliance with the standards communicated in our Code of Conduct and our Supplier Partnership Manual, we conduct pre-sourcing assessments of all merchandise suppliers for our core categories of footwear and handbags. All such suppliers must have their final factory site(s) audited prior to working with the ALDO Group to assess the actual and potential risks of forced labour and child labour at those sites of manufacture. We also conduct pre-sourcing assessments at certain factories of key suppliers of materials.

In addition to the pre-sourcing audits collected during the onboarding process, audits are also conducted during our contractual relationship with our merchandise suppliers by third-party auditors, typically every 12 to 24 months. Several factors, including the results of the previous audit, dictate audit frequency. The follow-up audits are typically scheduled in advance with the merchandise suppliers, but the key areas of evaluation are only discussed when the auditor is on site. Unannounced audits can also be conducted and are authorized under our contractual arrangements with the merchandise suppliers.

The majority of our third-party factory site audits are carried out using the methodology of the Social & Labor Convergence Program (SLCP). The SLCP includes specific metrics relating to forced labour and child labour. In regions where SLCP does not offer auditing capabilities, we accept factory site audits from the independent organization Better Work. Additionally, our social compliance team located in the ALDO Group's sourcing office in Asia also has internal auditors. Throughout the reporting year, we have worked to increase our team's on-site visits, which were reduced during the Covid-19 pandemic.

Upon receiving valid audit reports, the ALDO Group's Impact and Sustainability team will issue an internal scoring grade based on the identification of any non-compliant findings. A factory with a passing grade will be approved for production but may still be required to work on a Corrective Action Plan (CAP) for any non-compliance findings. A factory with a failing grade will not be approved for production – they will instead be required to work on a detailed corrective action plan to demonstrate progress in order to be reconsidered for approval.

CORRECTIVE ACTION PLANS

Even with a passing grade, instances of non-compliance, regardless of severity, will see a CAP issued for a factory based on prioritized findings that are agreed upon with the supplier, providing sufficient time to implement lasting improvements. We follow up on the actions of improvement through our compliance software, where suppliers can submit documentation of their efforts and achievements. These efforts are verified by desktop reviews and/or on-site visits to ensure continuous improvement. We request audit renewal of all approved factories regularly based on a strategic annual vendor segmentation and the improvements documented in our continuous improvement program.

We recognize the challenges of CAP implementation. It is complex work influenced by many factors such as increased activity during peak season, fluctuating order volumes from several customers, turnover of workers, different customers' requirements, etc. Out of these factors, work hours and health & safety (i.e. use of protective equipment) affect CAP implementation the most.

The key to a successful CAP implementation is building a collaborative communication strategy to analyze root causes, and provide regular training, which we do through our annual seminar and quarterly customized trainings.



CERTIFICATIONS AND CONTRACTUAL UNDERTAKINGS

CONTRACTUAL RIGHTS UNDER OUR SUPPLIER AGREEMENTS.

At the beginning or renewal of a relationship, all merchandise suppliers are required to acknowledge in writing our Code of Conduct, Supplier Partnership Manual and agree to implement the requirements set forth therein. In addition, all merchandise suppliers sign a supply agreement in which they are contractually obligated to:

- ▶ Abide by the ALDO Group's Code of Conduct, applicable guidelines, and policies communicated to the suppliers. They must also comply with all applicable labour and employment laws and regulations, and have appropriate controls in place to identify any forced labour practices
- ▶ Participate in the ALDO Group's traceability and social compliance initiatives
- ▶ Disclose all manufacturing sites – no unauthorized subcontracting is allowed
- ▶ Verify they are sourcing materials from vendors that are compliant with the ALDO Group's Restricted Substances List (RSL)
- ▶ Confirm compliance with applicable import and export laws, including any applicable prohibited or restricted party lists

Our supply agreements further grant the ALDO Group, or any nominated inspector, the right to conduct site visits of the manufacturing facilities.

CERTIFICATION FOR SOURCING REGIONS. In addition to the suppliers' compliance with anti-forced labour legislation, we require merchandise suppliers to certify that the finished products and all components and raw materials thereof have not been sourced from restricted regions, including the XUAR and that no labour from restricted regions, including the XUAR, have been used at any step of the production thereof.

SUPPLIER QUESTIONNAIRES. The ALDO Group's social compliance team also oversees an annual completion of supplier questionnaires specifically focused on forced labour practices and the suppliers' monitoring measures to ensure compliance. Responses from such surveys can assist in identifying and monitor new risks for the purpose of our forced labour risk assessment.

