

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

May 31, 2024

2023 Report – Introduction

This is the first version of the report submitted, and the report has been prepared jointly by Canadian Royalties Inc. and its subsidiaries, including those listed in the Approval and Attestation section, below, (collectively, “CRI”) in response to the reporting requirements under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for our financial year ending December 31, 2023.

CRI recognizes that the mining industry plays an important role in preventing and assessing the risk of forced labour and child labour in Canada’s supply chain. We acknowledge the risks of forced labour and child labour in the mining sector and are committed to continuous improvement in our due diligence, risk assessment, remediation and training processes.

CRI is committed to respecting the human rights of people impacted by our operations and supply chain, consistent with the International Bill of Human Rights, ILO Core Conventions, UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises.

Organizational structure, activities, and supply chain

Structure

CRI is a resource company operating in Nunavik Quebec, Canada. CRI owns or has interests in several operating mines, a large metallurgical complex, and few copper-nickel and PGE development projects, all in the Nunavik Quebec Canada. CRI is headquartered in Montreal, Quebec. CRI has approximately 740 employees working out of our Nunavik Quebec site and/or in our Montreal headquarter.

CRI is a privately owned company.

Activities

The Act requires CRI to report on our activities in relation to the production, sale, distribution of goods, both in and outside of Canada, and the importation of goods into Canada. This information is set out below.

CRI is a producer of nickel, copper and PGE concentrate. Our production operations and locations are at Nunavik Quebec.

CRI sells our products globally mainly to Europe in 2023.

CRI imports goods and fuel into Canada in support of Canadian exploration, development and mining operational activities, with minimal imported items generally valued under \$100k.

Supply chain

CRI procures a range of goods and services, such as mobile equipment, machinery, fuel and lubricants, explosives, and a variety of other products and services that support large-scale mining and milling operations. Using the Walk Free Global Slavery Index and the U.S. Department of Labor List of Goods Produced by Child Labour or Forced Labour, we conducted a risk assessment on the countries of operations of our vendors. Our analysis found that approximately 85% of our suppliers conduct their operations in Canada, 12% in Germany, and 3% from other countries. These countries have a low inherent risk exposure of forced and child labour in their operations.

CRI outsources certain operational activities to third parties in Canada. These activities include transportation and logistics, cafeteria and accommodation services for employees at the mine site, mechanical, electrical, construction and mining development work, general exploration drilling, and technical/engineering consultancy.

Steps to prevent and reduce the risks of forced labour and child labour

Using voluntary standards and principles, CRI will integrate human rights measures into our business activities, including social and environmental management, health and safety, procurement, security, and human resources.

CRI currently adheres to a standard code of conduct and various policies, including conflict of interest policies, anti-harassment policies, and general terms and conditions for procurement procedures/vendor selections, ensuring that vendors comply with laws and regulations. We have also engaged an outside third-party consultant to enhance and monitor our ESG policies and performance.

With this top-down approach and operating in a low-risk environment, CRI has effectively prevented and reduced the risks of forced labour and child labour throughout our supply chain.

Moving forward, CRI will implement additional measures to prevent and reduce these risks in our operations and supply chain, including adding specific policies and training aimed at complying with the Act.

Policies and due diligence processes

Overview

CRI's due diligence processes involve embedding responsible business conduct into our governance structure, policies, and risk management systems.

Governance

CRI is committed to strong corporate governance and has established roles that are responsible for overseeing the prevention and mitigation of general compliance risks, including forced labour and child labour risks, in our operations and supply chain.

CRI's Board reviews and approves all compliance matters, including the annual Salary and Equity Report to the CNESST, ESTMA (Extractive Sector Transparency Measures Act) filing and this report.

Any compliance matters will be brought to the attention of the executives and Board. Appropriate legal counsel and consultants will be brought in to address the matter if necessary.

Policies

CRI has developed and is implementing policies that specifically address the prevention and mitigation of forced labour and child labour by providing a general ethical working environment, open communication channels:

- [CRI Code of Ethics](#) affirms our commitment to uphold high moral and ethical principles and specifies the basic norms of behaviour for those conducting business on CRI's behalf;

- [CRI's Expectations for Suppliers and Contractors](#) requires that the vendors and/or service providers for CRI need to adhere to the laws and regulations. And CRI has the right to request for evidences of these compliances.
- Other: CRI is committed to maintaining a positive and ethical working environment through a comprehensive set of policies, including our anti-harassment and anti-violence policies. These policies strictly prohibit any form of harassment, discrimination, or violence in the workplace, ensuring a safe and respectful environment for all employees. We define harassment broadly to include any unwelcome behavior that creates a hostile, intimidating, or offensive work environment, whether it be based on race, gender, sexual orientation, disability, or any other protected characteristic.

