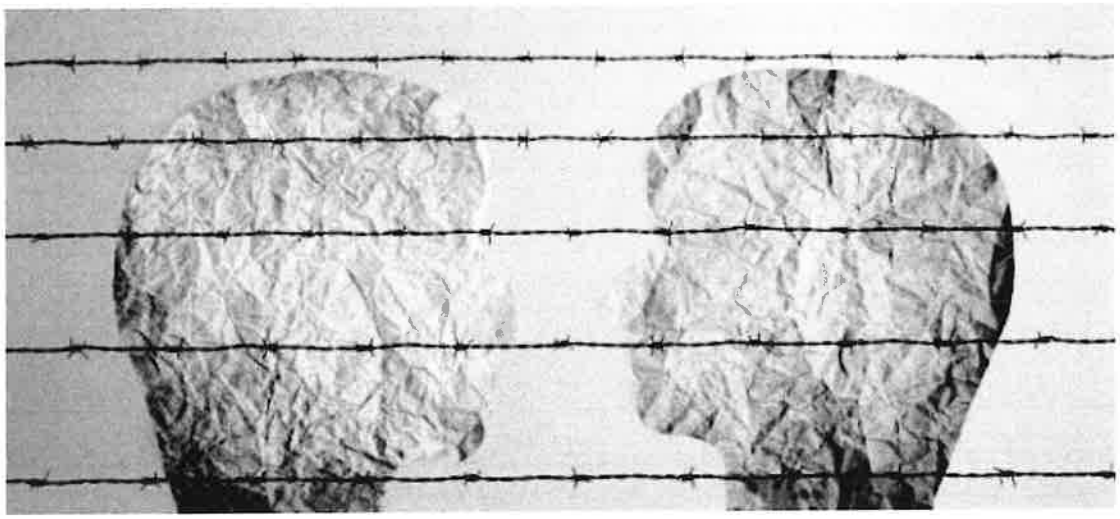
Knelsen
We Build Opportunity



Knelsen Sand & Gravel Ltd.

Forced Labour and Child Labour in Supply Chains Company Assessment

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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 their supply chains.

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, Knelsen Sand and Gravel Ltd. ("Knelsen" or "The Company" or "Entity") has begun prioritizing the mitigation of forced labour and child labour through mapping activities for the 2022 fiscal year. Knelsen has statements and policies in place that emphasizes the Company's commitment to human rights and abiding by Provincial legislation, but also recognizing there is always room for continuous improvement. The Company's policies such as the Child Labour and Forced Labour policy, Corporate Safety Policy, Equality of Opportunity Employment Policy, and everyday practices serve as a strong foundation as we aim to implement more anti-forced labour and anti-child labour measures. As a growing, socially conscious company, Knelsen recognizes and is strongly committed to reducing the risk of forced labour and child labour in the Company's operations and supply chains. This report outlines steps taken by Knelsen to prevent and reduce the risk of child labour or forced labour.

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 eight 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.

Introduction

This report is Knelsen's response to Bill S-211, which aims 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).

Knelsen is a privately owned construction company based in La Crete, Alberta. It offers five key services, construction, portable ready-mix, concrete, aggregates, and precast and is located in 10 locations across Alberta with over 750 employees. Knelsen 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 Knelsen covered by this report is January 1, 2022, to December 31, 2022.

Business Structure, Activities and Supply Chain

Structure

Knelsen operates as a private corporation with its headquarters located in Alberta. Knelsen was founded in 1973 and is engaged in the construction and manufacturing industries. Knelsen primarily procures items from within Canada, supporting local industries and employed approximately 501 individuals across various departments as of March 2024, peak seasonal employees normally average in the range of 750.

Activities

Knelsen operates within the manufacturing and construction industries, focusing on four main areas: construction, ready-mix concrete, aggregates, and precast concrete products. Knelsen assists local farmers and businesses, providing essential products and services to support regional development. Knelsen undertakes a variety of construction projects, ranging from residential to commercial developments, and produces high-quality concrete, aggregates, and precast materials, essential for infrastructure projects and building construction.

Supply Chain

The Company procures goods within the categories of construction and manufacturing, including bricks, cement, copper, glass, sand, etc. from suppliers from within Canada and the United States. The Company has a total of 1,367 suppliers with 17 of them in the United States of America and 1,350 in Canada.

Policies and Due Diligence

Current policies

The construction industry is required to adhere to several quality and safety standards, as a result Knelsen has robust policies in place to ensure safety, quality and the prevention of child and or forced labour within our organization and supply chain. This ethos is underpinned by our code of ethics which prohibits Knelsen employees from engaging in any form of illegal activity. As a result of Knelsen's continued commitment, we have developed the following policies that are applicable to employees and suppliers:

Child and Forced Labour Policy:

This policy was developed to highlight that Knelsen is opposed to the use of child labour and forced labour within our organization and at any stage within our supply chain. This policy extends to all employees, subcontractors, and suppliers. This policy highlights Knelsen's commitment towards complying with all applicable laws and regulations regarding child labour, forced labour, and human rights in Canada and our commitment towards maintaining internationally recognized standards such as the International Labour Organization's (ILO) conventions. Contractors are expected to share Knelsen's commitment to preventing child and forced labour, conducting due diligence to identify and mitigate risks within their own supply chains. Knelsen has committed to ensure adherence to this policy through internal monitoring mechanisms, such as audits and training programs.

