

Cornerstone Cooperative



Forced Labour in Canadian Supply Chains

Bill S-211 Report

May 24, 2024



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Introduction

This report is Cornerstone Cooperative's response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act) for the 2023 financial year ending February 3, 2024. In this Statement, the terms 'the Co-op', 'we', 'us', and 'our' refer to Cornerstone Cooperative. The reporting entity covered by this statement is Cornerstone Cooperative, business number 105037121.

For the purposes of the Act, Cornerstone Cooperative 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. Cornerstone Cooperative 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.

Cornerstone Cooperative 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, Cornerstone Cooperative 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 Instilling Trust, Collaboration and Customer-Focus, Cornerstone Cooperative 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 Vermilion, Alberta, Cornerstone Cooperative is one of 158 independent retail co-operatives from across Western Canada that make up the Co-operative Retailing System (CRS) and own Federated Cooperatives Limited (FCL). Cornerstone Cooperative is in turn owned by 33,000 member-owners in East Central Alberta. The Co-op owns and operates 24 locations in 8 communities in a trading area of approximately 30,000 sq kilometers. As part of the CRS, Cornerstone Cooperative helps build, feed and fuel individuals and in our local communities. We employ 485 individuals in 20 staffed locations. Our Co-op is one of the first to pioneer in Alberta, with incorporation of our oldest location in 1919. As a true Co-op, Members elect a Board of Directors, who hire a CEO who in conjunction with a Leadership team run the day-to-day business. All profits stay local in the community and each year over half are allocated back to Member-owners via equity dividends and cash. (see model below)



Activities

Cornerstone Cooperative's business is largely business-to-consumer focused on serving the communities in which we operate. Our core retail lines of business include food, liquor, pharmacy, agriculture, home and building, fuel and convenience stores. Approximately 80% of annual retail sales are to the Cooperative's member-owners, the other 20% to non-member customers.

Supply Chain

Wholesale and Retail Trade

FCL sources and distributes products across many primary consumer and business lines to Cornerstone Cooperative with 24 retail locations in 8 communities in Alberta including food, home and building supplies, agricultural equipment, livestock feed, propane, lubricants, and petroleum. Cornerstone Cooperative sources \$139.2M out of it's \$142.5M in annual purchases, which equates to 97.7 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 and fuel terminals.

The remaining 2.3 percent of products are sourced by Cornerstone Cooperative, the vast majority from Canadian producers. Over 100 suppliers who produce over 300 product lines that the Co-op sells are considered "hyper local" and are produced less than 200 kilometers from the local Co-op store that sells them.



Supply Chain

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

Wholesale and Retail Trade: Products Sourced for Resale

CATEGORY	DESCRIPTION
AGRICULTURE	Agricultural equipment: grain bins, augers, cattle handling equipment and supplies, bagged and bulk feed, veterinary medicine
ENERGY	Energy products: clear and dyed fuel, oil & lubricants, propane, fuel additives
FOOD	Food products: convenience store items, meat, seafood, produce, deli, bake-off and scratch bakery ingredients, grocery and sundry, produce, floral
HOME AND BUILDING SUPPLIES	Home and building supplies: hardware, lumber, building materials, tools, paint, seasonal, plumbing, and electrical products
PHARMACEUTICALS	Pharmaceutical items: Over-the-counter drugs, prescription medications, health & wellness items, active living aids

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

Cornerstone Cooperative maintains Compliance and Ethics policies to which all employees must adhere to. Cornerstone Cooperative 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 whistleblowers from retaliation. An external Ethics Hotline is established and monitored by the Board approved auditor who reports on calls for service quarterly. Cornerstone Cooperative's Talent and Culture team regularly reviews human resource related policies to ensure the Co-op remains in compliance with applicable workplace and labour legislation.

Cornerstone Cooperative 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, Cornerstone Cooperative does not employ anyone under the age of 15 and follows all applicable young worker restrictions for employees under the age of 18. Youth employed between the ages of 15-17 are not permitted to work during school hours between the hours of



12 am to 6 am, and are working with a supervisor during all working hours. The tasks they perform are low risk and do not meet the definitions outlined in the legislation.

Cornerstone Cooperative is exploring the implementation of effective grievance and remediation mechanisms in effort to address concerns or potential cases of forced and child labour in the supply chain. The Co-op's goal is to prioritize the reporting and remediation of forced and child labour incidents, protect victims and prevent future cases. Potential mechanisms may include:

- Development of a remediation framework with information on when to safeguard the victim, develop and implement a corrective action plan with the employer, alert national authorities and consult a third-party expert organization;
- Implementation of a software solution to audit suppliers; or
- Develop a grievance mechanism that suppliers' employees can access anonymously in a format that is inclusive and accessible.

3. Identification of Risks

Cornerstone Cooperative has identified parts of the Co-op's activities and supply chains that carry a risk of forced or child labour being used in the entities it controls or indirect suppliers. These risks were:

1. Agriculturally farmed and locally produced vegetables. Specifically, family farms and Hutterite colonies where youth labour is common.
2. Any product sourced from the Asia Pacific region.

Cornerstone Cooperative's main supplier, FCL, accounts for over 97% of total procured goods. 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. 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, Cornerstone Cooperative will be relying on this on-going assessment to continue assessing goods procured from FCL.

The remaining 3% of goods purchased by Cornerstone Cooperative are procured from outside of FCL. Cornerstone Cooperative has 6 main categories of goods for resale, which include, food and convenience goods, agriculture equipment, pharmaceuticals, liquor, fuel, and home and building supplies. The figure below represents the countries of origin for Food category. Key suppliers of Cornerstone Cooperative food stores import goods from Asia, specifically China and the Philippines. 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, China has been identified as a [high inherent risk country](#) for forced and/or child labour. Cornerstone Cooperative is exploring opportunities to implement a supplier code of conduct and vetted supply agreement to minimise this impending risk.

