



TO: SMSE Board of Directors

Subject: Fighting Against Forced Labour and Child Labour in Supply Chains Act

Date: April 3, 2024

The Canadian Parliament passed Bill S-211 on May 3, 2023, to protect vulnerable populations from human rights abuses and exploitation. The bill took effect on January 1, 2024, as the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (SC 2023, c. 9) (the “Act”).

The Act specifically requires SMS Equipment Inc. to prepare a report and to file it on or before May 31 of each year. A draft of the report in the prescribed template is attached.

The report summarizes steps taken by SMS Equipment Inc. during our prior fiscal year to prevent and reduce the risk that forced labour or child labour is used in production, importation, distribution and sale of goods in Canada. Some additional explanatory notes are included in the draft report and these are only to support the review of the report and will be removed prior to submitting the report.

Next steps:

- Kindly review, and we will seek the Board’s acceptance of this report at the April Board Committee meeting.

- SMS Equipment Inc. will then complete the other steps required by the Act:
 - Obtain signed approval of the report from by Robin Heard, President and CEO, and/or Kelly-Ann Cordner, EVP, Human Resources & CHRO,
 - File the approved report with the Minister of Public Safety and Emergency Preparedness
 - Distribute the report to our shareholder with our annual financial statements
 - Publish the report in a prominent place on the SMS Equipment Inc. website

We appreciate your attention to this important requirement.

Robin Heard
President and Chief Executive Officer
SMS Equipment Inc.

Kelly Ann Cordner
EVP, Human Resources & CHRO
SMS Equipment Inc.

This report is for: Entity

The legal name of reporting entity: SMS Equipment Inc./Équipement SMS Inc.

Financial Reporting Year: ending December 31, 2023

Is this a revised version of a report already submitted? NO

Business Number: 895483022

This report is a joint report: NO

Is the entity subject to reporting requirements under supply chain legislation in another jurisdiction? NO

Which categorizations apply to the Entity?

Canadian business presence:

- Has a place of business in Canada
- Does business in Canada
- Has assets in Canada

Meets size-related thresholds:

- Has at least \$20 million in assets for at least one of its two most recent financial years
- Has generated at least \$40 million in revenue for at least one of its two most recent financial years
- Employs an average of at least 250 employees for at least one of its two most recent financial years

1. SMS Equipment Operates in the following Industry?

- Retail trade
- Other, please specify: Equipment dealership (sales and leasing) and related service delivery for mining, forestry, construction and road building equipment.

2. In which country is the entity headquartered or principally located?

Canada

3. N/A (for government institutions only)

SMS EQUIPMENT INC. / ÉQUIPEMENT SMS INC.

REPORT / Fiscal Year Ending 2023: Fighting Against Forced Labour and Child Labour in Supply Chains Act

4. ANNUAL REPORT

Reporting for entities

1. *What steps has the entity taken in the 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? Select all that apply. (Required)

- Mapping activities
- Mapping supply chains
- Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains
- Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains
- Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily
- Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour
- Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains
- Developing and implementing child protection policies and processes
- Developing and implementing anti-forced labour and/or -child labour contractual clauses
- Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists
- Developing and implementing grievance mechanisms
- Developing and implementing procedures to track performance in addressing forced labour and/or child labour
- Engaging with supply chain partners on the issue of addressing forced labour and/or child labour
- Engaging with civil society groups, experts and other stakeholders on the issue of addressing forced labour and/or child labour
- Other, please specify:

We have reviewed our policies and confirmed that the Code of Conduct and Whistle Blower policies apply.

2. Please provide additional information describing the steps taken (if applicable) (1,500 character limit). In addition to the above activities, SMS Equipment formed a Supply Chain working group to evaluate risk and identify opportunities to prevent forced or child labour in our supply chain.

3. Which of the following accurately describes the entity's structure?

Corporation

4. Which of the following accurately describes the entity's activities?

Selling goods

in Canada

outside Canada

Distributing goods

in Canada

outside Canada

Importing into Canada goods produced outside Canada

Controlling an entity engaged in producing, selling or distributing goods in Canada or outside Canada, or importing into Canada goods produced outside Canada

5. Please provide additional information on the entity's structure, activities and supply chains (1,500 character limit).

The core business of the Entity is to purchase goods mainly manufactured by a limited number of original equipment manufacturers, and to resell and provide equipment related services to Canadian individuals and businesses.

6. *Does the entity currently have policies and due diligence processes in place related to forced labour and/or child labour? (Required)

Yes

No

6.1 *If yes, which of the following elements of the due diligence process has the entity implemented in relation to forced labour and/or child labour? Select all that apply. (Required)

Embedding responsible business conduct into policies and management systems

7. Please provide additional information on the entity's policies and due diligence processes in relation to forced labour and child labour (if applicable) (1,500 character limit).

SMS Equipment has a code of conduct which requires compliance with applicable laws, and core values which require authenticity, ethical behaviour and integrity. We have vendor selection processes which includes RFP for national and significant purchases as well as Service Now process to review vendors before acceptance. Our vendor contracts require acknowledgement that forced and child labour are illegal and will not be used by vendors.

8. *Has the entity identified parts of its activities and supply chains that carry a risk of forced labour or child labour being used? (Required)

Yes, we have identified risks to the best of our knowledge and will continue to strive to identify emerging risks.

Yes, we have started the process of identifying risks, but there are still gaps in our assessments.

No, we have not started the process of identifying risks.

8.1 *If yes, has the entity identified forced labour or child labour risks related to any of the following aspects of its activities and supply chains? Select all that apply. (Required)

None identified

9. *Has the entity identified forced labour or child labour risks in its activities and supply chains related to any of the following sectors and industries? Select all that apply. (Required)

None Identified

10. Please provide additional information on the parts of the entity's activities and supply chains that carry a risk of forced labour or child labour being used, as well as the steps that the entity has taken to assess and manage that risk (if applicable) (1,500 character limit).

Not applicable.

11. *Has the entity taken any measures to remediate any forced labour or child labour in its activities and supply chains? (Required)

Not applicable, we have not identified any forced labour or child labour in our activities and supply chains.

11.1 *If yes, which remediation measures has the entity taken? Select all that apply. (Required)

Not applicable.

12. Please provide additional information on any measures the entity has taken to remediate any forced labour or child labour (if applicable) (1,500 character limit).

Not applicable.

13. *Has the entity taken any measures 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? (Required)

Not applicable, we 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 our activities and supply chains.

14. Please provide additional information on any measures the entity has 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 (if applicable) (1,500 character limit).

Not applicable.

15. *Does the entity currently provide training to employees on forced labour and/or child labour? (Required)

No

15.1 *If yes, is the training mandatory? (Required)

Not applicable.

16. Please provide additional information on the training the entity provides to employees on forced labour and child labour (if applicable). (1,500 character limit).

SMS Equipment trains employees, directors and officers on content and obligations of the company's Code of Conduct, Whistle Blower policies and processes.

17. *Does the entity currently have policies and procedures in place to assess its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains? (Required)

Yes

17.1 *If yes, what method does the entity use to assess its effectiveness? Select all that apply. (Required)

Setting up a regular review or audit of the organization's policies and procedures related to forced labour and child labour

18. Please provide additional information on how the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains (if applicable). (1,500 character limit).

SMS Equipment created a Supply Chain working group that is made up of members of the senior leadership team: General Counsel, Director of Purchasing & Transportation, and the Sustainability Program Manager. The working group reports directly to the Sustainability oversight committee. The Sustainability oversight committee members are Executive team members: EVP, Finance & CFO, EVP, Human Resources & CHRO, EVP, Mining, EVP, Technology, and Innovation.