



Dunkley Lumber Group

2023 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024

Table of Contents

| | |
|---|---|
| Background | 3 |
| 1. Steps Taken by Entity | 4 |
| 2. Structure, Activities and Supply Chains | 5 |
| 3. Policies & Due Diligence..... | 6 |
| 4. Risk Assessment | 7 |
| 5. Remediation - Forced & Child Labour..... | 8 |
| 6. Remediation - Vulnerable Family Income Loss..... | 8 |
| 7. Awareness Training..... | 8 |
| 8. Ensuring Effectiveness of Processes | 9 |

Background

This report (the “report”) is made on behalf of the Dunkley Lumber Group and certain of its subsidiaries listed below (collectively, “Dunkley”, “we”, “us” or “our”) pursuant to Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Bill S-211” or the “Act”) covering our most recently completed fiscal year from July 1, 2022, to June 30, 2023. This is the first version of the report submitted by Dunkley.

Forced labour can be found in almost every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide. Forced labour and child labour risks occur primarily through the global supply chains of businesses. As such, 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 labour practices are identified, addressed and eradicated from supply chains. Based on the Act, there are eight mandatory areas that must be reported:

1. The steps the entity has taken during its 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.
2. Its structure, activities, and supply chain(s).
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) and supply chain(s) that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
5. Any measures taken to remediate any forced labour or child labour.
6. 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.
7. The training provided to employees on forced labour and child labour.
8. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business(es) and supply chain(s).

1. Steps Taken by Entity

To address the requirements of Bill S-211, the following steps have been undertaken by Dunkley to identify and manage risks associated with forced labour and child labour in our businesses and supply chains:

Step 1 - Assess Applicability

Our work commenced with a kick-off meeting involving Dunkley's accounting and procurement departments, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key board members, management, and personnel; obtaining necessary documentation; and developing a draft timeline for the required analysis, and ultimately for report preparation were completed.

Step 2 - Scope Identification

Management conducted an assessment and identified relevant business areas by analyzing Dunkley's financial statements and other data to understand transaction streams and accounts related to our supply chain, both at a consolidated company and individual business entity level. Management also documented Dunkley's business structure, related activities, and reviewed existing policies and processes concerning forced labour and child labour within the operations and supply chain. Additionally, management evaluated and delivered training programs to ensure their effectiveness in meeting the Act's requirements and documented policies relevant to supplier conduct.

Step 3 - Risk Assessment

Management reviewed the supply chain data, analyzed suppliers, expenditures, and categories of goods across various jurisdictions, and conducted a preliminary analysis of significant suppliers in high-risk areas to assess relationships and financial flows. Following this, management prepared a comprehensive risk assessment categorizing potential exposure levels into Low, Medium, and High-risk categories with respect to forced or child labour. Factors that were considered in our risk assessment included significance of spend; categories of goods and origin (jurisdiction) of the suppliers and the origin of their goods.

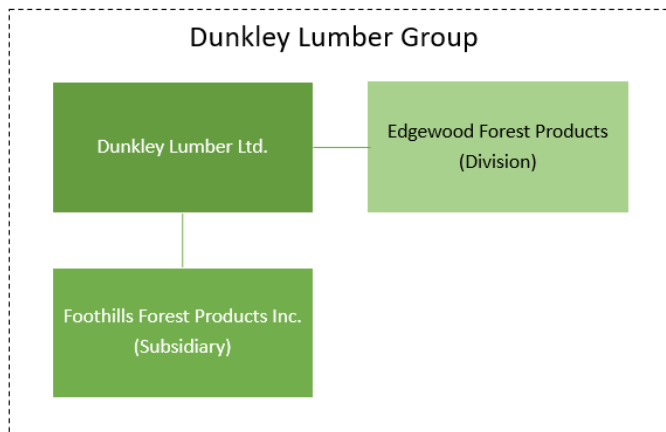
Step 4 - Remediation and Action Plans

Based on the results of the risk assessment (please refer to Section 4 for details), no suppliers were identified as posing a High risk. As a result, there is no need to develop or implement any remediation efforts.

2. Structure, Activities and Supply Chains

The entities covered in this Bill S-211 report for Dunkley include:

- Dunkley Lumber Ltd.
- Edgewood Forest Products
- Foothills Forest Products Inc.

