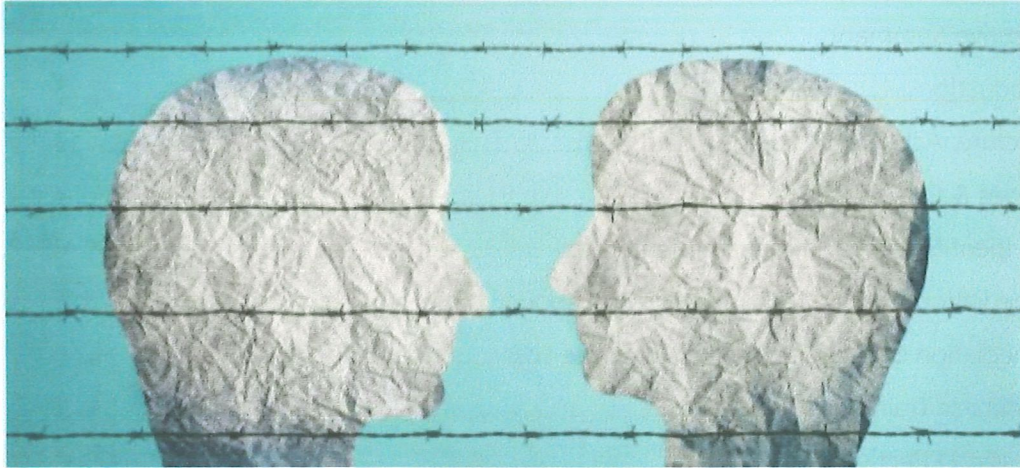


5Blue

5Blue
Process Equipment Inc.

Table of Contents



5Blue Process Equipment Inc.

Forced Labour and Child Labour in Supply Chains Company Assessment

Table of Contents

Executive Summary	2
Introduction	3
Structure, Activities & Supply Chain.....	3
Policies & Due Diligence	4
Risk Identification and Management	6
Remediation of Child Labour & Forced Labour	8
Remediation of Vulnerable Family Income Loss	9
Awareness Training	9
Assessing Effectiveness	9
Steps Taken to Prevent and Reduce the Risk of Child Labour & Forced Labour.....	10
Attestation.....	11

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.

The measures introduced through 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 (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 step 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 5Blue Process Equipment Inc.'s ("5Blue" or "Entity") response to 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 (the Act), Sections 11(1) and 11(3).

The entity covered within this report, 5Blue Process Equipment Inc. satisfies the definition of an Entity, as defined within the Act, 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 period covered by this report is for the year ending September 30, 2023.

Structure, Activities & Supply Chain

Structure

Established in 2009, 5Blue Process Equipment Inc. (Business Number: 857701510) is a privately held corporation that is headquartered and operates out of Nisku, Alberta. Serving both domestic and international clients within the oil and gas industry, 5Blue specializes in the design, engineering, and assembly of customized oil and gas processing systems. As of April 2024, 5Blue employs 87 individuals across various departments including design, engineering, and sales.

Activities

5Blue operates within the oil and gas industry, offering design and engineering services for customized oil and gas processing systems. 5Blue imports materials and parts to manufacture these custom components locally at their workshops in Nisku, Alberta, and distributes these components to domestic and international clients.

During 2023, the majority of 5Blue's design and engineering operations were based within Canada and the United States; however, several smaller scale operations were conducted internationally in Argentina, Bangladesh, Turkey, and Kuwait. Individuals engaged in international operations were employed by or sub-contracted by 5Blue and deployed for the duration of the project.

Supply Chain

To cater to the diverse needs of 5Blue's clients, the company sources a range of goods, primarily structural steel and large metal components required for welding such as pipes and valves – see *Countries of Suppliers & Procured Goods and Risk* for a summary of goods purchased. 5Blue sources these materials from both domestic and international suppliers. During the 2023 fiscal year, 90% of purchases were made from suppliers within Canada and the United States, while the remaining 10% was purchased from international suppliers. 5Blue often sources its suppliers based in Canada and the United States and international suppliers provide components that are less readily available. For the purposes of describing

and evaluating 5Blue's supply chain, the top 150 material suppliers that accounted for at least 96% or more of the total procurement spend during the 2023 fiscal year were reviewed.

Policies & Due Diligence

5Blue Process Equipment Inc. does not currently have specific policies or due diligence procedures dedicated to mitigating the risk of child labour and forced labour within the organization's internal activities and within the supply chain. The following policies however were identified to reference relevant measures associated with the Act and 5Blue recognizes the opportunity to review and incorporate new practices associated with child labour and forced labour into these existing policies.

