



Background

The measures introduced through *Bill S-211, Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“the Act”), aim to increase industry awareness and transparency and drive businesses to improve practices. There are seven mandatory reporting areas that must be investigated and reported on which include:

- The steps the entity has 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.
- 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.

This report is Cropac Equipment Inc.’s (“Cropac”) 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). Cropac 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.

The financial reporting year of Cropac covered by this report is September 1st, 2022, to August 31st, 2023. This is the first version of the report submitted and the report is for the entity, Cropac Equipment Inc. (“Cropac” or the “Company”).

Structure

Cropac is a private Canadian corporation engaged in the acquisition and distribution of various types of cranes. Currently, Cropac has six locations across Ontario, Quebec, Alberta, and British Columbia, with the head office located in Oakville, Ontario. We have been in business since 1977. Cropac currently employs 118 staff across all of Canada.

In order to qualify as an entity for the Bill S-211 reporting obligation, companies need to meet the following thresholds:



- At least \$20 million in assets
- At least \$40 million in revenue, and
- An average of at least 250 employees

Cropac meets the criteria for two of the three thresholds.

Activities

Cropac supplies cranes and crane parts to its customers across North America. Cropac Equipment is a proud, factory-authorized distributor for Terex and Tadano cranes offering a complete line-up, including hydraulic truck cranes, all-terrain cranes, rough-terrain cranes, crawler cranes (Tadano and American), and boom trucks. We are also the authorized distributor for Manitex boom trucks, Kobelco crawlers, Broderson carry deck cranes, Potain self-erector cranes, and Tadano Mantis tele-crawlers. We also sell Peiner and Comedil tower cranes, and used Grove, Linkbelt, Tadano and Liebherr cranes. Cropac also works in transportation, forestry, steel processing, rigging, heavy materials movement, and marina storage. As an authorized distributor, Cropac supplies its customers with original equipment manufacturer parts. While approximately 93% of Cropac's inventory is procured from vendors in the US and Europe, the majority of its sales occur in Canada.

Supply Chain

Cropac has a total of 287 suppliers from 8 countries, 7 of which are outside of Canada. Of the total suppliers, there are 26 suppliers from 5 countries, for which Cropac's total supply chain spend is 1% (one percent) or greater. Figure 1 below presents the makeup of our supply chain by country, exclusive of any country that makes up $\leq 1\%$ of total spend.