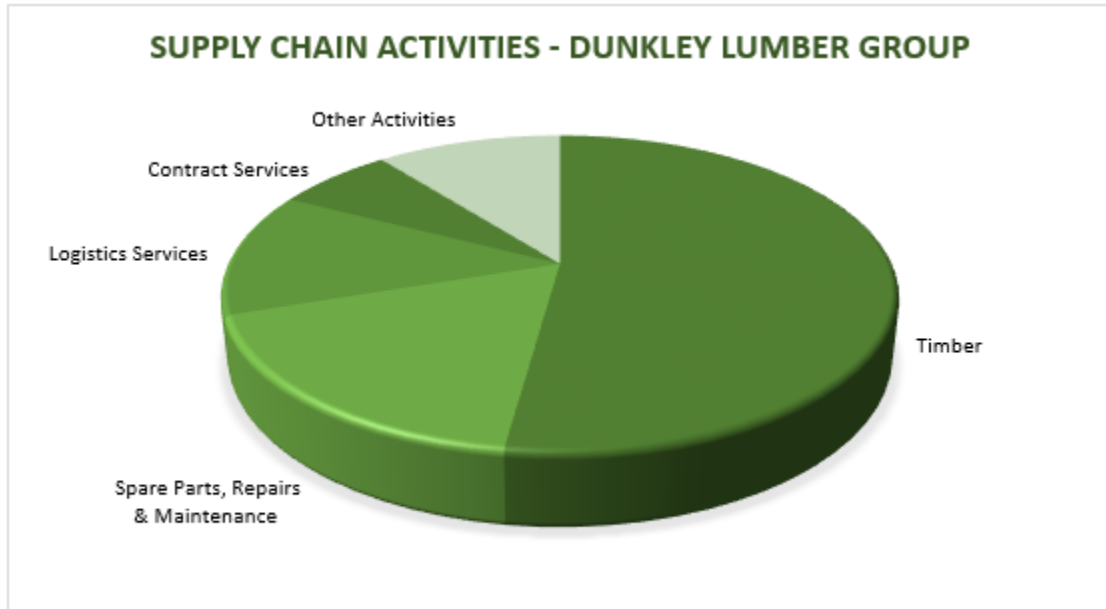


All of the above-noted entities are engaged in the Canadian forestry industry:

- Dunkley Lumber Ltd. operates a sawmill and planer mill located 85 kilometers south of Prince George, BC. It harvests timber annually under its own timber forest licenses and also purchases logs from a large variety of sources in BC.
- Edgewood Forest Products, a division controlled by Dunkley Lumber Ltd., runs a similar operation with a sawmill and planer mill in Carrot River, SK, utilizing its own annually harvested timber licenses and also purchases logs from a variety of sources in SK.
- Foothills Forest Products Inc. is an entity controlled by Dunkley Lumber Ltd. It operates a lumber manufacturing facility in Grande Cache, AB, utilizing its own annually harvested timber licenses and also purchases logs from a number of sources in AB.

All of Dunkley's supply chain is sourced from Canada and the US, thus inherently carrying lower risk of forced labour or child labour. For fiscal year 2023, Dunkley incurred more than \$250 Million in supply chain spend, which primarily consists of the following activities:

- Timber
- Spare Parts, Repair & Maintenance Services
- Logistics Services
- Contract Services
- Other Activities *



**Other activities refer to utilities , professional services, and sundry categories of spend.*

3. Policies & Due Diligence

Currently, Dunkley has the following policies and due diligence procedures in place in relation to forced labour and child labour:

1. Employee Handbook: The handbook includes the behavioural expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the document speak directly to the respectful treatment and behaviour of employees.
2. Employee Policies and Procedures: Certain elements of Dunkley’s employee policies and procedures relate to conducting work in an ethical and professional manner and expected behaviour that must be followed. Dunkley also commits to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of discrimination.
3. Supplier Code: Dunkley formalized and published our supplier code on our website in May 2024. It outlines the standards we expect from our supply chain partners, ensuring that suppliers, subcontractors, and subsidiaries align with Dunkley's values across various external domains.

4. Risk Assessment

To manage the risks associated with forced and child labor, Dunkley employs a systematic approach to classify suppliers into low, medium, and high-risk categories. This involves evaluating a combination of multiple factors including the origin of goods, the category of goods, and significance of spend.

Origin of Goods

All Dunkley suppliers are based in Canada and the United States, both of which are considered low-risk countries with respect to forced labor and child labor.

The risk assessment of the origin of goods references, amongst other publicly available data, is available on the US Department of Labour website (<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods/supply-chains>).

