

Modern Slavery Report 2023

Daiya Foods, Inc.



*This Modern Slavery Report (the “Report”) addresses the period from **January 1, 2023** to **December 31, 2023** and has been prepared in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)(the “Act”) This Report is made on behalf of **Daiya Foods, Inc.** (“Daiya Foods”). A French version of this Report may be requested from Daiya Foods by emailing nicky.shaw@daiyafoods.com.*

1. Introduction

Forced labour and child labour, each as defined in the Act, are crimes and serious violations of human rights. As a leading plant-based food manufacturer, Daiya Foods recognizes the important role we have in ensuring that our operations and products, and the supply chains support these, adhere to the highest ethical standards, including the prevention and identification of forced labour and child labour in our supply chain. This Report sets out the steps we have taken during fiscal year 2023 to prevent and reduce the risk that forced labour or child labour is used at any step in the production of goods in Canada or elsewhere by Daiya Foods or of goods imported into Canada by Daiya Foods.

2. Our Business

Daiya Foods is a plant-based food manufacturer headquartered in Burnaby, BC, Canada. We manufacture, distribute, and operate plant-based, dairy-free foods. Daiya Foods has manufacturing, distribution, and operations facilities in British Columbia, Canada. Our products include dairy-free cheeses, pizzas, flatbreads, mac and cheese, cheese sauces, salad dressings, and desserts. In 2023, our products were made at our facility in Burnaby, BC, and co-packing facilities in Surrey, BC and Mississauga, Ontario. We source the materials required for the manufacturing of our products, as well as some subcomponents of a few of our products, such as the pasta in the mac and cheese and the crust for the pizza. In addition to the materials used in our products, we also source the machinery and equipment needed to create, manufacture, and test our products. Daiya Foods’ plant-based products are both dairy and gluten free.

In order to maintain the level of quality on which we pride ourselves, Daiya Foods follows a strict sourcing and supplier qualification process that includes supplier controls, ingredient storage and segregation, production scheduling, equipment cleaning, in-house testing program, personnel practices, and allergen awareness culture.

In total, we procure goods and services from approximately 988 suppliers, contractors, and consultants, a majority of which are located in Canada and the United States.

Daiya Foods is part of the Otsuka Group of companies and is owned by Otsuka America, Inc., which is headquartered in the United States.

Further information about our business can be found on our website at daiyafoods.com.

3. Our Policies

Policies

Through our organizational and governance policies we communicate our values and expectations, setting a high bar for ourselves, our suppliers, and our selling partners, and make it clear that we do not tolerate any forms of forced labour or child labour. We are committed to consistently evolving and improving our approach. We prohibit, forced or bonded labour in any of our operations or by suppliers working for us. As a member of a global corporate network, our policies include various global policies which we have adopted and upon which we rely, as outlined below:

Global Code of Business Ethics

We are committed to conducting our business in a lawful and ethical manner. Our adoption of the Global Code of Business Ethics (the Code) is the foundation of our company policies and sets out guiding principles on professional conduct and establishes that in performing their job duties, Daiya Foods employees should always act lawfully, ethically and in the best interests of Daiya Foods. The Code outlines our uncompromised commitment to the highest standards of ethical conduct.

Global Business Partner Code of Ethics

Daiya Foods adopted the Global Business Partner Code of Ethics which was developed throughout the course of 2023 and approved by the governing Board in the beginning of 2024. The Business Partner Code of Ethics details the requirements and expectations we have of how our business partners will conduct their business. We expect our business partners to comply with all applicable legal requirements in the jurisdictions in which they operate and consistently monitor and enforce our Business Partner Code of Ethics in their own operations and supply chain. Our Business Partner Code of Ethics also sets forth our principles related to human rights, labor and employment practices, ethical business practices, environmental management, privacy, confidentiality, quality, and operational excellence. We engage with business partners that are committed to these same principles.

