



To the Minister of Public Safety, Canada

Report to comply with requirements set forth in Bill S-211, Section 11

The following report is presented by Elmer's Welding and Manufacturing Ltd. ("EWM", "The Company", "We", "Our") in compliance with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act ("the Act") for the year ending October 31, 2023. The report describes EWM's commitment to upholding honesty and integrity in its business operations and the measures that EWM has undertaken and plans to undertake to mitigate the risks of child and forced labour within its activities and supply chains.

For the purposes of the Act, EWM meets the definition of "entity" by having a business in Canada, doing business in Canada, and meeting all three threshold criteria for revenue, assets, and employees. EWM also meets the definition of "reporting entity" by producing, selling, and distributing goods in Canada and outside of Canada, and importing into Canada goods produced outside of Canada.

EWM is committed to respecting all human rights in accordance with applicable laws in Canada and elsewhere, and with the principles set forth in international standards, including the UN Declaration of Human Rights, the UN Rights of Indigenous Peoples, and UN Guiding Principles on Business and Human Rights.

Subsection 11(1): Steps taken in previous financial year

EWM did not undertake any specific steps in the 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 by the entity or of goods imported into Canada by the entity. However, as the subsequent supplementary information sections will demonstrate, EWM is committed to doing its part in the global fight against forced labour and child labour.

Subsection 11(3), Req (a): Structure, activities, and supply chains

EWM is a manufacturer of farming equipment based in Altona, Manitoba. It began as a small farm business in 1978, was formally incorporated in 1986, and has evolved from constructing row crop cultivators to offering an extensive and diversified range of equipment lines for farms of any size.

The entirety of EWM's manufacturing process, from design to fabrication to assembly, occurs on-site, ensuring each piece of equipment meets the rigorous standards of the agricultural industry. The Company remains dedicated to enhancing farming operations by continually refining its products based on farmer feedback, prioritizing user-friendly operation, low maintenance, durability, and versatility.

Committed to growth and innovation, our vision is to offer pioneering agricultural solutions that optimize farming potential and contribute to global food security. EWM continues to expand its facilities, staff, and corporate responsibility to fulfill its mission of designing and producing sustainable, top-tier equipment tailored to the needs of modern farmers.

EWM has forged strategic alliances with select material and component suppliers, technological innovators, and logistics providers, forming the backbone of our supply chain and supporting our commitment to quality and efficiency in our manufacturing processes.

The integrity of our supply chains is critical to our operations, encompassing everything from raw material procurement to final product delivery. During its last financial year, EWM sourced approximately 72% of goods locally in Canada, 8% from the United States, and the remaining 20% from various international locations. Top categories of imported goods include machine parts, castings, paint, steel plates, gearboxes, and other materials used in our manufacturing processes. Our products are sold in Canada and in several countries around the world, such as the United States and Australia through local farming equipment distributors.

EWM is proudly owner-operated and has approximately 250 employees, organized into seven departments: Manufacturing Operations, Product Support, R&D, Supply Chain, Finance, Sales, HR.

Subsection 11(3), Req (b): Policies and due diligence processes

Internal

By adhering to all applicable provincial and federal labour laws and standards and respecting the minimum age of 17 for employment in Manitoba, EWM ensures that no child labour or forced labour of any kind is present in our activities and manufacturing operations in our Altona facility. We routinely validate the age of applicants during our recruitment process and have a defined contracting process in place to ensure workers are accepting jobs voluntarily.

While EWM maintains a code of conduct to which all employees must adhere to, specific acknowledgment of workplace and supply chain risks regarding child and forced labour has yet to be added to this policy. As one of the outcomes of this process, we are now considering the addition of a section dedicated to raising awareness about forced labour and child labour.

Supply Chain

EWM recognizes the complexity of its global operations and has therefore focused on building strong relationships with its suppliers and customers over time that allow it to collaboratively address issues or challenges as they arise. EWM is firmly committed to upholding human rights and expects its suppliers and partners to do the same.

While the Company does not currently have any specific policy or due diligence process in place with suppliers that explicitly addresses the topic of child labour and forced labour, the preparation of this report has motivated us to increase our level of diligence.

Ongoing engagement with our suppliers will continue to be at the heart of our strategy. To raise awareness and communicate our expectations, EWM will seek to implement a supplier code of conduct during our current financial year. This policy will explicitly outline our zero-tolerance stance towards any form of forced or child labour within our supply chains, establishing clear ethical expectations and compliance with international standards. In creating this policy, we will seek inspiration in the framework provided by the OECD Due Diligence Guidance for Responsible Business Conduct, to ensure alignment with leading global practices.

