

SUN GRO fighting against forced labour and child labour in supply chains report

May 31, 2024

About this Report

Modern slavery refers to forms of contemporary slavery such as forced or compulsory labour, child labour, human trafficking or any other internationally recognized exploitative labour practices. It is a significant global issue impacting different industries, sectors and geographic locations. The Canadian government has committed to preventing and reducing these risks and has established legislation to require certain entities to report on the measures taken in this regard.

Sun Gro Holdings ULC (“Sun Gro”, “the Company” or “it”) recognizes that modern slavery, including forced labour and child labour, is a complex issue that can exist in a variety of forms through global supply chains. Sun Gro recognizes it has an important role to play in safeguarding the rights of its workers, advancing its supply chain transparency, and mitigating the risks of modern slavery.

Scope, Definitions and Boundaries

This joint report is provided in relation to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) and related guidance from Public Safety Canada, for the reporting period of May 1, 2022, to April 30, 2023. The Report outlines the steps Sun Gro and its subsidiaries have taken for the reporting period related to the prevention and detection of modern slavery within its activities and supply chain.

This Report has been prepared on behalf of **Sun Gro Holdings ULC** as the main reporting entity and the direct and indirect subsidiaries noted below:

- NewCo5 Sun Gro ULC
- Sun Gro Horticulture Inc.
- Sun Gro Horticulture Canada Ltd.

For the purpose of this Report, the terms “Sun Gro Holdings ULC” “Sun Gro” “the Company”, or “it” may be used interchangeably to refer to the business.

Structures, Activities and Supply Chains

Business and structure

Sun Gro is a North American horticultural company, founded in 1929 in Vancouver, British Columbia. It manufactures and distributes soilless growing mixes across North America and serves customers worldwide. Sun Gro products contain a substantial amount of Canadian Sphagnum peat moss, which is harvested from peat bogs located across Canada.

Sun Gro's Corporate Headquarters is in Agawam, Massachusetts, United States

Activities

Sun Gro is a vertically integrated producer and supplier of growing media. It operates a network of 25 production and distribution facilities across Canada and the United States. It harvests and processes the basic ingredients in its products, and markets and distributes its products across North America. Sun Gro is the largest producer of peat in North America. It is the largest seller of peat moss and peat-based and bark-based growing media products to the North American professional plant grower's market. Sun Gro supplies soilless growing mixes to North America's top 100 greenhouse and nursery growers, shipping over 70,000 truckloads of product annually. Sun Gro's mixes have a high Canadian Sphagnum peat moss content which is harvested from peat bogs located throughout Canada. The Company's operations are also reinforced by technical support teams which perform analyses for customers including plant tissue analysis, water analysis, soil analysis, and media analysis to help detect and prevent plant nutritional problems and crop production disasters.

Sun Gro prioritizes safety, quality and consistency across its operations. Sun Gro's products and services are categorized into two main segments: retail and professional products.

The **retail products** offered by Sun Gro are specifically designed for home and gardening uses. These include soilless mixes and fertilizers that cater to the needs of home growers.

The **professional products** are tailored for commercial growing uses. These products are designed to meet the specific requirements of professional growers, such as those in the agriculture and horticulture industries.

Supply Chain

Sun Gro's supply chain encompasses various suppliers and contractors to support and maintain its operations. The majority of Sun Gro's suppliers and contractors are located in Canada and the United States with a smaller percentage in Europe, where strong workers' rights and human rights legislation are enforced.

The Procurement function within Sun Gro is responsible for several aspects of supply chain management, including strategic sourcing, contract management and commercial risk management (e.g., critical raw material risks). All divisions use a centralized Enterprise Resource System and a centralized Procurement-to-Pay System, which enable the implementation of standardized procedures and the consistent application of supplier terms and conditions across divisions.

Values, Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour

Values

Since its beginning in 1929, Sun Gro's core values reflect its commitment to the highest standards of ethical conduct in all dealings with employees, customers, suppliers, and the communities we serve. We believe that **sharing knowledge** helps us find ways to improve our business for the benefit of all, **integrity** defines how we do what we say, **long-term thinking** frames our decision-making to help secure a brighter future, **performance** ensures that we will never stop trying to improve ourselves, **humility** creates honest, open and respectful relationships among all, and **agility**, combined with knowledge, helps us deliver sound decisions quickly.

Policies

Sun Gro is committed to conducting business in a professional, honest and ethical manner, and complies with the Canadian Charter of Rights and Freedoms and the Canada Labour Code. Sun Gro has implemented several policies that support responsible business practices, human rights, and foster safe work practices and an ethical and respectful working environment. A sample of the policies include a Harassment, Discrimination & Violence Prevention Policy, a Business Ethics Policy, an Immigration Law Compliance Policy, and a Diversity, Equity & Inclusion Policy.

