

## **Introduction**

This report is produced by Delco Automation Inc. ("Delco") for the fiscal year ending October 31, 2023, and include accomplishments in the first half of the following fiscal year. Within is a summary of the action taken by Delco to reduce the risk that forced labour or child labour is used in the production of goods in Canada or elsewhere, or of goods imported into Canada by Delco.

This is the first report prepared by Delco pursuant to Canada's new *Fighting Forced Labour and Child Labour in Supply Chains Act* (the "Act"). Delco has included its wholly owned subsidiary Manco Control Systems Inc. ("Manco"); a single board of directors provides oversight to both Delco and Manco.

## **Corporate Structure**

Established in 1994, Delco is incorporated in Saskatchewan and is a privately held company. It is comprised of multiple divisions, each with diverse product and service offerings and unique supply chains. Total staff count is currently around 240, positioned strategically throughout the country-wide branches, and headquarters in Saskatoon, SK.

### Automation & Manufacturing:

Delco's Automation and Manufacturing divisions provide panel design, control panel manufacturing, plant integration, programming, and commissioning services. Delco creates completely integrated packages including plant controls, alarm annunciation, reporting, analytics, and building security providing to our partners and end users a consistent, reliable, and cost-effective solution.

### Water:

Integrated solutions for premier water and wastewater treatment customized solutions, equipment integration, automation, and service. Water product solutions include membrane, biological, or media filtration, containerized systems, Sapphire Water RO System. Wastewater systems include membrane bio reactors and moving bed biofilm reactors. Services include automation and controls, field service & maintenance, installation and commissioning, water treatment pilot services, remote monitoring and operations support and water treatment rentals.

### Security:

Delco Security is a parts and smarts provider of systems, delivering customized solutions through technology and labour. As a Master Systems Integrator, this team specializes in complete integration solutions for a variety of systems including communications, audiovisual, nurse call, risk mitigation, and more. State of the art technology offerings include machine learning, communications real time location systems, drone detection, health care, network, building automation, video surveillance and access control.

Technology:

Delco's IPFusion was developed in 2012 to address the need for a simple, reliable, and scalable security platform that would provide a single interface to command and control corrections facilities. It provides simplified integration of systems coordinating them through a complete workflow engine. This team continues to innovate and expand the platform globally and across new sectors including healthcare, transportation, energy, and the IoT industry.

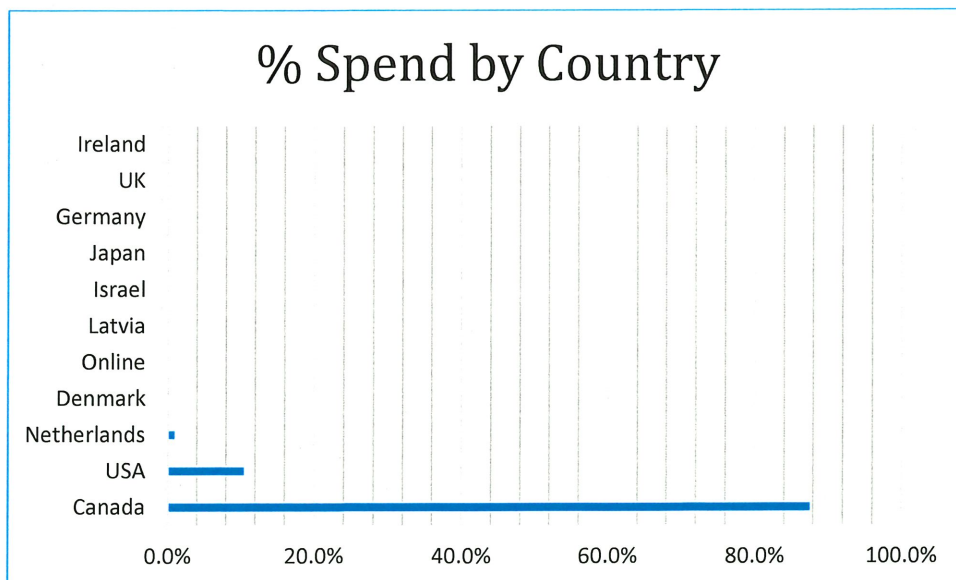
Manco Control Systems:

As a subsidiary of Delco Automation Inc., Manco operates autonomously, delivering independent and reliable, quality customized solutions for Industrial Automation Control Systems Integration to its customer base.

