

# Report on the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024



# Message from the CEO

I am pleased to present Sollio Cooperative Group's first report following the federal government's May 2023 adoption of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (enacted by Bill S-211).

The purpose of this report is to provide an overview of the steps our organization currently takes to prevent and reduce the risk that forced labour or child labour is used in our activities and supply chains. The report also aims to identify improvements that could be made to meet industry best practices and adapt our policies and procedures to prevent and reduce this risk.

Founded over 100 years ago, Sollio Cooperative Group is Canada's largest agricultural cooperative with roots in Quebec. The organization uses that collective strength to carry out its mission: help feed people, ensure prosperity for farming families, and create a sustainable future for everyone.

In keeping with the values espoused by its founders, Sollio Cooperative Group adheres to the principles of mutual aid, responsibility, democracy, equality, equity, and solidarity. It also advocates ethical values such as honesty, equity, responsibility, and solidarity.

Sollio Cooperative Group proudly acts as a driving force for economic and social development rooted in rural communities thanks to its 16,000 employees, its network of cooperatives, and its three divisions—Sollio Agriculture, Olymel, and BMR Group.

Since 2019, Sollio Cooperative Group has taken a structured approach to corporate responsibility that is guided by its mission and grounded by its core values. Central to this approach is our commitment to putting people first and respecting our cooperative values. At Sollio Cooperative Group, we apply this approach every day by caring about our stakeholders, valuing local resources, meeting community expectations, and helping generate collective wealth, all with the aim of creating a sustainable future for everyone.

Forced labour and child labour are a scourge that must be combatted. As the Act states, forced labour and child labour are forms of modern slavery that violate the basic values of human dignity. They are contrary to our cooperative values. The new legislation provides an opportunity to review our policies with the aim of preventing and reducing the risk of forced or child labour being used in our activities and supply chains, both here in Canada and abroad.

This report provides an overview of Sollio Cooperative Group's activities and the steps we have taken and plan to take to prevent and reduce the risk that forced labour or child labour is used in our supply chains.

Thank you.



**Pascal Houle**

Chief Executive Officer of Sollio Cooperative Group

## Background

Sollio Cooperative Group (“Sollio,” the “organization,” the “group,” or the “cooperative”) has prepared this report as required by the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”), which came into force on January 1, 2024.

Sollio is a reporting entity under the Act as it meets the criteria of business presence and size.

As such, this report was prepared to set out the steps that Sollio has taken, is taking, and plans to take to prevent and reduce the risk of forced labour or child labour being used in its supply chains.

This report covers Sollio’s 2022–2023 fiscal year, which ended on October 28, 2023. It was prepared jointly by the organization and 19 of its subsidiaries that are subject to the Act. These entities are listed in the table below, along with a brief description of the main activities of Sollio’s three divisions.

Sollio Cooperative Group entities included in this joint report		
Divisions	Descriptions	Entities
<b>Sollio Agriculture</b>	Distribution and marketing of animal nutrition products	Entreprise Agricole AMQ S.E.C. Atlantic Farm Services Inc. Maizex Seeds Inc. Agrico Canada L.P. Sollio Agriculture Livestock Production Western Canada Ltd. Sollio Agriculture L.P. OntarioGrains.AG L.P.
<b>BMR Group</b>	Distribution and marketing of hardware products and building materials	BMR Group Inc. BMR Retail L.P. Groupe L&B S.E.N.C. Lefebvre & Benoit S.E.C. Les Distributions BMB (1985) S.E.C.
<b>Olymel</b>	Swine farming, processing and marketing of pork and poultry	Olymel L.P. OlySky L.P. ATRAHAN Transformation Inc. Olynorth Farms L.P. Pinty’s Delicious Foods Inc. OlyM L.P.

# Steps taken to prevent and reduce the risk of forced labour or child labour in Sollio's supply chains

Sollio Cooperative Group's mission is to feed the world, help farming families prosper, and ensure a sustainable future for generations to come. That mission is the guiding light for the organization's corporate responsibility strategy.

To meet the challenges it faces, Sollio has adopted numerous sound governance measures over the years. These include an ethics program aimed at creating a healthy, trustworthy business and work environment, an environmental compliance policy with sustainable development goals, an integrated risk management policy to meet the complex demands of an ever-changing world, and staff training programs.

These programs are updated on a regular basis and comply with the spirit and letter of the laws that govern the cooperative, including the values underlying the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*.

