

Federated Co-operatives Limited



Forced Labour in Canadian Supply Chains

Federated Co-operatives Limited

Updated January 2025



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Introduction

This report is Federated Co-operative Limited's (FCL) 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 October 31, 2024. The reporting entities covered by this statement are FCL, business number 10175 5007 and all FCL-owned legal entities including the Co-op Refinery Complex (CRC) business number 10112 6431 and Co-op Ethanol Complex (CEC) (102078290 Saskatchewan Ltd.) business number 79313 3331.

For the purposes of the Act, FCL meets the entity definition by having a business in Canada, doing business in Canada and meeting all three threshold criteria for revenue, assets and employees. FCL is subject to reporting obligations under the Act by producing goods in Canada and importing goods produced outside Canada. FCL is incorporated federally under the *Canada Cooperatives Act* and is obligated to submit a report to the Minister of Public Safety and provide a public report in response to the Act by May 31, 2025. FCL will provide this report to its members alongside the financial statements for the current reporting year.

FCL 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, FCL 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](#).

Guided by core values of integrity, excellence and responsibility, FCL is committed to making ethical business decisions and taking proactive measures to address issues such as forced and child labour.

1. Structure, Activities and Supply Chain

Structure

Based in Saskatoon, Saskatchewan, FCL is a co-operative that is owned by more than 150 independent retail co-operatives (local Co-ops) from across Western Canada, which are in turn, owned by more than two million individual members in Western Canada. Together FCL and the local Co-ops make up the Co-operative Retailing System (CRS), which helps build, feed and fuel individuals and communities from Vancouver Island to Northwestern Ontario and into the Arctic. The CRS is committed to embracing the co-operative model through local investment, community mindedness, care for the environment and lifetime membership benefits. FCL's mission is to provide responsible, innovative leadership and support to the CRS for the benefit of members, employees and Western Canadian communities.



Activities

FCL's business is largely business-to-business, focusing on serving independent local Co-ops. FCL's core industries include manufacturing, wholesale and retail trade and transportation and warehousing in the energy, food, home and building supplies and agriculture business lines.

Wholesale and Retail Trade

FCL sources and distributes products across many primary consumer and business lines to the 150+ local Co-ops with 1600+ retail locations in more than 650 communities across Western Canada, including food, home and building supplies, crop inputs, agricultural equipment, livestock feed, propane, lubricants and petroleum. These products are purchased 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 Grocery People (TGP) is a unit of FCL that delivers fresh groceries to independent and corporate retail stores, restaurants and other food establishments across Western Canada.

Manufacturing

The [Co-op Refinery Complex](#) (CRC) in Regina, Sask., has the capacity to process 130,000 barrels of crude oil per day. The [Co-op Ethanol Complex \(CEC\)](#) annually produces up to 150 million litres of ethanol from purchased grains, primarily wheat and other starch-rich crops, which are blended into Co-op Fuels at the CRC. Co-op Premium Lubricants, such as diesel motor oils and transmission fluid, are blended in Western Canada for wholesale distribution across the CRS.

FCL is a member of [Interprovincial Cooperative Limited](#) (IPCO), which provides expert support in the formulation and repackaging of crop-protection products. FCL operates three feed plants located in Calgary, Alta., Moosomin, Sask. and Saskatoon, Sask. Through feed plants, FCL manufactures animal feed and pet food for sale within the CRS.

Transportation and Warehousing

FCL has four food distribution centres (DC) including Saskatoon, Sask., Winnipeg, Man., Edmonton and Calgary, Alta., as well as one home and building DC in Calgary, Alta. FCL fertilizer terminals, located in Brandon, Man., Hanley, Sask. and Grassy Lake, Alta., warehouse, blend and distribute crop nutrition products for local Co-ops and their members. FCL stores and distributes fuel from the CRC in Regina, Sask. to terminals in Carseland, Alta. and Ashcroft, B.C. enabling fuel distribution across the CRS and into many Western Canadian communities. FCL also owns and maintains a trucking fleet that distributes fuel, food, and home and building supplies across the CRS.



Administrative Support

FCL provides IT infrastructure support, accounting services, risk management services, human resources support, recruitment and ongoing employee training. FCL assists with planning and developing capital construction projects.

Marketing Support

FCL provides comprehensive marketing support across all major business lines, including centralized and regional campaigns, point-of-sale promotions, centralized flyers, content marketing and digital marketing services. FCL also provides market research analysis to identify consumer needs and perceptions and to determine the viability of new programs and services.

Supply Chain

FCL’s supply chain is comprised of products that are manufactured by FCL legally owned entities and products sourced for resale.

