

**Canadian Statement Against Forced Labour and Child Labour in Supply Chains**  
pursuant to an Act to enact the Fighting Against Forced Labour and Child Labour in  
Supply Chains Act and to amend the Customs Tariff,  
referred to as Canada's "*Modern Slavery Act*" (the "**Act**")  
for the year ending December 31, 2023

## **1. INTRODUCTION**

This is a statement made by Exchanger Industries Ltd. ("**EIL**" or the "**Company**") in respect of the Act, as referenced above. EIL has a zero-tolerance approach to forced labour and child labour, as well as any other forms of modern slavery (which includes slavery, servitude, human trafficking and forced labour). We are committed to acting ethically and with integrity and transparency in all business dealings, and to maintaining systems and controls to safeguard against any form of forced labour, child labour or modern slavery taking place within our business or our supply chains. We demand the same attitude of all who work for us and expect it of all with whom we have business dealings.

## **2. REPORTING ENTITY**

This statement is being filed with respect to the activities of EIL. EIL is a corporation incorporated pursuant to the laws of Alberta.

## **3. STRUCTURE, ACTIVITIES AND SUPPLY CHAINS**

Since our founding in 1961, EIL has built a reputation as a leading Alberta-based and globally recognized designer and manufacturer of shell & tube and air-cooled heat exchangers within the natural gas, oil, and petrochemical industries. EIL provides innovative, quality, custom heat transfer equipment, services and differentiated solutions that allow our customers to exceed their objectives for both project life cycle and product life cycle profitability. Today, we are committed to building on our 60-year track record of delivering custom heat transfer solutions that increase efficiency and reduce costs. For more information on EIL please refer to our website: <https://www.exchangerindustries.com/>.

In 2021 EIL completed the acquisition of HRS Heat Exchangers ("**HRS**"), the widely recognized preeminent international specialist supplier of heat exchangers and custom process systems across the environmental, food, beverage, and pharmaceutical sectors. The acquisition accelerated EIL's expansion into renewable industries and provided access to established but still rapidly expanding geographic markets in the United States, United Kingdom, Spain, Mexico, India, Malaysia, Australia, and New Zealand. In addition, the combined manufacturing capability and leading-edge product technologies of both companies will continue to strengthen EIL's differentiated value proposition and increase market penetration internationally.

## **POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND CHILD LABOUR**

EIL respects fundamental human rights and is committed to supporting and respecting the protection of human rights within our sphere of influence, commensurate with our size, available resources, and business practices; in particular, as noted above, we are committed to opposing forced labour and child labour in our business and supply chains in all its forms and preventing it by whatever means we can. We expect this same attitude of all with whom we have business dealings.

Consistent with the principles set forth in our internal policies (as described below), EIL strives to eliminate forced labour, child labour, and discrimination in the workplace.

As part of EIL's commitment to respect human rights, we have undertaken to establish internal and external mechanisms to help identify, address, and mitigate potential adverse human rights impacts. Various of these mechanisms are described below.

### **Our Approach**

Our values guide our business and help ensure that our operations and supply chain are aligned with our ethical standards. Our Code of Business Conduct and Ethics provides the standards for ethical behaviour for our employees throughout our business and reflects our commitment to conducting a business in a manner that follows the highest ethical standards and complies with all applicable laws. EIL has adopted this Code of Business Conduct and Ethics to ensure the ongoing success of our organization, and to protect the best interests of all our employees, vendors, customers, and the Company from any illegal or damaging actions committed by individuals, either knowingly or unknowingly.

All Company employees must be aware of and comply with the obligations outlined in the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics requires all employees to comply with any and all applicable provincial or Federal Canadian laws, including therefore, any and all of those relating to forced and child labour. In all situations, including those where there are no applicable legal principles or where there are unclear or conflicting laws, EIL's business will be conducted in such a manner that will not embarrass nor pose a risk to the Company should the full facts be disclosed.

The Code of Business Conduct and Ethics is supported by the Code of Business Conduct and Ethics Policy Acknowledgement and agreement, which all employees are required to sign. EIL employees who do not comply with the Code of Business Conduct and Ethic may be subject to discipline, up to and including termination of employment.

## Suppliers – Screening

Our business partners and suppliers are critical collaborators in delivering our products and services and we strive to work with partners who are aligned with our values and commitments. As stated above, EIL expects that all parties with whom we do business share our commitment to acting ethically and with integrity and transparency in all business dealings and to maintaining effective systems and controls to safeguard against any form of forced labour, child labour or modern slavery in their respective businesses.

To uphold this standard throughout our supply chains, EIL requires all new suppliers of critical inputs into our products to complete a “supplier prequalification questionnaire” (the “**Questionnaire**”). While the questionnaire does not include a specific screen regarding child and/or forced labour, the Questionnaire does include specific questions with respect to matters such as employee health and safety and labour relations. The Questionnaire does not merely include questions with respect to EIL’s immediate counterparty, but also includes various questions regarding the counterparty’s sub-suppliers.

Suppliers receive an internal “grade” for their responses to the Questionnaire. EIL would not onboard any new supplier that failed to provide adequate responses to the Questionnaire and reserves the right to terminate any agreement with any supplier that cannot demonstrate compliance with the statements made in its Questionnaire.

## Reporting and Anti-Retaliation

EIL encourages a “speak up” culture. Employees are expected to work together to promote a workplace built on trust, accountability, and openness, and to ensure they comply with the controls and procedures in their areas of responsibility. To promote this culture, EIL requires employees who encounter or suspect activity that is in breach of the Code of Ethics to report this information immediately to EIL’s management or the Human Resources department. The report will be investigated thoroughly and maintained confidentially. The investigator shall apply disciplinary actions, up to and including termination of employment and/or report the incident(s) to the appropriate authorities.

