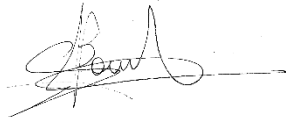




Issued: 2025-05-22	Section: GOUVERNANCE Subsection: ÉTHIQUE ET DÉONTOLOGIE	Issued by: Marketing and Merchandising
Replaces:	Subject: HANDLING OF CLAIMS OF A FORCED LABOUR AND/OR CHILD LABOUR SITUATION IN THE SUPPLY CHAIN OF THE SOCIÉTÉ DES ALCOOLS DU QUÉBEC	Approved by the Vice-President, Marketing and Merchandising on:  2025-05-22
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1. PURPOSE

The Société des alcools du Québec (hereinafter the “SAQ”) is an “entity” under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (S.C. 2023, c. 9) (hereinafter referred to as the “Act”).

As the SAQ imports and sells beverage alcohol products that are “goods” as defined in the Act, it is required to submit an annual report to the Canadian Minister of Public Security and Emergency Preparedness on the measures it has taken to prevent and reduce the risk that forced labour or child labour is being used in its supply chain.

This procedure is a safeguard against the use of forced labour and child labour, both of which are forms of modern slavery, in the SAQ supply chain.

2. DEFINITIONS

“SAQ supply chain”: The SAQ supply chain includes all direct suppliers involved in its business activities, namely those that are subject to the SAQ Supplier Code of Conduct and with which it deals directly in connection with the production of goods as defined in the Act.

The SAQ supply chain also includes indirect suppliers with which the SAQ does not deal directly. As a wholesaler and a retailer, the SAQ is unable to be fully aware of all the activities and business relationships involved in the provision of its products. This being the case, if a forced labour or child labour situation involving an indirect supplier is determined to be probable, this procedure shall apply, with the necessary changes being made, whenever possible. In such cases, the cooperation of the SAQ’s direct supplier that has business dealings with the indirect supplier shall be required;

“Aggravating factors”: aspects identified in a forced labour and/or child labour situation that should entail more severe sanctions due to the seriousness of the impact on the persons involved or to a supplier’s negligent or intentional response to the situation. The following in particular are considered aggravating factors:

1. Serious harm caused to the persons involved in the situation, particularly on the social, economic or physical level;
2. The fact that the situation is of a repetitive or constant nature;
3. The fact that the supplier acted intentionally or has acted negligently or recklessly.
4. The predictable character of the situation or the failure of the supplier to have followed up on an awareness notice issued by the SAQ with the aim of preventing forced labour and/or child labour situations;
5. Attempts by the supplier to cover up the situation;
6. The fact that the supplier has voluntarily created the forced labour and/or child labour situation in order to increase its income or reduce its costs;
7. The supplier's failure to take reasonable steps to prevent the alleged situation or reduce its consequences when possible;

“Corrective measures plan”: Document which is produced by an SAQ supplier at the SAQ's request and details measures aimed at ending a forced labour and/or child labour situation;

“Sanctions”: Measures imposed on the supplier or measures to support the supplier when it is involved in a proven forced labour and/or child labour situation, which are aimed at ending the situation. Sanctions can specifically include:

- Sending a written notice to the supplier;
- A requirement for the supplier to provide proof of a responsible process regarding workers, such as having relevant certifications or policies within a specified period of time;
- A requirement for the supplier to provide a corrective measures plan within a specified period of time;
- The immediate suspension of the supplier's orders;
- Imposing a monetary claim on the supplier, in particular to cover financial losses incurred by the SAQ;

“Child labour”: means any “child labour” situation as defined in the Act;

“Forced labour”: means any “forced labour” situation as defined in the Act.

