

**PINCHER CREEK CO-OPERATIVE
ASSOCIATION LTD.**



Forced Labour in Canadian Supply Chains

Pincher Creek Co-operative Association Ltd.

DATE: MAY 31, 2024



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Introduction

This report is Pincher Creek Co-operative Association Ltd.'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 December 31, 2023. In this Statement, the terms 'the Co-op', 'we', 'us', and 'our' refer to Pincher Creek Co-operative Association Ltd. The reporting entity covered by this statement is Pincher Creek Co-operative Association Ltd., Business Number 104201090 .

For the purposes of the Act, the Co-op meets the entity definition by having a business in Canada, doing business in Canada and meeting two of three threshold criteria (i.e. revenue and assets). The 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.

Pincher Creek 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, the 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.

The Co-op is guided by a core value of being committed to holding ourselves to the highest standards of ethics, honesty, and respect for others. The Co-op is committed to making ethical business decisions and taking proactive measures to address issues such as forced and child labour.

Structure, Activities, and Supply Chain

Structure

Co-operatives are community-focused businesses that balance people, community and profit. They are democratic and value-based by nature and are often formed to fill a void within a community, to seize local opportunities and to meet the needs of its member-owners. Based in Pincher Creek, Alberta, Pincher Creek Co-op is one of 158 independent retail co-operatives from across Western Canada that make up the Co-operative Retailing System (CRS) and own Federated Co-Operatives Limited (FCL).

Pincher Creek Co-op is in turn owned by 11,811 members in Alberta and British Columbia. As part of the CRS, the Co-op helps build, feed and fuel individuals and in our local communities. We employ an average of 105 individuals.

The organizational structure of a cooperative is based on democratic principles. As owners of the business, the members are the decision makers. Members control their cooperative through a Board of Directors that they elect from among themselves. The Board of Directors is responsible for overseeing operations, approving an annual budget, and selecting a General Manager. The General Manager is responsible for the day-to-day operations.



Activities

Pincher Creek 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, agriculture, home and building supplies, petroleum, convenience stores, and fashion/clothing.

Pincher Creek Co-op has 8 retail locations in 4 communities in Southern Alberta (Pincher Creek, Fort Macleod, Cowley, Coleman) and British Columbia (Sparwood). Products distributed include food, clothing and accessories, home and building supplies, crop inputs, agricultural equipment, livestock feed, propane, lubricants, and petroleum.

Supply Chain

The Pincher Creek Co-op sources 95 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.

The remaining 5 percent of products are sourced by the Co-op locally, within Canada and the United States of America. The procurement spend on these products have been outlined in the "Identification of Risks" section in the following pages.

Pincher Creek Co-op Non-FCL Sourced Products for Resale include:

Category	Description
Agriculture	Small Engines, Pumps, Grain Bins, Grain Augers, Razor Grazers (Electric Fencer), Solar Waterers, and Livestock Feed.
Food	Food products for resale such as conventional food store, convenience store items, and candy.
Home and building supplies	BBQ's, Pit Boss Smokers, Seasonal Décor, Camping and RV Supplies, Garden Supplies, Green House Plants and Supplies, Solar Equipment (Livestock Waterers), Electrical Supplies, Windows, Doors, Linear Lumber and Plumbing Supplies.
Clothing	Jeans, Collared Shirts, Tee Shirts, Shorts, Dresses, Skirts, Boots, Coveralls, Winter Wear, Work Boots, Fashion Accessories (purses, wallets, bracelets, belts, earrings, etc.), Hoodies, Cowboy Hats, Hats



Policies and Processes in Relation to Forced and Child Labour

Internal

Pincher Creek 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. The Co-op's Human Resources Advisor regularly reviews human resource related policies to ensure Pincher Creek Co-op remains in compliance with applicable workplace and labour legislation.

Pincher Creek 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, Pincher Creek Co-op does not employ anyone under the age of 14 and follows all applicable young worker restrictions for employees aged 15 to 17. Any Employees aged 15 to 17 years of age who work at the Pincher Creek Co-op cannot work during regular school hours unless enrolled in an off-campus education program. The Pincher Creek Co-op retail employees aged 15 to 17 only work between 9pm and 12am with adult supervision. They cannot work between 12:01am and 6am.

Suppliers

Pincher Creek Co-op has a long tradition of sourcing local products and supporting local businesses. Outlined below are the due diligence policies and process FCL has embedded to reduce the risk of forced and child labour in supply chains.

FCL has a Social Responsibility Agreement with food and home and building suppliers. These agreements ensure private label suppliers are supporting commitments to responsible sourcing, providing workers with fair wages, working hours, and a safe, clean, and healthy work environment and to confirm they meet the basic principles of human rights and not use forced, prison, or child labour.

FCL launched a Sustainable Seafood Policy in 2010. At that time only 60 percent of fish and seafood products were harvested from sustainable sources. After several years of focused effort, FCL is proud to be procuring more than 95 percent of all fish and seafood from sustainable sources today. In 2023, FCL conducted a survey of seafood suppliers and of those who responded, all indicated they had processes in place to meet employment standards regarding child and forced labour. Certifications required to be seafood supplier for FCL are Seafood Watch, Marine Stewardship Council Certified Wild Fishery Products, Aquaculture Stewardship Council Certified Aquaculture products, Ocean Wise Ranked Seafood and Best Aquaculture Practices (BAP 2-4 Start) Certified Aquaculture Products.