Corporate Safety Policy:

Knelsen's Corporate Safety Policy was designed to protect our staff, property, contractors, the public, other employers, self-employed persons, visitors, and external work parties affected by our work activities. It is designed to demonstrate Knelsen's commitment to a strong safety program to protect against incidents or hazards in the workplace. It further states that management will provide and maintain a safe, healthy work environment that follows industry standards and legislative requirements.

Equality of Opportunity Employment Policy:

This policy strives to emphasize that Knelsen is a company where the rights of all employees are protected. Knelsen adheres to all applicable legislation governing our activities, with a specific drive to comply with the Alberta Human Rights Act.

Purchase Order Terms and Conditions:

As an additional step, Knelsen's Purchase Order Terms and Conditions specifically state that Knelsen requires our suppliers to comply with all the requirements related to safety standards and all applicable U.S. or federal, state, provincial and local laws, regulations, by-laws, ordinances, rulings, and orders.

Due Diligence

Child and Forced Labour Policy:

As part of Knelsen's commitment to ethical business practices, we have implemented a Child and Forced Labour Policy. This policy outlines supplier responsibilities, monitoring, and reporting procedures. While Knelsen currently does not explicitly include these policies in contracts with vendors, it holds internal expectations regarding ethical conduct and due diligence regarding child labour and forced labour by providing these policies to suppliers with a request that they consider signing them. Knelsen seeks to emphasize transparency and accountability in assessing practices related to child and forced labor.

Subcontractors:

Knelsen has a procurement process along with a pre-qualification process to select appropriate subcontractors. These processes involve verifying that the subcontractors have completed necessary safety trainings (having Certification of Recognition ("COR") Safety Certification) and have a Workers Compensation Board ("WCB") clearance letter which ensures the contractors are eligible to work in Alberta. A similar process is also followed for trucking suppliers.

Supplier Questionnaires

As part of Knelsen's commitment to prevent child or forced labour within our supply chain Knelsen has requested that suppliers that pose the highest risk complete a questionnaire. This questionnaire is used to obtain confirmation from suppliers that they do not engage in child and or forced labour. Suppliers that have responded to the questionnaire have indicated that they have not identified any instances or unmitigated risks of forced labour or child labour within their business activities, operations, or supply chains. To date 4 % of our high-risk suppliers have responded and we are working on the additional 96% for the next financial year.

Risk Identification and Management

A risk assessment over Knelsen's operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of Knelsen's total procurement spend during the 2022 fiscal year.

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

Knelsen conducted a risk assessment on the countries where we have operations and found that there were low risks of forced labour or child labour as we only operate in Canada. Canada is considered to have a low inherent risk of child labour or forced labour. This, however, does not mitigate all the risks associated with child labour and forced labour and Knelsen will continue to implement necessary practices to maintain an environment free of child or forced labour.

Countries Goods are Procured From

Knelsen does have visibility into where their suppliers' operations are based, and where factories are located. The risk assessment was based on this data.

Knelsen procures from suppliers based in Canada (1,350 suppliers) and the USA (17 suppliers). Both countries have low inherent risk ratings of forced labour or child labour. This does not mean that there is no risk of forced labour or child labour, and Knelsen will continue to monitor our supply chain to ensure that any related risks can be mitigated as many of our suppliers are distributors and the country of origin is not consistently apparent.

Goods Procured

Knelsen found that of the 1,367 suppliers, 9 goods categories may carry a risk for child labour or forced labour. The risk analysis found an inherent risk for forced labour and child labour from the raw materials related to the following categories of these goods:

1. Cement
2. Stone: Gravel (crushed stones), Sandstone Stones
3. Copper
4. Sand
5. Timber
6. Rubber, rubber gloves
7. Nails, bricks
8. Glass
9. Locks

However, for the following goods, Cement, Stone: Gravel (crushed stones), Sandstones, Sand, and Timber, this risk was mitigated as they were produced in Canada, a country with low inherent risk of child labour and forced labour. While the outstanding goods listed above are considered to have high inherit risk as they are bought from distributors.

All other remaining goods procured are not specifically identified within the two indices, therefore it has been concluded that they have a low-inherent risk exposure. Further analysis and understanding by Knelsen will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

Remediation Forced and Child Labour and Vulnerable Family Income Loss

Knelsen is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. Knelsen is committed to identifying and addressing human rights incidents and violations that occur within our operations and communities. To date, Knelsen has not identified instances of the use of child labour or forced labour within its operations or those of suppliers. Knelsen recognizes the significant impact forced and child labour can have on individuals and their families and thus relies

on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding Knelsen and its suppliers up to the highest standards of practice.

