

1. Introduction

This Report is prepared by **Dacro Industries Inc. (Dacro)** for the financial year ending December 31, 2023 (“Reporting Period”) and sets out the steps taken 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 of goods imported into Canada by Dacro according to the Act to enact the Fighting Against Forced Labor and Child Labor in Supply Chains and to amend the Customs Tariff, came into force on January 1, 2024.

This Act requires that the head of every Entity, whose activities include producing, purchasing, or distributing goods in Canada, or elsewhere, submit an annual report to the Minister of Public Safety on, or before, May 31 of each year.

This Report constitutes the first report prepared by Dacro under Canada’s new Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Canada’s Modern Slavery Legislation”).

Dacro takes reference and experience of companies since 2020, in compliance with Australia’s Modern Slavery Act 2018, Section 54 (1) of the UK Modern Slavery Act 2015, and from US Department of Labor, Bureau of International Labor Affairs and their report regarding the International Child Labour and Forced Labor, 2021 (last report),

2. Steps To Prevent and Reduce Risk of Forced Labour and Child Labour

Dacro took the following steps during the Reporting Period to prevent and reduce the risk of Forced Labour and Child Labour in its business and supply chains.

- During the previous fiscal year, Dacro operated without formal policies specifically addressing forced and child labour.
- We adhere to a long-established informal guideline prioritizing procurement from trusted local, Canadian, and subsequently U.S. vendors, substantially mitigating the risk of engaging in practices associated with forced and child labour.
- We expect to have formal policies in place in the upcoming year.
- Dacro’s operations are exclusively located within Canada, with 90% of our annual vendor and subcontractor expenditure, occurring domestically and in the United States. Given the stringent legal and regulatory frameworks governing these regions, the risk of forced or child labour within our Supply Chain is considered low. Dacro does not engage in forced child labour at any of our facilities, nor do we import materials, supplies, or equipment identified as high-risk on the US Department of Labor, Bureau of International Labor Affairs, Reports:
 - List of Products Produced by Forced or Indentured Child Labor. *(Ref#1.a)*
 - List of Goods Produced by Child Labor or Forced Labor. *(Ref#1.b)*
 - Bibliographic References:
 - VPRA-Bibliography-for-2022-FINAL-Sept-2022. *(Ref#1.a)*
 - EO-2022-Bibliography-FINAL_Redacted. *(Ref#1.b)*

These actions were taken broadly across the Company, except as otherwise noted in this report. Details of the above actions are set out in this Report.

3. Dacro’s Structure, Activities, And Supply Chain

Dacro has been manufacturing equipment for the Resource Industry since 1974. Located in Edmonton, Alberta, Canada, in the center of the industrial activity of Western Canada, we are well positioned to serve the Resource based Industries of North America, including Oil and Gas, Refining, Petrochemical, and Pulp and Paper.

Our success over the years can be directly paralleled to our commitment to investment in our facilities, technology enhancements and our people. As our customers continue to demand more innovative and effective pressure vessel dimensions, weights, and materials, Dacro has and will continue to meet the challenge.

Dacro owns two facilities:

- **Headquarters:** located at 9325-51 Avenue Edmonton, AB- T6E NW.
- **Tofield Shop:** located at 6204-46 Avenue Tofield, Alberta- T6B 4J0.

Dacro has unique capabilities for mechanical design and fabrication of large, complex pressure vessels and related equipment with extensive experience in carbon steel and alloy materials.

Our shop personnel is provided by our Union Agreement with the following Union Affiliation:

- ✓ Boilermakers Lodge 146

Dacro is an established company of 50 years with a Supply Chain of long-term relationships. This includes vendors, services providers and contractors. 90% of our annual spend is with North American companies. Depending on project requirements, material may be sourced from other countries of reputable status. For example, during this reporting period, material was secured from Japan and Belgium.

4. Dacro's Policies and Due Diligence Processes on Forced Labour and Child Labour

4.1 Company Policies on forced labour and child Labour

Dacro is under a developing process to define a formal Corporate and Supply Chain Code-of-Conduct specifically addressing forced and child labor. Consequently, Dacro will update:

- Our Corporate and Supply Chain Policy and Code of Conduct.
- Vendor Prequalification Procedure, including the requirements coming from the Act to Vendors and Subcontractors, such as:
 - Last Year's Report and its approval by Public Safety Canada,
 - Policy.
 - Code of conduct.
 - Terms and Conditions include limitations and requirements to be imposed on any Dacro's subcontractor.

