



Acierco KSE Inc.

Forced Labour and Child Labour in Supply Chains Company
Assessment



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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.

In compliance with the *An Act to support the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, Acierco KSE Inc. ("Acierco", or "the Company") has begun prioritizing the analysis of forced labour and child labour. While Acierco does not currently have formal policies in place, we recognize there is always room for continuous improvement to emphasize our commitment to human rights and abiding by local and international legislation. As a growing, socially conscious rebar supply company, Acierco recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

Background

The measures introduced through the Act, aim to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- 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.
- 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.



Structure

Acierco operates as a private corporation based in Quebec. We specialize in selling construction materials, specifically rebar, exclusively within Canada. The financial year for which Acierco is reporting is January 1, 2023, to December 31, 2023. This is the first version of the report submitted and the report is for Acierco KSE Inc. Acierco is also comprised of the following entities: 8096783 Canada Inc., 11625748 Canada Inc., 13424464 Canada Inc., 14223829 Canada Inc., 8415889 Canada Inc. and 8381984 Canada Inc. This is a joint report that includes Acierco and 14223829 Canada Inc. Our sales are limited to domestic markets, and we distribute our products to several provinces, notably Ontario, Quebec, and British Columbia. Additionally, we contract transporters to deliver a small percentage of our products directly to clients.

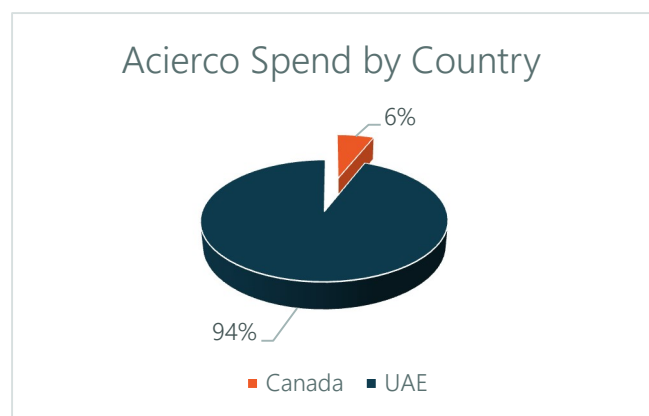
As per the consolidated financial statements of Acierco, we had more than \$20 million in assets, generated more than \$40 million in revenue, and currently have 4 employees. Therefore, Acierco meets the Bill S-211 reporting requirements, with two out of the three compliance thresholds related to revenue and assets having been met.

Activities

Acierco procures inventory for direct resale and keeps no inventory. A consultant is used to source suppliers outside of Canada who meet our product specifications. We sell construction-related products, specifically rebar, and Acierco distributes solely within Canada. Most of our clients are located within Ontario, Quebec, and British Columbia. Once products have been ordered they are shipped to ports in Ontario and British Columbia where they are stored at the ports during the ship unloading process. Customers will generally collect their orders directly from these ports but in the rare instances when this is not possible Acierco will make arrangements to transport the orders directly to customers.

Supply Chain

Acierco's largest supplier for 2023 originated from the United Arab Emirates (UAE), with the second largest spend attributed to Canadian suppliers. While less than 1% of Acierco's spend was attributed to an international consultant. Acierco had a total of 40 suppliers from Canada, with 1 supplier from the United Arab Emirates. The pie chart demonstrates Acierco's break down of spend at a high level.





Policies and Due Diligence

Internal Policies

There are currently no policies or formal procedures in place at Acierco. We prioritize principles over formal policies, operating as a close-knit, family business. While our informal approach guides our actions, we recognize the importance of formalizing certain practices for risk mitigation. By formalizing and documenting key principles, we can strengthen our operations and ensure alignment with industry standards and regulatory requirements.