Global Human Rights Policy

We recognize that respect for human rights in every aspect of our business activities must be the premise upon which we build to meet the expectations of our stakeholders, create new value, and contribute to the health and wellbeing of people all over the world as we continue to grow sustainably. We adopted the Global Human Rights Policy which was established to guide our

efforts to promote human rights initiatives, focusing on four key operating principles which are human rights due diligence, dialogue and consultation, education and awareness raising, and salient human rights issues.

Global Speak-Up Policy

Daiya Foods is committed to high standards of business conduct. In line with this commitment, we have the right and the duty to raise, in good faith, concerns about improper business conduct without fear of retaliation in any form. Allegations of any breach of our policies or any non-compliant and unethical matters are taken seriously. Daiya Foods has an Integrity Hotline where individuals can anonymously report concerns. In early 2024, Daiya Foods' Integrity Hotline was also made available externally on our webpage to facilitate accessibility to external individuals, furthering Daiya Foods' commitment to an ethical business culture. Retaliation against anyone speaking up in good faith is strictly prohibited as specified in our Code of Business Ethics and Business Partner Code of Ethics.

Due Diligence

We expect third parties with whom we work to adhere to business principles and values similar to our own and to comply with all applicable laws and regulations. Before making any commitments towards third parties, we take steps to appropriately evaluate the relationship and mitigate any associated risks by carrying out risk-based due diligence and checks.

As part of our general due diligence processes, we conduct reviews and audits of suppliers' materials, facilities, and business practices, as appropriate. While these efforts are generally focused on food safety and quality assurance, we plan to expand the scope in the future.

Our Code of Business Ethics is very clear about our commitment to the highest standards of ethical business conduct, including those related to human rights. We have an integrity hotline for people to report concerns regarding a variety of topics, including perceived violations of our Code of Business Ethics. All reports to the integrity hotline are reviewed and investigated, as appropriate. All employees are required to train to the Code of Business Ethics on an annual basis.

4. Assessing Our Risk

Daiya Foods engages in various activities to identify, assess, and manage supplier risk. In assessing the risk of forced and child labour in our business and supply chains, we refer to external data sources and engage with our peers. Additionally, Daiya Foods conducted a pilot study targeted at assessing Corporate Social Responsibility practices at our vendors.

Pilot Study

In 2023, Daiya Foods participated in a pilot study along with three other companies within the Otsuka Group designed to evaluate potential methods for promoting and assessing supplier controls related to Corporate Social Responsibility (CSR). The goal of the study was to identify risks inherent to the suppliers and take measures to address those risks. The four companies identified a small sample of their suppliers for inclusion in the study, and those suppliers were asked to voluntarily do two things: 1) agree to procurement policies and guidelines; and 2) answer a questionnaire about their practices and controls related to sustainable procurement. The questions fell into nine categories, including CSR-Related Corporate Governance, Human Rights, Labor, Environment, Fair Business Practices, Quality and Safety, Information Security, Supply Chain, and Harmonious Coexistence with Local Communities. The study design was chosen to not only evaluate the CSR programs at suppliers within the sample population, but

to also evaluate the level of engagement and responsiveness by the suppliers when asked to participate voluntarily.

At Daiya Foods, 100% of our sample pool of suppliers agreed to the procurement policies and guidelines and completed the questionnaire. When combined with the results of the other three participating companies, 83% of the sample suppliers agreed to the procurement policies and guidelines, and 86% completed the questionnaire. The results of the pilot study concluded that none of the suppliers evaluated identified significant risks related to their programs.

Initially, the intent was to expand this program to additional companies and suppliers within the Otsuka Group after the pilot study. However, the results of the study suggested further consideration should be taken prior to expanding the scope of implementation. Some of the concerns were related to the questionnaire itself and that a single tool might not meet the needs of all the companies due to the variety of industries present within the Otsuka Group. Another concern was the burden the assessment placed on the procurement departments. It was determined that attempting to immediately implement this program without first evaluating staffing and role responsibilities was not in the best interest of the companies. Additionally, the method of assessing supplier risk used in the pilot study lacked a mechanism for formulating a corrective policy or plan in the event significant risks were identified.

