

Serfas Farms 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.

The measures introduced through 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.

Introduction

This report is for Serfas Farms Ltd.'s ("Serfas" or "Entity") 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).

Serfas 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 year of the Entity covered by this report is for the year ending November 30, 2023.

Structure, Activities & Supply Chain

Serfas Farms operates as a corporation (Business Number: 124575051) located at Box 101 Turin, Alberta. Serfas operates within the agriculture industry, buying Canadian cattle, occasionally cattle from the United States when needed, feeding cattle until they meet the size specifications for sale. Once size specifications are met, these cattle are distributed to slaughterhouses and meat markets within Canada.

Serfas also operates a feed yard in Canada for raising cattle until size specifications are met for slaughtering and/or being put into meat markets. The Entity also ensures that animal welfare is kept top priority by monitoring feed and water intake, and ensuring veterinary assistance is given when appropriate.

Crops are also harvested on Serfas farmland and used as feed for cattle within the feed yards, as well as sold within Canadian Commodity Markets. Crops include corn, barley, canola, rye, silage, wheat and other feed crops.

Serfas also operates a trucking operation, which is used for the movement of commodities including cattle, crop and/or feed. These activities have been excluded from the analysis below, given they are service-orientated.

Serfas procures cattle directly from farmers, ranchers or through brokers. These purchases are predominantly made through Canadian suppliers, though periodically will also include suppliers from the United States.

Feed yard procurement includes the provision of feed, veterinary supplies, and care for the animals. Feed suppliers are generally based in Canada, though sometimes Serfas will use suppliers within the United States. Veterinary supplies for cattle are purchased from a local veterinarian.

Crop-related purchases include seed, fertilizer, chemicals for crop production and capital equipment.

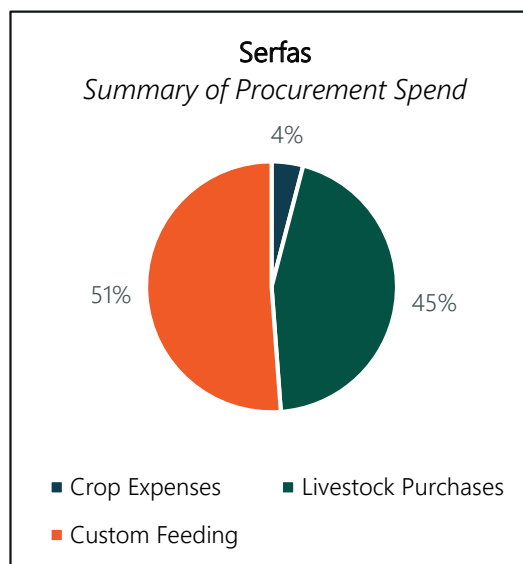


Figure 1: Summary of Procurement Spend

These goods are purchased from suppliers within Canada.

See Figure 1 for a breakdown of Serfas' procurement during the fiscal year.

Policies & Due Diligence

Serfas has the following policies and due diligence procedures in place in relation to forced labour and/or child labour:

Internal Policies

HR Policy and Procedure Manual

The HR Policy and Procedure Manual describes the behavioural expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the document speak directly to the treatment and behaviour of employees. The document contains sections that reflect the Entity's commitment to upholding the Human Rights Code and protecting employees from discrimination, violence, bullying, and harassment in the workplace. As well as specific sections dedicated to the hiring of foreign workers and policies to comply with all immigration and refugee related regulations. The document also specifies employee's hours of work, compensation and benefits, employee time off, and the Entity's expectations regarding overtime and employee breaks.

When onboarding a new employee, the Entity reviews the HR Policy and Procedure Manual with the individual, to ensure the expectations and responsibilities of the Entity, as well as the employee, are understood and agreed to.

Employment Standards

The entity follows the Alberta Employment Standards, which specify minimum standards employers must provide to employees, including expectations and guidelines relating to working conditions, hours and hiring youth.

