

ANNUAL REPORT ON FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS

For the reporting period: January 1, 2023 to December 31, 2023



In 2023, Canada adopted the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Act). The Act implements Canada's international commitment to contribute to the fight against forced labour and child labour in supply chains through the imposition of reporting obligations on entities producing goods in Canada or elsewhere or importing goods produced outside Canada.

Child labour means labour or services provided or offered to be provided by persons under the age of 18 years and that: (a) are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada; (b) are provided or offered to be provided under circumstances that are mentally, physically, socially or morally dangerous to them; (c) interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work; or (d) constitute the worst forms of child labour as defined in article 3 of the Worst Forms of Child Labour Convention, 1999, adopted at Geneva on June 17, 1999.

Forced labour means labour or service provided or offered to be provided by a person under circumstances that: (a) could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they failed to provide or offer to provide the labour or service; or (b) constitute forced or compulsory labour as defined in article 2 of the Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930.

This report is prepared by Southern Railway of British Columbia Limited under the Act and outlines the steps taken during the reporting period to prevent and reduce the risk of forced labour or child labour in its supply chains.

Organizational Structure and Activities

Southern Railway of British Columbia Limited (SRY) is a rail transporter of freight in southern British Columbia.

SRY operates on 63 miles of mainline track, known as the Fraser Valley Subdivision, and on industrial lead lines, spur lines, and private sidings through the municipalities of Burnaby, New Westminster, Delta including Annacis Island, Surrey, Langley (Township and City), Abbotsford, and Chilliwack.

As a short line railway, SRY provides first mile/last mile rail services. We strive to safely deliver the best rail-based solutions from end-to-end of the transportation supply chain. Our seamless rail connections to the rail networks of 4 cross-continental railways, Canadian National Railway, CPKC, BNSF Railway, and Union Pacific Railroad, enable shippers and customers to extend their reach far beyond British Columbia.

SRY is a privately held company, incorporated in 1988 under the laws of the Province of British Columbia. SRY is part of the Washington Group of Companies.

SRY's head office is in New Westminster, British Columbia. The activities of SRY are directed by a senior management team consisting of the President and five Directors, each of whom leads the core functions of SRY. The governing body of SRY is its Board of Directors.

Policies and Core Values

Embedded in SRY's core values of **Safety, Passion, Integrity, Citizenship, and Excellence** is a commitment to ensuring that forced labour and child labour are not present in SRY's business activities or among the suppliers from whom SRY procures the goods and materials for our business operations. SRY does not tolerate the use of forced labour or child labour in any form.

SRY's culture of a safe and harassment-free workplace is reflected in its *Respectful Workplace Policy*. All employees are trained, at the start of employment and on an annual basis, on the *Respectful Workplace Policy* and are made aware of its objective of promoting a work environment in which all employees are treated with respect and dignity and are free from bullying and harassment in the workplace. The *Respectful Workplace Policy* outlines procedures for reporting conduct, an investigation procedure, and implementation of corrective actions in the event a violation of the policy is found.

SRY exercises internal controls in its hiring and recruitment practices by maintaining and adhering to written policies on equal opportunity and fair hiring, and a wage-setting policy.

As an employer, SRY respects the fundamental right of individuals to form worker associations and unions. Employees of SRY who are not in managerial roles are all members of one of two unions: Canadian Office and Professional Employees Union, Local 378 (dba Move Up); and Canadian Union of Public Employees, Local 7000. Both unions have collective agreements with SRY that were current and in effect during the reporting period. Union members have the benefits and protections embedded in their collective agreements, which were obtained through fair and transparent bargaining processes including prescribed grievance mechanisms, in addition to statutory employment rights.

Due Diligence Steps

SRY took the following due diligence steps with respect to preventing and reducing the risk of forced labour and child labour in its business and supply chains:

- Formed a senior management team including the Directors of Corporate Affairs and General Counsel, Operations, Business Development, and Finance, to review the Act and ensure a clear leadership commitment to the goals and objectives of the Act
- Developed an action plan for identifying the risks of forced labour and child labour in key business functions, and measures to mitigate identified risks
- Implemented initial actions described in the plan, including use of a comprehensive questionnaire to identify areas of risk of forced labour and child labour in business functions
- Mapped activities of suppliers of goods to SRY and SRY's importation activities
- Mapped activities within SRY's business functions that involve or may involve producing, selling, or distributing goods in Canada or elsewhere; and importing into Canada goods produced outside of Canada
- Assessed the level of knowledge and awareness among employees engaged in such business functions as to their understanding of the risks of forced labour and child labour in SRY's procurement, and provided refresher awareness of applicable SRY policies and practices
- Commenced high-level due diligence reviews of business conduct of SRY's suppliers and procedures for addressing the risks of forced labour and child labour within the supply chain of SRY's suppliers

Analysis of Business Activities

SRY's business is rail transportation of freight in a means of containment. SRY does not handle the goods, load or unload, or pack or unpack the goods to or from the means of containment.

The majority of SRY's workforce are members of one of two unions. As such, the relationship between employees, as members, and SRY, as employer, are governed by collective agreements. Employee entitlements and protections are enshrined in the collective agreements. Moreover, all of SRY's business activities take place in Canada, where there is a rigorous regulatory environment with respect to employee protections. SRY is subject to mandatory compliance with several inter-connected legislative regimes that together, protect against the use of forced labour and child labour in Canada, including provincial employment and human rights protections, workplace safety and occupational health and safety laws, and pay equity and transparency laws. SRY's risk assessment determined there is no risk of the use of forced labour or child labour in SRY's activities.