Table 1. Manufacturing

| CATEGORY | DESCRIPTION | LOCATION |
|--------------------|--|--|
| AGRICULTURE | FCL operates three feed mills that manufacture animal feed and pet food. | The feed mills are in Saskatoon and Moosomin, Sask. and Calgary, Alta. |
| ENERGY | CRC and CEC manufacture petroleum and ethanol products in Saskatchewan | CRC is in Regina, Sask. and CEC is located near Belle Plaine, Sask. |

Table 2. Wholesale and Retail Trade: Products Sourced for Resale

| CATEGORY | DESCRIPTION |
|-----------------------------------|--|
| AGRICULTURE | Agricultural equipment, crop protection products, fertilizer and feed |
| ENERGY | Fuel and lubricants |
| FOOD | Wholesaler to support food stores, convenience stores, liquor and pharmacy and Co-op private label food products |
| HOME AND BUILDING SUPPLIES | Wholesaler and private label products (hardware, lumber, building materials, tools, paint, seasonal, plumbing and electrical products) |



2. Policies and Due Diligence Processes in Relation to Forced and Child Labour

Internal

FCL maintains Compliance and Ethics policies to which all employees must adhere, confirmed through an annual Code of Conduct attestation. In 2024, FCL updated the Code of Conduct training module to include information regarding forced and child labour. All FCL employees are required to attest they understand FCL's commitment to addressing forced and child labour in the supply chain and commit to reporting any law or policy violations they may witness. FCL 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.

In 2024, FCL updated the Procurement Policy to include a social responsibility assurance process. This policy states FCL employees must complete Module 1- General Training on Forced and Child Labour if they are involved in activities related to the acquisition of goods and services on behalf of FCL and those performed by FCL on behalf of the CRS.

In 2024, FCL initiated an update to the Employment Policy to affirm that the Canadian Labour Code and respective Provincial Labour Standards are abided by. Further, the updated policy states that all employees must be hired voluntarily and under no circumstances will FCL engage in or support the use of forced labour, whether through coercion, threats or any form of intimidation. Under no circumstances will the youth employment standards of the respective province of employment be violated, including age restrictions, working hours and conditions of employment. While these employment practices have always been upheld by FCL, including this language in policy affirms FCL's commitment to ethical employment standards. The updated Employment Policy will take effect in 2025.

Suppliers

In 2024, FCL developed a Supplier Certification, which is to be completed by all national brand food suppliers. This certificate confirms:

- A. Their commitment to maintaining diligent oversight within their operations and supply chain to identify and prevent instances of child labour or forced labour,
- B. Their acknowledgment of the absence of such labour practices in their operations or supply chain concerning goods supplied to FCL,



- C. Their agreement to promptly inform FCL of any instance of child labor or forced labour, and
- D. Their commitment to taking appropriate remedial action if child labour or forced labour practices are discovered within their organization or supply chain.

The completion rate of the Supplier Certification is tracked as a performance indicator and used to assess efficacy of actions regarding forced and child labour undertaken through the fiscal year. The Supplier Certification was implemented in the fourth quarter of fiscal year 2024 and response rates from suppliers have been limited.

Additionally, FCL has a Social Responsibility Agreement with food and home and building suppliers. These agreements ensure that private label suppliers uphold responsible sourcing practices by offering fair wages, reasonable working hours and a safe, clean and healthy workplace. They also confirm adherence to fundamental human rights principles, prohibiting the use of forced, prison or child labor.

Supplier completion of Social Responsibility agreements is tracked by FCL representatives from food and home and building teams. Adoption strategies will be considered for unsatisfactory completion rates. FCL has a long tradition of [sourcing local products and supporting local businesses](#). FCL suppliers offer a high standard of service, quality products and share our values of integrity, excellence and responsibility. Outlined below are the policies and due diligence processes FCL has embedded to reduce the risk of forced and child labour in their supply chain.

In 2022, FCL launched the Care for the Environment brand attribute, which focuses on purchasing responsibly, promoting regeneration, reducing emissions and eliminating waste. Sustainable and [responsible product purchasing](#) is one of the many guiding aspects that help FCL define what products to introduce to the CRS. FCL strives to collaborate with suppliers to understand their environmental and social performance and identify future supply chain opportunities across all business lines.

FCL launched a [Sustainable Seafood Policy](#) in 2010. At that time, only 60 per cent of fish and seafood products were harvested from sustainable sources. After several years of focused effort, FCL is proud to be procuring more than 90 per cent of all fish and seafood from sustainable sources today.