Current Policies

Business Practices Policy and Employee Manual & Code of Conduct

As part of the onboarding process, all employees are provided with a copy of 5Blue's Business Practices Policy and Employee Manual which identifies 5Blue's compliance to all relevant laws and regulations as part of its business operations. The organization's standards and expectations are outlined within the manual, noting that the nature of employment with 5Blue is voluntary. The manual also identifies hours of work, vacation, and public holidays, all which contribute to establishing fair and equitable working conditions.

Workplace Violence and Harassment Policy

As specified within the policy, 5Blue is committed to taking all necessary steps to prevent any form of violence or harassment towards job candidates, employees, managers, visitors, customers, suppliers, and delivery persons. This statement extends across all areas of operations, encompassing training, performance evaluations, promotions, transfers, layoffs, compensation, and all other aspects of employment practices and working environments.

This policy defines workplace violence and harassment, as well as the responsibilities of the Company, supervisors, and employees regarding workplace harassment. All instances regarding violence or harassment are to be reported to the Company. 5Blue ensures all employees are trained on workplace violence and harassment which include identifying a potential situation and responses to remediate or escalate the issue.

Health Safety and Environmental Manual & Joint Health and Safety Committee

The Joint Health & Safety Committee ("JHSC") is a component of 5Blue's health and safety program which is comprised of employee representatives, including contractors and worksite personnel, and senior management. Individuals appointed to the JHSC are required to commit to at least a one (1) year term to ensure continuity of corporate safety knowledge and procedures. In compliance with the *Alberta Occupational Health and Safety Act*, the purpose of the JHSC is to promote and support communication between all levels of management to ensure the prompt identification and resolution of safety

issues/concerns. In addition to reviewing occupational health and safety policies and standards, the committee is also responsible for providing recommendations to management, who shall be responsible for implementing and monitoring all hazard prevention programs. The JHSC is required to meet monthly and at minimum, ten (10) times per calendar year.

Open Door Protocol

5Blue has incorporated and encourages an informal Open-Door Protocol as part of the Company's commitment to building and preserving a safe, productive, and healthy working environment for all employees that is free from violence and harassment. This informal approach ensures individuals feel empowered to express feedback and/or raise concerns directly to colleagues, including management, to address and mitigate as necessary.

Quality Management Certifications & Standards

In addition to the company's own safety and quality standards, 5Blue has maintained an ISO9001:2015 certification, a globally recognized standard for quality management, since 2016. In compliance with this certification, all 5Blue employees, including vendors and subcontractors, are subject to formal workplace audits to ensure a safe and healthy working environment.

Due Diligence

Supplier Monitoring – Pre-Qualification Assessments

5Blue is committed to promoting a healthy and safe work environment; therefore, all potential vendors and/or sub-contractors ("suppliers") are encouraged to complete 5Blue's pre-qualification form. This form assesses whether the prospective company has the necessary processes in place to meet 5Blue's Health & Safety and Quality Standards, as well as provincial standards (i.e., COR/SECOR or applicable equivalents). All pre-qualified vendors/sub-contractors are included in 5Blue's database of potential vendors for future work and are re-evaluated every three (3) years.

Supplier Monitoring – Agreements

All suppliers must agree to the terms and conditions outlined within the 5Blue Contractor and Subcontractor Safety Work Plan, which includes but is not limited to the acknowledgement and compliance with current Alberta Occupational Health and Safety legislation, 5Blue's General Safety Rules, and 5Blue's corporate policies.

Supplier Monitoring – On-Site Audits

Suppliers based in Canada and the United States are subject to workplace audits as part of the company's due diligence for maintaining its ISO9001:2015 certification. The formal audit is conducted by an International Organization for Standardization ("ISO") representative with the supplier using a standardized checklist which is later reviewed by 5Blue.

Risk Identification and Management

A risk assessment of 5Blue Process Equipment Inc.'s industry of operation, countries of operation, and countries of origin of suppliers was conducted using two separate indices – the *Walk Free Global Slavery Index* and the *U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor*.

Industry of Operation and Risk

5Blue operates within the oil and gas industry, focusing on providing customized design, engineering, and manufacturing of processing systems. Based on the two indices referenced above, there is an inherent risk associated with the manufacturing industry.

Countries of Operation and Risk

A risk assessment using the two indices referenced above was conducted on the countries in which 5Blue conducted operations within during the 2023 fiscal year. The majority of 5Blue's operations are based within Canada and the United States, both of which were identified as having low risks for child labour and forced labour. Additionally, 5Blue conducted several smaller scale operations internationally in Argentina, Bangladesh, Turkey, and Kuwait. These operations were completed by individuals employed or sub-contracted by 5Blue. While the inherent risk associated with entities operating within Canada and the United States is considered to be a low-risk environment, continued due diligence is especially necessary when operating internationally to reduce the risk of child and forced labour.

Countries of Suppliers & Procured Goods and Risk

Using the *Walk Free's Global Slavery Index* and the *U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor* goods procured and countries in which goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers include the top 150 suppliers, which accounts for at least 96% of 5Blue's total procurement spend during the 2023 fiscal year.