As a result of the findings, a revised method for assessing supplier risk has been proposed. It is anticipated to include the use of a supplier risk assessment platform as well as a corrective action guideline for the participating companies to use after they assess their suppliers. Daiya Foods plans to begin this project in 2024 or 2025.

5. Our Commitments

Steps to Prevent and Reduce Risks of Forced and Child Labour

Daiya Foods upholds a strong ethical business code, prioritizing social and environmental responsibility, and actively opposes forced and child labour worldwide. Daiya Foods ensures transparency and accountability in our operations, providing clear channels for ethical concerns to be voiced and addressed. We have an integrity hotline used for reporting any number of concerns regarding business conduct. In 2024, we posted the link for our integrity hotline on our website to make it easy and accessible for people to use, regardless of whether they are internal or external to our organization.

Additionally in 2023, we adopted our Business Partner Code of Ethics. It was approved by our governing Board in early 2024, and implementation activities have begun. The Business Partner Code of Ethics communicates our expectations of our business partners to comply with all applicable legal requirements in the jurisdictions in which they operate and consistently monitor and enforce our Business Partner Code of Ethics in their own operations and supply chain. Our Business Partner Code of Ethics also sets forth our principles related to human rights, labor and employment practices, ethical business practices, environmental management, privacy, confidentiality, quality, and operational excellence. We engage with business partners that are committed to these same principles.

Remediation Measures

Our Code of Business Ethics and our Global Speak-Up Policy require all employees and contract workers of Daiya Foods to report actual or possible misconduct. We also undertake diligence efforts (as further described in this Report) to ensure that the risk of forced labour and child labour is mitigated in our business. During the reporting period, no instances of forced or child labour were made known to us. As such, no measures were taken to remediate any forced or child labour or to remediate the loss of income

to the most vulnerable families that would result from any such measure. In the event we discover any forced labour or child labour in our business and supply chain, we are committed to fully investigating and remediating the situation consistent with our guiding principles.

Training

Every year, Daiya Foods employees at all levels are required to complete a mandatory Code of Business Ethics training to ensure that our Code of Business Ethics is understood and properly applied to our daily activities. Every new employee of Daiya Foods must complete mandatory training on our values and policies, including our Code of Business Ethics, and is informed of how to report wrongdoing under our Global Speak-Up Policy. We provide employees with ongoing and periodic training opportunities to ensure that all employees have current knowledge. In addition, in 2023 employees completed Human Rights training that explained the concept of “Business and Human Rights,” the Global Human Rights Policy, and the UN Global Compact.

6. Our Progress and Effectiveness

As part of our governance processes, we monitor compliance with our policies on an ongoing basis. We also review any concerns raised through our Speak-Up Policy and other informal mechanisms of employee feedback. To date no significant concerns or complaints related to forced labour or child labour have been identified. As our internal processes, systems, and supply chain evolve, we will continue to monitor and assess our effectiveness of preventing, identifying, and mitigating forced and child labour in our supply chain.

In 2023, Daiya Foods participated in a pilot study along with three other companies within the Otsuka group designed to evaluate potential methods for promoting and assessing vendor controls related to Corporate Social Responsibility (CSR), as previously described in this report.

Although the level of vendor engagement was encouraging, the study also identified a few areas requiring further consideration before implementing this process on a larger scale. As a result, a modified supplier assessment process was created and proposed to the participating companies. Daiya Foods plans to begin implementation of this modified assessment process in 2024 or 2025.

7. Approval & Signature

In accordance with paragraph 11(4)(a) of the Act, this report was approved by Daiya Foods, Inc.’s **Board of Directors** on May 29, 2024 and has been submitted to the Minister of Public Safety and Emergency Preparedness in Canada. This Report is also available on our company website at daiyafoods.com.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report for Daiya Foods Inc. 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.



Hajime Fujita

Chief Executive Officer, May 29, 2024

I have the authority to bind **Daiya Foods, Inc.**