

Fighting Against Forced Labour and Child Labour in Supply Chains Act Compliance Plan for Red Apple Stores ULC

FOR THE FISCAL YEAR ENDED JANUARY 27, 2024

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1. Introduction

This report is prepared in compliance with The Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”). It details Red Apple Stores ULC's comprehensive strategy and actions to adhere to the Act, emphasizing our efforts to prevent and address forced labour and child labour within our supply chains. The report covers the fiscal year ending January 27, 2024, and provides insights into our policies, practices, and commitments to uphold human rights standards throughout our operations and supply chains.

2. Our Commitment to Human Rights

Red Apple Stores ULC is committed to upholding the highest standards of human rights in all aspects of our business. We strive to ensure that our operations and supply chains are free from forced and child labour. This commitment is embedded in our corporate policies, supplier engagements, and risk management frameworks.

Key Principles:

- **Respect for Human Dignity:** Ensuring the dignity, safety, and wellbeing of all workers in our supply chain.
- **Zero Tolerance:** Strictly prohibiting any form of forced or child labour.
- **Transparency:** Maintaining openness in our practices and reporting mechanisms.
- **Continuous Improvement:** Regularly reviewing and enhancing our policies and procedures to address evolving risks.

3. Steps Taken to Prevent Forced and Child Labour

In the past fiscal year, Red Apple Stores ULC has taken several specific steps to prevent and mitigate the risks of forced and child labour in our supply chains, including:

- **Updated Vendor Guidelines:** Revised our Vendor Code of Conduct to reflect our policies against child and forced labour. This updated guide is now a mandatory compliance requirement for all our suppliers and partners.
- **Improved Reporting Channels:** Enhanced our confidential reporting channels for employees, suppliers, and stakeholders to report any unethical practices. Reports can now be submitted via email at compliance@redapplestores.com, ensuring accessibility and anonymity.
- **Vendor Intake Training:** Implemented comprehensive training programs for our team, focusing on strong intake procedures when adding new vendors to our business. This training ensures that all new vendors are thoroughly vetted and comply with our ethical standards.
- **Communication with Intermediaries:** As the majority of our business transactions are conducted through third-party distributors or wholesalers rather than directly with manufacturers, we have communicated our guidelines to these intermediaries. We expect them to ensure their manufacturers and suppliers adhere to our standards.

4. Our Structure, Activities, and Supply Chain

Red Apple Stores ULC is a leading Canadian value retailer with 142 locations across Canada. Our diverse workforce and extensive supply chain network are integral to our operations. We source products from a wide range of suppliers, both domestically and internationally, to provide our customers with affordable and quality merchandise.

Our Supply Chain Overview:

1. Domestic and International Sourcing:

- **Domestic Suppliers:** Approximately 90% of our products are sourced from suppliers within Canada. These include local manufacturers, wholesalers, and distributors who provide various goods ranging from consumables to seasonal items. This also includes products imported and manufactured locally.
- **International Suppliers:** The remaining 10% of our products are sourced from international suppliers. As the majority of our business transactions are conducted through third-party distributors or wholesalers rather than directly with manufacturers, we rely on these intermediaries to ensure compliance with our ethical standards.

2. Supplier Tiers:

- **Tier 1 Suppliers:** Direct suppliers who manufacture and provide products directly to Red Apple Stores ULC. These suppliers are critical as they directly impact the quality and ethical standards of our products.
- **Tier 2 Suppliers:** Indirect suppliers or intermediaries who source products from other manufacturers. These intermediaries play a significant role in our supply chain, especially for products that require specialized production processes.

3. Product Categories:

- **General Merchandise:** Includes household items, kitchenware, toys, and other everyday essentials.
- **Consumables:** Food items, beverages, and other perishable goods.
- **Seasonal Items:** Products related to holidays, special occasions, and changing seasons, such as decorations, costumes, and gifts.
- **Special Items:** Tobacco, lottery tickets, phone cards, and gift cards.

4. Geographic Spread:

- **Asia:** A significant portion of our products is sourced from Asia, with China being the largest contributor. We also have suppliers in India, Vietnam, Bangladesh, and other countries known for manufacturing expertise.

- **North America:** Apart from Canada, we source a considerable volume of products from the United States, leveraging the proximity and established trade relationships.
- **Other Regions:** To diversify our supply chain, we also engage suppliers from Europe, ensuring a broad and balanced supply base.

5. **Supplier Relationships:**

- **Long-term Partnerships:** We prioritize building long-term relationships with our suppliers to foster trust, reliability, and mutual growth. These partnerships allow us to work closely with suppliers to improve quality and address any ethical concerns.
- **Regular Audits and Assessments:** Mostly our distributors/suppliers and a limited number of manufacturers that we work with undergo audits to ensure compliance with our ethical standards.

6. **Risk Management:**

- **Risk Mapping:** We conduct risk mapping exercises to identify and mitigate potential risks related to forced and child labour in our supply chain. This involves analyzing data from various sources, including global indices and reports from human rights organizations.
- **Mitigation Strategies:** Due to our business model, we continue to follow up with our distributors/suppliers to ensure compliance with our ethical standards.