Identification of Risks

FCL Products

Pincher Creek Co-op's main supplier is FCL. 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.
 - b. 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, Pincher Creek Co-op will continue working with FCL, as a co-operative, to establish stronger systems of controls to combat forced/child labour.. FCL has also submitted its own response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act. As FCL is a Tier 1 supplier to Pincher Creek Co-op, we will continue working with FCL to mature our joint approach to greater supply chain transparency.

Non – FCL Products

In assessing the risk of forced labour or child labour at the direct supplier level, Pincher Creek Co-op has mapped our clothing supply chain activities to identify product shipping location and country of origin. Materiality was determined by selecting our top 10% of suppliers by total spend in 2023. These product lines are sourced from Brokers located in Canada and the USA. Results of supply chain mapping activities are shown below:

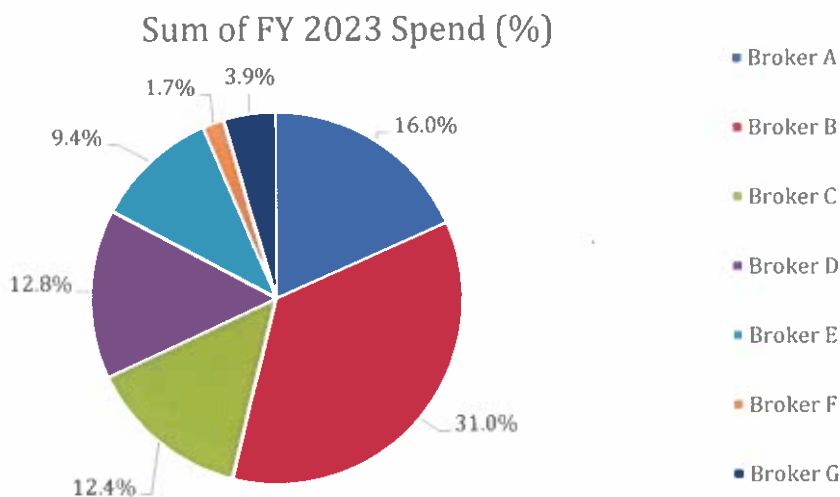


Figure 1. Total spend by Fashion Broker in fiscal year 2023 on categories which risk assessment was conducted for.

Resale products Country of Origin include 12 different countries: China, USA, Brazil, Canada, Mexico, Bangladesh, Vietnam, Taiwan, Pakistan, India, Nicaragua, and Dominican Republic.

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, Key suppliers (Brokers) of Pincher Creek Co-op’s Fashion Store import goods from Bangladesh, Brazil, China, India, Mexico, Pakistan and Vietnam which have been identified as a high inherent risk country for forced and/or child labour. Pincher Creek Co-op is exploring opportunities to implement a Risk Assessment and a Supplier Code of Conduct to minimise this impending risk. Pincher Creek Co-op’s supply chain mapping activities on the Fashion Store were limited to our most material vendors.

Country of Origin	Inherent Risk per Country	Goods	Inherent Risk per Good
China	Extreme	Footwear	Extreme
		Garments	Extreme
		Gloves	High
		Leather	High
Mexico	Extreme	Garments	Extreme
		Footwear	Extreme



Country of Origin	Inherent Risk per Country	Goods	Inherent Risk per Good
Bangladesh	Extreme	Garments	Extreme
		Footwear	Extreme
		Leather	High
		Gloves	High
Vietnam	Extreme	Garments	Extreme
		Footwear	Extreme
		Leather	High
		Gloves	High
Pakistan	Extreme	Garments	Extreme
		Footwear	Extreme
India	Extreme	Garments	Extreme
		Footwear	Extreme
Nicaragua	High	Garments	Extreme
		Footwear	Extreme

Remediation of Forced and Child Labour

Although Pincher Creek Co-op has not identified any instances of forced/child labour, it has taken action to remediate potential risks of forced and child labour by following the policies and procedures outlined in Section 2 of the report. In the future, Pincher Creek Co-op will explore opportunities to enhance the assessment of measures taken including monitoring of suppliers to reduce the risk of forced and child labour. If specific incidents of forced and child labour are identified, the Co-op will work with suppliers to determine and implement remedial action.



Remediation of Loss of Income

Pincher Creek 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. Pincher Creek Co-op will continue to monitor its operations or supply chains for child or forced labour.

Employee Training

Annual training and attestation are currently required for all employees to ensure compliance with Pincher Creek Co-op's Code of Conduct on company ethical standards, policies, laws and regulations. The Code of Conduct is applicable to everyone that conducts business on behalf of the organization, which includes the Co-op's Board of Directors, the Senior Leadership Team and all current and new employees and contractors. Pincher Creek 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, Pincher Creek 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 implemented through fiscal year 2024.

Efficacy of Actions

Pincher Creek Co-op will conduct 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 a 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.



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.

Kori Fast

General Manager

May 31, 2024

A handwritten signature in blue ink, appearing to read "Kori Fast", written over the printed name and date.

I have the authority to bind Pincher Creek Co-operative Assoc. Ltd. The Statement has been reviewed and approved by the Board on behalf of itself.