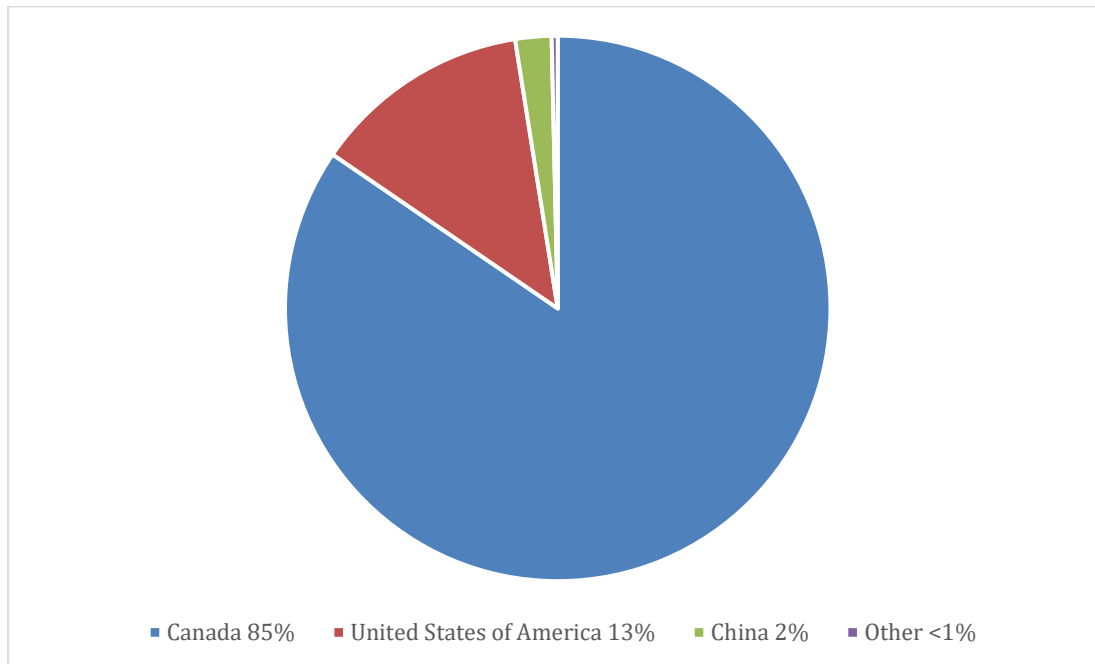


Figure 1. Total spend by country in fiscal year 2023 on Food category.



Gathering of material Supplier Information

Cornerstone Cooperative's supply chain mapping activities were limited to our most material vendors. Materiality was determined by selecting our top 10% of suppliers by total spend in 2023.

Commodity	Vendor name	Product line	Production country	Annual purchases – 2023
Liquor	1.Liquor Connect	Liquor	Canada/Various	\$3,812,849
	2.BDL	Liquor	Canada/Various	\$1,854,378
	3.Sleeman	Beer	Canada	\$173,974
Food & Pharmacy	1.KcKessan	Pharmaceuticals	Canada/Various	\$214,146
	2.O.B Holdings	Produce	Canada	\$161,702
	3.Jenny's Delectables	Frozen food	Canada	\$78,371
	4. Cwiner	Imported candy	USA/various	\$49,771

4. Remediation of Forced and Child Labour

Cornerstone Cooperative 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, Cornerstone Cooperative 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, Cornerstone Cooperative will work with suppliers to determine and implement remedial action.

5. Remediation of Loss of Income

Cornerstone Cooperative 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.

6. Employee Training

Annual training is currently required for all employees to ensure compliance with Cornerstone Cooperative's company policies, ethical standards, and regulations. A Code of Conduct will be made 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. Cornerstone Cooperative has identified the opportunity to incorporate human rights awareness training into an annual Code of Conduct attestation to create awareness and the associated risks of forced and child labour. In addition, Cornerstone Cooperative is exploring opportunities to provide role specific training to educate team members and help them identify and respond to risks of child and forced labour in supply chains. These opportunities will be evaluated through fiscal year 2024.



Course Name	# of employees trained
Cornerstone Co-op – Orientation Module	485
Cornerstone Co-op – Health & Safety Policy & Culture <i>This module introduces Cornerstone Co-op's Health & Safety policies and practices in place that drive a safety culture and ensure you go home injury-free at the end of each day.</i>	485
Introduction: A Respectful Workplace <i>An introduction to what a respectful workplace looks like at the Co-op</i>	485
Retail Policies <i>As a Co-op employee, it is important that you are well versed in the policies, practices, and values, as your actions reflect on the Co-op brand. This module outlines the policies that are important to follow as a new employee.</i>	485
The Respectful Workplace <i>The purpose of this workshop is to demonstrate the role that all employees have in creating a workplace that is inclusive and respectful. In this workshop you will: - Define attributes of a respectful workplace; - Recognize the role you play in influencing a respectful workplace; - Develop strategies to encourage cooperation and inclusion.</i>	23

7. Efficacy of Actions

Cornerstone Cooperative has conducted 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 the 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.

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.



Full name: Kory Kralkay
Title: Chief Executive Officer, Cornerstone Cooperative
Date: May 24, 2024

Signature

A handwritten signature in black ink, appearing to read "Kory Kralkay", written over a horizontal line.

I have the authority to bind Cornerstone Cooperative. The Statement has been reviewed and approved by the Board of Directors on behalf of itself.