

## **Algoma Steel Inc. Report**

**RE: Forced Labour and Child Labour in Supply Chains**

**May 31, 2024**

### **About this Report**

Our commitment to human rights and social justice compels us to address the grievous issues of forced and child labour. We believe that every individual, regardless of age or situation, deserves the right to freedom, dignity, and the opportunity to pursue a life free from exploitation. This report is guided by our core values of respect, equality, and justice, as we strive to uncover the truths and challenges surrounding these pressing global concerns.

Our Forced and Child Labour Report highlights our activities for the 2024 fiscal year. Moving forward, we are committed to providing progressive annual reporting on Forced and Child Labour year over year.

Within this report, the terms “Algoma”, “Algoma Steel”, “our”, “we”, “us”, and other similar terms denote Algoma Steel Group Inc., together with its direct and indirect subsidiaries and predecessors or other entities controlled by it or them on a combined basis.

Key metrics, achievements, programs, and initiatives are provided for our fiscal year 2024 from April 1, 2023 to March 31, 2024 (“fiscal 2024” or “FY 2024”). All facts and figures are as of March 31, 2024, unless otherwise noted.

The scope of data and information in this report applies to all our operations, unless otherwise noted. Any data limitations are explicitly noted where relevant and where information is available. Where data is not reported, we have explained why it is not relevant to Algoma or noted if we intend to report it in the future. Financial data is stated in Canadian dollars (CAD).

### **Structure, Activities and Supply Chain**

#### **Structure**

Algoma Steel Group Inc. (“Algoma”) has been a mainstay of the North American steel industry for over 120 years. As a fully integrated steel producer of hot and cold rolled steel products including sheet and plate, we produce some of the highest quality, most consistent light gauge steel in North America.

In FY 2024, Algoma had 2,879 full-time employees and a net income of \$298.5m.

Algoma is a member of the Canadian Steel Producers Association, Canadian Manufacturers & Exporters (CME), the Association for Iron & Steel Technology (AIST), the Metal Service Centre Institute (MSCI), North American Steel Alliance (NASA) and the Decarbonization Leaders Network.

#### **Activities**

Our headquarters and active operations are adjacent to the St. Mary’s River in Sault Ste. Marie, Canada. With a raw steel production capacity of approximately 2.8 million liquid tons per year, our size and diverse capabilities enable us to deliver responsive, customer-driven product solutions straight from the ladle to direct applications in the automotive, construction, energy, defense, and manufacturing sectors. Around 70% of our customers are located within a 500-mile radius of Algoma.

You can find more details on our products and market exposure in [our latest ESG Report](#).

#### **Supply Chain**

Algoma purchase of goods and services was approx. \$2.5bn in Y2024, with a roster of more than 1200 tier-1 suppliers; comprising:

- 69% in purchased energy and materials (mainly raw materials such as coal and mined ore, alloys, steel scrap, back-up rolls and steel slabs);
- 12% in purchased indirect products and services enabling Algoma’s operations (including contractors and logistics); and

- 19% in purchases dedicated to capital reinvestment (including technology and related services). This category of spending for FY 2024 was higher than previous years due to the ongoing installation of our EAF (Electric Arc Furnace).

Ninety nine percent (99% ) of our tier-1 suppliers are located in Canada or the United States.

We are constantly working to better understand the countries and regions of origin of the materials at each stage of our supply chain, as explained further in this Report.

## **Policies and Due Diligence Processes**

### **ESG Governance**

Our approach to ESG is underpinned by governance structures that enable us to effectively oversee and manage ESG risks and opportunities. In pursuit of our ESG commitments, we expect all Algoma employees to uphold and recognize their accountabilities in driving our ESG framework. We expect our leaders to provide visible and active leadership regarding ESG factors.

The Board of Directors (BOD) holds the ultimate accountability for our ESG framework , including human rights, with oversight and support from the Nominating and Governance Committee of the BOD, which coordinates ESG initiatives, reviews emerging issues, and monitors key ESG metrics and targets. Additionally, the Audit & Risk Management Committee of the BOD oversees Algoma's Enterprise Risk Management (ERM) program, evaluates the effectiveness of the ERM framework, and reviews strategic, financial, and operational risks, including ESG-related risks, to advise the BOD on risk management practices.