7. **Ethical Sourcing Initiatives:**

- **Sustainable Practices:** Encouraging suppliers to adopt sustainable practices that minimize environmental impact and promote fair labour practices.
- **Expectation of Compliance:** Expecting all suppliers, especially third-party distributors and wholesalers, to have programs in place to ensure their manufacturers adhere to ethical labour practices and standards.

8. **Transparency and Accountability:**

- **Supplier Transparency:** Maintaining transparency in our supply chain operations by regularly updating stakeholders on our sourcing practices and supplier relationships.
- **Accountability Measures:** Holding suppliers accountable through contractual obligations, regular monitoring, and swift action in case of non-compliance with our ethical standards.

Supply Chain Management Tools:

- **Supplier Onboarding Process:** A thorough vetting process for new suppliers, including background checks, ethical compliance assessments, and capability evaluations.
- **Digital Supply Chain Management:** Utilizing advanced software tools to track and manage supply chain activities, ensuring real-time visibility and efficient operations.

Red Apple Stores ULC is committed to continuously improving our supply chain management practices to ensure that all products we offer are sourced responsibly and ethically. By fostering strong supplier relationships, implementing effective risk management strategies, and promoting transparency, we aim to uphold the highest standards of human rights and labour practices across our supply chain.

5. Risks of Forced and Child Labour in Our Operations and Supply Chain

Red Apple Stores ULC recognizes that the risks of forced and child labour vary across our supply chain. We assess these risks based on factors such as geographic location, industry sector, and specific supplier practices. Our primary risk assessment tools include:

- **Country Risk Assessment:** Evaluating the occurrence of forced and child labor in the countries where our suppliers operate. This includes examining reports from credible sources like the Global Slavery Index and various government agencies.
- **Industry Risk Assessment:** Identifying high-risk industries and sectors within our supply chain, such as apparel and electronics, which are known for higher incidences of labour violations.
- **Supplier Risk Profiling:** Conducting detailed risk assessments of individual suppliers based on their practices, compliance history, and third-party audit results.

Risk Mitigation Strategies:

- **High-Risk Supplier Focus:** Prioritizing engagement and audits with suppliers located in high-risk regions.
- **Product-Specific Assessments:** Applying additional scrutiny to products from industries with known labour risks.
- **Third-Party Partnerships:** Collaborating with NGOs and third-party auditors to gain deeper insights into high-risk areas.

Parts of Business and Supply Chains at Risk:

- **High-Risk Regions:** Suppliers in countries with a higher prevalence of forced and child labour.
- **High-Risk Industries:** Sectors such as apparel and electronics, which are more prone to labour violations.
- **Indirect Suppliers:** Working through third-party distributors and wholesalers who may have less direct control over manufacturing practices.

Steps to Assess and Manage Risk:

- **Communication of Guidelines:** Ensuring that our ethical standards are communicated to all intermediaries, who in turn ensure compliance down the supply chain.
- **Regular Audits:** Conducting regular audits to assess compliance and address any identified issues.
- **Enhanced Reporting Mechanisms:** Providing confidential channels for reporting unethical practices, ensuring prompt and effective responses.

6. Our Policies and Due Diligence Processes

Red Apple Stores ULC has established robust policies and due diligence processes to address the risks of forced and child labour. These include:

- **Code of Conduct:** Our Code of Conduct outlines our commitment to human rights and ethical business practices. All employees must annually reaffirm their understanding and commitment to these principles.
- **Vendor Code of Conduct:** Sets forth our expectations for suppliers, including the prohibition of forced and child labour. Suppliers must agree to these standards as a condition of doing business with us.
- **Contractual Obligations:** All supplier contracts include specific clauses prohibiting forced and child labour. Non-compliance can lead to contract termination.
- **Due Diligence Procedures:** Regular assessments and audits of suppliers to ensure compliance with our standards. This includes initial screenings for new suppliers and periodic reviews of existing suppliers.

Detailed Due Diligence Process:

- **Initial Supplier Screening:** Comprehensive evaluation of new suppliers based on their labour practices and compliance history.
- **Ongoing Monitoring:** Continuous monitoring of suppliers through audits, and regular communication.
- **Corrective Action Plans:** Development and implementation of corrective action plans for suppliers found to be non-compliant.

7. Monitoring and Auditing

As the majority of our business transactions are conducted through third-party distributors or wholesalers rather than directly with manufacturers, we expect third-party distributors or wholesalers to have these completed and have them available for our internal audits. We have communicated our guidelines to these intermediaries, and we expect them to ensure their manufacturers and suppliers adhere to our standards. This expectation is reinforced through our regular audits and assessments, where we emphasize the importance of compliance with our ethical standards.

We have implemented a comprehensive monitoring and auditing system to ensure our suppliers adhere to our human rights standards. This system includes:

- **Regular Audits:** We expect our third-party distributors and wholesalers to conduct regular audits of their manufacturers and suppliers. These audits should cover working conditions, wage compliance, and adherence to our Vendor Code of Conduct.
- **Third-Party Audits:** We encourage third-party distributors and wholesalers to engage independent auditors for thorough assessments of high-risk suppliers. Third-party audits provide an unbiased evaluation of supplier practices.
- **Continuous Monitoring:** We expect ongoing monitoring of supplier practices and corrective action plans for any identified issues. This includes regular validation from our side to ensure continuous improvement.

