

Bill S-211 Compliance Reporting

Barco Materials Handling Limited

May 2024

Introduction

Barco Materials Handling Limited ('Barco') engages in the manufacturing industry producing wooden pallets, skids and crates in Cambridge Ontario, with a May 31 year-end. Barco is legally classified as a corporation. As a corporate entity, Barco is subject to the regulatory environments of the jurisdictions in which it operates, primarily (>90%) within Canada. Barco is made up by 3 entities (all of which are covered through this report), including a holding company, which holds 100% of the shares for operating company and a property company for holding real estate. By virtue of operating in the private sector in Canada, meeting both the asset (>\$20mm) and revenue (>\$40mm) eligibility criteria, Barco is required to comply with the S211 reporting obligations in Canada (with no reporting obligations in other jurisdictions).

The Company engages in the production, sale and distribution of hardwood and softwood pallets. At Barco Materials Handling Limited, we are steadfast in our commitment to uphold the highest standards of ethical conduct and integrity in all areas of our operations. This commitment is further cemented through our adherence to Canada's Bill S-211, the "Fighting Against Forced Labour and Child Labour in Supply Chains Act." Our support for this legislation aligns with our core values of safety, integrity, customer focus, sustainability, and a deep commitment to our employees and the diverse communities we serve.

In this report, we outline our comprehensive approach to monitoring our supply chain, ensuring compliance not only with the legal framework set forth by Bill S-211 but also with our moral imperatives. We hold our business partners to the same high standards to which we hold ourselves, insisting on transparency, fairness, and dignity in all aspects of production. By adhering to these principles, we not only comply with the letter of the law, but also embody the spirit of ethical business practices that protect and enhance the lives of workers around the world.

Structure

Barco Materials Handling Limited is structured as a corporation with a well-defined legal and organizational framework. Based in Cambridge, Ontario, the company operates with a clear hierarchical structure and is committed to fulfilling its role as a traditional wood pallet manufacturer. This report outlines Barco's organizational and legal structure, providing transparency in compliance with regulatory requirements and industry standards.

Barco employs a traditional hierarchical structure, which ensures clarity in roles and responsibilities and efficiency in communication and decision-making processes. The primary office departments include:

- Human Resources (HR): Manages employee relations, recruitment, and organizational development.
- Finance: Oversees financial planning, risk management, and accounting practices.
- Sales: Responsible for market growth, customer relationships, and revenue generation.
- Operations: Handles day-to-day production processes, logistics, and supply chain management.

All departments report ultimately to two key executives:

- Graham Wathen, President: All strategic and operational reports consolidate at the President's office, ensuring cohesive leadership and unified direction.
- Michael Matthews, Vice President of Finance and Operations: Directs financial strategy and operational efficiency, playing a crucial role in integrating financial and operational objectives.

As a traditional wood pallet manufacturer, Barco's mandate is to produce high-quality wood pallets that meet the logistical and storage needs of various industries. The company aims to maintain sustainability in its production processes, ensuring that all products are crafted to meet environmental and industry standards while supporting clients in achieving efficient material handling solutions. Barco employs 70 individuals as of May 15, 2024, all located at the Cambridge, Ontario facility. All employees at Barco are full time, including

plant and office personnel. This centralized workforce facilitates streamlined operations and ensures consistent quality control across all stages of production.

Barco is a proud member of the Canadian Wood Pallet & Container Association (CWPCA), a relationship that underscores its commitment to industry standards and sustainability practices. This membership provides Barco with access to the latest industry research, best practices, and networking opportunities that help in maintaining high standards of product quality and operational efficiency. The CWPCA is heavily invested in health & safety and sustainability – two of Barco’s core values. As stated on their website, “Our overall objective is to establish a strong safety management program for all members across Canada to reduce workplace injuries and provide a foundation to assist our members to exceed local regulatory occupational health and safety standards.”; Additionally, “Sustainability maintains harmony between humans and nature. Simply put, it means conserving our resources for present and future generations. We define sustainability as including people, their working environment, and the natural environment.” As apparent from these two excerpts, our partner in the CWPCA places strong value in people and workplace environments, acting as an excellent role model for the type of partners we do business with, especially as it relates to safe and ethical working practices.