**Supply Chain:**

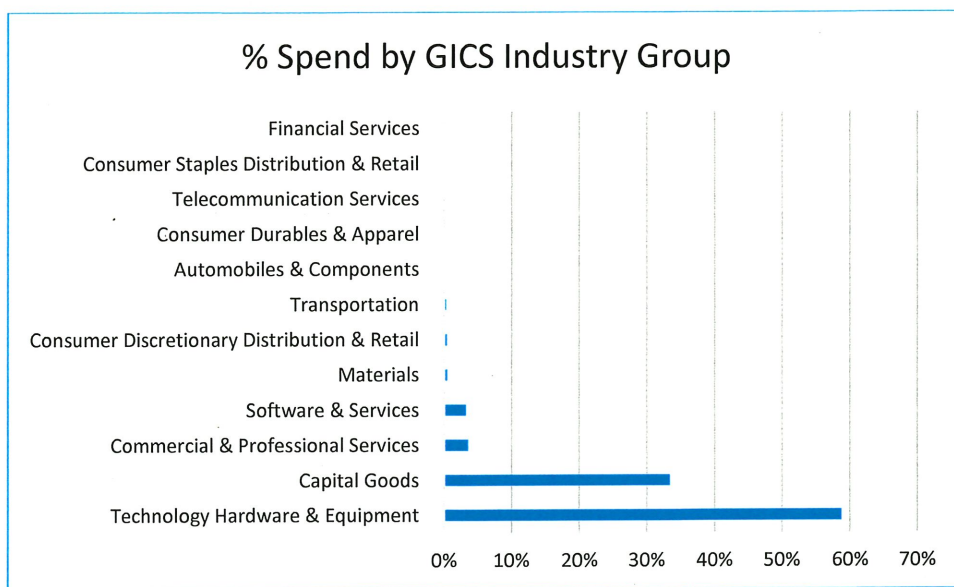
With the guidance of a consultant, Delco has developed a Supply Chain mapping for our over 600 vendors which provide goods and services across the divisions. This is the first step in the process to reduce the risk of forced labour and child labour in our supply chain. This has focused on our first-tier suppliers. Below is the graphical demonstration of the geographical representations of our supply base as well as the industrial group classification (GICS).

As shown below, the vast majority (over 87%) of purchases are made from Tier 1 suppliers and subcontractors located in Canada, and over 10% from USA, which combined totals over 98% from North America. The remaining countries combined provide the remaining 2% of our goods and services. As we move forward with this initiative, we will be focusing on the countries that are considered to be at higher risk of using forced labour and child labour.



The Industry Groups where Delco has most of its expenditure are Technology Hardware & Equipment and Capital Goods, as shown below. Delco’s expenditures are comprised largely of components used to build our products, as well as subcontractors on our projects. Types of components purchased are specific to the division’s requirements. Delco’s Water Division utilizes a considerable amount of hardware components, such as valves, filters, etc. Whereas, Delco’s Security Division purchases more electronic components, such as cameras, access control components, etc. The bulk of the services subcontracted by Delco are in areas such as mechanical and electrical installations, as well as manufacturing of customized components. Delco’s focus as this initiative progresses will be on the industry groups considered to be at higher risk of containing force labour and child labour.

As Delco’s market is almost entirely made up of Canadian customers, the subcontractors used by Delco are also nearly entirely made up of Canadian companies. Delco’s focus will be on any companies who fall outside the scope of the reporting requirements of the Act; or are otherwise identified as containing a higher risk of forced labour and child labour.