Due Diligence Process

Hiring Process

The new employee hiring process includes interviewing potential employees for hiring and requires government-issued identification to verify the identity and birthdate of the applicant and retain this information in the employee file.

Supplier Due Diligence

Due diligence activities of the Entity involve assessing factors of suppliers such as community reputation, past performance, commodity pricing, and delivery likelihood when selecting suppliers. While the Entity approves, monitors, and oversees supplier performance, there is currently no formal policy guiding buyers on procurement processes or incorporating assessments related to this Act.

Serfas recognizes the opportunity to enhance internal policies and due diligence processes as it relates to this Act. The Entity is continuing to understand its supply chain to further assess this risk.

Risk Assessment

A risk assessment over Serfas's industry of operation, goods procured, and the countries goods are procured from has been performed over material direct suppliers – those who account for at least 1% or more of the Entity's total procurement activity during the fiscal year. 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

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

Goods Procured

Serfas procures agriculture products. A risk assessment of the goods procured from suppliers has been conducted and identified an initial inherent risk of forced and/or child labour within the following categories: cattle, cereal grains, pulses (legumes), corn and wheat. All other remaining goods were not included in either of the indices, therefore, Serfas concludes 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. Serfas procures goods from suppliers within Canada and the United States. Both indices have identified Canada and the United States as having a low inherent risk of the use of child and/or forced labour.

Remediation of Forced & Child Labour

To reduce the risk of child labour or forced labour within the Serfas' activities and supply chain, the Entity will continue to have conversations and engage with suppliers on the subject. The Entity has identified the opportunity to implement and enhance policies and due diligence mechanisms to reduce the risk of child labour and forced labour within its activities and supply chain.

Remediation of Vulnerable Family Income Loss

To date, there have been no instances identified by Serfas of forced labour or child labour within its activities or supply chains. Therefore, the Entity has 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.

Awareness Training

Serfas does not have training in place on the topic of child labour or forced labour. However, of the policies identified above relevant to this Act, the Entity does incorporate training for new employees of the HR Policy and Procedure Manual, and other general safety topics.

When onboarding new employees, sections within the HR Policy and Procedure Manual reviewed which are relevant to this Act include Human Rights and Employment Equity, harassment policy, and expectations regarding employee conduct and behaviour.

The Entity also conducts one-week training periods for employees. During these sessions, employees work in groups of two, to job shadow and ensure duties are being performed safely and within Serfas' policies. These sessions also review safety protocols and incident reporting, therefore fostering open lines of communication with employees and reinforcing the Entity's commitment to worker's health and safety.

External individuals are also brought in frequently to train employees on courses specific to safety, for example, first-aid certification courses.

Serfas is exploring opportunities to provide training to all employees in identifying, assessing, and responding to risks of child labour and forced labour within its activities and supply chains.

Assessing Effectiveness

To track the Entity's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

1. Policy review: Serfas reviews relevant policies to this Act on a frequent basis to ensure relevance and updates are made where required.
2. Conduct and behaviour incidents: Serfas has policies regarding inappropriate conduct and behaviour. All claims made regarding this will be reported to management, including an action plan to resolve the issue in a timely manner.
3. Supplier monitoring: Though informal, discussions will continue to exist with suppliers regarding issues that may impact the Entity's supply chain, relevant to this Act.

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

The Entity has taken the following steps to prevent and reduce the risk that forced labour or child labour:

- Mapping activities: As part of this report, the Entity has mapped its activities to understand its activities and supply chain.
- Mapping supply chains: As part of this report, components of the Entity's supply chain were identified to include 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 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.

- 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: Policies and due diligence processes identified that are relevant to this Act including the HR Policy and Procedure Manual, employee hiring and onboarding processes, following Employment Standards, and informal supplier due diligence processes.

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 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.

Kevin Serfas



Full Name

Signature

President

May 31, 2024

Title

Date

I have the authority to bind Serfas Farms Ltd.