Dacro adheres to a long-established informal guideline prioritizing procurement and subcontracting from trusted local, Canadian, and subsequently U.S vendors, and following the guidelines provided by Public Safety Canada, Canada's Modern Slavery Act, and US Department of Labor, Bureau of International Labor Affairs, herein mentioned.

4.2 Due Diligence Process

Dacro is developing a multi-year roadmap to help us integrate all the considerations and opportunities, including the promotion and protection of human rights against Forced Labour and Child Labour, into our Supply Chain strategies, procedures, and protocols.

This will include thorough pre-screening supported by our Prequalification Process, Self-assessment questionnaires, and periodical monitoring, before any new awarding. Other initiatives in progress are:

- ***Request for Quotation (RFQ) Evaluation Process.***

Following a risk-based assessment of both our supplier and subcontractor base, we may include in our RFQs specific questions regarding goods and services associated with medium or elevated levels of risk. These questions address the origins of critical materials and components, supplier location, ownership, scope of business, etc. In certain instances, we may seek explicit assurances concerning specific risk areas and require proponents to affirm their commitment to specific contractual terms addressing these concerns.

- ***Additional Contractual Requirements***

Dacro subcontracts will include appropriate verification, notification requirements, audit, and inspection clauses, and we reserve the right to conduct inspections, assessments, and audits to ensure that suppliers comply with applicable laws, rules, and standards, including those related to human rights. In addition, our standard terms will require suppliers and subcontractors to commit to adhering to the principles and standards in our Supplier Code of Conduct and to require their own suppliers and subcontractors to commit to similar principles and standards. Dacro will also reserve the right to discontinue business relationships in cases of non-adherence to the Supplier Code.

Our suppliers and subcontractors will be obligated to take reasonable steps to ensure that goods and services are procured from ethical sources. This includes refraining from benefiting, directly or indirectly, from child or forced labour or any other discriminatory work practices.

Furthermore, Dacro will be able to request that a supplier provides information about its corporate structure (including relevant subcontractors), its policies (including those related to forced labour and child labour), and the steps the supplier has taken to assess, manage, remediate, or provide training regarding the principles and requirements covered by the Supplier Code.

5 Identification. Parts Of the Dacro Business that carry a Risk of Forced Labour and Child Labour

Dacro has identified risks to the best of our knowledge and will continue to strive to identify any possible emerging risk although, up to now, and due to the preventive means and Reduce Risk of Forced Labour and Children Labour, there have not been identified anyone in our supply chains.

This tracing work was performed within the sectors where Dacro operates, at the locations of our activities, the raw material or commodities used in our supply chains, and production and supplier, considering the premises defined by this report.

6 Measurements Taken to Remediate any Forced Labour or Child Labour

Dacro did not identify any forced labour or child labour in their activities and supply chains as well as Dacro did not identify any loss of income to vulnerable families resulting from measurements taken to eliminate the use of forced labour and child labour in our activities and supply chains.

7 Training provided to employees on forced labour and Child Labour

Although Dacro did not provide official training to their employees involved in the supply chain and adjoining departments, having interaction along the different stages of the supply chain, Dacro is intending to do so.

Our actions, from the training standpoint, will be more focused on internal training including the Prequalification Processes and Forms, Policies, Purchase Order and Subcontract Forms, Supplier and Subcontract audits update to meet the requirements from the Act.

8 How Dacro assesses its effectiveness in ensuring that forced labour and child labour are not used in its business and supply chains

Dacro does consider that having operations exclusively located within Canada, with 90% of our annual vendor and subcontractor expenditure occurring domestically and in the United States and given the stringent legal and regulatory frames in Canada and USA, the risk of forced or child labour within our supply chain is considered as extremely low. Additionally, Dacro does not engage in forced or child labour at any of our facilities or temporary Sites, nor we do import materials, supplies, or equipment identified as high-risk on the US Department of Labor, Bureau of International Labor Affairs. Therefore, no additional assessments were required.

9 Consultation, Approval and Attestation

This report, in the case of a single entity, was approved pursuant to subparagraph 11(4)(a) of Canada's Modern Slavery Legislation by Dacro Industries Inc. governing body.

In accordance with the requirements of the Act, and in particular with section 11 thereof, I attest that I have reviewed the information contained in the report for Dacro Industries Inc. 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 respect for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Dacro Industries Inc.

A handwritten signature in blue ink that reads 'BPurnell'.

Full name: **Brian Purnell.**

Title: **PRESIDENT.**

Date: **May 28th, 2024.**