Nevertheless, the adoption of the Act spurred Sollio Cooperative Group to accelerate the review of its business practices. After the Act was passed, Sollio embarked on an extensive exercise to assess its practices and identify the risk of forced labour or child labour being used in its supply chains. The aim was to get a clear picture of the current situation and determine the steps to be taken to prevent and further reduce this risk.

The exercise helped identify a number of ways Sollio's organizational policies and business processes could be improved to fight against forced labour and child labour. Over the coming year, Sollio's divisions plan to prioritize the following:

- Develop a Sustainable Purchasing Policy that brings together principles and guidelines to guide the group's entities in evaluating and selecting products and suppliers. This policy will guide the divisions as they develop and refine their procurement policies.
- Update the integrated risk management methodology used by Sollio and its divisions to address the risk of forced labour or child labour in the group's supply chains.
- Continue to roll out the ethics reporting system across Sollio's divisions and make it available to external stakeholders.
- Integrate the requirements under the Act into staff training programs.

These and other steps are described in greater detail in section c).

## A) Structure, activities and supply chains

**Sollio Cooperative Group** is the largest Canadian agricultural cooperative with Quebec roots. It is owned by more than 120,000 members, farmers, and consumers across 48 traditional agricultural and consumer cooperatives. These cooperatives are well established in their respective communities and contribute to Sollio's strength and stability. Sollio's role is to help its member cooperatives achieve business success, fulfill their missions, and strengthen local economies.

The daily tasks of growing, rearing, farming, and processing—and building the economy of tomorrow—have been in Sollio's DNA since 1922. That's just as true for the cooperative's 16,000 employees today.

Sollio operates through three divisions: Sollio Agriculture, Sollio Retail (under the BMR Group banner), and Sollio Food (under the Olymel banner). All three work toward the same goal of ensuring the prosperity and long-term success of the cooperative's members.

### Sollio Agriculture

Sollio Agriculture is a Canadian leader in the agriculture industry. It specializes in supplying farm inputs and providing value-added services that benefit farmers, cooperatives and partners.

Sollio Agriculture supplies the Agrocentre, Agrico and Agromart distribution networks and cooperatives in the Sollio network in Québec and the Atlantic provinces. It produces and markets Maizex Seeds, as well as F. Ménard animal feed products.

With approximately 355 sites across Canada (retailers, feed mills, grain elevators, terminals, poultry farms, hatcheries, research farms), Sollio Agriculture is Canada's largest agricultural network. It benefits from having three sectors that work in synergy: Livestock Production, Crop Production and Grain.

Sollio Agriculture's sales for the fiscal year ended October 28, 2023, totalled \$2.8 billion. Approximately 98% of Sollio Agriculture's products are sold in Canada, with the remainder exported to the United States.

Sollio Agriculture purchases most of its farm inputs (fertilizer and grain) from Canadian suppliers, but also from abroad. Imports are primarily from the United States, Europe (France, Germany, Belgium, the Netherlands), Asia (China, Malaysia), North Africa (Morocco, Algeria), the Middle East, Lithuania, Turkmenistan, and Trinidad.

### Groupe BMR

BMR Group is Québec's leading distributor and marketer of hardware, renovation and retail products, and building materials.

BMR Group has nearly 300 renovation centres and hardware stores in Québec, Ontario and the Maritime provinces. It operates under the BMR, Agrizone, Potvin & Bouchard, and Lefebvre & Benoit banners.

BMR's products are sold exclusively in Canada. Its sales for fiscal year 2022–2023 totalled \$1.5 billion.

BMR Group sources most of its goods from Canadian suppliers and imports few goods from abroad. Imported goods mainly come from Asia (China), Europe (Germany, Portugal and France) and Turkey.

### Olymel

Olymel is a Canadian leader in the production, processing and distribution of pork and poultry. Olymel's products are made in Canada and approximately 60% of them are exported.

Olymel has 23 facilities (slaughterhouses, farms, farrowing facilities, etc.), distribution centres, and offices in Canada. Olymel's production and processing facilities are located in Québec, New Brunswick, Ontario, Saskatchewan, and Alberta. Olymel primarily markets its products under the Olymel, Lafleur, Flamingo, La Fernandière, Pinty's, Tour Eiffel, F. Ménard, Chef Georges, Bilopage, and La Belle Bretagne brands. Its sales for fiscal year 2022–2023 totalled \$4.7 billion.

Olymel does not import any products from outside Canada.

## B - Policies and due diligence processes

Sollio Cooperative Group has policies and due diligence processes in place to provide a framework for supplier and business partner relationships that helps keep them healthy, harmonious, respectful, and mutually beneficial.