Awareness Training

Knelsen currently provides training on child labour and forced labour during the new-hire employee orientation. This includes the following two training modules:

New Hire Training

As part of Knelsen's New Employee Safety Orientation (KNESO), employees receive comprehensive information on various topics, including child labor and forced labor awareness. A specific section dedicated to raising awareness about the issues related to forced labour and child labour is included in the orientation materials. Employees are required to review and sign off on this information upon being hired, demonstrating their understanding and commitment to Knelsen's policies and values.

Safety Training Policy

This policy states that Knelsen requires that all its supervisors and managers undertake the "Leadership for Safety Excellence" course, in addition to job-related training. This additional training is design to create a tone from the top-down approach to ethical behaviour and support for all our employees.

Assessing Effectiveness

Knelsen is in the process of understanding and evaluating our supply chain and as part of this process, Knelsen will evaluate its processes to understand areas of improvement especially around self-assessment processes including Key Performance Indicators ("KPI") metrics, internal audits, quality assessment programs to ensure the implementation of the Child and Forced Labour Policy. While there is a Worksite Inspection Policy that states that a formal inspection shall be conducted by the manager or designated employee at each facility every six months to control hazards in the workplace by identifying and correcting unsafe acts and conditions, it may not extend to all our suppliers. Knelsen will continue to review its practices to enhance the rigor of self-assessment processes to identify how effective it is ensuring that forced and child labour are not being used in its business and supply chains.

Conclusion and Key Takeaways

Through our analysis, we found that although some of the commodities we purchase have a higher risk for forced labour and child labour, we have several measures in place to lower the risk of these practices. However, we are committed to continuous improvement and have identified areas within Knelsen's internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within Knelsen and our supply chain.

In the upcoming year Knelsen has identified areas and mechanisms where we have opportunities for enhancement to further reduce the risk of forced labour and/or child labour within Knelsen's activities and supply chains.

Policy Updates

The introduction of a documented procurement process will be considered which details the supplier onboarding requirements and the periodic review of the completeness of supplier documentation as well as the introduction of annual supplier attestations testifying that there were no instances of child or forced labour within their organisation or those of their suppliers. This policy will also include:

- Potential supplier questionnaires: A questionnaire relating to the supply chain, employees, policies, and procedures could give Knelsen a deeper understanding of the suppliers. This would include questions relating to child labour and forced labour.
- Background checks: Conducting background checks is a proactive approach to assess the practices of suppliers Knelsen may want to engage with. It would also enable Knelsen to strengthen the supply chain integrity and minimize risks associated with supplier relationships.

Knelsen will also review the formalization of the current recruitment process with a defined recruitment strategy ensuring that all hiring decisions are made using a consistent criterion ensuring fairness in hiring process and compliance with legal and regulatory requirements and ensure that every new and current employee is compliant to all of Knelsen's policies.

As Knelsen supports employee well being and strive to create a safe environment Knelsen will investigate the introduction of a Whistleblower Policy and process that can be introduced internally and to suppliers should they identify issues of concern. Once implemented an annual awareness campaign will be introduced to encourage employees to be mindful and report potential incidents.

Corporate Strategic Reviews

To maintain that our supply chain is free of child labour and forced labour the introduction of a corporate strategic review team will be investigated. This team will be tasked with conducting risk assessment that will include the assessment of the supply chain and entity for the risk of child labour and forced labour. This team will also be responsible for assessing the process of managing any identified instances of child labour or forced labour.

Training

As the introduction of the Child Labour and Forced Labour Policy was recently introduced, Knelsen will investigate the process of training existing employees on the policy to drive awareness and the importance.

Supplier Agreements

As far as possible Knelsen will consider implementing supplier agreements. These contracts will incorporate Knelsen's child labour and/or forced labour policy. As well as a right to site inspections should Knelsen be made aware of any potential issues. Additionally, all purchases, as far as possible, that are made with suppliers that don't have a signed supplier agreement will be made using a purchase order. The terms and conditions of the purchase order will be reviewed to establish if they can be updated to

stipulate that suppliers are required to ensure that they do not use child or forced labour. Furthermore, Knelsen will investigate the development of a supplier inspection schedule to ensure that at least the suppliers that pose the highest inherent risk are visited on an annual basis to ensure supplier adherence to our policies.

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.

Ann Knelsen — **Full Name**

Ann Knelsen — **Signature**

President/owner — **Title**

May 14, 2025. — **Date**

I have the authority to bind *Knelsen Sand and Gravel Ltd.* and this report covers financial year *2022* and applies to Knelsen Sand and Gravel Ltd. and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *Knelsen Sand and Gravel Ltd.* if they apply.