

Shur-Gro Farm Services Ltd.

Forced Labour and Child Labour in Supply Chains Company
Assessment

May 27, 2024

Table of Contents

- Introduction..... 2
- Structure, Activities & Supply Chain 3
- Policies & Due Diligence Processes 4
- Supply Chain Risk Assessment 6
- Remediation of Forced & Child Labour..... 7
- Remediation of Vulnerable Family Income Loss..... 7
- Awareness Training 8
- Assessing Effectiveness..... 8
- Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour..... 9

Introduction

The purpose of this report is to demonstrate our compliance with Bill S-211, an Act to enact the Fight Against Forced Labour and Child Labour in the Supply Chains Act. The financial year for which we are reporting is August 1, 2022 to July 31, 2023. This is the first version of the report submitted by the entities.

The categorizations that apply to the entities are that they have a place of business in Canada, they do business in Canada and have assets in Canada. The entities have at least \$20 million in assets for a least one of their two most recent financial years and they have generated at least \$40 million in revenue for at least one of their two most recent financial years.

Shur-Gro Farm Services Ltd. has been in operation since 1968 and we are proud to remain an independent locally owned business. We operate 11 retail outlets in south west Manitoba.

South East Seeds Inc. became part of the Shur-Gro group in 2018 and operates in 2 locations east of Winnipeg, MB.

Management has created a set of guiding principles which form the basic starting point for any interaction between employees, within their own offices and throughout the organization, as well as with customers, vendors and as members of our communities.

We strive to offer high quality service to our customers and create value to help them improve their operation and profitability. We believe in maintaining a healthy, positive work environment for our employees. We believe in supporting and contributing to our communities and promoting practices to ensure the sustainability of agriculture.

Honesty and integrity are at the forefront of our relationships, so that we can be responsible global citizens. We are committed to respecting and promoting human rights, which include taking a strong stance against child and forced labor. We will continue to improve our efforts to identify and eliminate any risks of forced and/or child labor in our operations and supply chains.

Structure, Activities & Supply Chain

Structure

Shur-Gro Farm Services Ltd. (Business Number 104846043) is wholly owned by 3042561 Manitoba Ltd. (Business Number 138366141) which also owns a controlling interest in South East Seeds Inc. (Business Number 817740863). All three companies are incorporated and registered in Manitoba and are headquartered in and operate in Canada. Ron Helwer, owner, oversees the entities along with CEO Dale McKay, General Manager Stephen Anderson and Sales Manager Blaine Cochrane. Each location also has a Branch Manager who supervises the day-to-day operations at that location. Shur-Gro Farm Services employs 68 full-time permanent staff and another 40 – 60 seasonal staff. South East Seeds has 7 full-time permanent staff and 1-2 seasonal staff. Both of the entities are members of Canadian Association of Agri-Retailers as well as many local Chambers of Commerce.

This report has been compiled in relation to the activities, supply chain and risk assessment associated to Shur-Gro Farm Services and South East Seeds, hereafter referred to as “the Entities”.

3042561 Manitoba Ltd. also owns a controlling interest in Brandon Terminal Ltd. (Business Number 106253297 registered in Manitoba). We have determined that Brandon Terminal does not need to be assessed as they are a service based business.

Activities

The Entities both operate in the agriculture industry. They are both crop inputs retailers selling fertilizer, crop protection products and seed to growers in Manitoba. We also provide custom application and agronomy services to our customers. The goods sold are purchased from companies operating in Canada and the United States.

Supply Chain

We do our best to source day to day operating supplies (equipment repairs and maintenance, office supplies, services, etc.) locally based on price and availability.

The products we sell include dry and liquid fertilizer, crop protection products and seed which are primarily purchased from a small number of manufacturers and/or distributors, all of which are located in Canada or the United States. Each product may only be available from one manufacturer/distributor. If it is more widely available, we approach buying based on price, available purchase rebates, and availability.

Policies & Due Diligence Processes

Current Policies

We do not currently have any policies specifically addressing forced and/or child labour.