Audit Process:

- **Audit Preparation:** We communicate our audit criteria and expectations to third-party distributors and wholesalers in advance.
- **Documentation Review:** Distributors and wholesalers are required to provide documentation of their audit processes and results.
- **Reporting:** Distributors and wholesalers must generate comprehensive audit reports, highlighting any areas of non-compliance and recommending corrective actions.
- **Follow-Up:** We validate the follow-up actions taken by distributors and wholesalers to ensure that corrective actions have been implemented and sustained.

By relying on our third-party distributors and wholesalers to carry out these audits, we maintain oversight and ensure that our ethical standards are upheld throughout our supply chain.

8. Training and Awareness Programs

To enhance our efforts against forced and child labour, we provide extensive training and awareness programs for our employees and expect our third-party distributors and wholesalers to do the same for their respective networks:

- **Employee Training:** Regular training sessions for employees on our human rights policies and reporting mechanisms. Training includes identifying signs of forced and child labour and understanding the importance of compliance.
- **Supplier Training:** We have resources available to provide our distributors and wholesalers with guidelines to help ensure their compliance with our Vendor Code of Conduct.
- **Awareness Campaigns:** Promoting awareness of forced and child labour risks among our workforce and supplier base. Campaigns include informational materials and collaboration with industry experts.

Training Modules:

- **Introduction to Human Rights:** Overview of human rights principles and their relevance to supply chains.
- **Identifying Risks:** Practical guidance on recognizing signs of forced and child labour.
- **Reporting Mechanisms:** Instructions on using reporting channels to raise concerns.
- **Case Studies:** Real-world examples of forced and child labour issues and how they were resolved.

9. Remediation Measures

In the event of any identified cases of forced or child labour, Red Apple Stores ULC has established clear remediation procedures:

- **Investigation:** Conducting thorough investigations of reported incidents. This involves gathering evidence, interviewing involved parties, and assessing the situation.
- **Corrective Action Plans:** Implementing corrective measures to address and resolve violations. Suppliers must develop and execute an action plan to rectify identified issues within a specified timeframe.
- **Support Programs:** Providing assistance and support to affected workers, including safe and fair employment opportunities. This may involve collaborating with local NGOs and community organizations to ensure worker rehabilitation and reintegration.

As the majority of our business transactions are conducted through third-party distributors or wholesalers rather than directly with manufacturers, we have communicated our guidelines to these intermediaries. We expect them to ensure their manufacturers and suppliers adhere to our standards.

Remediation Steps:

- **Immediate Response:** Addressing urgent needs and ensuring the safety of affected individuals.
- **Long-Term Solutions:** Working with suppliers to develop sustainable practices that prevent recurrence.

- **Transparency:** Reporting remediation efforts and outcomes in our annual report and other communication channels.

10. Assessing the Effectiveness of Our Actions

We continuously evaluate the effectiveness of our actions to combat forced and child labour through various mechanisms:

- **Social Audits:** Regularly reviewing audit results and supplier performance. Social audits help us identify areas for improvement and measure the impact of our policies.
- **Stakeholder Engagement:** Engaging with stakeholders, including NGOs and industry groups, to gather feedback and improve our practices. Regular stakeholder meetings provide insights into emerging risks and best practices.
- **Grievance Mechanisms:** Monitoring the use and outcomes of our reporting channels to identify areas for improvement. This includes analyzing the types and frequency of reported issues and the effectiveness of our response.

Effectiveness Metrics:

- **Audit Compliance Rates:** Tracking the percentage of suppliers passing audits without significant issues.
- **Incident Reports:** Monitoring the number and nature of reported forced and child labour incidents.
- **Remediation Success:** Evaluating the success rate of corrective action plans and long-term improvements in supplier practices.

11. Reporting and Transparency

Transparency is a key component of our compliance plan. We are committed to:

- **Public Reporting:** Publishing an annual report on our efforts and progress in combating forced and child labour. This report is available on our website and includes detailed information on our policies, actions, and outcomes.
- **Website Disclosure:** Making relevant documents and policies available on our website for public access. This includes our Code of Conduct, Vendor Code of Conduct, and annual compliance reports.
- **Stakeholder Communication:** Maintaining open lines of communication with stakeholders to share updates and receive feedback. We regularly update stakeholders on our progress and seek their input on improving our practices.

Reporting Details:

- **Annual Report Content:** Overview of actions taken, audit results, risk assessments, and remediation efforts.
- **Stakeholder Feedback:** Summarizing feedback received from stakeholders and how it has been incorporated into our strategies.
- **Future Plans:** Outlining future initiatives and goals to further enhance our human rights compliance efforts.

12. Approval and 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.

Full Name: Brendan Proctor
Title: President & CEO
Date: 05-31-2024



Signature: _____
I have the authority to bind 'Red Apple Stores ULC