



Hughes Petroleum Ltd.

Forced Labour and Child Labour in Supply Chains Company
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 compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, Hughes Petroleum Ltd. ("Hughes", "the Company") has begun prioritizing the analysis of forced labour and child labour through mapping activities for the 2023 fiscal year. Hughes has statements and policies in place that emphasize our commitment to human rights and abiding by local and international legislation, but also recognizing there is always room for continuous improvement. Hughes' policies, supplier agreements, training modules and everyday practices serve as a strong foundation as we look to implementing more anti-forced labour and anti-child labour measures. As a growing, socially conscious, service station company, Hughes recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

Background

The measures introduced through Bill S-211, *Fighting Against Forced Labour and Child Labour in Supply Chains Act* ("the Act"), aims to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- 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.

Introduction

The financial year for which Hughes is reporting is January 1, 2024, to December 31, 2024. This is the second version of the report submitted and the report is for the entity, Hughes Petroleum Ltd. The Company satisfies the definition of an Entity within the Act and meets two of the three reporting thresholds with revenue in excess of \$40 million and assets worth more than \$20 million.

Hughes Petroleum is one of Edmonton's largest service stations with over 25 gas stations and car wash centres across Edmonton and nearby areas. Started in 1956, today, Hughes employs more than 200 people and provides car wash services, bulk fuel and wholesale fuel, and fleet management solutions in Alberta.

Business Structure, Activities and Supply Chain

Structure

Hughes operates as a corporation based in Edmonton, Alberta. Hughes specializes in the oil and gas and retail industry. The services offered are retail gas and car wash services, bulk fuel and wholesale fuel, and fleet management solutions. Hughes operates in the following locations Edmonton, Spruce Grove, St. Albert., and Sherwood Park and has 224 employees across all our operations.

Activities

Hughes operates within Alberta's oil and gas and retail sector, focusing on providing retail gas and car wash services. Through its service stations, Hughes sells fuel and food and beverages. The Company also sells bulk fuel and wholesale fuel, along with fleet management solutions across Edmonton and nearby areas.

Supply Chain

Hughes's supply chain is comprised of 546 direct suppliers from two countries, namely the United States of America (USA) and Canada. The majority of Hughes's suppliers are distributors from within Canada who are engaged in the business of oil and gas. Oil and gas suppliers make up 99% of Hughes's spend while the remaining 1% is attributed to rest of the goods (identified in the Risk Identification and Management section below).

Policies and Due Diligence

Current Policies

Hughes has a strong commitment to preventing child and forced labour and works to keep employees safe. Each gas station has an *Emergency Response Plan* which provides all employees information and guidance about the actions to be taken under any emergencies related gas/diesel/propane. It states

that *"Our first priority is the safety of the staff so under no circumstances should anything be done if you feel is unsafe"*, which highlights our commitment towards the safety and wellness of our employees. Our **Employee HR (Human Resources) Handbook** is acknowledged and signed off by all our employees during onboarding and serves as a cornerstone to foster an environment that is based on respect, free of bullying and harassment, and by extension opposed to any form of child or forced labour. It embodies our dedication to upholding the highest ethical standards across every facet of our operations. Within the Handbook, we underscore our unwavering resolve to cultivate a workplace characterized by safety, respect, and integrity, not only for our employees but for every individual associated with Hughes. The Handbook also explicitly outlines our commitment to compliance with applicable federal, provincial, and local laws in the conduct of our business.

The **Violence in the Workplace** section of the Handbook states Hughes' dedication towards maintaining an environment free from threats and violence and that individuals committing any such acts are subject to action under the *Criminal Code of Canada*.

Hughes' **Health and Safety Policy** highlights our commitment to creating safe practices of work and creating a safe working environment for all our employees. This policy specifically mentions that employees must comply with all applicable laws regarding performance of duties within the company. The Policy also states that the *Canada Labour Code* gives employees the following rights: Right to Know (of any foreseeable hazards), Right to Participate (in identifying and correcting work-related health and safety concerns), and Right to Refuse (when workplace presents danger to you).

The **Code of Conduct** states that employees must *"always act with fairness, honesty, integrity, and openness; respect the opinions of others and treat all with equality and dignity without regard to gender, race, colour, creed, and ancestry, place of origin, political beliefs, religion, marital status, disability, age or sexual orientation"*. It underscores Hughes' holistic approach to creating a workplace that is not only safe and conducive to productivity but also respectful and inclusive. It emphasizes that we support diversity, equity, and inclusion, recognizing the intrinsic value of every individual irrespective of their background or role within the organization. By fostering a culture of mutual respect and understanding, Hughes' endeavors to create an environment where everyone feels valued, supported, and empowered to thrive.

Furthermore, our **Harassment Policy** states that *"as part of the Company's commitment to the highest standards of ethics, employees are encouraged to promptly report any actual or potential misconduct, code of conduct or other company policy violations, malpractice, fraud, misappropriation of business property or any other illegal or unethical act or behavior by an employee to the front-line supervisors"*. This also ensures that every employee has a safe reporting mechanism to report anonymously and ensure their rights and the rights of others are respected.

Finally, all new hires are required to go through the **Employee HR Handbook** which highlights the above policies and more to ensure that they are aware of their rights and can contribute to keeping Hughes' a safe and respectful work environment, including being free of child and forced labour. This is further emphasized by a mandatory sign-off by every employee during new hire onboarding.

In essence, our policies encapsulate our overarching commitment to ethical excellence and underscores Hughes' dedication to creating a workplace that exemplifies the highest standards of integrity, respect, and inclusivity. Through proactive measures, transparent processes, and a steadfast commitment to

upholding ethical principles, we strive to ensure that we remain a beacon of ethical leadership in all aspects of operations.