We do have policies on the following topics that demonstrate our commitment to treating employees fairly and keeping their health and safety needs in mind:

- Hours of work and overtime – during busy season, employees are required to be available and willing to work overtime as required and will be compensated at 1.5 times their regular rate of pay.
- Personal protective equipment (“PPE”) – all employees are required to wear proper safety gear (including but not limited to high visibility t-shirts/vests, safety eyewear and steel toed boots), based upon location and scope of the work they are performing. Safety t-shirts are provided to all employees and an annual reimbursement of \$150 is provided to all employees for safety boots.
- Violence and harassment – we are committed to providing a safe and respectful work environment for all personnel engaged in the Entities business. Our Violence & Harassment Prevention Policy (as documented in our Employee Manual) outlines the rights and responsibilities of both the employee and employer and procedures to be followed in the instance of a complaint.

We offer paid sick leave and generous paid vacation time. We offer a group insurance benefit package and an RRSP program to qualifying employees. We encourage continuing professional development. We promote involvement in our communities.

All new employees receive job specific training including any relevant safety training. All new employees are required to complete the “Respect in the Workplace” certification program.

As stated in the Occupational Health and Safety Program portion of our Employee Manual, all employees have the right to refuse to work in unsafe or unhealthy conditions.

While undocumented, It is our practise to cultivate an open culture at all levels of management so that all employees feel comfortable raising a concern/issue. The first step would be for the employee to report the concern to their immediate supervisor. If a solution cannot be agreed upon, then the situation would be investigated by upper management. All parties involved will be consulted to find a satisfactory resolution.

Due Diligence

Employees

We require a Social Insurance Number ("SIN") and a copy of each new hire's drivers' license. Our payroll program will flag a warning if the two don't match. We try to hire locally based on skill level and other job specific criteria and do not use contract labor. We abide by all Province of Manitoba Employment Standards.

Suppliers

When determining which vendors to deal with, we consider the reputation of the company/management team within the industry and or local community, as well as the availability of the product. We buy from large, established companies and have regular conversations with them regarding quality, supply limitations and future business goals. Our largest vendor, accounting for 65% of our total procurement spend, has the following statement on their website: They are "committed to eliminating slavery and human trafficking in its supply chains and prohibits its employees from using involuntary labor, whether bonded, prison, military, or indentured labor, including debt servitude with respect to any aspect of its operations".

Our branch managers are responsible for their location's day-to-day operating expenses and make purchasing decisions based on local availability, reputation of the supplier and price.

Supply Chain Risk Assessment

A risk assessment over the Entities' industry of operation, goods procured, and the countries goods are procured from has been performed over material direct suppliers that accounted for more than 1% of the Entities' total procurement in 2023. All of the identified suppliers of fertilizer, crop protection products and seed operate in Canada or the United States and have good reputations in the agriculture industry.

The risk assessment used two separate indices to conclude on inherent risk of child and/or forced labour related to goods and countries – *Walk Free's Global Slavery Index* and the *US Department of Labor's List of Goods Procured by Child Labor or Forced Labor*.

Industry of Operation

The Entities operate within the agriculture industry. Given the two indices noted above have identified risks of child labour and forced labour inherent to agriculture products, it is concluded that this industry has an inherent risk exposure.

Goods Procured

The Entities procure agriculture products. A risk assessment over the goods procured from suppliers has been conducted and identified an initial inherent risk of forced and/or child labour within the following categories: Fertilizer, crop protection products, and seed.

All other remaining goods were not included in either of the indices, therefore, the Entities conclude that these remaining goods have a low inherent risk of child labour or forced labour.

Countries Which Goods are Procured From

For the purposes of a risk assessment over countries goods are procured from, this report focuses on direct suppliers only. The Entities procure goods from suppliers within Canada and the US. Both indices have identified Canada and the US as having a low inherent risk of the use of child and/or forced labour.

The results above indicate that there is an inherent risk of forced or child labour within the agriculture industry globally. This does not mean that evidence of forced labour or child labour was found to support this risk analysis but that more auditing and monitoring will be needed to reduce the risk in these areas.