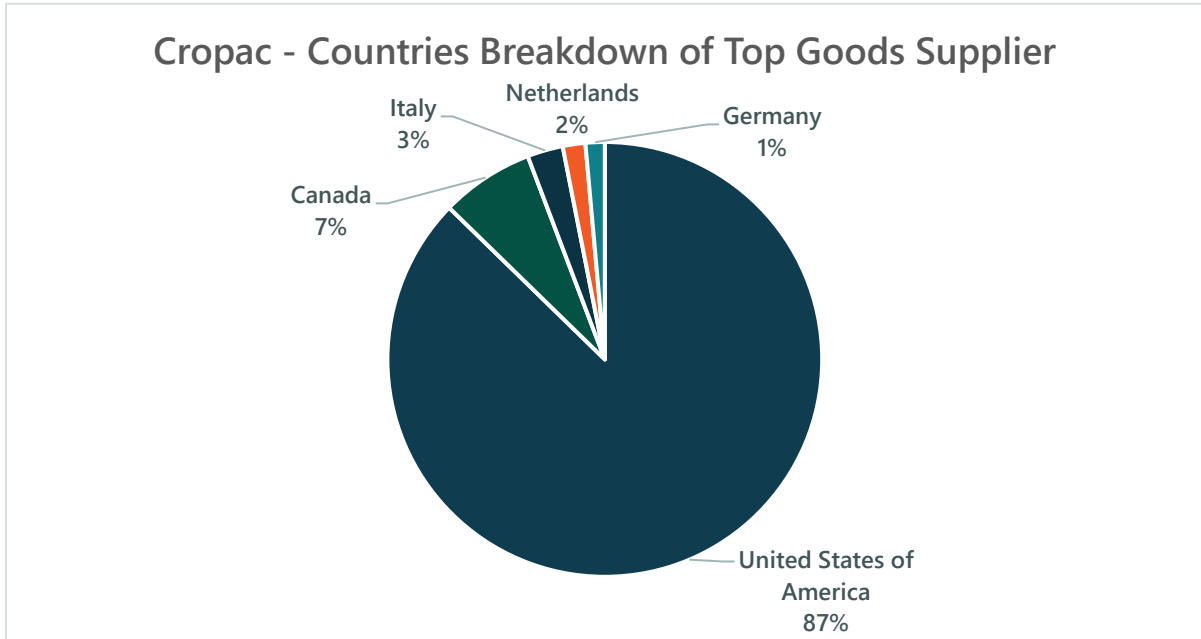


Figure 1

There are 261 suppliers which are $\leq 1\%$ of Cropac’s total supply chain spend, and not included in the figure above. These suppliers are located in the following countries:

- France
- Spain
- United Kingdom

Policies & Due Diligence

Current Policies

Corporate policies are the foundation of all of our activities, and we have an open-door approach to receiving feedback from employees. Our **Human Rights Policy** further emphasizes a zero-tolerance approach for any discrimination or harassment. Steps to report workplace harassment are outlined in this policy, along with a defined approach to investigating and addressing complaints. In our **Code of Ethics Policy**, we commit to conducting business in an open and ethical manner. Within this policy, we directly state that harassment or discrimination will not be tolerated. It is the responsibility of employees, management, and executives to report suspected violations of this policy. Cropac commits to employing disciplinary measures in the case of any wrongdoing or impropriety. Furthermore, our



policy states that we will not tolerate retaliation against employees who use the reporting mechanisms outlined in the policy for a genuine cause. In our **Workplace Violence and Harassment Policy**, we commit to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of violence, discrimination or harassment.

At Cropac, are unwavering in our promotion of respect, ethics, integrity, and compliance with human and labour rights. We do not yet have policies or procedures in place to assess our effectiveness in ensuring that forced labour and child labour are not used in our activities and supply chains. In future reporting years, we will report our progress and strategy related to keeping forced labour and child labour out of our activities and supply chains.

Due Diligence

Cropac applies due diligence measures to transactions within our supply chain in order to limit activity with a higher risk of forced labour or child labour. Cropac engages vendors with whom we have long-standing relationships and have not encountered any known instances of risks associated with forced or child labour. A core tenet of Cropac's operations is building and maintaining strong relationships. The major vendors Cropac chooses to do business with are companies that are respected within their industry.

As part of the procurement process, Cropac conducts site tours at the supplier's plant to ensure quality of product, as well as attend annual dealer meetings. Cropac continues to work with well-known and reputable suppliers in the industry. All suppliers are bound by the terms they sign, which are stated in our **Distributor Agreements**. Terms vary per agreement. Through this mechanism, we hold suppliers accountable by including clauses that clearly identify compliance with local laws and regulations.

When hiring employees, we ensure they are properly registered with the government, are paid at least a minimum salary wage, are enrolled in social security, and provided appropriate safety equipment.

Risk Identification & Management

Countries of Operations and Risk

Using the *Walk Free Global Slavery Index* and the *U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor*, we had a risk assessment conducted on our countries of operations. These indexes use in-depth research in the area of forced labour and child labour and indicate the risks associated with each country. We found that there were low inherent risks of forced labour or child labour in Canada.



Country	Employees as of 2023 (#)	Inherent Risk per Country
Canada	118	Low

Countries of Suppliers and Risk

Using the *Walk Free Global Slavery Index*, we had a risk assessment conducted on the countries of suppliers. This index uses in-depth research in the area of forced labour and child labour and indicates the risks associated with each country. We found that there were low inherent risks of forced labour or child labour in Canada, the United States, Germany, Italy, and the Netherlands.

Country	Suppliers (#)	Supply (%)	Inherent Risk per Country
Canada	6	23	Low
United States of America	16	87	Low
Germany	1	1	Low
Italy	2	3	Low
Netherlands	1	2	Low

Cropac procures goods from vendors that are based in France, Spain, and the United Kingdom, however, the total purchase amounts with these vendors is immaterial and comprises less than 1% of Cropac’s total supplier spending. It is unknown to Cropac where these vendors purchase their goods/materials from, which could expose the supply chain to inherent risk related to originating source countries

Industry of Operation

Cropac operates within the wholesale industry, distributing crane parts to various customers. More broadly, Cropac is considered part of the manufacturing industry according to Walk Free’s index. According to the index, this industry has inherent high-risk exposure to forced labour and child labour. However, risks are mitigated as Cropac is only dealing with well-known suppliers from countries with a low inherent risk rating.