Some of Sollio's divisions, particularly BMR Group, have adopted policies and procedures such as commercial agreements and a supplier code of conduct to mitigate the risk of forced labour or child labour being used in their supply chains, while others are drawing up roadmaps with the steps they plan to take in the short, medium and long term to fight against forced labour and child labour.

The following section provides an overview of the steps each Sollio division has taken, is taking, and plans to take to prevent and reduce the risk of forced labour or child labour. Some of these are common to all three Sollio divisions, while others are specific to each division.

### Steps common to all Sollio divisions

Sollio's divisions already have a number of steps in place to mitigate the risk of forced labour or child labour in their supply chains. These include:

- **Ethics reporting system**

Sollio Cooperative Group and its divisions use ClearView Connects, an independent ethics reporting service, to promote a safe and healthy work environment. Employees can use this system to safely and anonymously raise concerns or report unethical behaviour.

They can report issues such as violations of the law and raise concerns about health, safety, and the environment.

- **Employee code of conduct**

Sollio has introduced a code of conduct for its employees, a reference tool that includes the mutual commitments between the organization and its employees. The purpose of this tool is to facilitate the work of employees, guide their decision-making, and support the expression of Sollio's values.

**Sollio's divisions will take further steps in the short and medium term. These include:**

- **Sustainable Purchasing Policy**

One of the actions set out in Sollio's corporate responsibility policy is to develop and implement a Sustainable and Cooperative Procurement Policy that provides principles and guidelines to guide the group's entities in evaluating and selecting products and suppliers. The policy, which will be developed by the parent company, will provide Sollio's wholly owned entities with direction and guidance and will serve as a reference guide for entities in which Sollio has a majority share as they develop their procurement policies.

- **Supplier codes of conduct**

Each Sollio division plans to develop a supplier code of conduct that include references to forced labour and child labour or amend their existing one to include such references. The codes will apply to both Canadian and foreign suppliers.

## Sollio Agriculture

- **Strategic suppliers**

Sollio Agriculture's approach is to develop partnerships with its strategic suppliers. To this end, it plans to develop a supplier management governance structure with an initial group of around half of its suppliers over the coming year. The governance system will allow Sollio Agriculture to closely monitor supplier compliance with the Act's terms.

- **Procurement policy**

Sollio Agriculture has already developed a strategic procure-

ment policy, which is expected to be in place by the end of the 2024 fiscal year. Although this policy explicitly states the need to respect human rights and labour rights, the supplier code of conduct included in the policy will be expanded to specify that human rights and labour rights include freedom from forced labour and child labour.

- **Ethics reporting system**

As mentioned above, Sollio Cooperative Group and its divisions use ClearView Connects, an ethics reporting service, to promote a safe and healthy work environment. Sollio Agriculture plans to make the service available to all external stakeholders.

## BMR Group

- **ARENA agreement**

LBMR Group has signed an agreement with ARENA, a human rights certification organization. The agreement covers some of the products imported by BMR Group. ARENA has indicated that it plans to extend the certification to other countries.

ARENA is also a member of the Business Social Compliance Initiative (BSCI), an international organization that aims to improve working conditions throughout supply chains. BSCI members and affiliates, including BMR Group, commit to a code of conduct based on the principles set out by a number of international organizations, including the International Labour Organization and the United Nations (Universal Declaration of Human Rights).

- **The Independent Lumber Dealers Co-operative (ILDC)**

BMR Group joined the ILDC, a buying cooperative, a few years ago. Since December 14, all suppliers of products to ILDC member companies must confirm that their activities comply with the provisions of the Act on forced labour and child labour.

## Olymel

- **Integrated sustainable development program**

When establishing relations with business partners, Olymel plans to emphasize the importance of respecting environmental, social and governance (ESG) principles in order to ensure a sustainable and responsible business relationship. To systematize this process, Olymel recently completed a materiality analysis to get the views of its stakeholders on ESG issues relevant to the organization, including the concept of responsible procurement. The issues are reflected in a supplier code of conduct currently being developed and in an action plan already in place to monitor progress on all ESG issues relevant to Olymel.

- **Foreign worker recruitment**

Olymel uses foreign workers in its facilities due to the challenges of recruiting labour. To create a healthy and respectful work environment, Olymel has taken steps to collect information about the recruitment of workers and has put control measures in place to ensure that all workers recruited have given their consent. Olymel has also developed a complaint mechanism.

## C - Forced labour and child labour risks

Sollio Cooperative Group recognizes that there is an inherent risk of labour exploitation in supply chains in several countries, particularly in the agriculture, food and retail sectors, at all levels of the supply chain, from production and processing to packaging and shipping. The breadth and diversity of Sollio's supply networks means that these risks are relevant to Sollio. The organization also recognizes that it has an opportunity to help drive positive change in the communities where it operates.