Remediation of Forced & Child Labour

We have not identified any risk therefore have no need to remediate. However, to reduce the risk of child labour or forced labour within the Entities' activities and supply chain, the Entities will continue to have conversations and engage with suppliers on the subject. The Entities have identified the opportunity to implement and enhance policies and due diligence mechanisms to reduce the risk of child labour and forced labour within their activities and supply chain.

Remediation of Vulnerable Family Income Loss

To date, there have been no instances identified by the Entities of forced labour or child labour within their activities or supply chain. Therefore, the Entities have not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in their activities and supply chains.

Awareness Training

We do not currently have any forced and/or child labour awareness training programs in place. We have identified there is an opportunity to incorporate awareness training into our policy manual and new hire onboarding procedures.

All new employees are required to sign an acknowledgement that they have received and that they are responsible to understand the expectations as outlined in the Shur-Gro Employee Handbook as well as for the following policies: Alcohol and Drug Policy, Violence and Harassment Policy and Cell Phone Usage Policy.

All new employees are required to spend a week training with a peer, spend a day at head office, complete Respect in the Workplace training and sign off that they have completed the following training programs: Safe work procedures (job specific), Anhydrous training (if applicable), Transportation of Dangerous Goods, WHIMIS, forklift training, respiratory fit training and fire extinguisher training.

The timing for recertification for these programs is monitored and provided as necessary.

Shur-Gro provides ongoing training on changes in procedures or requirement and supports all employees seeking continuing professional development.

Assessing Effectiveness

We believe that the relationships that we have built with our vendors over the years allows us to be effective in assessing that the risk of any instance of forced and/or child labour in our supply chain is very low. We personally deal with top level executives of our major suppliers, all based in North America, as well as local representatives on an ongoing basis. All have good reputations in the industry and have shown no signs of using forced or child labour in the production of their goods.

The risk of wrongdoing with the smaller, day-to-day vendors that our local branches deal with is also very low as most are run by community members. Mistreatment of employees, not abiding by laws or providing poor quality goods and or services would not be tolerated in the small rural locations that we operate in.

If an issue is identified, management will be made aware using our existing policies and processes and appropriate action will be taken.

Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

The Entities have taken the following steps to prevent and reduce the risk of forced labour or child labour:

- **Mapping supply chains:** Identifying components of the Entities' supply chain including who the suppliers are, country of origin, as well as the goods supplied.
- **Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** As a part of this report, the Entity has identified risks within their activities and supply chains that have inherent risks of child labour and/or forced labour.
- **Due diligence processes and policies:** The Entities have policies and documents, although nothing specific to voluntary recruitment of forced and child labour. Staff agree to these policies and documents when joining the Entities. As a general due diligence measure (internal control), Driver's Licenses are verified at the time of hiring.

The Entities advertise all job openings locally and through social media and assess each candidate's qualifications for a position. The Entities pay a fair wage based on qualifications and provide the training necessary for employees to safely perform the duties required. The Entities abide by all Manitoba Labour Standards.


The Entities have processes for workers to report, without fear of retaliation. The Entities maintain internal accountability standards and procedures to respond to failure by workers to meet organizational policies, expectations, and commitments; although, these are not specific to forced and child labour.

- **Supplier due diligence:** The Entities perform due diligence when choosing and selecting suppliers to engage with, including community reputation, past performance, commodity pricing, and likelihood of delivery.

The Entities have mapped their supply chain and identified areas of risk. The Entities have researched online for data relating to forced labour in the agriculture industry and the countries that the Entities' vendors operate in. The Entities have evaluated their own policies and procedures and have identified areas for improvement. The Entities will continue to have conversations with vendors about the topic.

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.

| | |
|-------------------|---|
| <u>DALE McKAY</u> | <u></u> |
| Full Name | Signature |
| <u>CEO</u> | <u>MAY 28, 2024</u> |
| Title | Date |

I have the authority to bind Shur-Gro Farm Services Ltd. and this report covers financial year 2023 and applies to Shur-Gro Farm Services Ltd. and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of Shur-Gro Farm Services Ltd. if they apply.