



Forced Labour and Child Labour in Supply Chain



Table of Contents

Executive Summary	3
Introduction.....	4
Structure, Activities & Supply Chain Structure	4
Policies & Due Diligence	5
Risk Assessment	5
Remediation of Forced & Child Labour	6
Remediation of Vulnerable Family Income Loss	6
Awareness Training	6
Self-Assessment Process & Requirements.....	7
Conclusion	7
Approval and Attestation	8

Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from its supply chains.

The measures introduced through former Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity. There are seven mandatory reporting areas that must be investigated and reported on which include:

- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

As of March 2024, Babich Farms has started the assessment of forced labour and child labour within its supply chain. It has connected with a sample of large spend suppliers that make up 80% of the 2023 spend by sending out questionnaires. Given that Bill S-211 is a new Act, Babich Farms plans to refine its processes by documenting policies and procedures, supply chain management processes, and forced and child labour awareness training to employees to meet the requirements of the Act.

Introduction

This report is Babich Farms’ (“Babich Farms”, “Entity”, “Company”) response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

Babich Farms satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

This report covers the financial year January 1, 2023-December 31, 2023. This is the first version of the joint report submitted by Babich Farms and its subsidiaries. The office address is PO Box 326, Moose Jaw, SK S6H 4N9.

Structure, Activities & Supply Chain Structure

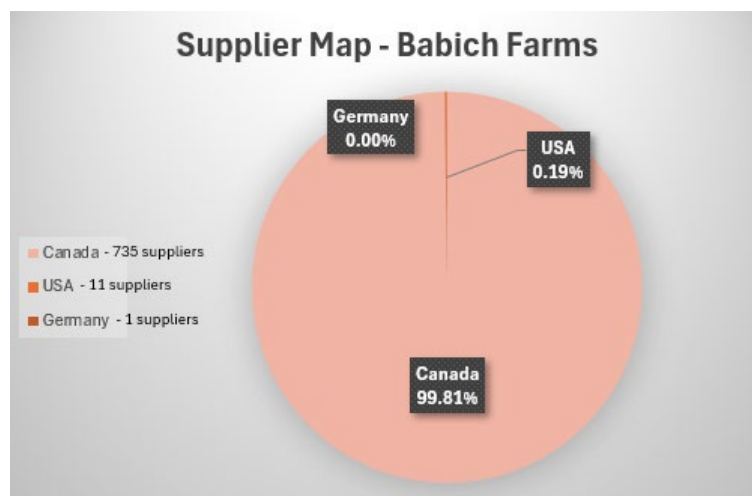
Structure and Activities

Babich Farms’ principal business activity is the production, marketing, and sale of cereal, pulse, and oilseed grains, and feeding cattle.

Babich Farms has about 73 employees. The Company is owner operated and all decision making is centralized to the owners.

Supply Chain

Babich Farms and its subsidiaries have around 747 direct suppliers and 735 (99.81%) are based in Canada, 11 (0.19%) from the United States, and 1 supplier (0.0003%) from Germany.





Policies & Due Diligence

Babich Farms currently has no formal documentation of policies and processes in place. It is a family run and operated farm in a small town and all working functions are managed and overseen by the owners. Any unusual activity within the operations is easily detected. There is an open-door policies and employees are encouraged to reach out to the owners for any issues they note.

Babich Farms currently do not have an outlined policy regarding suppliers' due diligence in selecting or approving suppliers. The Company engages suppliers that are known to be reliable within the business industry. The Company has started the risk assessment of the supply chain to determine its risk exposure to forced and child labour. Babich plans to refine its internal processes by continuing risk assessment as well as creating and documenting policies and procedures in relation to forced and child labour.

Risk Assessment

A risk assessment over Babich Farms industry of operation, goods procured and countries where goods are procured from has been performed over a sample of material direct suppliers. Material direct suppliers for the purpose of this reporting are those suppliers that make up the top 80% of procurement spend.