Our CEO holds the highest level of management responsibility for ESG factors, including human rights factors. Our CEO reports to the Nominating and Governance Committee of the BOD on ESG-related matters on at least a quarterly basis. To support the development of the ESG strategy, a cross-functional ESG Working Group, including senior management leaders representing various functional departments within the organization, was established with responsibility for supporting the management team on ESG strategy execution.

For more information about Algoma's ESG Governance, including BOD Committee Charters, consult our [ESG Sustainability Report](#).

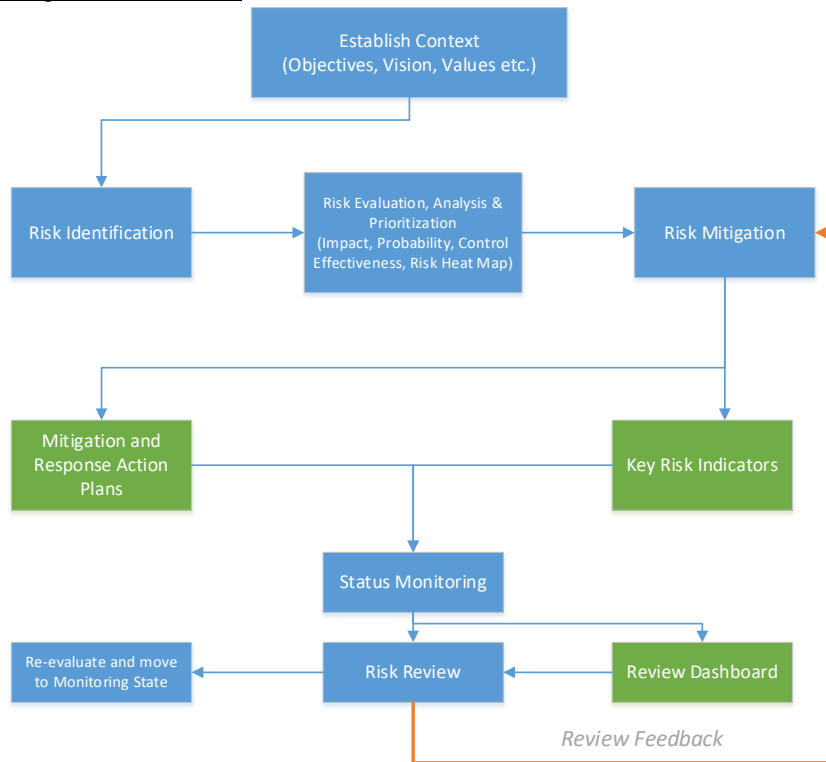
### **Human Rights-related Policies**

POLICY	DESCRIPTION	LAST UPDATE
<a href="#">Code of Business Conduct &amp; Ethics</a>	Sets the standards of ethical business conduct and serves as guidance for all employees for business principles, practices, and procedures.	August, 2021
Vendor Code of Conduct	States the expectations for whom Algoma collaborates with to ensure alignment between Algoma's values and conduct with those of Vendors. All Vendors and their employees must adhere to the Code when conducting business with Algoma.	April, 2024
<a href="#">Whistleblower Policy</a>	Provides supplement to Algoma's Code of Business Conduct & Ethics on "Whistleblower Events", whereby an employee or director reports misconduct to people or entities authorized to investigate or take corrective action.	April, 2021
Enterprise Risk Management (ERM) Policy	Outlines the risk oversight responsibility of the Executive Risk Committee and the Company's overarching ERM process and strategy.	June, 2023

### **ERM (Enterprise Risk Management) Process**

We are committed to integrating ESG risks, including Forced and Child Labour, into our firm-wide risk management policies and processes to ensure we adequately identify, manage, and monitor ESG risks.

Algoma Risk Management Process:



For more information on our ERM, including ERM governance, visit our [latest ESG Report](#).