Category of Goods

We assessed the category of goods based on the following considerations:

- Timber: Timber procurement constitutes over half of our supply chain activities by spend. According to the US Department of Labour, the risk category for timber is designated as high. However, this classification pertains specifically to certain countries not including Canada and the US. Given that Dunkley exclusively procures timber harvested in Canada, the associated risk is evaluated as low.
- Procurement of spare parts and Repair & Maintenance (R&M) services:
 - o Suppliers that provide R&M services for mill equipment and similar tasks, categorized under Spare Parts Supplier/Repair & Maintenance, are assessed as low risk. This low risk assessment is supported by the suppliers' business operations being located within Canada – generally within the geographic regions surrounding our facilities.
 - o Suppliers identified as distributors, primarily those offering spare parts and R&M services, are assigned a medium risk level. This is due to the potential for these suppliers to import goods from various global locations which may have a higher risk of forced labour or child labour, thereby introducing variable risk factors.
- Logistics Providers: Suppliers engaged in logistics are considered to carry a low risk. This assessment is based on the fact that these Dunkley service providers operate and render services domestically and in the US.
- Contract Services: Generally, suppliers of contract services are deemed to have a medium risk. This designation is due to the potential use of forced labour within contract services. However, Dunkley's familiarity with the contract service providers that we use is very high and based on long-standing relationships. Therefore, similar to our risk assessment for timber described above, the risk associated with the contract services provided to us is also considered low.

The risk assessment of the category of goods references the US Department of Labor <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

Spend

The spend risk rating utilizes thresholds of 1% and 5% to assess the risk level associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classification is as follows:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 5% of the total annual supply chain spend are classified as

medium risk.

- Expenditures that equal or exceed 5% of the total annual supply chain spend are deemed high risk.

Other factors

Other factors considered for the risk assessment included, but were not limited to:

- Small Local Business (Low Risk): These are locally operated small businesses known for their transparent supply chains, attributable to their small scale and emphasis on regional community engagement.
- Publicly Traded Company (Low Risk): These suppliers belong to publicly traded companies that are subjected to rigorous reporting standards, fostering greater transparency.
- Long-term Partner (Low Risk): Suppliers with whom Dunkley has maintained a long-term relationships, consistently proving their commitment to ethical labour practices.
- Suppliers with Unionized Workforces (Low Risk): Suppliers that have their workforce represented by labour unions are recognized for their advocacy of workers' and human rights.

Based on our comprehensive risk assessment, management evaluated over 1,800 suppliers across the three entities outlined within this joint report. The assessment revealed that **NONE** of the suppliers pose a high or medium risk of forced labour or child labour.

5. Remediation - Forced & Child Labour

To date, Dunkley has not identified any suppliers as medium or high risk. All are considered low risk for exposure to forced labor and child labor. Consequently, there are currently no remediation efforts required.

Should Dunkley be made aware of any issues regarding the behaviour or conditions within our supply chain, Dunkley is committed to promptly address such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, entertaining required corrective actions with the supplier and ensuring such corrective actions are fully implemented.

6. Remediation - Vulnerable Family Income Loss

As noted above, there have been no instances identified by Dunkley of forced labour or child labour. As such remediation does not apply.

7. Awareness Training

Dunkley continues to offer training to all employees involved with contracting or purchasing decisions on identifying, assessing, and responding to the risks associated with child labor and forced labor within Dunkley's operations and supply chains. The first training session addressing child or forced labor was conducted on May 8, 2024.

Other training on relevant topics is outlined below:

1. During the onboarding process for new employees, Dunkley provides training on our employee policies and procedures which contain aspects related to forced labour and/or child labour through non-discrimination, anti-harassment, and professional behaviour clauses. This training is mandatory.

2. Dunkley recognizes the importance of having employees aware of signs of child and forced labour and will continue to incorporate training on this during the onboarding process as described above and throughout its existing employee policies and procedures.

8. Ensuring Effectiveness of Processes

On May 31, 2024, Dunkley completed and reported our initial assessment of Bill S-211 as it pertains to our business, and we remain committed to ongoing reviews of our processes, policies, and practices, including the assessment of our suppliers. This commitment is aimed at mitigating our risks related to forced labor and child labor.

Annual Review of Policies and Procedures

An annual review of Dunkley's policies and procedures related to forced labour and child labour will be conducted, to identify gaps to further strengthen and reduce the risk of occurrence within our activities and supply chains now and into the future.

Supplier Review

On an annual basis, management will conduct a supply chain risk assessment to review all suppliers and identify any instances of non-compliance with our policies regarding forced labour and/or child labour. The results will be documented in accordance with the Act's requirements and reviewed and signed off by the Board.



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.

Robert Novak

A handwritten signature in brown ink, appearing to read "R. Novak", written over a horizontal line.

Full Name

Signature

President

May 29, 2024

Title

Date

I have the authority to bind Dunkley Lumber Group. This report covers financial year 2023 and applies to *Dunkley Lumber Ltd., Edgewood Forest Products, and Foothills Forest Products Inc.* in terms of the Act.