Barco’s structured approach to its organizational and legal setup not only supports its operational effectiveness but also aligns with its strategic goals of sustainability, quality, and customer satisfaction. This structure ensures that Barco remains a reliable and responsible entity within the wood pallet manufacturing industry, poised for future growth and continued compliance with industry and legal standards.

Activities

An overview of the activities involved in the pallet manufacturing and distribution process have been outlined below:

1. Production and Manufacturing:

- The primary activity of Barco involves the production and manufacturing of wooden pallets, skids and crates. This is performed through both automated machines and hand building on site in Cambridge.
- This includes sourcing raw materials (lumber) to manufacture such products, almost all of which comes from either Ontario or Quebec, with occasional loads lumber from the Western & Eastern provinces. Given the weight of the material and related trucking constraints, purchasing raw material from outside the Canadian boarder has historically been prohibitive.
- The manufacturing process involves cutting, notching, assembling, and treating materials to create finished pallets. For any finished goods destined for export, we follow the strict heat treatment rules set out by the CWPCA to uphold quality to the highest level.

2. Sale and Distribution:

- Once pallets are manufactured, they are sold to various industries and businesses that require pallets for shipping, storage, and transportation purposes.
- Sales occur directly to end-users, such as warehouses, distribution centers, manufacturing facilities, retailers, and logistics companies.
- Distribution channels include direct sales, partnerships with distributors, or online sales platforms.

3. Exportation:

- In addition to domestic sales, Barco exports their products to international markets.
- Exportation activities involve complying with trade regulations, customs requirements, and international shipping logistics.

- Export destinations may vary depending on market demand, trade agreements, and business strategies.

4. Importation:

- Barco’s foreign imports are minimal, with recent purchases related to physical equipment to support our manufacturing processes. Of this equipment, it was all purchased from the United States, including our Kiln and a variety of parts for our automated nailing machine. These parts are not readily available or cost-effective to source domestically.
- Importation activities require compliance with Canadian customs regulations, tariffs, and import duties.

5. Quality Control and Assurance:

- Barco implements quality control measures to ensure that our products meet industry standards and customer requirements.
- This involves inspection of raw materials, monitoring of manufacturing processes, and testing of finished pallets for strength, durability, and safety. As mentioned above, Barco’s full heat treatment program is inspected every 6 weeks to ensure compliance with the CWPCA program, governed by the CFIA (Canadian Food Inspection Agency).

6. Research and Development:

- To stay competitive and meet evolving market demands, Barco may invest in research and development initiatives.
- Research efforts may focus on improving manufacturing techniques, developing innovative pallet designs, or exploring sustainable materials and practices.

7. Environmental Sustainability:

- Barco prioritizes environmental sustainability by utilizing renewable materials, optimizing resource efficiency, and implementing eco-friendly practices. This includes recycling and reusing materials, minimizing waste generation, and adopting environmentally friendly treatments and coatings. As a result, Barco has little to zero waste, as we have found a natural home to all of our by-products.

Supply Chain Risk Assessment

Barco’s supply chain generally involves the following stages/inputs/suppliers through the value-add chain, with 100% of the 151 key input suppliers for F23 operating out of Canada. Based on the Global Slavery Index of 2018/Walk Free Report, of the 167 countries where data was pulled, Canada was ranked the second to lowest risk for the prevalence of modern slavery, with an estimated prevalence of .05 for every 1,000 people. This coupled with the fact Canada doesn’t show up on any of the at risk good/countries lists posted on the US department of Labour website is a strong indication of the low risk profile of our supply chain.

	Major Supply Chain Categories				
Good Type	Construction	Industrial Supplies	Lumber/Pallets	Mechanical Parts	Nails/Fasteners/Banding
Good Risk Rating	Low	Low	Low	Low	Low
Source Country	Canada	Canada	Canada	Canada	Canada
Source Country Risk Rating	Low	Low	Low	Low	Low
Procurement Spend on Good from Source Country (%)	100%	100%	100%	100%	100%

Raw Material Sourcing: The primary raw material sourced for wooden pallets is lumber, which Barco uses both hardwood and softwood. Based on the US Department of Labor, there is a high risk associated with timber – however, that risk is focused on Brazil, Peru, Russia, North Korea, Cambodia, and Vietnam. Barco mitigates this by sourcing its timber from Canada.