Sun Gro's **Supplier Code of Conduct** outlines the requirements and expectations of its' suppliers. The Company expects its suppliers to conduct their business in a professional, honest and ethical manner, and to comply with all applicable laws. This includes laws relating to fair employment practices, human rights, the environment, and health and safety. Specifically, Section (C.3) of this code outlines an obligation to ensure that the use of child labour is strictly prohibited. Sun Gro will not conduct business with suppliers that do not comply with its Code of Ethics. Furthermore, Sun Gro's Supplier Code requires compliance with employment laws which cover compensation and working hours. The Supplier Code also requires that a grievance mechanism or complaint procedure exist to allow workers to report workplace concerns. The Company's Code focuses on worker rights and protections, with a particular emphasis on prohibiting child, forced labour, as well as any discrimination, against these workers.

Sun Gro believes in open communication and demonstrates its commitment to integrity and accountability through its **anonymous reporting hotline** which is managed by a third party. The hotline provides an avenue for employees, contractors, customers, and other third parties to report illegal, unethical, or unsafe acts. Retaliation against anyone, including employees, colleagues, or workers, speaking up in good faith is strictly prohibited as specified in the Supplier Code of Conduct.

Due Diligence Processes

All of Sun Gro's Canadian peat production sites are [Veriflora Certified](#) for environmental sustainability and product integrity. Veriflora is a seed-to-store agricultural sustainability certification that encompasses three key aspects: environmental sustainability, social and economic sustainability, and product integrity. The Veriflora program is administered by the Scientific Certification Systems (SCS), which is an impartial and independent third-party organization. The Veriflora certification program is designed to evaluate and recognize companies that prioritize sustainable practices throughout the entire agricultural supply chain.

In addition to environmental sustainability and product integrity, Veriflora emphasizes social and economic sustainability to ensure that certified companies prioritize fair labour practices, worker health and safety, and support for local communities.

Sun Gro conducts periodic internal audits which encompass supply chain compliance and workplace condition assessments. Sun Gro's audit program reinforces worker rights and safety by assessing and confirming these and other factors:

- workers are properly compensated;
- facilities comply with applicable employment standards (including minimum age);
- working hours are consistent with local laws and standards; and
- facilities meet health and safety laws and regulations.

Initial and annual facility compliance audits are typically conducted by third-party experts using a best-practice audit framework.

In addition to the above, in early 2024, Sun Gro engaged with certain direct suppliers through a Risk Assessment Questionnaire to identify parts of the supply chain that carry risks and to strengthen its understanding of forced and child labour risk to its business and supply chain. Through this exercise, Sun Gro made inquiries of active suppliers about their processes and risks related to forced and child labour, as well as their country and sector risk, as informed by the Walk Free Global Slavery Index.

Assessing the Risks of Modern Slavery in our Operations and Supply Chain

Sun Gro does not have a formal risk assessment process in place to identify parts of its activities and supply chain that carry a risk of forced and child labour. However, as noted above, the Company uses various auditing and due diligence procedures to identify parts of the supply chain that carry risks.

Components of the Business and Supply Chain that Carry a Risk of Forced Labour and Child Labour

In 2023, Sun Gro's direct suppliers and contractors were located in Canada, the United States and Europe. Where strong labour rules are enforced, therefore it considers the risks of forced and child labour within its direct supply chain to be low. Nevertheless, Sun Gro recognizes that due to the complexity of global supply, the risks of forced and child labour may exist in its supply chain. The company is considering ways to enhance its procedures for identifying and addressing supply chain risks.

To date, the Company has not been the subject of any investigation or convicted of any offence under any modern slavery laws.

Measures Taken to Remediate Forced Labour and Child Labour including Remediation of the Loss of Income to the Most Vulnerable Families

Sun Gro has not identified any instances of forced or child labour in its activities and supply chains within the financial year ended April 30, 2023, and therefore, no remediation measures have been taken. The Company acknowledges the importance of ongoing monitoring to ensure that forced and child labour risks remain mitigated within its operations and supply chains.

Training

Sun Gro did not provide any formal training to employees specific to forced and child labour in the fiscal year of 2023.

Assessing Effectiveness

As it is Sun Gro's first Modern Slavery Report, the Company has not assessed the effectiveness of actions. The Company will continue to evaluate its approach to addressing the risks of modern slavery and effectiveness measures introduced will be reported on in future years.

Approval of 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.


I have the authority to bind Sun Gro Enterprises Ltd.,

Hartley Koschitzky

Co-Chairman of the Board

May 31, 2024