Due Diligence

Supplier Questionnaires

Most of Acierco's supply chain comes from international wholesalers that are required to follow international and Canadian laws regarding the procurement of raw materials. While Acierco does not have proscribed due diligence processes for smaller vendors, we have assessed the risk with procuring from them as low. However, as part of our commitment to prevent child or forced labour within our supply chain, Acierco has requested that suppliers that pose the highest risk to them complete a questionnaire. This questionnaire is used to obtain confirmation from 14 suppliers that they do not engage in child and or forced labour. Suppliers that have responded to the questionnaire have indicated that they have not identified any instances or unmitigated risks of forced labour or child labour within their business activities, operations, or supply chains. To date, 5 out of 14 suppliers have provided a response to the questionnaire, of which the 5 suppliers represent a total of 0.45% of total spend, and we are working on the additional low-risk suppliers for the next financial year.

Onsite Visits

Acierco performs routine onsite visits to key supplier operations as part of the onboarding process and during the service delivery period they will perform site visits at least once a year with established suppliers. These visits strengthen supplier relationships and establish open lines of communication should any issue arise relating to the procurement of Acierco's products. However, while onsite visits are done, there is an opportunity to formalize what is required to be compliant as a part of these visits.

Risk Identification and Management

A risk assessment has been conducted on Acierco's operations, the goods procured, and the countries from which the goods are procured, focusing primarily on key direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of Acierco's total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - Walk Free's Global Slavery Index and the US Department of



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Labour's List of Goods Produced by Child Labour or Forced Labour.

Countries of Operations and Risk

Acierco conducted a risk assessment on the countries where we have operations and found that there were low risks of forced labour or child labour as we only operate in Canada. Canada is considered to have a low inherent risk of child labour or forced labour. This, however, does not mitigate all the risks associated with child labour and forced labour and Acierco will continue to implement necessary practices to maintain an environment free of child or forced labour.

Countries of Suppliers and Risk

Acierco had a risk assessment conducted on the countries of origin for our suppliers and found that there were low risks of forced labour or child labour in Canada (40 suppliers) and the UAE (1 Supplier). This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is an inherent low risk and continued due diligence is required.

Type of Goods Procured and Risk

Acierco had a risk assessment conducted on the types of goods and services purchased from suppliers. In 2023, goods can be categorized into rebar, consulting and general services (transportation, port handler, surveying, dunnage disposal services). The purchase of rebar comprises 94% of all purchases. The risk analysis indicated high inherent risks for forced labour associated with the mining and refining of iron and carbon and forming steel into rebar. Low inherent risks were associated the procurement of consulting and general services. This does not mean that evidence of forced labour was found to support this risk analysis but that there is an increased inherent risk which necessitates closer scrutiny to ensure those risks do not flow through to the goods procured.

Remediation Forced and Child Labour and Vulnerable Family Income Loss

Acierco is committed to identifying human rights incidents and violations that occur within our operations and communities. As there were no incidents related to forced or child labour reported to or noted within Acierco, there hasn't been any need for the entities to report, correct or remediate any incidents of forced or child labour. Acierco recognizes the significant impact forced and child labour can have on individuals and their families and thus will actively seek to strengthen our processes to reduce the risk of forced labour and child labour within our supply chain.

Awareness Training

Acierco does not have formal training in place on the topic of child labour or forced labour. However, when Bill S-211 was established, Acierco circulated information related to the recent announcement of Bill



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S-211 by the government to all our staff to increase awareness and knowledge on the subject of child labour and forced labour among its employees.

As a consolidated entity we recognize the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future as well as updates to the onboarding process to enhance compliance and awareness of child and or forced labour.

Self-Assessment Process and Requirements

As a consolidated entity we are in the process of understanding and evaluating our supply chain and as part of this process, we will evaluate our processes to understand areas of improvement, especially around self-assessment processes including key performance indicators (KPI) metrics, internal audits, quality assessment programs to ensure the implementation of the child and forced labour awareness. We will continue to review our practices to enhance the rigor of self-assessment processes to identify how effective it is ensuring that forced and child labour are not being used in our business and supply chains.