**Code of Business Conduct & Ethics**

The Code covers a wide range of business practices and procedures including compliance with laws, rules, and regulations, contractual obligations, relationships with suppliers, human rights and employee relationships, accuracy of reports and reporting.

Our Code of Business Conduct & Ethics outlines our intent to provide equal opportunity in all aspects of employment and recognizes diversity as an important asset to Algoma. We do not tolerate acts of discrimination based on age, ancestry, colour, race, citizenship, ethnic origin, creed, disability, family status, marital status, gender, sex, sexual orientation, or any other ground of discrimination prohibited by law.

The Code highlights Algoma’s commitment to “fair employment practices that comply with all applicable laws concerning employment practices and conditions in the workplace. Employees are expected to foster a respectful work environment that adheres to the requirements of applicable human rights law and related workplace legislation.”

The Code explains how to report illegal or unethical behaviour as well as a step-by-step approach to ensure prompt and consistent action against violations of the Code.

All employees are required to receive training on the Code of Business Conduct & Ethics on an annual basis and during the onboarding phase. Senior management monitors the successful completion rate of training.

**Vendor Code of Conduct (Vendor Code)**

Our Vice President – Procurement holds management responsibility for supply chain management at Algoma. We expect our vendors and their employees to act with integrity and to be ethical in their business dealings. Algoma’s Vendor Code outlines our values of honesty, fairness, and excellence and states expectations for Vendors Algoma collaborates with to ensure alignment between Algoma’s values

and conduct with those of Vendors. All Vendors and their employees must adhere to the Vendor Code when conducting business with Algoma.

The Vendor Code is in addition to obligations set out in any purchase orders or contracts between Algoma and Vendors. The Vendor Code also extends to all subcontractors of Vendors. Vendors may not engage in any transaction that would directly or indirectly avoid or circumvent the Vendor Code. Algoma reserves the right to apply consequences of a breach to the Vendor Code both retroactively and retrospectively. These consequences may include, but may not be limited to immediate removal as a Vendor, or sanctions including termination for repeat violations.

The Vendor Code is seamlessly integrated into our procurement processes, ensuring comprehensive adherence from our vendors. During the onboarding process onto our vendor platform, vendors are required to acknowledge adherence to the Vendor Code, which is subsequently included in every purchase order and new contract, irrespective of the anticipated spending amount with the vendor. An exemption may only be granted if the vendor can demonstrate the existence of an equivalent Code of Conduct.

In March 2024, we refined the Vendor Code to affirm our commitment to Human Rights. The Human Rights clause within the Vendor Code underscores our dedication to upholding the fundamental rights and dignity of all individuals involved in our supply chain. It explicitly prohibits any form of discrimination, exploitation, or abuse, and emphasizes the importance of fair wages, and safe working conditions. Furthermore, it mandates compliance with international human rights standards and legislation, including but not limited to the Universal Declaration of Human Rights and the International Labour Organization's conventions.

This updated version of the Vendor Code of Conduct will be disseminated to all suppliers in April-May 2024 through notifications via our vendor platform, ensuring alignment and understanding of our enhanced standards and expectations.

## **Risk Identification, Assessment and Mitigation**

### **Materiality assessment**

In 2022, we conducted a formal ESG materiality assessment to identify and prioritize our material ESG factors, including Supply Chain Management and Human Rights, which have the greatest potential to impact the value of our company and are of most importance to our stakeholders.

The ESG materiality assessment results were reviewed and validated by our internal ESG working group, the Executive team and the Board of Directors and can be viewed in [our ESG Report](#).

## **Our Operations**

### **Risk Identification and Assessment – Our Operations**

As of this Reporting Period, Algoma has identified the actual risk of forced and child labour in its own operations as **low**. This finding is based on the following:

- Most Algoma workers are employed directly by Algoma and their employment contracts are governed by Canadian local laws. Algoma employs human resources and legal specialists to ensure that contractual employment arrangements for Algoma are lawful and compliant with the relevant regulatory requirements.
- The company utilises several well-established and legally compliant resources, systems and processes to administer team member payments.
- Algoma workers are free to negotiate collectively and, if required, involve third parties such as unions, in such negotiations.
- We continue to demonstrate strong community ties to Sault Ste. Marie by maintaining 99% of our workforce from the local region.

