



TO: SMSE Board of Directors
Subject: Report for the year ending December 31, 2024 - Fighting Against Forced Labour and Child Labour in Supply Chains Act
Date: April 15, 2025

The enclosed is a draft report, with explanatory notes, required by the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (SC 2023, c. 9) (the "Act"). 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.

The Act specifically requires SMS Equipment Inc. to prepare a report and to file it on or before May 31 of each year.

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.

Please note, there are no changes to the previous report for the fiscal period ending December 31, 2023.

Next steps:

- The Board to 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 & 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 issue.

Robin Heard
President and Chief Executive Officer
SMS Equipment Inc.

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

Corporate Office / Siège social • 11285 274 Street
Acheson, AB Canada T7X 6P9
Tel / Tél: 780 948-2200 • Toll Free / Sans frais: 866 458-0101
Fax / Téléc: 780 960-0561

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Identifying Information

1. **This report is for an Entity.**
2. **The legal name of reporting entity:** SMS Equipment Inc./Équipement SMS Inc.
3. **Financial Reporting Year:** year end December 31, 2024
4. **Is this a revised version of a report already submitted?** NO
5. **Business Number SMS Equipment Inc.:** 895483022
6. **This report is a joint report:** NO
7. **Is the entity subject to reporting requirements under supply chain legislation in another jurisdiction?** NO

8. 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

9. Which of the following sectors or industries does the entity operate in?

- Agriculture, forestry, fishing and hunting
- Mining, quarrying, and oil and gas extraction
- Utilities
- Construction

- Manufacturing
- Wholesale trade
- Retail trade
- Transportation and warehousing
- Information and cultural industries
- Finance and insurance
- Real estate and rental and leasing
- Professional, scientific and technical services
- Management of companies and enterprises
- Administrative and support, waste management and remediation services
- Educational services
- Health care and social assistance
- Arts, entertainment and recreation
- Accommodation and food services
- Other services (except public administration)
- Public administration

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

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

Canada

10.1 If in Canada: In which province or territory is the entity headquartered or principally located?

Alberta

ANNUAL REPORT

Reporting for entities

1. *What steps has the entity taken 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)

Corporation

2. 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

3. 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

- Developing and implementing an action plan for addressing forced labour and/or child labour
- 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
- Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour
- Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their 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
- Auditing suppliers
- Monitoring suppliers
- Enacting measures to provide for, or cooperate in, remediation of forced labour and/or child labour
- Developing and implementing grievance mechanisms
- Developing and implementing training and awareness materials on forced labour and/or child labour
- 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

Engaging directly with workers and families potentially affected by forced labour and/or child labour to assess and address risks

Information not available for this reporting period

4. 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.

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

Yes

No

6. *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

Identifying and assessing adverse impacts in operations, supply chains and business relationships

Ceasing, preventing or mitigating adverse impacts

Tracking implementation and results

Communicating how impacts are addressed

Providing for or cooperating in remediation when appropriate

7. 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. *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)

- The sector or industry it operates in
- The types of products it produces, sells, distributes or imports
- The locations of its activities, operations or factories
- The types of products it sources
- The raw materials or commodities used in its supply chains
- Tier one (direct) suppliers
- Tier two suppliers
- Tier three suppliers
- Suppliers further down the supply chain than tier three
- The use of outsourced, contracted or subcontracted labour
- The use of migrant labour
- The use of forced labour
- The use of child labour
- None of the above

Other, please specify

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)

Agriculture, forestry, fishing and hunting

Mining, quarrying, and oil and gas extraction

Utilities

Construction

Manufacturing

Wholesale trade

Retail trade

Transportation and warehousing

Information and cultural industries

Finance and insurance

Real estate and rental and leasing

Professional, scientific and technical services

Management of companies and enterprises

Administrative and support, waste management and remediation services

Educational services

Health care and social assistance

Arts, entertainment and recreation

Accommodation and food services

Other services (except public administration)

Public administration

None of the above

Other, please specify

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)

Yes, we have taken remediation measures and will continue to identify and address any gaps in our response.

Yes, we have taken some remediation measures, but there are gaps in our response that still need to be addressed.

No, we have not taken any remediation measures.

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

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

Actions to support victims of forced labour or child labour and/or their families, such as workforce reintegration and psychosocial support

Compensation for victims of forced labour or child labour and/or their families

Actions to prevent forced labour or child labour and associated harms from reoccurring

Grievance mechanisms

Formal apologies

Other, please specify.

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)

Yes, we have taken substantial remediation measures and will continue to identify and address any gaps in our response.

Yes, we have taken some remediation measures, but there are gaps in our response that still need to be addressed.

No, we have not taken any remediation measures.

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

Yes

No

15. *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

No

16. *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

- Tracking relevant performance indicators, such as levels of employee awareness, numbers of cases reported and solved through grievance mechanisms and numbers of contracts with anti-forced labour and -child labour clauses
- Partnering with an external organization to conduct an independent review or audit of the organization's actions
- Working with suppliers to measure the effectiveness of their actions to address forced labour and child labour, including by tracking relevant performance indicators
- Other, please specify