Due Diligence

Hughes has a procurement policy (supplier onboarding) that outlines, *"If the product is a food or drink, ensure that the product is registered with Health Canada and there are no recalls or recent history of risks associated with the product. Ensure that if the product is a drink with a refundable container, that the container is registered with BCMB (Beverage Container Management Board)".* And *"Check with local, provincial, and federal regulations to ensure the product is not pending any legislation decisions".* While, Hughes does not have a prescribed due diligence process to assess whether the suppliers engage in any activities stipulated in the Act, we intend to adopt appropriate measures to ensure risk can be mitigated.

Our primary suppliers that account for 98% of our spend are two large oil and gas suppliers who publicly declare their commitment and actions towards removing forced labour and child labour from their supply chains. Their policies and processes are informed by International Labor Organization 1998 Declaration Fundamental Principles and Rights at Work; the Forced Labor Convention, 1930; the Abolition of Forced Labor Convention, 1957; the Worst Forms of Child Labor Convention, 1999; and the Declaration on Social Justice for a Fair Globalization (2008); as well as other Canadian laws and regulations.

As part of Hughes' commitment to prevent child or forced labour within our supply chain, Hughes has requested that suppliers that pose the highest risk complete a **questionnaire**. This questionnaire is used to obtain confirmation from suppliers that they do not engage in child and or forced labour.

We recognize that there are limited due diligence processes in place and aimed to reduce the risk of child labour and/or forced labour within activities and supply chain. This has been identified as an opportunity that will be considered going-forward.

Risk Identification and Management

A risk assessment over Hughes' operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of Hughes's total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - *Walk Free's Global Slavery Index* and the *US Department of Labor's List of Goods Produced by Child Labor or Forced Labor*.

Industry of Operations

Hughes conducted a risk assessment on the countries where we have operations and found that there were low risks of forced labour or child labour in our Canadian operations. This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is a low inherent risk and continued due diligence is required.

Countries of Suppliers and Risk

Hughes had a risk assessment conducted on the countries of origin for our suppliers and found that there were low risks of forced labour or child labour in the USA and Canada. This, however, does not mitigate all the risks associated with child labour and forced labour and Hughes will continue to implement necessary practices to maintain an environment free of child or forced labour.

Type of Goods Procured and Risk

99% of our procurement spend is dedicated towards purchase of fuel which according to the two indices, has a low inherent risk of forced and/or child labour. Using the two indices, an inherent risk of forced and/or child labour has been identified among the following categories of goods that account for less than 1% of our procurement spend: Baked Goods, Beans, Cashews, Cereal Grains, Coffee, Dairy Products, Electronics, Rubber Gloves, Peanuts, Sand, Tea, and Tobacco. While the overall inherent risk for these products is considered lower as they are procured from Canada and USA, however, as we majorly purchase from large distributors, the origin of these goods remains unknown and hence there is an inherent risk involved. Further analysis and understanding by Hughes will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

Remediation Forced and Child Labour and Vulnerable Family Income Loss

Hughes is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. Hughes is committed to identifying and addressing human rights incidents and violations that occur within our operations and communities. To date, Hughes has not identified instances of the use of child labour or forced labour within its operations or those of suppliers. Hughes recognizes the significant impact forced and child labour can have on individuals and their families and thus relies on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding Hughes and its suppliers up to the highest standards of practice.

Awareness Training

Hughes currently provides training related to fostering a safe working environment and ensuring our employees are aware of their rights as well as complying to the applicable laws, regulations, and rules. New employees receive comprehensive information on various topics, including safe working conditions and mutual respect. Every employee has to go through policies such as the Code of Conduct, Harassment, and Violence in the Workplace, Compassionate Care Leave that cover topics on workplace harassment, violence to safe working conditions and adherence to applicable laws and regulations.

All the gas station workers in retail roles are required to undertake Propane Training (for safe handling and storage of propane as required by Alberta regulations), Tobacco training (preventing illegal tobacco and vape sales to Alberta youth as described under the Tobacco, Smoking and Vaping Reduction Act), Lottery training (mandatory lottery courses administered by Alberta Gaming, Liquor & Cannabis, and Hughes Petroleum Station Attendant Training Manual (covers policies and procedures related to safe

operating of a gas station and servicing customers). While these training modules may not explicitly state relevance to the Act, Hughes is committed in reviewing our training programs to ensure that it covers topics such as forced labour and child labour to create awareness of the issue.

Self-Assessment Process and Requirements


Currently, we do not have any self-assessment process or practices to assess our efficacy against fighting forced labour or child labour. However, as part of reviewing our supply chain and internal processes, we are committed to holding our supply chain against the high standards we set for the rest of our business and processes. Hughes will evaluate and perform appropriate assessments to ensure that we can identify appropriate key performance indicators (“KPI”) metrics, internal auditing mechanisms, quality assessment programs with our suppliers to ensure that our supply chain is free of any forced labour or child labour.

Conclusion and Key Takeaways

Through our analysis, Hughes found that none of the countries from which we procure have a high risk for forced labour and child labour although inherent risks could be attributed to some of the goods purchased. However, Hughes has several measures in place to maintain a low risk of these practices occurring. Hughes is committed to continuous improvement and has identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within the Hughes supply chain.

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.

<u>Darren Hughes</u> Full Name	<u></u> Signature
<u>V.P.</u> Title	<u>4-15-25</u> Date

I have the authority to bind *Hughes Petroleum Ltd.* and this report covers financial year *December 31st, 2023* and applies to *Hughes Petroleum Ltd.* and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *Hughes Petroleum Ltd.* if they apply.