3. COMMITTEES RESPONSIBLE FOR IMPLEMENTING THE PROCEDURE

The following committees are responsible for implementing this procedure:

“Human Rights Monitoring Committee”: a committee formed of one (1) member of the Corporate Affairs and Secretary General team, one (1) member of the Public Affairs, Communications and Social Responsibility team and one (1) member of the Social Responsibility team. This committee is hereinafter referred to as the “Monitoring Committee”;

“Ethics Committee”: a committee formed of one (1) member of the Corporate Affairs and Secretary General team, one (1) member of the Public Affairs, Communications and Social Responsibility team, one (1) member of the Quality Control team, one (1) member of the Social Responsibility team, one (1) member of the Category Management – Strategy and Merchandising team and one (1) member of the Marketing and Customer Experience team;

“Customer Experience Committee”: a committee formed of the most senior executive from each of the following divisions: Sales Network Operations, Merchandising and Marketing, Operations – Supply Chain,

Information Technology, Finance, Corporate Affairs and Secretary General, Public Affairs, Communications and Social Responsibility, and Strategic Development – Supply Chain.

4. PROCEDURE STATEMENT

4.1. IDENTIFICATION AND MANAGEMENT OF PROBABLE FORCED LABOUR AND/OR CHILD LABOUR SITUATIONS

This procedure applies when the Monitoring Committee identifies a forced labour and/or child labour situation in the SAQ supply chain as being probable.

Such a situation is probable if it is reported through the SAQ whistleblower hotline, by recognized media or by any other source deemed credible by the Monitoring Committee.

Any perceived forced labour and/or child labour situation in the SAQ supply chain learned of by one of the SAQ's employees shall mandatorily be reported to the Monitoring Committee.

4.2. EXAMINATION BY THE MONITORING COMMITTEE

For any probable forced labour and/or child labour situation in the SAQ supply chain, the Monitoring Committee shall search for information that allows the supplier or suppliers to be identified and to validate the veracity of the forced labour and/or child labour situation allegations. In such cases, the Monitoring Committee can, among other things:

- Evaluate the trustworthiness of the main whistleblower;
- Ask the supplier, if it is identified, to provide its version of the facts of the alleged situation;
- Consult experts, local non-governmental organizations (NGOs) and other stakeholders to obtain additional information, such as anonymous questionnaires or audits;
- Consult any other source to compare information and identify areas of concordance or difference;
- Refer to supply chain monitoring platforms and blacklists published by international organizations.

When its examination is complete, the Monitoring Committee shall draft a report. The report shall include the identity of the supplier or suppliers concerned by the situation, if they have been identified, and an evaluation of the information gathered, taking into account its credibility and sufficiency to establish the validity of the examined situation. Moreover, if applicable, the Monitoring Committee shall include recommendations for sanctions, which should take any aggravating factors into account.

4.3. EVALUATION OF THE MONITORING COMMITTEE REPORT BY THE ETHICS COMMITTEE

The Monitoring Committee report drafted after its examination provided in section 4.2 is submitted to the Ethics Committee for evaluation.

The Ethics Committee may ask the Monitoring Committee to take any further steps that it deems useful, particularly to obtain additional information about the alleged forced labour and/or child labour situation.

If, after evaluating the report, the Ethics Committee concludes that the information gathered does not allow the existence of the alleged situation to be established, it shall end the examination of it.

In all other cases, the Ethics Committee shall:

1. If no supplier has been identified, mandate the Monitoring Committee to raise the awareness of the agents and suppliers that do business in the identified region where a forced labour and/or child labour situation has reportedly occurred. The awareness-raising measures may include sending a reminder of the SAQ's Supplier Code of Conduct or an invitation to share with the SAQ proof of a responsible process regarding workers, such as holding valid relevant certifications or policies; or
2. If one (1) or more suppliers have been identified:
 - a. Impose sanctions applicable to the supplier when the proven situation does not include aggravating factors of such nature as to require sanctions that could temporarily or permanently end the business relationship between the supplier and the SAQ; or
 - b. Report to the Customer Experience Committee when the proven situation includes aggravating factors of such nature as to require sanctions that could temporarily or permanently end the business relationship between the supplier and the SAQ. The report shall include recommendations for sanctions that take the aggravating factors into account.