Barco sources wood from sawmills or timber merchants (aka brokers), typically involving softwoods like pine, spruce, and fir - or hardwoods (e.g. soft maple, hickory and Aspen), depending on the specific requirements for the pallets. The majority of Barco's softwood is sourced from Quebec, with hardwood sourced more locally in Ontario due to the high density of the fibre and thus less economical shipping logistics. All purchasing of wood fibre is done within Canada with well-established and professional companies, or direct with local log forestry experts. Materials can come in log form, boards, hardwood cants, or cut-to-size boards. Once the boards have been cut and treated to the desired size, they are ready to be build into a pallet.

Manufacturing Supplies: To manufacture pallets with the cut down fibre, Barco requires hardware and fastening supplies, including nails, screws, and other fastening materials needed to assemble the pallets. The majority of these supplies are purchased from a small number of owned and operated Canadian companies. All of which are eligible to comply with their own S-211 requirements and have completed our first round of questionnaires referred to above. In each case, representation have been made about the absence of any forced or slave labour, with very high visibility into their own supply chains. For one company in particular, any manufacturing plant they operate out of is visited by the CEO to ensure the highest practices are being followed with company culture and process a key priority. We had the following response from one of our key suppliers:

"Our partnership criteria require our manufacturing partners to adhere to strict product specifications, comply with government safety and environmental regulations, fair treatment of employees (no child and forced labour), and safe workplace conditions. We will never produce environmentally sensitive items without verifying that compliance is met. Our company has zero tolerance for corrupt activities of any kind. Bribes or other improper or unauthorized payments, or acts that create the appearance of promising, offering, giving or authorizing such payments, are prohibited. The company abides by all imposed Canadian government sanctions."

Manufacturing Equipment: Barco uses an array of manufacturing equipment which requires machinery supplies, including saws, nailing machines, pallet jacks, forklifts, and automation equipment. As noted above, these supplies are either sourced from Canada or the United States. Regular maintenance of this machinery is performed to ensure operational efficiency and safety, provided by specialized service providers.

Transportation and Logistics: Barco leverages both internal and external transportation and logistics partners, that specialize in moving raw materials to our manufacturing site and distribute the finished pallets to customers. In all cases, we work with the most reputable companies to ensure the highest ethical standards and practices. Before any relationships are formed, the leadership team at Barco meets with the Presidents/CEO's to ensure strategic and value alignment, especially as it relates to Barco's #1 value of safety.

End Users: Typically, end users are businesses in industries like manufacturing, distribution, logistics, and export that require pallets for shipping and storing products.

Due Diligence

Barco has historically operated under the assumption that the risk of child labour or forced labour within our supply chain was minimal, based on the trusted relationships we have established with our supply partners in Canada, where nearly 100% of purchasing is performed. However, we recognize that assumptions are not sufficient, and our responsibilities extend beyond mere compliance.

Moving forward, Barco will proactively engage in comprehensive monitoring of our supply partners to ensure that our production steps are free from child and forced labour. This will include discussions with all key supply partners on the values we hold and expect them to uphold on our behalf as it relates to ethical labour.

In additional, we have implemented an annual questionnaire where we will inquire about the details of supplier product channels, their risks of forced labour, and finally their mitigation strategies. This initiative will help safeguard not only the welfare of individuals within our supply chain but also reinforce the trust and integrity that define our relationships with partners and customers alike.

Given the potential risk of forced labour or child labour in the supply chains of offsite mills from which we obtain wood products, Barco has taken proactive steps to assess and manage this risk. Examples of measures that the company is in the process of implementing or has implemented include:

1. Supplier Due Diligence: Conduct thorough due diligence on its suppliers, including offsite mills, to assess the risk of forced labour or child labour within their operations. This may involve reviewing supplier policies, conducting site visits, and engaging in dialogue with suppliers to understand their labour practices and commitment to ethical standards.

