

TFS Feedlots 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.

These measures introduced through former 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 Act ("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 steps 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 TFS Feedlots Ltd. ("TFS") response to Bill S-211, An Act to Enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act to amend the Customs Tariff ("the Act"), sections 11(1) and 11(3).

TFS satisfies the definition of an Entity 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 TFS covered by this report is April 1, 2024 to March 31, 2025.

Structure, Activities & Supply Chain

TFS operates as a corporation (Business Number 852869379) in Taber, Alberta. TFS has provided custom feeding for more than 25 years, and operates four lots (i.e., Barnwell, TFS Expanse, Bow River Feeders, and TFS Fincastle). TFS operates four feed yards in Alberta, Canada for raising cattle.

TFS operates in the agriculture industry, buying cattle, feeding cattle until they meet the size specifications for sale. Once the size specifications are met, these cattle are distributed to slaughterhouses and meat markets within Canada. The Company's feed yard needs are met through internal and external suppliers.

Within Canada, TFS procures cattle directly from farmers, auction marts or through brokers. Feed yard goods and services include the provision of feed, veterinary supplies and care for the animals. The Company ensures that animal welfare is kept of top priority, monitoring feed and water intake, and ensuring veterinary assistance is given when appropriate.

TFS grows, purchases, sells and distributes crops to be used in feeding livestock or to resell in the commodity markets within Canada. The Company grows corn, wheat, canola, forage (alfalfa, barley, etc.) for cattle feed and straw. The Company grows crops on farmland, where these crops are harvested and used as feed for cattle in feed yards.

Crops that account for 1% or more of goods purchased are home grown or purchased from retailers located in the US and Canada. As previously stated, TFS grows corn, wheat,

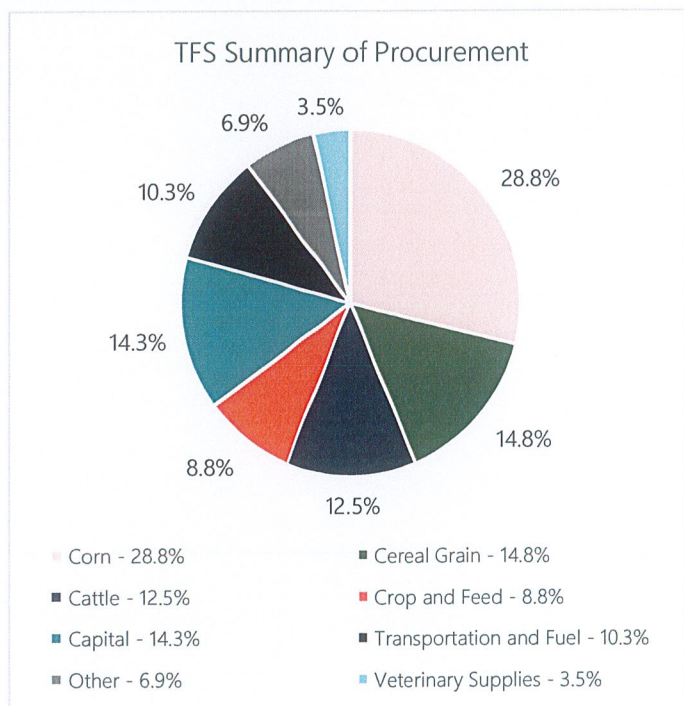


Figure 1. Summary of Procurement

*Cereal grain includes wheat and barley, among other grains.

canola, forage (alfalfa, barley, etc.) for cattle feed, and straw. Fertilizer and chemicals are purchased from a Canadian supplier for use on the farm. Capital equipment is sourced primarily from the US with a small amount from sourced from Europe (i.e., Germany and Holland). Fuel is incorporated among all three main activities. See Figure 1 for a breakdown of TFS's procurement as it relates to the activities of crop, cattle, custom feeding, capital equipment and veterinary supplies.

Policies & Due Diligence

TFS has the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and their supply chain.

Internal Policies

Training

When a new employee is hired, TFS provides training (workplace safety and equipment operations), but there is no written training or documentation. Training is provided at the start of employment and is based on operational needs on the job, where employees who start in entry level roles are encouraged to progress into more complex duties and tasks. Formal employee training and job shadowing on animal health and safety is also provided by veterinary professionals and suppliers, and this training is not documented.

New Employee Hiring Process

When the Company is interviewing potential employees for hiring, part of their due diligence process is reviewing government-issued proof of identification. This process verifies the identity and age of the applicant, and this information is retained in their employee file. For insurance purposes, in addition to verifying proof of identification, TFS verifies a new employee's Social Insurance Number ("SIN").