Remediation Measures

MEASURES TO PREVENT CONTRIBUTION TO FORCED LABOUR RISKS

The predictability of the purchasing calendar can help improve the working conditions of factory workers, as it allows for better planning and resource allocation, potentially leading to improved working conditions. At the ALDO Group, we are committed to act as a responsible partner with our suppliers and we continuously work to improve our processes and methods in our operations. We work to improve our purchasing practices and planning processes in the following ways:

- ▶ We engage with prequalified suppliers that have been through our onboarding process prior to production to avoid cancellation due to social audit failures
- ▶ We share the purchasing plan with our strategic merchandise suppliers and communicate updates in a timely manner, in accordance with key milestone dates shared with merchandise suppliers
- ▶ We continuously work to improve forecasting alignment, which involves coordination across geographies, categories and product designs to get the right information and decisions made at the right time, including through the implementation of new technologies to assist in demand planning

REMEDATION MEASURES AND REMEDIATION MEASURES FOR LOSS OF INCOME

In FY 2023, no remediation measures were undertaken by the ALDO Group as we did not identify any forced labour or child labour in our activities and supply chains. Accordingly, in FY 2023, we did not identify any loss of income for vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.

We prioritize a collaborative approach with our sourcing partners to help them implement corrective actions. Such corrective action plans are put in place to achieve continuous improvement, and the remediation measures of certain non-compliance issues include measures for the benefit of the affected workers. When remediation progress or improvements are not materializing, the ALDO Group's escalation process includes involving senior leadership of our sourcing office in Asia. In the very rare case where a supplier or a factory still does not respond or demonstrates unwillingness to

implement necessary corrective action plans, the ALDO Group may discontinue business with that factory. We acknowledge that the termination of a supplier can impact the workers and their families. To avoid such harmful impact and to foster a culture of collaboration and continuous improvement, the termination of the engagement of a supplier is considered a last resort.

As part of our corrective action directions in the applicable policies communicated to our suppliers, we mandate that amends should be made to the victims of forced labour and child labour. These include offering safe harbour and providing them with financial aid and other assistance and supports, such as medical attention, return of any deposits or fees collected on the worker's income, payment of all legally required wages and benefits, and options of free transportation to return home or to be placed in safe and suitable transition housing.

Trainings

Training and capacity building for both internal and external stakeholders is essential to protecting the integrity of our operations and supply chain.

INTERNAL TRAININGS

To start, we know it's essential our employees are equipped with the tools and knowledge to identify and mitigate forced labour risks in our operations and across the supply chain. To raise general awareness and make corporate responsibility a key component of our culture and corporate identity, all new employees must undertake an onboarding training program which includes a presentation of the ALDO Group, its values and corporate purpose, as well as an overview of its CSR initiatives (including those related to respecting human rights).

The ALDO Group has significantly increased its internal training offerings on human rights topics during FY 2023. We launched a training on human rights (offered in both French and English) for executive leadership members and all employees who are directly responsible for supply chain management, sourcing, and procurement decisions, as well as employees with direct relationships with suppliers.

This mandatory 1-hour online course focuses on the risks of forced labour and how to mitigate these risks in our supply chain and contains interactive questions to test comprehension. Key topics covered in its curriculum are the following:

- ▶ An understanding of what human rights are, and defining forced labour and child labour
- ▶ An overview of forced labour and child labour risks in global supply chains
- ▶ Key indicators of forced labour and child labour risks
- ▶ A review of key requirements of the ALDO Group in mitigating forced labour and child labour risks, including those set forth in our Code of Conduct
- ▶ The role of the employee in supporting the ALDO Group's mitigation efforts
- ▶ The impact of responsible purchasing practices in preventing forced labour, child labour, and other human rights violations
- ▶ How to report a suspected violation of our standards

During this reporting period, all members of our executive leadership team have completed the course and more than 200 employees have taken the course, representing an overall participation rate of 86% for all associates required to do so.

In addition, in FY 2023, members of our CSR team and other employees that are part of the cross-functional team completed several external training programs and attended seminars on social compliance issues, including forced and child labour.

TRAININGS FOR OUR SUPPLIERS

Training and raising awareness among suppliers are also key to ensuring the continuous improvement of the supply chain with a goal of safeguarding human rights. The ALDO Group's social compliance team advises suppliers through constant communication and share trainings on our values to raise awareness and promote human rights and workers' wellbeing. Training programs cover topics related to the procedures and requirements of the ALDO Group, including its Code of Conduct, and prioritize impact areas identified through due diligence.