Labour unions representing workers' interests and managing collective bargaining agreements for wages and working conditions are prevalent in the steel industry. At Algoma, **95% of our workforce is unionized** and is represented by two locals bargaining units (Local 2724 and Local 2251) of the United Steelworkers (USW) under two collective bargaining agreements. The USW has a long history in Sault Ste. Marie and has been active in this area for over 50 years. Our Chief Human Resources Officer has executive management responsibility for labour relations and serves as the conduit between Algoma and the USW. The BOD is also involved in approving negotiation mandates for bargaining union agreements.

As the **largest employer in Sault Ste. Marie** (with over 70% of the city of Sault Ste. Marie's population directly or indirectly economically dependent on Algoma's performance) we represent approx. 40% of the city's GDP, we are dedicated to continuing our contribution to the prosperity of the communities in which we operate.

We also employ **young employees (18 to 23 years old)** as recent engineering graduates through our Graduate Engineer Trainees (GET) program, and as well as a co-op program for summer students. A summary of our workforce metrics can be found in our [ESG Report](#).

### Risk Mitigation – Our Operations

Despite the assessment indicating low risk of human rights violations within our own operations, Algoma remains committed to upholding human rights standards across all facets of its activities. To ensure this commitment, we have implemented a comprehensive set of risk mitigation processes designed to prevent human rights breaches and uphold ethical practices throughout our operations.

For our valued **employees**, Algoma has instituted robust recruitment and employment practices, including:

- Thorough background checks: Our recruitment process involves rigorous background checks conducted on three levels, encompassing medical checks, police record checks, and drug and alcohol testing. This multi-tiered approach ensures the safety and integrity of our workforce.
- Ongoing training: Employees undergo continuous training sessions covering the Code of Business Conduct & Ethics and Health & Safety protocols. These sessions ensure that our workforce remains well-informed and compliant with ethical and safety standards.

In addition to these practices for our employees, all contractors engaged in Algoma operations are subjected to stringent protocols:

- Background checks: Utilizing the ISN platform, background checks are automated, ensuring thorough vetting of contractor companies and employees. By March 2024, 100% of contractor companies have been integrated into the ISN platform, with 75% of contractor employees also included. This integration allows for easy identification through the ISN card on their mobile phones, enhancing transparency and security.
- Comprehensive training: Contractors undergo comprehensive training upon entering our sites, covering the Code of Business Conduct & Ethics, Health & Safety protocols, and certification verification to prevent any potential fraud.

Furthermore, for our Graduate Engineer Training (GET) employees and co-op students, specific measures are in place:

- Background verification: Special attention is given to verifying identification and social insurance numbers, ensuring the integrity of our student workforce.
- Mandatory orientation: GET and co-op students undergo a compulsory three-day orientation module focused on the Code of Business Conduct & Ethics and Health & Safety guidelines, fostering a culture of compliance and responsibility.
- Moreover, their remuneration is typically based on the corresponding collective agreement, ensuring fair compensation aligned with industry standards.

Through these stringent processes and practices, Algoma strives to maintain a workplace environment characterized by respect for human rights, safety, and fairness for all individuals involved in our operations.

**Our Supply Chain**

**Risk Identification and Assessment – Our Supply Chain**

Algoma acknowledges the potential risk of forced and child labour occurrences within the broader steel supply chain. In FY 2024, we engaged in a comprehensive risk identification and assessment for forced and child labour across all procurement categories within our supply chain, with the assistance of a specialized third-party. This assessment utilized a structured scoring methodology, which incorporated the following criteria:

- Impact scoring: each procurement category was assigned a score of low, medium, or high based on its significance in Algoma’s spend and criticality within the category.
- Likelihood scoring: suppliers’ and raw materials’ potential countries of origin, as well as category typology, were evaluated to determine the likelihood of forced and child labour incidents. Data from reputable sources such as the latest [Global Slavery Index](#) and the [2022 List of Good Produced by Child Labor or Forced Labour](#) from the U.S. Department of Labor informed this assessment. A score of low, medium, or high was assigned as well.