Analysis of Supply Chain

Integral to the safety of SRY's freight transportation operations are the following activities, which involve the use of specialized railway goods:

- repair and maintenance of railway infrastructure and properties
- repair and maintenance of locomotives and rolling stock.

The due diligence steps and risk mapping analysis described in this report identified that SRY procures the following categories of specialized railway goods from third parties for use in railway activities:

- Railway track materials, such as rails, rail ties, and other railway track materials
- Railway crossing signal systems and parts
- Spare parts used in the repair and maintenance of locomotive and rolling stock, such as oil and air filters, fluids, oils, wheels, and motors

While it was identified that SRY imported such specialized railway goods during the reporting period, it is noted that there are suppliers of similar specialized railway goods that are based in Canada. In future reporting periods, SRY may not import such goods.

SRY's suppliers of specialized railway goods from outside of Canada were identified as being based in the United States only. The US has laws at both the federal and state levels to guard against the use of forced labour and child labour in the US. US laws also prohibit the importation into the US of goods produced elsewhere with forced labour or child labour.

There may be potential risk of the use of forced labour or child labour in the raw materials used to manufacture specialized railway goods, which goods are then able to be imported into the US (contrary to US laws) and subsequently offered for sale. SRY's due diligence includes seeking from suppliers their affirmation of a shared commitment to fighting against the use of forced labour and child labour in their supply chains. Some suppliers have represented and warranted to SRY that they adhere to ethical standards in their business activities and are able to certify that the materials in the goods they procure and offer for sale have not been manufactured using, or otherwise obtained from sources where forced labour or child labour is used. SRY intends to continue to engage with supply chain partners in the area of specialized railway goods, to seek greater visibility into their due diligence processes and mitigation measures with respect

to business activities further upstream of the supply chain on the issue of addressing forced labour and child labour more broadly.

SRY also identified that it re-sells some specialized railway goods within Canada. The frequency of such re-selling activity is irregular, and the annual volume is immaterial.

Remediation Measures

SRY has not identified any forced labour or child labour in its business activities or its suppliers. SRY has not had to enact any measures to provide for, or cooperate in, remediation of forced labour or child labour. Nor has SRY had to undertake any measures to remediate the loss of income to vulnerable families connected to the use of forced labour or child labour.

Training

As outlined in this report, SRY's due diligence steps included identifying the employees whose roles or responsibilities involve or may involve producing, selling, or distributing goods in Canada or elsewhere, or importing into Canada goods produced outside of Canada for or on behalf of SRY. All identified employees affirmed knowledge and awareness of the Act and its goals and objectives, SRY's core values as they relate to the Act, and re-affirmed their commitment to preventing and protecting against the use of forced labour and child labour in SRY's business activities and suppliers when carrying out the performance of their own duties.

Furthermore, all identified employees confirmed the exercise of responsible recruitment practices with respect to employees within their areas of responsibility. Identified employees verified that all employees under their responsibility: work voluntarily for SRY; are aware of their employment rights, including reporting and grievance mechanisms; that employees are free

to terminate their employment without penalty or retaliation; and are aware of SRY's expectations about responsible business conduct and company policies on fostering a safe, respectful workplace without discrimination, bullying, or harassment.

Ensuring and Assessing Effectiveness

To ensure that SRY's suppliers meet expectations with respect to their labour practices, SRY intends to develop and adopt a supplier code of business conduct, to require suppliers to have policies and procedures for identifying and prohibiting the use of forced labour and child labour in their activities and supply chains, and in particular, in the supply of specialized railway goods to SRY. Audits of SRY's suppliers for compliance are intended to be used to assess the effectiveness of control measures.

Whistleblower Protection

As part of its *Safety Management System (SMS)*, which is the foundation of SRY's health, safety, security, and environmental management system, SRY articulates a clear policy on the obligation of all employees to report safety hazards and concerns, and adverse incidents. The SMS solidifies for employees that they have the power and responsibility to refuse unsafe work and unsafe conditions. All employees are trained, at the start of employment and on an annual basis, on the content and requirement of the SMS, and employees are made aware that anyone who refuses unsafe work or who reports unsafe work or conditions is protected from retaliation.

In addition, to protect whistleblowers, SRY has a reporting tool accessible on its external-facing website that allows anyone, including employees, to report any ethical concern or incident, including any concern about forced labour or child labour in SRY's business activities or suppliers.

STATEMENT OF THE BOARD OF DIRECTORS

Approval and Attestation

In accordance with the Act, and in particular section 11:

I, **Mark Lamarre**, in my capacity as a Director on behalf of the Board of Directors of Southern Railway of British Columbia Limited, hereby attest that I have reviewed the contents of this report. Based on my knowledge, and having exercised reasonable due diligence, I attest that the information in this report is true, accurate, and complete in all material respects, for the purposes of the Act for the reporting period set out above.

I have the authority to bind SRY.



Mark Lamarre
Director, Board of Directors of Southern Railway of British
Columbia Limited

May 2, 2024

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