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

Industry of Operations

Babich Farms operates within the agriculture industry which is associated with a high risk of child labour or forced labour according to the two indices.

Countries Goods are Procured From

For countries of origin, 735 (99.81%) of suppliers are based in Canada, 11 (0.19%) from the US, and 1 (0.0003%) supplier from Germany, all of which are low risk countries per Global Slavery Index by Walk Free Organization and the US Department of Labor.

Goods Procured

Babich Farms procure farming inputs which belong to high-risk categories based on the 2022 List of Goods Produced by Child Labour or Forced Labour by the US Department of Labour's Bureau of International Labour Affairs. These products include cattle, wheat, fertilizers, among others. But since these items are mainly sourced from Canada and the US, the overall risk assessment is low. Furthermore, Babich Farms management has determined that there are no high-risk suppliers based on the suppliers' operations which they have relationships since the business started operations.

Remediation of Forced & Child Labour

To mitigate the risk of child labour and forced labour within supply chains, Babich Farms has initiated the distribution of questionnaires to suppliers concentrating on conducting due diligence concerning Bill S-211. Based on initial responses received, no instances of child labour or forced labour were identified.

Babich Farms is also considering adding specific clauses identifying expectations regarding child labour and/or forced labour in the terms and conditions in the agreements/purchase orders issued to suppliers.

Using these mechanisms, Babich Farms is continuing the effort to mitigate the risk of child labour or forced labour through their supply chain. With the use of the questionnaire specifically, the Company is actively engaged in collecting survey responses to thoroughly evaluate this risk across its supply chain.

Remediation of Vulnerable Family Income Loss

Babich Farms is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. To date, Babich Farms has not identified instances of the use of child labour or forced labour within its operations or those of its suppliers. Babich Farms is continuing its review of procurement practices to enhance the rigour of its due diligence processes including raising awareness with its suppliers.

Awareness Training

Training on Bill S-211 was provided to the Chief Financial Officer (“CFO”) in fiscal year 2024. The training included the following areas:

- An overview of the Bill and what similar laws around the world are available, the definition of forced and child labour, its forms, some examples of child and forced labour both globally and in Canada.
- A snapshot of how modern slavery looks like recently including statistics of how many people are suffering from modern slavery around the world.
- Common key drivers of forced and child labour such as the absence of rights, lack of physical safety, poverty and inequality, criminality, and corruption among others.

Training pertaining to this Act is yet to be provided to employees and Babich Farms recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

Self-Assessment Process & Requirements

In fiscal year 2023, Babich Farms did not have a self-assessment and internal accountability process in place in relation to forced and/or child labour.

Though, the assessed risk for forced and child labour within Babich Farms is low, the Company will continuously assess and determine if there are areas in its supply chain that are at risk of forced or child labour.

To track Babich Farms effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms will be in place:

Internal Activities

1. Babich Farms will look into documenting its processes and policies and ensure relevance and accuracy based on the current operating conditions in accordance with this Act.

Supplier Activities

1. Supplier Questionnaires: Babich Farms is in the process of collecting questionnaire responses from suppliers. These questionnaires specifically ask suppliers detail about their risk and process related to child labour and forced labour.
2. Terms and Conditions Babich Farms is considering adding specific clauses identifying expectations regarding child labour and/or forced labour in the terms and conditions in the agreements/purchase orders issued to suppliers.
3. Annual Attestation: on a risk-based approach, Babich Farms will require selected suppliers to provide a yearly attestation that its business practices align with the requirements of Bill S-211.

Conclusion

Given that Bill S-211 is a new Act, Babich Farms will refine its internal processes and develop policies and procedures, supply chain management processes, and forced and child labour awareness training to employees to meet requirements of the Bill S-211.



Approval and 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.

Byron Babich

Full Name

Signature

President

May 30, 2024

Title

Date

I have the authority to bind Babich Farms and this report covers financial year 2023 and applies to Babich Farms and its wholly owned subsidiaries.