Below is the result of this risk assessment for all Algoma spend parent categories:

Parent Category	Assessed Risk
Raw Materials	Medium
CapEx	Low
Alloys	High
MRO	Low
Logistics	Low
Services	Medium

Parent Category	Assessed Risk
Scrap	High
Refractories & Mortars	High
Rental	Low
Back-up Rolls	High
Steel Slabs	High

More particularly, 10 subcategories had a level of risk of medium or high level:

Category	Risk	Description
Alloys	High	Alloys are metallic substances composed of two or more elements, often added to steel to enhance its properties, such as strength, durability, and corrosion resistance.
Scrap	High	Scrap refers to recycled metal materials, including steel, collected from various sources such as manufacturing waste, obsolete machinery, and end-of-life products, which are reprocessed and used in steel production.
Refractories	High	Refractories are heat-resistant materials used to line the inside of furnaces, kilns, and other high-temperature equipment in steel manufacturing processes to withstand extreme heat and chemical reactions.
Back-up Rolls	High	Back-up rolls are cylindrical metal rolls used in rolling mills to support and apply pressure to the work rolls, aiding in the shaping and forming of steel products.
Steel Slabs	High	Steel slabs are semi-finished metal forms produced by casting molten steel into rectangular shapes, which serve as the primary input for further processing into finished steel products.
Raw Materials	Medium High	Raw materials encompass the primary substances used in steel production, including iron ore, coal, limestone, and other essential ingredients required for the manufacturing of steel.
Contractor Services	Medium High	Contractor services involve outsourcing specialized tasks and projects to external contractors or service providers, such as construction, maintenance, and repair work within steel manufacturing facilities.



Services General	Medium High	General services encompass a wide range of support services, including cleaning, janitorial, and facilities management services, essential for maintaining cleanliness, safety, and operational efficiency within steel manufacturing plants.
Chemicals / Adhesives	Medium Low	Chemicals and adhesives include various chemical substances and bonding agents used in steel manufacturing processes, such as cleaning agents, lubricants, coatings, and adhesives for bonding metal components.
PPE (Personal Protective Equipment)	Medium Low	PPE refers to specialized protective gear worn by workers to minimize exposure to hazards and ensure their safety in steel manufacturing environments, including helmets, gloves, safety glasses, and protective clothing.

**Risk Mitigation – Our Supply Chain**

To optimize Algoma's efforts and focus on areas where we can impact meaningful change, we incorporated our ability to act into this risk assessment. This ability comprises two key components:

- Commercial leverage: This assesses our ability to influence suppliers and effect substantial changes within each category.
- Scope for improvement: This evaluates the feasibility of enhancing our standards within each category. It considers whether significant progress is required or if commendable practices are already prevalent within our realm.

Based on this assessment, we categorized the 10 medium-to-high-risk categories into three tiers of priorities:

**1. Top priorities: alloys, scrap, refractories, back-up rolls, steel slabs**

These categories exhibit both medium-to-high commercial leverage and scope for improvement. Our strategy involves proactive engagement with suppliers to comprehend and enhance their practices.

For alloys, refractories, back-up rolls, and steel slabs, our initial step is to conduct self-assessment questionnaires with suppliers. This will gather information on their policies regarding forced and child labour, previous social audits, recruitment, employment and training practices, workforce demographics, and supplier monitoring. Additionally, we aim to gain insight into the various tiers, locations, and identities of suppliers and subcontractors in the upstream supply chain.

In the case of scrap, Algoma's partnership with one of Canada's largest recyclers, Triple M Metals, provides a unique opportunity. We will collaborate with them to understand the current practices in this supply chain. Furthermore, our teams, already visiting recycling yards regularly, will receive training to identify signs of forced and child labour and report them effectively.

**2. Medium priorities: chemicals, PPE**

Despite being smaller categories in terms of spend, these categories are assigned medium priority due to their measured risk and our high commercial leverage and scope for improvement. Our initial focus is on determining the origin of products at each tier of the supply chain to refine our risk understanding.

**3. Low priorities: raw materials, general services, contractor services**

These categories are designated as low priorities for two main reasons.