2. Supplier Code of Conduct: Implement a Supplier Code of Conduct that clearly outlines the company's expectations regarding labour practices, including a prohibition on forced labour and child labour. Suppliers, including offsite mills, are required to adhere to these standards as a condition of doing business with Barco. In Barco's general code of conduct, we speak the values we expect from all business partners, particularly on Accountability and Integrity:

- Taking responsibility for your actions and decisions.
- Acting with honesty and integrity and in accordance with any professional standards, governing laws and legislation that have application to the responsibilities you perform for or on behalf of Barco.

3. Audits and Assessments and Monitoring: Conduct regular assessments and monitoring of its suppliers, including offsite mills, to verify compliance with ethical business standards. These assessments may include on-site visits and interviews with workers to assess labour conditions and identify any potential risks or violations.

4. Collaboration and Engagement: Collaborate with industry peers, non-governmental organizations (NGOs), and other stakeholders to address forced labour and child labour risks collectively. By sharing information and resources, Barco can leverage collective efforts to mitigate risks and drive positive change throughout its supply chains, including offsite mills.

5. Transparency and Reporting: Being transparent about our efforts to address forced labour and child labour risks in its supply chains, including its engagement with offsite mills. The company regularly reports on its progress and challenges, demonstrating its commitment to responsible sourcing and ethical business practices.

Through these measures, Barco aims to assess and manage the risk of forced labour or child labour in its supply chains, including those associated with offsite mills. By prioritizing ethical sourcing and responsible business practices, Barco demonstrates its commitment to upholding labour standards and promoting positive social impact throughout its operations.

Remediation Actions

To date Barco has not had any instances of forced labour or child labour in its operations, whether on or off-site. **Therefore, no remediation is required.**

However, should an incident ever occur, Barco has designed the following remediation steps and measures to ensure immediate rectification of the issue:

1. **Immediate Action:** Upon identification or suspicion of forced labour or child labour within its operations, Barco takes immediate action to stop the practice and ensure the safety and well-being of affected individuals. This may involve ceasing operations at the site in question and conducting a thorough investigation to determine the extent of the issue.
2. **Worker Support:** Barco provides support and assistance to workers affected by forced labour or child labour, including access to counseling, medical care, and legal assistance. The company prioritizes the welfare of affected individuals and works to ensure that they are treated with dignity and respect throughout the remediation process.
3. **Remediation Plan:** Barco develops a comprehensive remediation plan to address the root causes of forced labour or child labour within its operations. This plan may include measures such as implementing new policies and procedures, providing training and capacity building to staff, and establishing mechanisms for reporting and addressing labour violations.
4. **Engagement with Stakeholders:** Barco engages with relevant stakeholders, including government agencies, non-governmental organizations (NGOs), and community representatives, to collaborate on remediation efforts and ensure that affected individuals receive the support they need. This may involve sharing information, coordinating actions, and seeking input from external parties to inform remediation strategies.
5. **Monitoring and Evaluation:** Barco monitors the effectiveness of its remediation efforts through regular assessments and evaluations. This includes tracking progress against remediation goals, soliciting feedback from affected individuals and stakeholders, and adjusting remediation strategies as needed to ensure their continued effectiveness.
6. **Transparency and Reporting:** Barco is transparent about its remediation efforts, including the steps taken to address forced labour or child labour within its operations. The company regularly reports on its progress and challenges, both internally and externally, to demonstrate accountability and promote transparency in its actions.

By having these remediation measures in place if it were ever applicable, Barco demonstrates its commitment to addressing forced labour and child labour within its operations and upholding ethical labour standards throughout its business activities.

Employee Training

Job-specific training is mandatory for all employees prior to starting any work on property. Employees are provided job-specific training to ensure compliance in all fields, including:

1. Safety Procedures and Hazard Awareness
2. Machine Operation and Maintenance
3. Quality Control and Assurance
4. Assembly and Production Line Works
5. Lean Manufacturing and Process Improvement

Developing training for Barco involves a structured approach to ensure that employees acquire the necessary knowledge and skills to perform their jobs effectively and safely. Employee onboarding and training and

development was built internally by assessing the needs and objectives of the organization, keeping Barco's Mission, Vision and Values in focus.

