



Forced Labour and Child Labour in Supply Chain Assessment

Date of Report: May 30, 2024

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1.0 BACKGROUND	1
2.0 STRUCTURE ACTIVITIES AND SUPPLY CHAIN STRUCTURE	2
2.1 POLICIES AND DUE DILIGENCE.....	2
2.2 RISK AREAS: IDENTIFICATION AND MANAGEMENT	3
2.3 REMEDIATION OF FORCED AND CHILD LABOUR AND VULNERABLE FAMILY INCOME LOSS	4
2.4 REMEDIATION OF FORCED AND CHILD LABOUR AND VULNERABLE FAMILY INCOME LOSS	4
3.0 CONCLUSION AND KEY TAKEAWAYS.....	5
4.0 APPROVAL AND ATTESTATION	6

Executive Summary

Forced labour can be found in all countries and sectors around the world. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in private economies. The risk of forced labour and child labour primarily occurs within businesses' global supply chains. Therefore, there is an inherent risk that goods imported into and distributed in Canada were produced with forced and/or child labour. Public and private organizations and government institutions doing business in Canada must ensure that exploitative practices are identified, mitigated, and ultimately eradicated from their supply chains.

In partnership with Public Safety Canada, the Canadian federal government has enacted Bill S-211 for Fighting Against Forced Labour and Child Labour in Supply Chain, which aims to protect vulnerable populations from human rights abuses and exploitation. This Bill significantly impacts the way Canadian business contracts within the global supply chain and affects an organization that produces, sells or distributes goods in Canada or elsewhere, imports goods produced outside of Canada into the country, or controls an entity engaged in either of the above activities. This Bill took effect on January 1, 2024, with the first reports required to be filed on or before May 31, 2024.

As of January 2024, Hensall Co-op has begun assessing forced and child labour within its supply chain. Most suppliers come from Canada, and a small percentage come from other countries. It has been noted that most of these suppliers are also working internally to enact their own processes to comply with Bill S-211 requirements. In contrast, others have only begun familiarizing themselves with the Bill when Hensall Co-op engaged them.

Given that Bill S-211 is a new act, Hensall Co-op has yet to remediate its internal processes, which include updating its policies and procedures, supply chain management and training of employees for the remainder of the year 2024.

1.0 Background

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

- 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 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 result 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 the absence of forced labour and child labour in its business and supply chains.

This report covers the fiscal year from August 1, 2022, to July 31, 2023. This is the first version of the report submitted for Hensall District Cooperative, Inc., including wholly owned subsidiaries with the office address at 1 Davidson Dr., Hensall, Ontario, NOM 1X0.

2.0 Structure Activities and Supply Chain Structure

Hensall District Cooperative, Inc. and its wholly-owned subsidiaries, such as Hensall Global Logistics and Hensall Foods Incorporated, primarily operate agricultural businesses in Manitoba and Ontario for the benefit of its members. The Association is incorporated under the Cooperative Act of Ontario.

Established in 1937, Hensall Co-op is Canada's 8th largest non-financial cooperative, with over 6,000 farm member-owners operating across Canada. Hensall Co-op is a full supply chain provider of edible beans, catering to end-use customers in more than 45 countries through its modern processing facilities. Additionally, Hensall Co-op supports growers and food processors in Farm Services, Grain and Feed Ingredient Marketing, Energy (Fuel and Propane), Animal Nutrition, Food Products (Dry Beans and IP Soys), Food and Ingredient manufacturing, as well as Global Freight Forwarding and Logistics.

As of the fiscal year ending July 31, 2023, Hensall Co-op has \$313M in assets and generated \$1.124B in sales. Hensall Co-op has over 6000 member-owners and about 600 employees. The cooperative is governed by its Board of Directors, who are democratically elected by the member-owners of the cooperative in accordance with the bylaws of the cooperative and the Cooperative Act. Board members serve 3-year terms, and officers, committees and representatives are appointed each year following the Annual General Meeting.

The executive team comprises the following: CEO, CFO, COO, President, Hensall Global, GM of Farm Services, GM of Grains and Animal Nutrition, GM of Food Products and Strategic Business Development.

Hensall Co-op relies on our strong supplier network to source quality ingredients from the local farming community. Specifically, collaboration with a specially curated group of leading farmers to import raw materials used to manufacture a premium range of products.

In 2023, Hensall Co-op imported ingredients, packaging materials, and manufacturing equipment into Canada from the United States, Germany, Norway, Sweden, the United Kingdom, Mexico, China, Netherlands, and Belgium.

2.1 Policies and Due Diligence

Hensall Co-op communicates its ethical standards through internal policies, including our Code of Conduct, to ensure that its operations are free of forced labour and child labour.