This supplier code of conduct will be distributed to all existing and future suppliers. We will also consider requiring suppliers, especially those that carry a higher level of risk, to complete a questionnaire outlining their self-assessment and their policies and procedures in place to minimize the risk of forced and child labour in their operations and supply chains.

Subsection 11(3), Req (c): Forced labour and child labour risks

EWM has undertaken an initial risk assessment of our procured goods as part of the preparation of this report. The assessment was based on guidance provided in the Walk Free Global Slavery Index and the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour, which highlight high-risk countries, sectors, and goods prone to modern slavery practices. By conducting this analysis, we have identified critical areas that may require heightened vigilance and due diligence. Our assessment acknowledges that no industry is entirely exempt from the risks of forced and child labour. As a manufacturing entity, we recognize the inherent vulnerabilities within certain links in our supply chain, particularly in regions where regulatory frameworks and enforcement mechanisms might not be robust.

Risk Assessment Findings

Through our risk assessment, EWM has identified suppliers in only one source country (by location of supplier) as having a heightened risk of forced or child labour: China. Imports from China account for 13% of our annual supplier expenditure. The other 87% of our procurement budget is allocated to suppliers located in countries with low risk of forced or child labour. Suppliers in Canada and the United States combined account for over 80% of total spend.

EWM also considered the data from the US Department of Labour's (USDOL) List of Goods Produced by Child Labour or Forced Labour. This is an important step in isolating specific goods from our import portfolio that may be susceptible to forced or child labour. By comparing the products that we import with the USDOL List, it became apparent that electronic imports from China, including machine parts, load cells, and gear boxes are subject to an elevated risk of being associated with forced or child labour practices. This is a critical insight that will direct our attention to enhanced due diligence with the suppliers impacted.

Overall, however, the findings from our risk assessment suggest that our company-wide exposure to forced and child labour risks within our supply chains, while not immaterial, is low. This does not undermine our intention to consider risks and to take our risk management procedures and policies seriously. We expect that the distribution of a supplier code of conduct will foster a culture of transparency and accountability among our suppliers, reinforcing our collective dedication to upholding human rights and ethical labour practices.

Subsection 11(3), Req (d): Remediation measures

To date, EWM has not identified any instances of child or forced labour that have required remediation, so we do not have any specific remediation policies or procedures in place at this time. If any instance of child or forced labour is identified in our supply chain in the future, we will work with the suppliers involved to determine and implement the corresponding remedial actions, in alignment with guidelines provided by the OECD and the UN Guiding Principles on Business and Human Rights.

In recognition of the higher risk of child and forced labour in our suppliers in China, we will seek to engage proactively with these suppliers to better understand their modern slavery policies and practices, including their remediation measures, and encourage them to put in place the required policies and measures if nonexistent.

Subsection 11(3), Req (e): Remediation of loss of income

Given that EWM has not identified any instances of child or forced labour in its operations or supply chains to date, no measures have been required to remediate the loss of income to vulnerable families. We do however recognize the importance of being prepared to take immediate and effective action should any issues arise. If any instance of child or forced labour is identified in our supply chain in the future, we will work with the suppliers involved to determine and implement the corresponding loss of income remedies, per guidance from OECD and other relevant global organizations.

Subsection 11(3), Req (f): Training

EWM provides mandatory training for its supply chain employees on health and safety in the workplace but does not currently have training in place covering ethical sourcing and the identification of forced and child labour risks.

To raise further awareness and understanding of forced labour and child labour, EWM will evaluate the addition of a targeted new course or training module for our manufacturing operations and procurement teams. Our aim is to foster a team of professionals that are collectively vigilant and proactive against forced and child labour.

Subsection 11(3), Req (g): Assessing effectiveness

While EWM does not currently have a governance process in place to assess the effectiveness of our policies and practices to minimize the risk of having forced labour and child labour in our activities and supply chains, we are committed to raising our level of governance on this topic. We will be starting an annual review of our policies and practices after the introduction of our supplier code of conduct, mentioned above. As part of this review, we plan to track several relevant indicators, such as the level of employee awareness through training, the number of suppliers that have acknowledged our supplier code of conduct in writing, and the number of contracts amended to include clauses on forced labour and child labour, to name a few select examples.

We expect that the introduction of these metrics, as well as the review process itself, will help us assess our effectiveness and progress towards our goal of enhancing our level of diligence with regards to forced labour and child labour.

Attestation

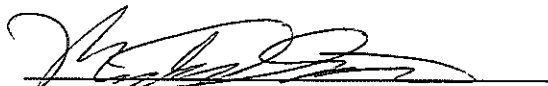
In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above, and that it has been approved by the governing body of the entity. Based on my knowledge, and having exercised reasonable 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 Friesen

Full name

CEO

Title



Signature

May 21, 2024

Date

I have the authority to bind Elmer's Welding & Manufacturing Ltd.