For general and contractor services, we possess high commercial leverage and low scope for improvement. Our existing robust processes effectively mitigate the risk of forced and child labour for individuals accessing Algoma's sites, as explained in the section "Our Operations" above. Therefore, the strategy here is to maintain these current practices.

Regarding raw materials, despite a high scope for improvement, our commercial leverage is limited due to their association with specific geographic regions. To effect significant changes here, Algoma must consolidate its position and explore multi-stakeholder initiatives. Concurrently, we are actively reducing

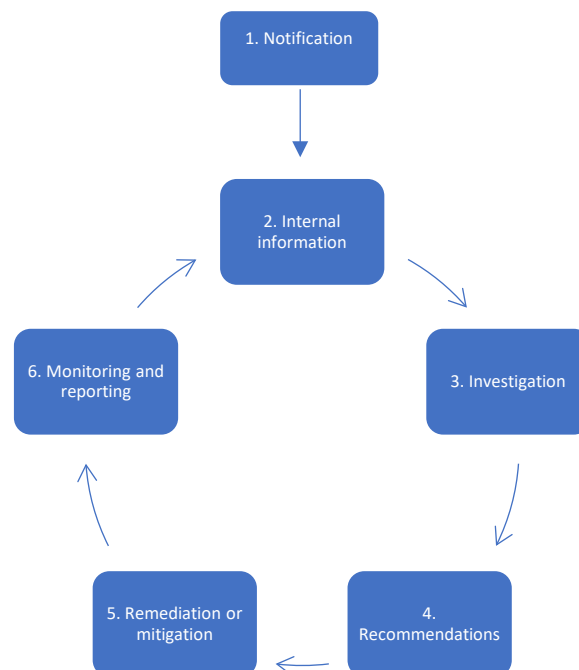
our reliance on coal and mined ore by transitioning to Electric Arc Furnace (EAF) Steelmaking, which utilizes electricity for energy and scrap metal as input, minimizing the need for mined ore.

**Remediation**

Algoma Steel has a strong commitment to the conduct of its business in a lawful and ethical manner. Employees and vendors are encouraged to talk to buyers, supervisors, managers or other appropriate personnel about observed illegal or unethical behaviour and, when in doubt about the best course of action in a particular situation, to report such behaviour in accordance with the Company’s Whistleblower Policy.

Our process for responding to breach of Employee or Vendor Code of Conduct:

1. **Notification:** a potential breach of Employee or Vendor Code of Conduct is raised through our [Whistleblowing portal](#), managed by a third party to enable anonymous reporting if desired.
2. **Internal information:** once a potential breach has been identified, Algoma Ethics Committee will be informed. It is constituted of the VP Strategy, the VP Legal, the Chief Human Resources Officer and the Internal Audit BP. Depending on the severity, the CFO and the CEO can be added to the Committee.
3. **Investigation:** the Internal Audit team starts conducting an investigation immediately with the relevant internal and external stakeholders to understand the nature and location of the case, the circumstances which led to the case, the number of impacted people, whether the case can be substantiated and the potential impact of the case. The Internal Audit team then shares its finding with the Ethics Committee.
4. **Recommendations:** the Ethics Committee decides on the next steps and make recommendations to the relevant stakeholders about remediation or mitigation actions to be taken.
5. **Remediation or mitigation:** in cooperation with the involved persons, employees, suppliers or communities, the remediation or mitigation plan is implemented.
6. **Monitoring and reporting:** the Internal Audit team monitors the progress of the individual remediation or mitigation plans. Every quarter, a report is shared with the Board about the number and types of complaints, the actions being taken, the recommendations and the status of each case.



It is Algoma Steel’s policy not to allow retaliation for reports of misconduct by others made in good faith.



It is, at the same time, unacceptable to file a report knowing that it is false. All employees are expected to cooperate in internal investigations of misconduct.

Furthermore, it is a requirement under Algoma Vendor Code of Conduct that all Vendors create and maintain their own mechanism by which employees can anonymously report issues within the Vendor's organization that may constitute a breach of the Vendor Code of Conduct. Vendors must protect whistleblowers and may not engage in any form of reprisal against these individuals. Algoma expects that any Vendor who becomes aware of conduct that constitutes a breach of this Vendor Code of Conduct shall promptly take remedial action.

