



CORPORATE RESPONSIBILITY & SUPPLY CHAIN

2023 Modern Slavery Report

Forced labour and child labour risk, due diligence, remediation and governance

COLONIAL COUNTERTOPS LTD.

For the year ended December 31, 2023

A transparent overview of our approach to identifying and reducing modern slavery risks in our operations and supply chains.

Prepared pursuant to Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act



Introduction & actions taken

The reporting context, Colonial's commitment to human rights and the steps taken during the Reporting Period.

01

INTRODUCTION

Introduction

This Report is produced by Colonial Countertops Ltd. ("Colonial" or the "Corporation" or "our" or "we") for the financial year ending December 31, 2023 (the "Reporting Period") in compliance with Canada's new modern slavery legislation, this report outlines our company's commitment to combating modern slavery and human trafficking within our operations and supply chains. We recognize that modern slavery is a grave violation of human rights and is incompatible with our values and principles. Through this report, we aim to transparently communicate our efforts, challenges, and progress in addressing modern slavery risks.

This Report constitutes the first report prepared by the Corporation pursuant to Canada's new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act").

02

ACTIONS

Steps to prevent and reduce risks of forced labour and child labour

We consider the respect of human rights to be a fundamental corporate responsibility and a value governing all our activities. We place the highest importance on respecting human rights while conducting our business activities everywhere we operate. We expect the same of our business partners.

In general terms, we took the following steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in our business and supply chains:

- Adopted the FSC® Core Labour Requirements
- Conducted a preliminary initial internal assessment of the risks of forced labour and/or child labour in our supply chains to enhance our supplier Third-Party due diligence process; and
- We are in the process of developing a new supplier due diligence process, which includes modern slavery risks.
- We are in the process of developing training and awareness programs for our employees and suppliers to raise awareness about modern slavery and empower them to identify and report any instances of exploitation



Structure, activities & supply chains

How Colonial is organized, where it operates and the products, facilities and supplier relationships in scope.

03

STRUCTURE

Structure, activities and supply chains

Colonial is incorporated in the province of British Colombia, Canada.

Headquartered in Victoria, B.C., Colonial operates two business units: Colonial Countertops and E.Roko Distributors.

- **Colonial Countertops** is a company specializing in the fabrication and installation of countertops for residential and commercial spaces. Colonials business activities encompass the entire process of countertop design, fabrication, installation and post installation support.
- **Eroko Distributors** is a warehousing, distribution and logistics business serving the mill working industry.

Colonial Countertops and Eroko together employ 300 people in 9 locations in British Colombia and Alberta, Canada as of December 31, 2023.

Colonial Countertops products are manufactured in B.C. and Alberta, Canada. Operations conducted in those facilities vary from manufacturing and assembly countertop components and parts to final assembly, finishing, polishing, and installation activities.

E.Roko products are purchased from manufacturers in Canada and the US. Inventories are stored and distributed from facilities across BC and Alberta.

Products ordered by customers are generally delivered by the corporation. All admin activities are completed and marketing of the Corporation's products is provided through its head office in Victoria, B.C. Sales of the Corporation's products is handled through various offices of the Corporation.

Supply chains consist of product suppliers, providing stone slabs, wood, wood glues, laminate products and manufactured component parts used in the manufacture of cabinetry. Most of these materials, components and systems are provided by suppliers with which Colonial has long-term contracts. Colonial seeks long-term relationships with major direct and indirect suppliers



Core labour requirements

The FSC core labour requirements and the policy and self-assessment expectations that apply to Colonial as a chain of custody certificate holder.

04

FSC®

FSC® Core Labour Requirements

Colonial is a FSC chain of custody certificate holder. As such, Colonial is required to implement the FSC core labour requirements in our operations and is be able to demonstrate this to external third-party auditors. To comply with the FSC core labour requirements, the organisation must:

- Not use child labour.
- Eliminate all forms of forced and compulsory labour.
- Ensure that there is no discrimination in employment and occupation.
- Respect freedom of association and the effective right to collective bargaining.