Type of Goods Procured and Risk

Using the *Walk Free Global Slavery Index* and the *US Department of Labor’s List of Goods Produced by Child Labor or Forced Labor*, we had a risk assessment conducted on the types of goods of our suppliers. This index uses in-depth research in the area of forced labour and child labour and indicate



the risks associated with each type of good. We found that 26 suppliers make up 67% of Cropac’s total spend for the year 2023. All of the major categories of goods used for cranes (i.e., steel and other industrial parts) are not identified within the two indices, and have a low inherent risk of child labour or forced labour.

Goods	Inherent Risk per Good	Country	Inherent Risk per Country	Overall Risk
Crane Parts (e.g., steel), Other Parts (wires, ropes, filters, bulbs, slings, oil and grease)	Low	Canada	Low	Low
Crane Parts (e.g., steel), Other Parts (winch, forklift, boom grease)	Low	United States of America	Low	Low
Crane Parts (e.g., steel)	Low	Germany	Low	Low
Crane Parts (e.g., steel), Other Parts (concrete buckets)	Low	Italy	Low	Low
Other Parts (hook blocks, steel)	Low	Netherlands	Low	Low

Remediation Measures

Cropac is in the process of understanding and evaluating supply chain risks related to child labour and forced labour. At Cropac, we commit to remediate human rights incidents and labour violations that occur within our operations and communities. This may include restitution, compensation, rehabilitation, satisfaction, and non-repetition. We will continue to monitor procurement processes to enhance the rigor of due diligence processes and ensure that we do not conduct business with entities that violate human rights or labour rights. We commit to immediately cease our dealing with a business if evidence of forced labour or child labour is found.

Awareness Training

Cropac incorporates training for all employees on maintaining safe and respectful workplaces. We provide training on violence, harassment, procedures and work practices to mitigate risks, ways to get help, and report incidents of workplace violence and harassment.

Although our current training programs do not explicitly focus on forced labour and child labour, they



will serve as a strong foundation as we look towards future training. Cropac recognizes the opportunity to enhance employee training relevant to this Act and will be evaluating staff training in the future. At Cropac, we emphasize that the people working on project sites need to be the 'eyes and ears' of the Company while being aware of the signs of forced labour and child labour.

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

Through our analysis, we found that all the types of goods procured by Cropac from its North American and European suppliers carries a low inherent level of risk. Cropac has taken the following steps to prevent and reduce the risk of child labour or forced labour:

1. Mapping supply chains: As part of this report, Cropac has mapped the supply chain to complete a risk assessment to align with the index.
2. Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains: As part of this report, Cropac has identified risks within their activities and supply chain that have inherent risks of child labour and/or forced labour.
3. Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains: As part of this report, Cropac assesses the risks associated with the goods procured against global forced and child labour benchmarks and indices.
4. Developing and implementing an action plan for addressing forced labour and/or child labour: Cropac has identified the need to develop an action plan to address emerging risks in our supply chain.
5. Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour: Remediation efforts relating to due diligence mechanisms in place have been identified, to reduce the risk of child labour and/or forced labour within the supply chain.
6. Developing and implementing training and awareness materials on forced labour and/or child labour: Cropac has identified the opportunity to develop employee training relevant to child labour and/or forced labour.

In the upcoming reporting years, Cropac looks towards implementing policies and practices concerning; staff training and increasing awareness of forced labour and child labour; monitoring suppliers for evidence of forced labour and child labour; and integrating our Human Rights Policy across corporate policies.



At Cropac, we firmly believe that our greatest asset is our people. We are committed to creating a work environment that values and respects every employee, while upholding their rights and well-being. Furthermore, we are unwavering in our stance against forced labour and child labour practices. Our dedication to ethical business practices extends beyond our walls as we continue our work to keep forced labour and child labour out of our supply chains.



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.

Duke Ta

Duke Ta

Full Name

Signature

Chief Financial Officer

May 31, 2024

Title

Date

I have the authority to bind *Cropac Equipment Inc.* and this report covers financial year 2023 and applies to *Cropac Equipment Inc.* and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *Cropac Equipment Inc.* if they apply.