Our Vendor Code of Conduct gives some examples of consequences for breach, among them:

- Immediate removal as a Vendor;
- Vendor sanctions including termination for repeat violations;
- Liability under civil, regulatory, or criminal processes; and/or
- Compulsory training on the issues set forth in the Vendor Code of Conduct.

Additionally, two email addresses can be used for reporting Human Rights breaches: [EmployeeCode@Algoma.com](mailto:EmployeeCode@Algoma.com) for employees and [vendorcompliance@algoma.com](mailto:vendorcompliance@algoma.com) for vendors. Both email addresses are monitored by Algoma's General Counsel.

Algoma has assessed that vulnerable families have not experienced loss of income as a result of steps Algoma has taken to eliminate forced labour or child labour risks.

## **Training**

The ESG expertise and skills of the BOD are continuously improved through Director ESG education and training. To ensure our BOD is equipped to oversee and manage ESG risks and opportunities, our BOD Skills Matrix includes skills related to Labour Relations, Risk Management, and Supply Chain. Directors are encouraged to pursue education on ESG -related matters to continue further developing Board ESG expertise. In FY 2024, various members of the Board undertook ESG-related training including taking courses and attending conferences on topics including Corporate Governance, Risk Management and Business Continuity, Human Capital Management, and Diversity, Equity and Inclusion.

**All employees** are required to receive training on the Code of Business Conduct & Ethics on an annual basis. Senior management monitors the successful completion rate of training, ensuring adherence to company standards.

Between December 2023 and March 2024, **13 senior managers** engaged in awareness-raising activities conducted by an external party around Forced Labour and Child Labour. The educational effort involved representatives from various departments, including Procurement, Legal, Risk, Human Resources, and Internal Audit.

## **Measuring effectiveness**

This year, Algoma conducted an external diagnostic assessment of our practices regarding forced labour and child labour, spanning both our internal operations and supply chain. This diagnostic involved thorough document reviews and interviews with key stakeholders across various departments, including Procurement, Legal, Risk, Internal Audit, and HR. The outcome of this assessment was a comprehensive gap analysis, accompanied by short-term and long-term recommendations based on feasibility and criticality.

To monitor the effectiveness of our evolving practices, we utilize our ERM tracking system, Mobius-One.

Key Risk Indicators (KRIs) selected to gauge for the Forced Labour and Child Labour risks are:

- Percentage of Procurement staff trained on forced labour and child labour regulation;
- Number of forced labour and child labour cases reported through our alert mechanism;
- Number of non-conformance detected through audits;
- Percentage of high-risk suppliers that have filled a questionnaire;
- Percentage of countries of origin identified for high-risk materials (in terms of spend).

### **Looking ahead**

Algoma is making sound progress in preventing and reducing the risk that forced labour or child labour is used by us or in our supply chain, as reflected by the initiatives, policies and procedures mentioned throughout this report, including: the update of the Vendor Code of Conduct to strengthen its Human Rights component; the integration of Forced Labour and Child Labour into our ERM process; the diagnostic and gap analysis of our current practices; and the completion of the first Forced Labour and Child Labour risk assessment across our supply chain.

However, there remains much to be done to tackle this important topic. We will continue to update our policies and procedures applicable to our operations and supply chain as Algoma evolves. Algoma has plans for FY 2025 and beyond to address the topic of Forced and Child Labour, including to engage with suppliers above \$5m annual spend from identified top priority categories through self-assessment questionnaires; to formalise our risk mitigation plan; and to develop a formal training on Forced and Child Labour for all Algoma buyers.

Algoma is on a journey of continuous improvement and will always strive to do right by our customers, partners, suppliers and the communities we serve. Algoma actively cares about social responsibility and our environment, and seeks to create high-quality, responsibly manufactured products.

### **Approval and signature**

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.

Rajat Marwah  
Chief Financial Officer  
May 31, 2024



, I have authority to bind Algoma Steel Group Inc.