Concern Identification and Resolution

Management is accessible to employees and proactively works with employees to identify and resolve concerns. Twice a year, formal opportunities are provided to employees, where management meets with employees for discussion. These discussions include items like important goals, team member growth and achievement, notable organizational changes or accomplishments, team member updates and goals, and action items. Employees are asked for their insights, sharing current strengths and successes, as well as areas that require support the that particular employee or more broadly a team or the company. TFS strives to keep an "open door," encouraging two-way, ongoing, transparent conversation; employees are encouraged to speak to management at the time they identify a concern or challenge as well as the more structured twice a year engagement opportunity. Management acts on employee feedback, making improvements to processes (such as providing more training to employees on animal health by leveraging specialists to come into the work environment and provide on the ground technical training on animal health to employees, or hiring additional staff members based on additional work requirements). Overall, TFS takes efforts to understand and improve the employee experience and identify lessons learned, which ultimately improves overall TFS operations.

Due Diligence Processes

Employment Contracts

TFS provides employment contracts for all full-time and casual labour. An employment contract between an employer and an employee outlines the rules and expectations of the employment relationship, including rights and responsibilities of both parties. These agreements provide a written account and affords a clear understanding of employee duties, responsibilities and obligations, stating their working conditions such as working hours, access to benefits and wages. Overall, employment contracts protect the rights of employees and ensure clarity of the working relationship.

Supplier Due Dilligence

While there is no formalized purchasing policy, TFS management oversees and regularly reviews supplier service performance and the quality of products delivered. Grain purchases have established contracts that set out agreed upon pricing and delivery timeframes that serve as key performance indicators to assess supplier performance. When choosing and selecting suppliers to engage with, TFS considers community reputation, past performance, commodity pricing, and the likelihood of delivery. The Company will approve, monitor, and oversee supplier performance; although, there is no formal policy to guide buyers on how they buy.

Risk Assessment

A risk assessment over TFS's industry of operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. 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 Labour.

The Company has begun the process of identifying the risk of forced labour child labour within their activities and supply chains.

Industry of Operation

TFS 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

TFS procures agriculture products. A risk assessment over 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, and corn. All other remaining goods were not included in either indices therefore, TFS concludes that these remaining goods have a low inherent risk of child labour or forced labour.

When considering the risk assessment, across all activities during the fiscal year 28% of procurement is for corn, 13% for cereal grains (includes wheat and barley, among other grains), 10% cattle, and 5% corn and cereal grains; noting these categories overlap as some vendors provide multiple categories of goods.

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. TFS procures goods from suppliers within Canada and the US. Both indices have identified Canada and the US as having a low inherent risk to the use of child and / or forced labour.

Remediation of Forced & Child Labour

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

Remediation of Vulnerable Family Income Loss

To date, there have been no instances identified by TFS of forced labour or child labour within their activities or supply chains. Therefore, TFS 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

TFS 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, TFS does incorporate on the job training for new employees. When onboarding new employees, part of this process includes training and job shadowing to ensure the individual understands the Company's standards and expectations.

TFS recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

Assessing Effectiveness

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

1. **Supplier Contracts:** Existing and new suppliers may be required to sign a contract with TFS, specifically outlining their responsibilities and adherence to the TFS's policies and procedures.
2. **Supplier Monitoring:** Key suppliers of TFS are monitored on a contractual basis. Management sets out the expected price, quality, variety, quantity, delivery period, payment terms and any special conditions; if these are not met, Management will reach out to their supplier to resolve any concerns. Management has developed strong reputational relationships with suppliers, and will leverage these relationships to continue supplier relationships year over year.
3. **Twice Annually Employee Meetings with Management:** Twice a year, employees have formal meetings with management, providing an opportunity to celebrate successes and identify and resolve concerns. Management makes themselves available to the organization on a regular basis so that employees have access to ask questions and obtain required support. These activities help identify gaps to further strengthen and reduce the risk of this within activities and supply chains.

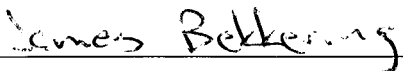

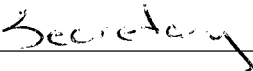
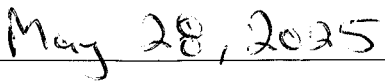
Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

TFS 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, TFS has mapped the Company's supply chain to complete a risk assessment to align with the Act.
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, TFS has identified risks within the Company's activities and supply chain that have inherent risks of child labour and/or forced labour.
3. Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily: TFS Management interviews each employee to confirm working conditions, improve organizational procedures, practices and training, and improve working conditions (minimize employee turnover) as possible.

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.

	
Full Name	Signature
	
Title	Date

I have the authority to bind TFS Feedlots Ltd. and this report covers financial year April 1, 2024 to March 31, 2025 and applies to TFS Feedlots Ltd. and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of TFS Feedlots Ltd. if they apply.