FCL has actively engaged in initiatives to combat forced and child labour and promote ethical practices such as sourcing 109 certified fair-trade products including a [Co-operative Coffee](#) line and [fair trade chocolate](#).



In 2024, FCL continued its involvement with the Retail Council of Canada (RCC) Responsible Sourcing Committee, collaborating with prominent Canadian companies in the retail sector. RCC's Responsible Sourcing Committee enables FCL to stay apprised of current issues and emerging trends related to responsible sourcing and to gain insights and learn best practices from leaders in the field.

3. Identification of Risks

FCL has mapped a portion of their supply chain activities to identify product shipping location and country of origin. Results of supply chain mapping activities are shown in Figure 1, below.

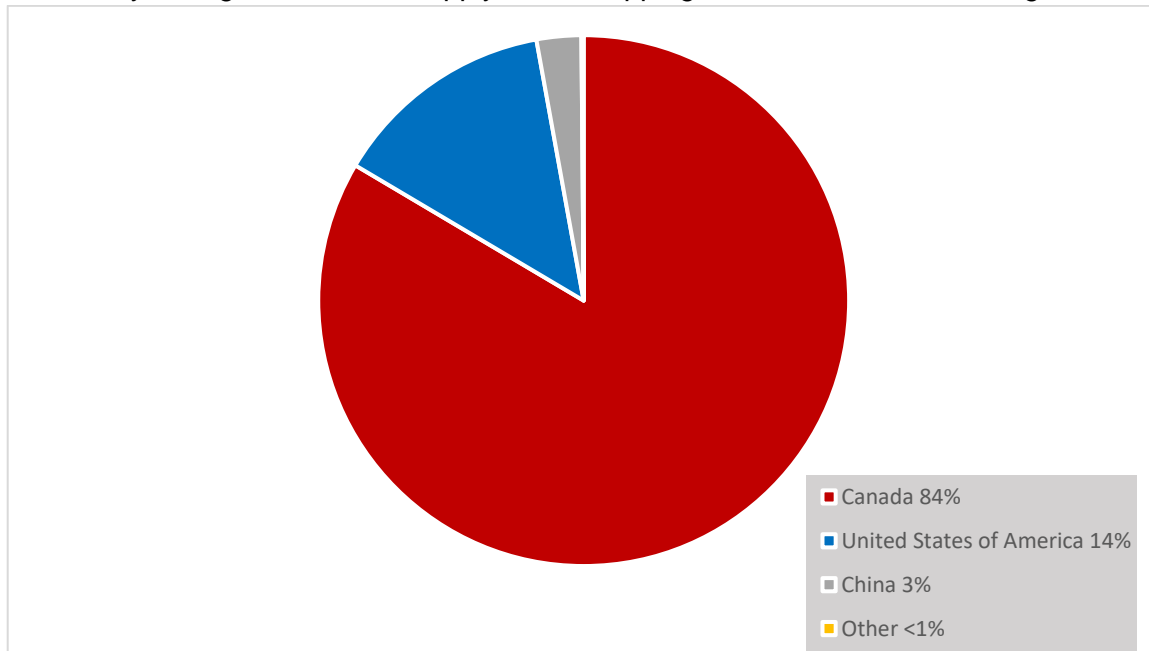


Figure 1. Total spend by country in fiscal year 2024 on goods for resale within the consumer goods lines of food, convenience stores, pharmacy, and home and building supplies.

Figure 1 represents the countries of origin for goods for resale within consumer goods lines of food, convenience stores, pharmacy (nonprescription), crop protection, seed, agricultural equipment and home and building supplies. In cases where FCL is responsible for importation into Canada, the country of origin is based on the vendor's country of export. Where FCL is responsible for inbound transportation, but not for import, the country of origin is based on pickup location from the vendor. If FCL is not responsible for importation or inbound transportation, the country of origin is based on the vendor's financial address as FCL does not currently have visibility into where direct suppliers procure from or manufacture. Note that in Figure 1, goods originating from the Hong Kong region of China are included in the total spend for China. Included in the 'other' section are the countries of Italy, Vietnam, Thailand



and Switzerland.

FCL has seven main categories of goods for resale, which include food (vegetables and fruit, whole grain and whole wheat, protein, beverages and other), agriculture, energy, pharmaceuticals, liquor, fuel and home and building supplies.