As Delco proceeds with its endeavor to reduce the risk of forced labour and child labour, it will look beyond Tier 1 suppliers. Delco’s purchases are dominantly from Canadian Distributors. It is anticipated that most distributors will also be included under the scope of the Act and will therefore also assess their own supply chains for such risks. Once Delco pursues the next tier of the supply chain, it will focus its efforts on suppliers who fall outside the scope of the Act, and therefore may not be performing their own due diligence related to the reduction of risk of forced labour and child labour.

**Priority areas:**

Through preparation for this first report, Delco has engaged a consultant to help provide a gap analysis and has highlighted priority areas in which to plan further strategies to reduce the risk of forced labour and child labour in its supply chain.



Target areas include:

1. Assess risk level of supply chain – based on country and industry,
2. Adapt existing processes to include mechanisms to address forced labour and child labour,
3. Train staff and supply chain,
4. Monitor internal operations and supply chain, and
5. Communicate with stakeholders.

**Action taken:**

Delco holds human rights in high regard and is committed to developing new and modifying existing policies and procedures to ensure we do our part in reducing the risks of forced labour and child labour. The reach of this commitment extends throughout our own company's diverse range of activities as well as throughout our supply chain.

The following steps have been taken during the Reporting Period and in the first half of the fiscal year leading up to this first report:

- Reviewed the requirements of Bill S-211 and determined that Delco is included within the scope of reporting requirements,
- Engaged a consultant to help guide our team through gap analysis,
- Completed supply chain mapping of tier one suppliers and subcontractors to facilitate a risk assessment,
- Reviewed existing policies and procedures to determine which can be adapted to include the risk reduction of forced labour and child labour, and
- Identified priority areas based on gap analysis.

**Next Steps:**

With the aim of continual improvement, Delco will formalize its commitment to reducing the risk of forced labour and child labour through documenting a plan to strategically target this important area of human rights. The following action items will be expanded upon in a written plan and assigned priority status for short-, medium-, and long-term objectives for implementation.

1. Conduct an inherent risk assessment and a residual risk assessment for child labor and forced labor in Delco's operational activities and supply chain.
2. Create a risk registry and include forced labour and child labour risks.
3. Formally articulate the business' commitment to addressing and mitigating forced labour and child labour risks in the Code of Conduct.
4. Create a Supplier Code of Conduct, clearly articulating minimum expectations regarding forced and child labour. Include specific reference to this policy in supplier contracts and require suppliers to confirm compliance with the policy prior to onboarding.
5. Communicate Delco's Whistleblower Policy to suppliers, contractors and sub-contractors and establish a whistleblower hotline for them to report concerns when needed.

6. Establish a governance structure to manage and mitigate risks of forced labour and child labour with Delco's business and supply chain with an executive team member overseeing the commitments.
7. Develop a grievance remediation plan that outlines how Delco will respond to allegations of forced labour and child labour.
8. Establish a due diligence process to assess suppliers, contractors, and sub-contractors when it comes to forced labour and child labour risks prior to selecting and onboarding a new supplier.
9. Provide forced labour and child labour training to procurement personnel involved in decision making where forced labour and child labour may be a consideration.
10. Develop a human rights strategy that articulates your aspiration and approach to forced labour and child labour risk management.
11. Continue building Delco's knowledge of its operations and supply chain, through incorporating GICS industry coding into Delco's procurement database to further the mapping of supply chain.
12. Implement a standard supplier management framework that sets out processes across the business for supplier due diligence, including a process to communicate non-conformance thresholds to suppliers.
13. Develop a stakeholder engagement plan relating to forced labour and child labour and engage external and internal stakeholders to educate them on Delco's expectations.

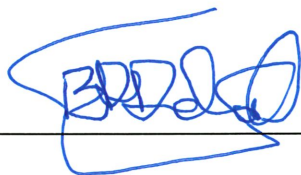
**Approval and Attestation:**

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Delco Automation Inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, I, the undersigned, attest that I have reviewed the information contained in this report for the entity listed above. Based on my knowledge and having exercised reasonable diligence, I attest that the information in this 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 Delco Automation Inc.**

Per:



Full name: Brian Rindall  
Title: President and Chief Executive Officer  
Date: May 27, 2024