This supply-chain risk assessment has been conducted with the understanding that 5Blue has limited visibility into their supplier's operations and sourcing, and where their supplier's factories are located. Utilizing the two indices to assess 5Blue's material suppliers, a total of ten (10) different countries were identified, of which four (4) have been identified as having an inherent exposure risk for child labour or forced labour.

Supplier Country Origin

Country	Material Suppliers (#)	Supply (%)	Inherent Risk per Country
Canada	128	88%	Low
United States	9	2%	Low
Mexico	1	<1%	Extreme
England	2	<1%	Low
France	1	<1%	Low
Turkey	4	2%	High
United Arab Emirates	2	<1%	Low
Kuwait	1	2%	Low
Bangladesh	1	<1%	Extreme
China	1	<1%	Extreme

Goods Procured

The majority of goods procured by 5Blue fall within the categories of parts and accessories for oil and gas processing systems and infrastructure. These goods included welding components such as pipes and vessels, and other components such as instrumentation valves, compressors, and gauges. These goods are not specifically identified within the two indices; therefore, it has been concluded that they have a low-inherent risk of child labour and/or forced labour.

Additional goods procured by 5Blue are provided below, and using the two indices, an inherent risk of child labour and/or forced labour has been identified within the following categories of goods:

1. Apparel – safety apparel/garments, work boots, work gloves, etc.
2. Electronics – communication systems, control panels/systems, electronic components, etc.

Procured Goods	Spend in 2023 (%) *	Inherent Risk per Country
Pipes & Valves	23%	Low
Electronics & Electrical Components (communication systems, control panels/systems)	18%	Extreme
Structural & Stainless Steel	10%	Low
Insulation & Filters	3%	Low
Misc. Components (gaskets, studs, nuts & bolts)	3%	Low
Vessels	2%	Low

Compressors, Pumps & Gauges	2%	Low
Safety Apparel & Consumables (safety garments, work boots, work gloves)	2%	High
Air Coolers, Heaters & Panels	1%	Low

* The percentages outlined reflect the spend on goods procured by 5Blue and does not include items such as administrative expenses (e.g., commercial rent, insurance, etc.) or contracted services (e.g., welding contractors, engineering contractors).

Most goods procured by 5Blue include items such as instrumentation valves, and welding components which are utilized for local manufacturing and are considered to be low risk. While 5Blue has limited visibility with regard to their suppliers' operations and factory locations for procured goods such as apparel and electronics, the inherent risk for child or forced labour is considered to be high to extreme, respectively, and continued due diligence is still required.

Remediation of Child Labour & Forced Labour

To mitigate the risk of child labour and forced labour within the entity's activities and supply chains, 5Blue Process Equipment Inc. has identified the following mechanisms in assessing supplier due diligence:

Supplier Monitoring – Pre-Qualification Assessments

5Blue is committed to promoting a healthy and safe work environment; therefore, all potential vendors and/or sub-contractors are encouraged to complete 5Blue's pre-qualification form. This form assesses whether the prospective company has the necessary processes in place to meet 5Blue's Health & Safety and Quality Standards, and the provincial standards.

The supplier pre-qualification assessment does not include clauses concerning child labour or forced labour; however, 5Blue has identified the opportunity to incorporate clauses addressing ethical procurement practices and operations, including disciplinary actions as a result of supplier non-compliance.

Supplier Monitoring – Agreements

All suppliers must agree to the terms and conditions outlined within the 5Blue Contractor and Subcontractor Safety Work Plan, which includes but is not limited to the acknowledgement and compliance with current Alberta Occupational Health and Safety legislation, 5Blue's General Safety Rules, and 5Blue's corporate policies.

These supplier agreements do not include clauses concerning child labour or forced labour; however, 5Blue has identified the opportunity to incorporate clauses addressing ethical procurement practices and operations, including disciplinary actions as a result of supplier non-compliance.

Supplier Monitoring – Quality Compliance

To date, 5Blue has not identified any instances of child labour or forced labour within its' own internal

operations or supply chain. All suppliers engaged by 5Blue are assessed for technical and commercial capabilities; however, suppliers based in Canada and the United States are also subject to workplace audits as part of the company's commitment to ensuring workplace safety and quality standards. A formal audit is conducted by an International Organization for Standardization (ISO) representative with the supplier using a standardized checklist which is later reviewed by 5Blue for instances of non-compliance or deficiencies.

The current audit checklist does not include specific items assessing for child labour and forced labour; however, 5Blue has identified the opportunity to incorporate audit standards addressing ethical procurement practices and operations for all suppliers.