Sollio Cooperative Group has an integrated risk management policy to identify, assess and manage the risks associated with the organization's various activities. The policy covers all types of risk: strategic, operational, and financial, as well as risks related to human resources, disclosure of sensitive personal information, reputation, and regulatory compliance. The policy applies to the parent company and its three divisions (Sollio Agriculture, BMR Group and Olymel). It was approved by the Board of Directors and is updated periodically as required. Every six months, the CEOs of Sollio and of the three divisions report to the Board of Directors on changes in significant risks and action plans.

As part of this analysis, Sollio's risk management team identified several risks related to forced labour and child labour. These risks will be addressed in the Sustainable Purchasing Policy. They include:

- The risk of forced labour in Sollio's facilities (plants, farms, hatcheries, distribution centres, and remote offices)
- The risk associated with hiring foreign workers to work in Sollio facilities, whether the hiring is done by the entities themselves or by recruitment agencies
- The risk of forced labour or child labour being used by Sollio's Canadian suppliers
- The risk of forced labour or child labour being used by Sollio's foreign suppliers, particularly in the most vulnerable countries

For each of these risks, the risk level and the risk trend will be identified, and action plans to mitigate each risk will be developed. The plans may include steps to reduce the risk of forced labour or child labour; measures to remediate any loss of income to vulnerable families resulting from any action Sollio might take to eliminate the use of forced labour or child labour; a training program for employees and managers, particularly those who make contracting and purchasing decisions; and tools to assess the effectiveness of the steps the cooperative is considering.

Each of Sollio's three divisions also intends to draw up a roadmap with the steps it plans to take in the short, medium and long term to fight against forced labour and child labour in its activities and supply chains.

That said, given the policies and measures already in place within Sollio's divisions to identify the use of forced labour or child labour, the long-standing business relationships with many of its suppliers, and the experience and work ethic of its managers, Sollio believes, based on its best judgment, that the risk of forced labour or child labour in its activities and supply chains in Canada and abroad is:

- Low for BMR Group and Olymel, since they produce their goods exclusively or almost exclusively in Canada and import relatively few or no products from abroad
- Moderate for Sollio Agriculture, which operates primarily in the more vulnerable agriculture sector and has business relationships in a number of countries around the world

In addition, no Sollio manager or staff member has observed forced labour or child labour on the cooperative's premises or on the premises of its suppliers and business partners, and no cases of forced labour or child labour have been brought to their attention.

## D - Remediation measures

The cooperative has taken measures to identify cases of forced labour or child labour. However, in order to systematize the risk identification and assessment process, Sollio will develop a roadmap listing the risks of forced labour or child labour that the organization could face. The roadmap will include remediation measures to be taken if any case of forced labour or child labour is identified.

## E - Remediation of loss of income

No measures have been taken to remediate any loss of income, since the mechanisms to accurately identify cases of forced labour or child labour are not currently in place. The roadmap to be developed will include, where appropriate, measures to remediate any loss of income to the most vulnerable families resulting from any action Sollio might take to eliminate the use of forced labour or child labour on the premises of any of its suppliers.

## F - Training

Sollio Cooperative Group's board and some members of its staff directly affected by this issue have been informed about the Act's requirements and the cooperative's resulting obligations. In the medium term, Sollio intends to develop a training and awareness plan that focuses on forced labour and child labour.

Some of Sollio's divisions already hold information sessions for new employees, covering topics such as the company's history, mission, and values, the occupational health and safety rules that apply to their place of work, and the assistance and integration programs available in their area.

Sollio Cooperative Group already has a program on its ethics and values to create a healthy, value-creating and trustworthy work environment, which includes an employee code of conduct and an anonymous and confidential reporting system.

## G - Assessing effectiveness

Sollio Cooperative Group is in the process of developing mechanisms for fighting against forced labour and child labour within the organization. Consequently, there is currently no tool in place to assess the effectiveness of Sollio's efforts on this matter.

The roadmap will include an effectiveness assessment tool for monitoring and measuring progress in the fight against forced labour and child labour within the cooperative.

## Attestation

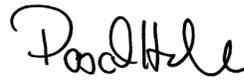
This report has been approved by the Board of Directors of Sollio Cooperative Group.

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.

**Pascal Houle**

Chief Executive Officer of Sollio Cooperative Group

May 31, 2024



*I have authority to bind Sollio Cooperative Group.*



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