Conclusion and Key Takeaways

Through our analysis, we found that although the commodity which we procure from our suppliers is at higher inherent risk for forced labour and child labour, we have measures in place to lower the risk. However, we are committed to continuous improvement and have identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within Acierco and our supply chain.

In the upcoming year Acierco has identified areas and mechanisms where we have the opportunities for enhancement to further reduce the risk of forced labour and/or child labour within our activities and supply chains. These include:

Recommendations Related to Acierco Activities:

Short Term

1. Strengthen Informal Processes: While significant changes may not be immediately feasible, making small adjustments to informal processes can contribute to better risk management and lays the foundation for future improvements.
 - a. Increasing Communication and Documenting Key Discussions: With a small team of four employees, increasing communication can involve regular meetings or huddles to discuss ethical practices such as forced labour or child labour. Employees can be encouraged to share their thoughts, concerns, and ideas related to identifying and preventing child and forced labour in the supply chain. Key discussion points should be recorded to ensure that important decisions and actions are documented along with how they will be implemented. This can include meeting minutes, notes from supplier discussions, or agreements reached regarding ethical standards.



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Long Term

1. **Introduce a Company Handbook:** Introduce a company handbook that includes a code of ethics and conditions of employment referencing compliance with provincial legislations. The handbook would include policies specific to being compliant with Bill S-211. This centralized resource will provide clear guidelines for employees, promote consistency in decision-making, and establish accountability for ethical behaviour, ensuring a cohesive organizational culture. With clear guidelines on topics such as workplace conduct, safety protocols, and ethical standards, the handbook helps ensure a cohesive organizational culture.
2. **Internal Awareness Campaigns:** Given the limited size of the team, awareness campaigns can be tailored to focus on specific topics that Acierco wishes to highlight. These campaigns can cover topics such as recognizing signs of child and forced labour, understanding relevant laws and regulations, and discussing the ethical implications of sourcing decisions. An awareness campaign offers a straightforward way to share information with the team, which can be conducted through various channels like email or team meetings.

Recommendations Related to Suppliers:

1. **Purchase Orders:** A Terms and Conditions clause will be added to Purchase Orders that includes the requirement to conduct audits at supplier sites deemed to be of a higher risk and outlines our requirement that suppliers do not engage in child and or forced labour. These clauses would explicitly state a zero-tolerance for the use of child labour and/or forced labour within the supplier's operations and supply chain. This clause will include the result if an issue of non-compliance arises.
2. **Consider Introducing a Supplier Code of Conduct:** Introducing a supplier code of conduct and creating a documented check sheet for site inspections is a proactive step for those without these documents. The introduction of a Code of Conduct will enforce awareness, making it the suppliers' responsibility to train their own staff. Not only does it mitigate risks associated with unethical labour practices, but it also ensures compliance with legal and ethical standards.
3. **Supplier Questionnaire:** Consider following up with all the suppliers that have not responded to the supplier questionnaire and consider sending the questionnaire to all suppliers and following up until they provide responses.
4. **Supplier Risk Management and Monitoring:** This involves formalizing a periodic risk assessment process to evaluate the supply chain and industry for potential risks of child and forced labor. In addition to current onsite visits, this approach allows for supplier audits and monitoring related to compliance with relevant legislation. While Acierco already has close relationships with suppliers, formalizing the inspection criteria during onsite visits with local suppliers can enhance transparency and accountability in ethical conduct. This ensures that expectations regarding child and forced labor are clearly communicated and upheld throughout the supply chain.



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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 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.

Full Name

CLIFFORD SACKS

Signature

Title

PRESIDENT

Date

May 22, 2024

I have the authority to bind *Acierco KSE Inc.* and this report covers financial year *December 31, 2023*, and applies to *Acierco KSE Inc.* and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *Acierco KSE Inc.* if they apply.