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](#), FCL has conducted an initial risk assessment of the primary food categories and identified inherent risks of forced and/or child labour: 1) protein foods (specifically seafood); 2) beverages (specifically coffee); and 3) other (specifically chocolate). To mitigate the inherent risks with these food types, FCL has implemented the following policies, procedures and management oversight controls:

- National brand food suppliers: Supplier Certification which requires suppliers to affirm their commitment to mitigating forced and child labour in their operations and supply chains.
- Private label food and home and building suppliers: Social Responsibility agreement which 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. This agreement was implemented in 2014 and expanded upon following a supply chain risk assessment in 2019, which was conducted over eight different products: beef, chicken, tomatoes, strawberries, bananas, wheat, soy and plastic packaging.
- Seafood: Sustainable Seafood Policy which requires purchasers to consider social and environmental factors when selecting suppliers. This policy explicitly prohibits suppliers from using forced labour.
- Coffee and chocolate: Strategy to purchase direct from producers or fair-trade-certified products which aligns with ethical sourcing practices for procurement of coffee and chocolate. Focused efforts on ethical sourcing of coffee and supporting [coffee co-operatives](#) in South America and roasting efforts in British Columbia, Canada.

Key suppliers of FCL's home and building supplies manufacture goods in China. Using the same indices to assess supply chain risk, China has been identified as a [high inherent risk country](#) for forced and/or child labour. FCL has elected to avoid sourcing home and building supplies from certain regions of China, such as the [Uyghur Region](#) due to the elevated risk of forced and child labour. FCL has required key suppliers to sign a Social Responsibility Agreement. In 2024 employees in the FCL home and building supplies team travelled overseas for factory visitations, where they conducted informal auditing and monitoring of 40 selected suppliers. No incidences of forced or child labour were observed.



Within the agricultural business line, FCL sources 100 per cent of potash and sulphate products from Canadian producers which would be considered a low risk for forced and child labour. Further, 85 per cent of urea is sourced from Canadian producers, 9 per cent from North American producers outside of Canada, and the remaining 6 per cent from international import sources outside of North America. Urea, like fertilizer in general, is not considered an at-risk good for forced and/or child labour. Only 6 per cent of urea purchased by FCL is sourced from unknown international producers, reinforcing its classification as a low-risk good for FCL.

FCL does not currently have a centralized supply chain auditing or monitoring program in place.

4. Remediation of Forced and Child Labour

FCL has taken action to remediate potential risks of forced and child labour through deployment of the policies and procedures outlined in Section 2 of the report. In the future, FCL will explore opportunities to increase auditing and monitoring of suppliers to reduce the risk of forced and child labour. If specific incidents of forced and child labour are identified, FCL will work with suppliers to determine and implement remedial action.

5. Remediation of Loss of Income

FCL has not identified any instances of child or forced labour in operations or supply chains; therefore, no measures have been taken to remediate the loss of income to vulnerable families.

6. Employee Training

Annual training and attestation are currently required for all employees to ensure compliance with FCL'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 FCL Board of Directors, the Senior Leadership Team and all current and new employees. In 2024, FCL incorporated human rights awareness training into the annual Code of Conduct attestation to create awareness regarding the risks of forced and child labour in the supply chain.

In 2024, mandatory training on forced and child labour for all FCL employees was developed by FCL's internal Learning and Development department. This training educates employees



on what forced and child labour is, its prevalence in the global economy, and the sectors FCL operates in. Further, the training highlights FCL's responsibility in addressing forced and child labour and equips employees with information on what to do if they suspect forced or child labour is occurring in FCL's supply chain. In addition, FCL is exploring opportunities to provide role specific training to further educate team members that are directly making contracting or purchasing decisions and help them identify and respond to risks of child and forced labour in supply chains. These opportunities will be evaluated through fiscal year 2025.

7. Efficacy of Actions

FCL conducted its annual review of current policies and procedures as they pertain to child and forced labour to ensure alignment with its ambitions to reduce these practices. In 2024, FCL began tracking the efficacy of actions through relevant performance indicators, including completion rates for FCL's mandatory forced and child labour training, number of food and home and building suppliers signing the Social Responsibility Agreement, number of food suppliers signing the Supplier Certification and percent of fish and seafood sourced from sustainable sources. Relevant performance indicators will be tracked annually to measure year over year progress.



8. 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.

A handwritten signature in black ink, appearing to be "Sheldon Stener", written over a horizontal line.

Full name: Sheldon Stener

Title: General Counsel & Corporate Secretary

Date: February 26, 2025

I have the authority to bind 'Federated Co-operatives Limited and all FCL-owned legal entities including the Co-op Refinery Complex (CRC), and Co-op Ethanol Complex (CEC).' The Statement has been reviewed and approved by the FCL Board on behalf of itself and FCL-owned legal entities including the Co-op Refinery Complex (CRC) and Co-op Ethanol Complex (CEC).