During FY 2023, training on forced labour prevention was deployed with merchandise suppliers and 34 merchandise suppliers completed live online trainings. Together, these suppliers represent 85% of sourcing spend in FY 2023. All other merchandise suppliers received an electronic copy of the training materials.

Effectiveness

At the ALDO Group, we continuously seek to improve our approach to safeguarding human rights. We acknowledge that ensuring we meaningfully measure the effectiveness of our actions is an important part of driving continuous improvement. We work with internal, external, and independent monitoring organizations to carry out audits and help in remediation and capability-building efforts. During those monitoring efforts, if we are provided evidence of non-compliance by one of our merchandise suppliers, we investigate it promptly and where applicable, collaborate with stakeholders to remediate the issues with the facility or the supplier.

Audits and outcomes of corrective action plans are components of a merchandise supplier’s rating under our supplier risk matrix, an internal program used to review supplier performance, which directly influences our sourcing and business decisions. We also maintain records and track the results of all social audits required as part of our Social Compliance program. We work with suppliers to ensure our actions are addressing forced labour and child labour. We continue to vet all new factories and audit existing factories on a regular basis.

We also work with external partners to assess the effectiveness of our programs. In 2022, our responses to the self-assessment offered by the Higg Brand & Retail Module (Higg BRM), a tool to assess sustainability performance of brands and retailers, were audited by a third party approved by Cascale. This external review identified certain areas of improvement, including our then-available training offerings in respect to human rights. As such, during this reporting period, this was identified as a key area of focus – and a comprehensive human rights course for our employees was successfully deployed in FY 2023.

We also listen to feedback from our stakeholders and supply chain partners, which helps us evaluate our performance and improve our actions taken to address any human rights issues. We regularly engage with industry and expert consultants to stay informed of the latest developments, issues, and regulatory landscapes.

KEY PERFORMANCE INDICATORS

To measure the effectiveness of our Social Compliance program, we monitor our performance to ensure that we are making progress in our efforts to combat forced labour. Key achievements for FY 2023 include:

ACTIVITY	KEY PERFORMANCE INDICATORS DURING FY 2023
POLICIES & CONTRACTUAL ARRANGEMENTS	<ul style="list-style-type: none"> > Code of Conduct sent to all merchandise suppliers: 85% of acknowledgment forms were received
AUDITS, VERIFICATIONS AND MONITORING	<ul style="list-style-type: none"> > Percentage of merchandise suppliers for which the ALDO Group has identified zero-tolerance issues (including forced labour or child labour cases): 0% > Percentage of all our active strategic supplier factories that have an internally reviewed and validated social audit report: 99% > Grievance Reporting Tools (ethics hotline and email for workers): No reported incidents of forced labour or child labour practices
CORRECTIVE ACTION PLAN (CAP)	<ul style="list-style-type: none"> > 325 audit CAPs were issued (recurring issues are in respect to social insurance and occupational disease prevention; detailed corrective action plans are in place to address findings)
TRAININGS	<ul style="list-style-type: none"> > Human rights training campaign deployed with relevant business units and functions: More than 200 employees were trained > Training campaign deployed with merchandise suppliers: All key strategic merchandise suppliers have completed the mandatory training program

LOOKING AHEAD

In FY 2024, we are committed to continuing our focus on addressing forced labour and child labour risks in our operations and supply chain, including promoting the fair treatment of all workers. In service of this commitment, we will look to:

- ▶ Increase our traceability of the main materials and outsole for all strategic merchandise suppliers
- ▶ Extend the reach of our trainings with all merchandise suppliers
- ▶ Carry out a review of our human rights policies
- ▶ Complete an updated assessment of risks in existing key sourcing countries

We believe these key focus areas can help us identify and address forced labour and child labour risks more effectively and improve our overall corporate social responsibility strategy.

We acknowledge that we need to continuously adapt our actions as our Social Compliance Program continues to mature, taking into account our stakeholders’ feedback and best practices. We welcome your feedback on our efforts to prevent forced labour and child labour. Please email us at csr@aldogroup.com.

Approval

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. This report has been approved by the Board of Directors of The Aldo Group Inc.



Aldo Bensadoun
Founder and director

Date: April 23, 2024
I have the authority to bind The Aldo Group Inc. and Aldo U.S. Inc.