

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

Reporting Period: January 1, 2024 to December 31, 2024



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 that produce goods in Canada or elsewhere; or import 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 is the second report (Report) of Southern Railway of British Columbia Limited under the Act. This Report outlines the steps taken during the Reporting Period to prevent and reduce the risk of forced labour or child labour in the company's supply chains.

Organizational Structure and Activities

Southern Railway of British Columbia Limited (SRY) is a transporter of freight by rail in southern British Columbia. SRY operates on over 120 miles of track, lead lines, spur lines, and private sidings in the municipalities of Burnaby, New Westminister, Delta including Annacis Island, Surrey, Langley (Township and City), Abbotsford, and Chilliwack.

As a short line railway that provides first mile-last mile services, SRY strives to safely deliver the best rail-based solutions from end-to-end of the transportation supply chain. SRY provides shippers and receivers with seamless rail connections with four North American railways: Canadian National Railway Company (CN), Canadian Pacific Kansas City Limited (CPKC), BNSF Railway Company (BNSF), and Union Pacific Railroad (UP).

SRY is a privately held company incorporated in 1988 under the laws of the Province of British Columbia. SRY has its head office in New Westminister, British Columbia, with a secondary office in Abbotsford, 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 business activities of SRY. The governing body of SRY is its Board of Directors.

Policies and Core Values

Embedded in SRY's corporate 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 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 governance in hiring and recruitment of employees, including policies on equal opportunity and fair hiring, and wage transparency.

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. In addition to statutory entitlement to employment rights, Union members have the benefits and protections embedded in collective agreements, including labour protections beyond the statutory minimum requirements and grievance mechanisms, which were obtained through fair and regulated bargaining processes.

Due Diligence Steps

In general terms, SRY continued to implement the action plan developed and reported in the company's first report under the Act (reporting period January 1, 2023 – December 31, 2023) to prevent and reduce the risk of forced labour and child labour in its business and supply chains.

Activities during this Reporting Period included:

- identified and 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
- Conducted due diligence assessments to gain an understanding of the potential risks of forced labour and child labour in SRY's supply chain
- Engaged suppliers regarding their commitments to promoting and protecting human rights within their operations and supply chains
- Assessed suppliers' codes of conduct, policies, and procedures aimed at promoting and protecting human rights in supply chains
- Reviewed suppliers' compliance reports with respect to forced labour and child labour laws
- Refreshed and ensured knowledge and awareness among SRY employees engaged in key business functions as to their understanding of the risks of forced labour and child labour in SRY's business activities

Analysis of Business Activities

SRY's business is the 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 the Unions identified in this Report. As such, the relationship between employees, as Union 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 protection of employment and human rights. SRY is subject to mandatory compliance with several inter-connected legislative regimes that, taken 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 or operations.

Analysis of Supply Chain

It is integral to the safety of freight transportation that SRY performs the following essential business activities:

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

SRY identified that it imported the following categories of specialized railway goods for use in railway activities during the Reporting Period:

- *Spare parts* – for repairs and maintenance to freight locomotives and railcars. Parts

included motors, oil and air filters, fluids, and train wheels

- *Railway track materials* – for repairs, maintenance, and capital projects on railway tracks and rail infrastructure. Materials included steel rails, rail ties, and other railway track materials; timber planks and piles
- *Railway crossing signal systems and parts* – for the safe operation of automated railway crossing signal systems.

By its nature, there is limited demand for and availability of such specialized railway goods. The commercial ecosystem for specialized railway goods is that they are manufactured for highly purpose-specific uses by rail-based entities, generally from a limited number of suppliers who have the requisite expertise to meet engineering safety standards and specifications.

Where practical, available, of equal quality, and commercially competitive, SRY will endeavour to source specialized railway goods from suppliers based in Canada. Suppliers within the jurisdiction of Canada offer a high level of assurance in terms of compliance with the Act. In future reporting periods, SRY may reduce its reliance on imported specialized railway goods.

SRY's supply chain analysis identified the critical suppliers of imported specialized railway goods as being based in the United States. During the Reporting Period, these critical suppliers represented over 60% of SRY's expenditure on imported goods. SRY reviewed and assessed the documented policies and procedures of critical suppliers to ensure values alignment in terms of their commitments to combatting forced labour and child labour; prohibiting discrimination and harassment; respecting internationally recognized human rights principles; striving to eliminate forced labour and child labour in the workplace; and complying with applicable laws.

Although SRY determined that it engaged in selling some specialized railway goods within Canada during the Reporting Period, SRY was not involved in producing, manufacturing, or processing the goods. SRY acted as a re-seller of goods to other rail-based entities that have difficulty themselves sourcing specialized railway goods for the systemic reasons described earlier in this Report. The value of such re-sold goods was financially immaterial.

SRY identified that it imported ordinary consumer items from retailers, such as tires and camera equipment, the value of which was financially immaterial.

Remediation Measures

SRY has not identified any forced labour or child labour in its business activities or critical 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

SRY identified the employees whose roles or responsibilities involve or may involve importing goods into Canada. Identified employees affirmed knowledge and awareness of the Act and its goals and objectives, SRY's core corporate 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 duties.

Furthermore, 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

SRY continues to identify, review, and assess the business practices of critical suppliers of specialized railway goods from whom SRY imports. Where practical, available, of equal quality, and commercially competitive, SRY intends to shift its procurement strategy of specialized railway goods to suppliers based in Canada.

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. Employees are trained, at the start of employment and on an annual basis, on the content and requirements of the SMS, and employees are made aware that anyone who refuses unsafe work or who reports unsafe work or conditions is protected from reprisal.

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 20, 2025

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