4.4. EVALUATION OF THE ETHICS COMMITTEE REPORT BY THE CUSTOMER EXPERIENCE COMMITTEE

On receiving the report submitted by the Ethics Committee under section 4.3, clause 4, paragraph 2b), the Customer Experience Committee shall determine the sanctions applicable to the supplier and which take the aggravating factors into account.

4.5. IMPOSITION OF SANCTIONS

The Monitoring Committee ensures that the sanctions imposed by the Ethics Committee and Customer Experience Committee are implemented.

4.6. REFUSAL OF THE SUPPLIER TO COMPLY WITH THE SANCTIONS

In the event that the supplier refuses to comply with the sanctions imposed by the Ethics Committee or the Customer Experience Committee, the case shall be referred to the Customer Experience Committee, which shall decide on the nature of the new sanctions to be imposed.

5. SPECIAL PROCEDURE WHEN SUBMISSION OF A CORRECTIVE MEASURES PLAN IS REQUIRED

5.1. COMPLIANCE WITH THE CORRECTIVE MEASURES PLAN

If the Ethics Committee or Customer Experience Committee imposes the submission of a corrective measures plan on the supplier concerned with the forced labour and/or child labour situation, the Monitoring Committee shall determine whether the submitted plan is compliant. The following criteria, in particular, shall be considered:

1. The efforts made to end the forced labour and/or child labour situation;
2. The seriousness of the process;

3. The specific corrective actions in response to the identified violations;
4. The SMART targets: clear and relevant objectives which are quantifiable and attainable within specific time frames;
5. The assistance provided to the victims and the compensatory measures for the losses incurred;
6. How proactive the supplier is;
7. The evaluation of the probable effectiveness of the proposed measures to end the forced labour and/or child labour situation.

5.1.1. CORRECTIVE MEASURES PLAN DEEMED COMPLIANT BY THE MONITORING COMMITTEE

When the Monitoring Committee concludes that the corrective measures plan is compliant, the supplier shall sign a statement of undertaking to implement the plan in the thirty (30) days after the sending of a notice of compliance. Should the supplier fail to sign the statement of undertaking, the Customer Experience Committee shall be informed and may impose new sanctions up to and including ending the business relationship between the SAQ and the supplier.

5.1.2. CORRECTIVE MEASURES PLAN DEEMED NON-COMPLIANT BY THE MONITORING COMMITTEE

When the Monitoring Committee concludes that the corrective measures plan submitted by the supplier is non-compliant, the supplier shall submit a corrected plan in the fifteen (15) days following the sending of a notice of non-compliance.

Should the supplier fail to submit a corrected corrective measures plan satisfactory to the Monitoring Committee, the Customer Experience Committee shall be informed and may impose new sanctions up to and including ending the business relationship between the SAQ and the supplier.

5.2. FOLLOW-UP ON THE UNDERTAKING TO IMPLEMENT THE CORRECTIVE MEASURES PLAN

At a time it deems appropriate, the Monitoring Committee shall evaluate the implementation and effectiveness of the plan. In doing so, it may consider any relevant information it has gathered and using any means of its choosing. Subsequent to its evaluation, the Monitoring Committee shall:

1. Inform the supplier of its compliance with upholding its undertakings and end all processes applicable to the supplier; or
2. Implement a periodic follow-up plan for the supplier in cases where the implementation of the plan has not been completed; or
3. Restart the process provided in sections 4.2 to 4.6, with the necessary changes being made, in the event the supplier does not meet its undertaking to implement the plan.

The fact that the supplier has previously been involved in this procedure shall be considered an aggravating factor for the purposes of establishing the new sanctions.

6. OFFICIAL VERSION

The French-language version of the procedure is the sole official version and takes precedence over the version translated into English.