Retaliation against employees who make a report to raise genuine concerns will not be tolerated.

We encourage an environment that fosters honest, good faith communications about matters of conduct related to our business activities, whether that conduct occurs within EIL or involves one of our business partners, including contractors, suppliers, consultants or customers, or any other party with a business relationship to EIL.

### **4. PARTS OF BUSINESS AND SUPPLY CHAINS THAT CARRY A RISK OF FORCED LABOUR AND CHILD LABOUR AND STEPS TAKEN TO ASSESS AND MANAGE THAT RISK**

In fiscal 2023 EIL procured materials domestically, as well as from vendors in the United States, the United Kingdom, Italy, Germany, South Korea, Mexico, China, and India. Based on publicly available reporting, there may be reason to believe that certain source countries from which EIL

procures inputs into our products may pose an increased risk of forced or child labour. More specifically, EIL is aware of publicly available reports regarding forced labour and child labour in China and India

While there may be risk associated with imports from certain of these source countries (*e.g.*, China and India), EIL is of the view that risk here is greatly mitigated by a number of factors, including but not limited to the following:

- The nature of EIL's products: EIL's products – including most of the inputs into our products – are sophisticated industrial equipment. Those responsible for the manufacturing and production of key inputs into this equipment require specific licenses and accreditation (*i.e.*, welding accreditations). EIL screens for such accreditation as part of its Questionnaire. The need for an educated/skilled workforce mitigates certain risks associated with forced and child labour.
- Sources of imports: Wherever possible, EIL sources materials from trusted vendors in all jurisdictions in which we operate. Such counterparties are subject to the laws of their respective jurisdictions, including human rights and labour laws.
- Relationships with trusted vendors: Wherever possible, EIL relies on long-term suppliers with established industry reputations.
- In addition, for a primary strategic equipment supplier in China, EIL has a master agreement that stipulates that the supplier in question comply with all applicable local laws in performing its obligations under the contract.

As discussed below, while mindful of these risks, EIL has not identified to date any issues with forced labour or child labour in our supply chains.

## **5. MEASURES TAKEN TO REMEDIATE FORCED LABOUR AND CHILD LABOUR**

Based on its knowledge, EIL has not identified any instances of forced labour or child labour in its supply chains (including via the audits described below). Consequently, no remediation measures were required for the fiscal year ended December 31, 2023, in respect of any modern slavery – including forced labour or child labour – in EIL's supply chains.

## **6. MEASURES TAKEN TO REMEDIATE LOSS OF INCOME TO MOST VULNERABLE FAMILIES THAT RESULT FROM MEASURES TAKEN TO ELIMINATE USE OF FORCED LABOUR AND CHILD LABOUR**

As noted above, as EIL has not identified any instances of forced or child labour in its supply chains, it has not taken any associated measures to remediate loss of income to the most vulnerable families that result from measures taken to eliminate the use of forced or child labour in their supply chains.

## **7. TRAINING PROVIDED TO EMPLOYEES ON FORCED LABOUR AND CHILD LABOUR**

At EIL we prioritize ethical conduct and recognize the critical role of our employees in shaping our company culture and driving our business success. Therefore, we are dedicated to enhancing employees' understanding of our policies and procedures. While we do not conduct training on forced labour or child labour matters specifically, in connection with our zero-tolerance approach to forced labour and child labour, EIL expects all employees to familiarize themselves with the obligations outlined in the Code of Business Conduct and Ethics, and to understand how those obligations pertain to their role on an ongoing basis. Employees who have questions about the Code of Business Conduct and Ethics – including with respect to compliance with laws – are encouraged to contact the EIL Director of Human resources.

## **8. HOW ENTITY ASSESSES ITS EFFECTIVENESS IN ENSURING THAT FORCED LABOUR AND CHILD LABOUR IS NOT BEING USED IN ITS BUSINESS AND SUPPLY CHAINS**

As described above, EIL has taken various steps to mitigate the risk of forced labour and child labour in our business and supply chains. To mitigate against the risk of forced labour and/or child labour in our supply chains, EIL is actively working to assess our risk in various aspects of our business and identify priority areas. We perform audits on our key vendors and suppliers in areas often viewed as higher risk from a compliance perspective (*i.e.*, China). These audits include general risk assessments and cover a range of topics which could impact EIL's business.

In addition, EIL also monitors our key vendors in China, with an in-country presence, via a third-party quality inspection consultant. While not specifically employed to monitor forced labour and child labour, our third-party quality inspection consultant in China has been working with EIL for many years, and is informed of, and understands, the importance to EIL of overall employee health and safety. This consultant regularly visited vendors in 2023 to conduct on the ground quality inspections of all products, and in doing so spent considerable time on the factory floor observing general working conditions. This consultant did not find any observations around forced or child labour with any such vendors in 2023.

## ATTESTATION

This report has been reviewed & approved by the Chief Executive Officer of Exchanger Industries Ltd., who is also a Director and Officer of the company.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information provided by the senior management team of EIL, which is contained in the report for the entity or entities listed above. To the best of 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. For clarity, I am providing this attestation in my capacity as a director and officer of Exchanger Industries Ltd., and not in my personal capacity.

Mark el Baroudi

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*Mark el Baroudi*  
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Chief Executive Officer, Exchanger Industries Ltd.

5/31/2024