To support these policies, we have a policy that encourages employees to freely discuss any concerns or issues with their supervisors or management without fear of retaliation. This policy is designed to promote transparency, trust, and open communication within the organization. Employees are encouraged to voice their concerns, seek advice, and provide feedback on any matter, fostering a collaborative and supportive workplace culture.

Our conflict-of-interest policy is another key component of our ethical framework, designed to prevent personal interests from interfering with professional responsibilities. Employees are required to disclose any potential conflicts and refrain from activities that could compromise their integrity or the interests of CRI.

Together, these policies and systems demonstrate CRI's commitment to fostering a positive and ethical working environment, both internally and externally. By maintaining open communication and providing clear channels for reporting misconduct, we aim to uphold the highest standards of conduct and integrity in all our operations.

Management approaches

- [Our Approach to Value Chain Management](#) outlines our governance related to supply chain, and it communicates our policies and standards which apply to employees and suppliers. It also describes our approach to identifying and managing sustainability risks, which is inclusive of human rights risks, in our supply chain.

Due diligence processes

The company's due diligence process concerning child labour and forced labour within its operations and supply chain is characterized by a predominantly passive approach. Operating in a low-risk jurisdiction and within the mining and milling industry, which is generally considered to have low-risk vendors and suppliers, the company has not instituted a proactive due diligence process specifically targeting these issues. While the company adheres to a general code of ethics and conduct promoting overall good practices, its measures against child labour and forced labour are largely indirect. The company's general terms and conditions mandate compliance with applicable laws and regulations for all vendors and suppliers. In addition, most of CRI's supply chain partners are well reputed North American suppliers and or partners with long history of working relationship. We have not encountered any actual, alleged and/or suspected breach of the terms and conditions in connection with the child labour and forced labour events from our supply chain partners. This reliance on the low-risk nature of their jurisdiction and industry, coupled with the broad ethical guidelines, underscores the company's passive stance on these critical issues within their due diligence framework.

In addition, as a member of the Quebec Mining Association, CRI has been a member of the Mining Association of Canada's (MAC) Towards Sustainable Mining (TSM) initiative since 2017. CRI is committed to upholding the program's guiding principles, as well as implementing them by integrating the program's seven protocols into its operations and management systems. The Social and Environmental Responsibility policy (in attachments) is a foundation for the first milestones of the initiative's protocols

CRI conducts annual self-assessments of TSM protocols and records the results on the CMA website for public availability. The self-assessment is verified by an accredited external firm every 3 years; The last self-assessment was carried out for the year 2021 and will take place again in 2024.

CRI has successfully met all the criteria of the Protocol on the Prevention of Child Labour and Forced Labour. For the other protocols, the IRC ratings are A, B or C; CRI has action plans to achieve an A rating in all protocols.

Forced labour and child labour risk

CRI's operations are located in relatively low-risk jurisdictions, based on an assessment process that applies a Conflict-Affected and High-Risk Area (CAHRA) tool that uses country-level data indicators spanning multiple topics, including forced labour and child labour. However, CRI acknowledges that the nature of mining activities and related supply chains can create potential human rights risks.

To date, our approach to identifying the risks of forced labour and child labour focus on the sector we operate in, as well as the location of our activities and operations, and on employees, contractors and direct suppliers at our operating sites.

Going forward, we will develop necessary policies and procedures to include the following risk identification factors:

- Known ILO red flags associated with forced labour and child labour, including lack of age verification; charging for recruitment, employment or repatriation fees; lack of written employment contracts; and the retention of employee identification documentation.
- The location of the contractor or supplier and the strength of rule of law in those jurisdictions.
- The industry and type of goods and services provided, such as personal protective equipment (PPE) and products originating from mineral exploration or processing.
- Contractor history of known human rights violations or complaints.
- CRI's level of influence and relationship with the supplier and its workers.

Remediation measures and remediation of loss of income

To date, CRI has not received any complaints relating to forced labour or child labour in our operations or supply chain, and as such has not taken any remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

Employee training

Each new employee has the obligation de participate to the welcoming training program where CRI communicates all its policies and the obligations that the employees need to follow and respect. Once the sessions are done and finalized, employees need to sign on forms that says they got all the information and policies and that they accept to respect and follow. CRI also makes sure that these main policies are sent back by email to all employees as a reminder. Supervisor have also the obligation to remind their teams of such policies and disciplinary measures could apply and it could go as far as dismissing.

Going forward, CRI will develop necessary trainings, available for all employees, specifically for the prevention of forced labour and child labour in our operations or supply chain.

Assessing effectiveness

With CRI's current standard ethics and various conduct policies and the fact almost all CRI's operation and supply chain are within low risk area, we believe our current practice for the prevention of child labour and forced labour within our operations or supply chain is effective for our situation.

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 Canadian Royalties Inc. and Nunavik Exploration Ltd. 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 have the authority to bind Canadian Royalties Inc."



James Xiang
President and Chief Executive Officer
May 31, 2024