Hensall Co-op's Code of Conduct identifies its core values: Innovative, Empowered, Together, Committed, and Honest. The code reflects the commitment to a culture of honesty, integrity, respect, and accountability. It outlines the basic principles and policies that all employees must comply with. It addresses strict standards for

fostering a harassment and discrimination-free workplace and strong commitments to protecting employees from injury or occupational illness.

Hensall Co-op's Code of Conduct also states that all employees must respect and obey the laws within all jurisdictions in which it operates to the extent those laws apply to their employment. Hensall Co-op will prioritize training within the organization depending on the involvement and risk of the position within the supply chain.

Ensuring employees are supported in their work is important to Hensall Co-op. This is why employees receive access to our Employee and Family Assistance Program, which provides independent, confidential services related to legal advice, financial assistance and counselling, mental health, and family and parenting support. Hensall Co-op is committed to ensuring that all forms of unlawful employment or exploitation of children are prohibited. This is why Hensall Co-op has established a set of internal controls to ensure that hiring practices can prevent the use of forced labour and child labour in its operations. All prospective candidates must undergo a background check (including age), education verification (where applicable), and employment verification.

Conduct clauses are part of supplier contracts that include a provision or a clause about complying with different requirements. None of which, though, has provisions specific to forced and/or child labour.

Hensall Co-op and its subsidiaries also perform facility tours for its suppliers, supplier surveys and reference checks; however, policies do not outline the frequency of these activities, which suppliers are included, or the criteria on which they will be assessed.

Hensall Co-op plans to remediate its internal processes, including updating policies and procedures during the remainder of 2024.

2.2 Risk Areas: Identification and Management

Hensall Co-op has an Enterprise Risk Management Program that helps identify and address risks that could affect Hensall Co-op's ability to meet its strategic objectives.

For Fiscal 2024, Hensall Co-op has various supplier risk management processes in place, although these are not formal and do not include processes to understand the risk exposure to forced and child labour.

In Fiscal 2024, Hensall Co-op performed a supply chain risk assessment to determine its risk exposure to forced and child labour. The risk assessment included a review of the industry's risk, including where Hensall Co-op operates, the products' country of origin, and the type of products sold. Based on this assessment, Hensall Co-op is in the low-risk category. For countries of origin, many suppliers are based in Canada, while a small percentage are from the UK, USA, China, Norway, Sweden, United Kingdom, Netherlands, and Belgium, which are low-risk.

Hensall Co-op will continue to assess its suppliers during the remainder of 2024 as part of its risk management initiatives. Furthermore, Hensall Co-op will perform an annual audit of selected vendors. In addition, all vendors will be required to accept Hensall Co-op's Supplier Code of Conduct as an addendum to any current and new contract. Hensall Co-op is drafting its Supplier Code of Conduct and targets its publication in the 2024 fiscal year.

2.3 Remediation of Forced and Child Labour and Vulnerable Family Income Loss

Hensall Co-op does not currently have a mechanism to identify, report, correct and remediate instances of forced and child labour for the period under review. As part of 2024 activities, Hensall Co-op will continue its risk assessment and determine the areas within its supply chain at risk of forced or child labour. Once these have been determined, Hensall Co-op will identify the remediation procedures that can be implemented to mitigate the risk of forced or child labour in that area of the supply chain, if any.

2.4 Remediation of Forced and Child Labour and Vulnerable Family Income Loss

Training on Bill S-211 has been provided to executive and board members during fiscal 2024. The training provided an overview of the Bill and similar laws around the world, in addition to the following:

- The definition and forms of forced and child labour,
- Examples of child and forced labour both within Canada and worldwide
- A snapshot of how modern slavery appears and the statistics of populations suffering from modern slavery around the world, and
- Common key drivers of forced and child labour include the absence of rights, lack of physical safety, poverty and inequality, criminality, and corruption, among others.

While the Executive and Board level training was completed, a training program has not yet been extended to other employees within the organization. During fiscal 2024, Hensall Co-op will develop, provide, and track the delivery of awareness training to its employees, the progress of which will be shared in the next reporting period.

3.0 Conclusion and Key Takeaways

Given that Bill S-211 is a new Act, Hensall Co-op has yet to implement or remediate the requirements of the Act. As of January 2024, Hensall Co-op has already started the remediation process and will complete most of the outstanding requirements within the remainder of the fiscal year.

Hensall Co-op will prioritize awareness training within its organization. Various tiers of training will be provided, depending on the involvement and risk of the position. Hensall Co-op will also update its policies and procedures to include provisions around forced and child labour. The assessment of its supply chain via supplier review and questionnaires sent out to vendors will continue during the fiscal year 2024.

4.0 Approval and Attestation

In accordance with the requirements of the Act and 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 regarding the Act for the reporting year listed above.



Joey Groot
Chief Operating Officer

I have the authority to bind Hensall District Cooperative, Inc., and this report covers the fiscal year 2023 and applies to Hensall District Cooperative, Inc. and its wholly-owned subsidiaries.