Remediation of Vulnerable Family Income Loss

5Blue Process Equipment Inc. is currently in the process of understanding and evaluating their supply chain related to the risk of child labour and forced labour. To date, 5Blue has not identified instances of the use of child labour or forced labour within their operations or those of suppliers. 5Blue is actively reviewing its procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

5Blue Process Equipment Inc. does not currently have any training specific to the topic of child labour or forced labour; however, there are several policies relevant to the Act which have been identified.

As part of 5Blue's onboarding procedures, new employees are required to review the Employee Manual to understand and are expected to adhere to the company's policies and standards. The applicable policies identified with this Act include the Employee code of Conduct, Workplace Violence and Harassment Policy, and associated health and safety policies.

5Blue provides ongoing training to all employees on the Workplace Violence and Harassment Policy. Training includes the identification of a violence or harassment incident, responses to an incident, and how to report an incident.

5Blue recognizes the opportunity to enhance employee training relevant to this Act and will be evaluating applicable training for staff in the foreseeable future.

Assessing Effectiveness

To track 5Blue Process Equipment Inc.'s effectiveness of procedures to mitigate the risk of child labour and/or forced labour, several mechanisms are in currently in place. 5Blue has also identified the opportunity to incorporate discussions with suppliers related to this Act including:

Internal Activities

1. Policy review: 5Blue has committed to reviewing and updating applicable policies identified above on a frequent basis to ensure relevance and accuracy based on the current operating conditions in accordance with this Act.
2. Employee health and safety training: Frequent training is provided to all employees regarding their health and safety within the work environment. 5Blue maintains a listing of all training courses and materials within a centralized database which can be accessed by all employees.
3. Joint Health and Safety Committee: This committee meets regularly to review reported incidents and matters pertaining to employee health and safety to address associated risks and impacts effectively. Tracking mechanisms are employed to monitor meeting discussions and assess the committee's progress in resolving concerns.
4. Violence and Harassment Incident Reporting: 5Blue has a zero-tolerance for violence and harassment incidents. All claims made regarding this will be reported to the Human Resources for remediation and resolution.
5. Employee manual acknowledgement: 5Blue requires all new employees to sign-off on the employee manual at time of onboarding. 5Blue recognizes the importance of incorporating routine employee sign-offs to reinforce their understanding of expected conduct and to promptly inform them of any document revisions. 5Blue has committed to the implementing of an annual employee sign-off moving forward.

Supplier Activities

1. Supplier Agreements: 5Blue has recognized the opportunity to establish supplier agreements across all suppliers. Within the terms and conditions of these supplier agreements, specific clauses will outline 5Blue's zero tolerance including consequences or disciplinary measures to be taken in the event of a reported or discovered instance of child or forced labour by 5Blue.
2. Supplier Monitoring: 5Blue is committed to reviewing their vendor assessment and implementing a vendor survey on a more frequent basis. These monitoring requirements should include observations and examples of what to look for to reflect compliance with the Act. Record keeping for frequency of assessment and date of last review will be centralized system to ensure these assessments are being performed.
3. Supplier Monitoring: 5Blue has committed to reviewing and assessing potential suppliers to understand the impact to 5Blue's purchases, if any. Risks related to forced and/or child labour should be prioritized for remediation, should these types of findings arise.

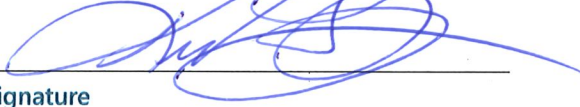
Steps Taken to Prevent and Reduce the Risk of Child Labour & Forced Labour

5Blue's is committed to implementing the following steps to prevent and reduce the risk of child labour or forced labour within their activities and supply chain:

1. Mapping supply chains: As part of this report 5Blue has mapped its 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 5Blue has identified potential risks within their activities and supply chains that have inherent risks of child labour and/or forced labour.
3. Supplier Risk Assessment: 5Blue will reach out to suppliers in the next year to ask them questions prompted by this Act and risk assessment to determine if they have risks of child and forced labour in their activities or supply chains.
4. Developing and implementing due diligence policies and processes for identifying, addressing, and prohibiting the use of child labour and/or forced labour in the organization's activities and supply chains: 5Blue will review and incorporate due diligence policies and processes specific to this Act.
5. Developing and implementing anti-forced labour and/or -child labour contractual clauses: 5Blue has identified the opportunity to incorporate supplier agreements with contractual clauses related to this Act, for key suppliers.
6. Developing and implementing training and awareness materials on forced labour and/or child labour: 5Blue has identified the opportunity to implement training content and materials related to this Act for all current and potential employees.
7. Developing and implementing procedures to track performance in addressing forced labour and/or child labour.

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 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.

<i>Kelly R. Smith.</i>	
Full Name	Signature
<i>President</i>	<i>28 May 2024</i>
Title	Date

I have the authority to bind 5Blue Process Equipment Inc.