To implement the FSC core labour requirements, certificate holders need to:

- Adopt and implement **policy statement(s)** covering FSC core labour requirements; and
- Maintain an up-to-date **self-assessment** describing how they apply the FSC core labour requirements to their business (templates available).



Internal risk assessment

The risk-based methodology used to assess forced labour and child labour exposure across the supply chain.

05

RISK

Internal Risk Assessment Processes

Colonial conducted a preliminary initial internal assessment of the risks of forced labour and/or child labour in our supply chains to enhance our supplier due diligence process.

Colonial uses a risk-based approach to assess and manage its risk of forced labour and child labour. Our approach helps us prioritize our efforts and adjust our actions. Our methodology to identify risks in our supply chain through our due diligence process combines notably country risk indicators, supplier's category and type of products/services offered by the supplier. The resulting risk score determines the level of additional due diligence to be performed, including with respect to forced and child labour, and the extent of ongoing monitoring and frequency of review required.

Our methodology to identify risks is notably based on

- 1 Whether the supplier is headquartered or its manufacturing sites are located in countries that have a low score on the corruption perception index and/or that are at risk according to the global slavery index based on the products they supply to Colonial,
- 2 Whether the products/services come from or are delivered to one of the countries mentioned above,
- 3 Whether Colonial is supplied with certain indirect goods and services, and
- 4 If the products offered by the supplier to Colonial include raw materials.

Colonial monitors global events that could potentially have an impact on its supply chain. This real-time solution helps Colonial to increase the visibility of its supply chain, to monitor activity around the world that may disrupt or affect operations, and to be more proactive when dealing with risks. Events monitored include notably natural disasters, labour disruptions, cyber-attacks, financial and geopolitical risks.



Supplier review & remediation

How supplier due diligence is being developed and the intended response where modern slavery is detected.

06

DUE DILIGENCE

Supplier Due Diligence

We are in the process of developing a new supplier due diligence process, which includes modern slavery risks, with selected suppliers with the objective of testing the process and improving it as necessary.

While improving operational efficiency, we continue to strengthen our processes to reduce risks related to forced and child labour. Our supply chain organization applies a risk assessment procedure prior to engaging with new suppliers and conducts reviews based on their operational risk framework.

Colonial has taken measures to strengthen the existing due diligence process for supply chain by enhancing it with a comprehensive four-step risk-based approach (identification, assessing, treatment, monitoring), that improves Colonial's ability to identify and mitigate risks associated with its supply chain. Modern slavery risks are encompassed in this process.

07

REMEDIA TION

Remediation Measures

Colonial is one of the smaller companies in our business environment – most of our vendors are larger than we are. While we have not detected any instances of modern slavery in our supply chain, Colonials main deterrent to suppliers where slavery is detected would be

- 1 To ensure our detection is accurate,
- 2 To determine whether acceptable remediating actions can and are being taken by the supplier that will resolve the modern slavery issue in a timely manner
- 3 To dissociate from them economically if modern slavery activity is not remediated



06 TRAINING & EFFECTIVENESS

Capability & assessment

Employee training, planned awareness activity and how Colonial intends to assess the effectiveness of its actions.

08

TRAINING

Training

Colonial's employees receive regular tailored training on ethical topics and our policies. All new office employees are assigned a mandatory onboarding training package.

In 2024, Colonial intends to provide training to targeted audiences that will include child and forced labour.

09

EFFECTIVENESS

Assessing effectiveness

Colonial has in place a number of measures to prevent and reduce the risk that forced labour or child labour is used in our activities and supply chains. While we have not yet taken any actions to assess the effectiveness of those actions, Colonial intends to assess its effectiveness in preventing and reducing risks of forced labour and child labour in its activities and supply chains at a later stage.



Approval & attestation

Board approval and executive attestation for the 2023 reporting year.

10

APPROVAL

Approval and Attestation

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Colonial Inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, I, the undersigned, attest that I have reviewed the information contained in this report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Per:

Full Name: Jesse Kliman

Title: President and Chief Executive Officer

Colonial Countertops Ltd.

Date: 31 May 2024