At the current time we do not have specific training on forced and child labour. However, as we look to bolster this area and expand the scope of our Code of Conduct, below are the steps for how training needs and associated gaps will be identified with these labour requirements, with plans for remediation when/where necessary. This training will be developed internally by HR and the operation leads.

- 1. Training Needs Assessment:** Conduct an assessment to identify knowledge gaps and training needs regarding forced and child labour laws applicable under Bill S-211 for those involved in purchasing. Evaluate factors such as existing awareness levels, relevance to job roles, and compliance requirements.
- 2. Identify Training Objectives:** Set clear, measurable learning objectives that include recognizing the signs of forced and child labour, understanding legal implications, and adhering to compliance standards set forth in Bill S-211.
- 3. Content Creation:** HR and Operations to develop training materials including presentations, handouts, and manuals that are relevant to preventing forced and child labour in supply chains. Barco will use visuals and case studies to illustrate real-world applications of these concepts and facilitate better understanding and retention.
- 4. Legal and Ethical Training:** Focus on training employees about legal compliance with Bill S-211 and the ethical implications of forced and child labour. Include discussions on the consequences of non-compliance for the business and the moral imperatives for preventing such labour practices.
- 5. Compliance Procedures Training:** Educate employees on specific compliance procedures and documentation required under Bill S-211. Teach them how to conduct assessments, report findings, and implement corrective measures effectively.

By adapting the training program to focus on these areas, Barco can ensure that its employees are well-informed and equipped to tackle issues related to forced and child labour in their operations and supply chains, aligning with the requirements of Bill S-211. This not only helps in compliance but also enhances the company's reputation as a responsible business.

Effectiveness Assessment

Barco takes the issue of forced labour and child labour very seriously and is committed to ensuring that these practices are not present in its business operations or supply chains. To assess its effectiveness in this regard, Barco will employ several strategies:

- 1. Supplier Code of Conduct:** Barco will create a comprehensive Supplier Code of Conduct that outlines the company's expectations regarding labour practices, including a prohibition on forced labour and child labour. Suppliers are required to adhere to these standards as a condition of doing business with Barco. Additionally on an annual basis, all major suppliers will be obligated to fill out a questionnaire that highlights any high-risk areas covering the topic and their risk mitigation strategies.
- 2. Supplier Assessments and Monitoring:** Barco will conduct regular assessments of its suppliers to evaluate compliance with the Supplier Code of Conduct. These assessments may include on-site visits and interviews with workers to verify that labour practices meet Barco's standards.

3. Supplier Training and Capacity Building: Barco to provide training materials to support its suppliers to help them understand and implement labour standards effectively. This includes training on identifying and addressing forced labour and child labour risks within their operations.

4. Collaboration and Engagement: Barco will collaborate with industry peers, non-governmental organizations (NGOs), and other stakeholders to address forced labour and child labour issues collectively. By sharing best practices and resources, Barco can strengthen its efforts to combat these practices throughout its supply chain.

5. Risk Assessment and Due Diligence: Barco to conduct risk assessments to identify potential areas of concern related to forced labour and child labour within its supply chain. Based on these assessments, the company implements targeted due diligence measures to mitigate risks and address any identified issues.

6. Transparency and Reporting: Barco will be transparent about its efforts to combat forced labour and child labour, regularly reporting on its progress and challenges. This transparency helps to hold the company accountable and encourages continuous improvement in its practices.

Overall, Barco's approach to assessing its effectiveness in preventing forced labour and child labour involves a combination of proactive measures, ongoing monitoring, collaboration, and transparency. By prioritizing these efforts, Barco demonstrates its commitment to upholding ethical labour standards throughout its business operations and supply chains.

Approval and 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.

Michael Matthews

VP of Finance & Operations

May 29, 2024

Signature:

A handwritten signature in cursive script that reads "Michael Matthews". The signature is written in black ink and is positioned below the printed name and title.

I have the authority to bind 'Barco Materials Handling Limited.'