



Falkbuilt Ltd.

Bill S-211: Forced Labour and Child Labour in Supply Chain Assessment





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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

The measures introduced through former Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps taken during its 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 or elsewhere by the entity or of goods imported into Canada by the entity.

There are seven mandatory reporting areas that must be investigated and reported on which include:

- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

As of April 2024, Falkbuilt Ltd. has started the assessment of forced labour and child labour within its supply chain. Falkbuilt has reached out to some of their major suppliers by sending questionnaires intended to gather information and understand their supply chain processes. Given that Bill S-211 is a new act, Falkbuilt have yet to refine its internal processes which includes updating and improving policies and procedures, supply chain management, and employee training to incorporate Bill S-211 provisions.



Introduction

This report is Falkbuilt Ltd.'s ("Falkbuilt," "Entity," "Company") response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

Falkbuilt satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

This report covers the financial fiscal year of February 1, 2023, to January 31, 2024. The office address of Falkbuilt Ltd. is located at Unit #2, 4100 – 106 Avenue SE, Calgary, AB T2C 5B6.

Structure, Activities & Supply Chain

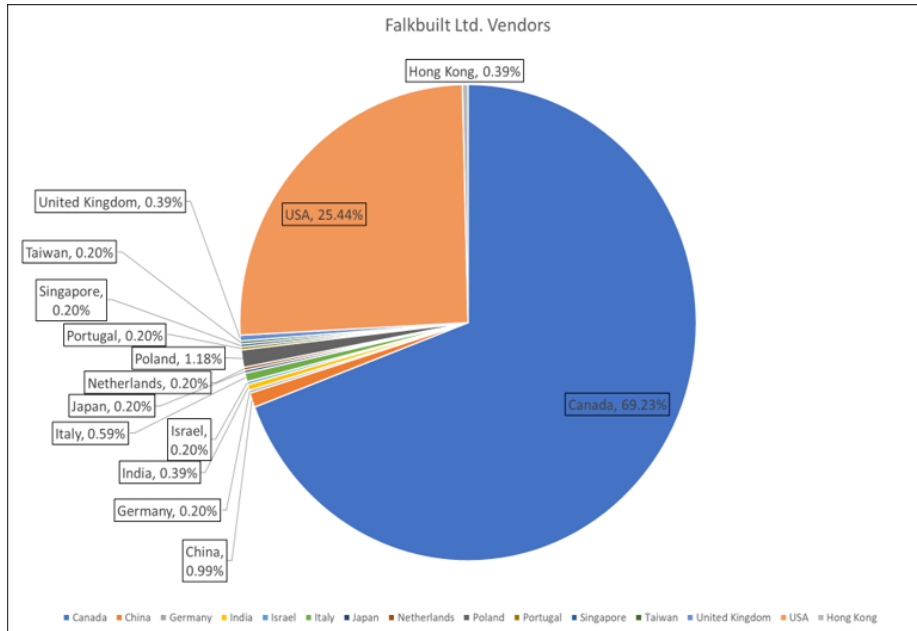
Structure and Activities

Falkbuilt operates within the Construction Technology industry, manufacturer of digital construction components and providing digital construction services. Falkbuilt sells and distributes goods within and outside of Canada by offering sustainable and cost-effective interior solutions such as doors, windows, frames, and walls. Falkbuilt also provides services pertaining to customized and sustainable building solutions for clients.

The corporation is governed by its Board, which is composed of two Co-Founders and nine Directors. The executive team is composed of the following: Co-Founder Chief Executive Officer ("CEO"), Co-Founder Technology & Business Systems, President, Chief Financial Officer ("CFO"), Operations Lead, and Product Development Lead.

Supply Chain

Falkbuilt has approximately 507 direct suppliers with 69.23% and 25.44% based in Canada and the United States, respectively. The remaining 5.33% are based in various locations around the world.





Policies & Due Diligence

Policies

Falkbuilt has various policies in place that serve as a framework or guiding principles for all directors, officers, and employees to promote integrity and deter wrongdoing in performing their roles.

Falkbuilt has planned to develop an Employee Code of Conduct and to improve the Orientation Program for all new and existing employees. The new Employee Code of Conduct and refinement to the Orientation Program will consist of updating clauses to reflect current values and the addition of details pertaining to forced and child labour.

The following are the existing policies and processes within Falkbuilt:

- **Environmental, Social and Governance Summary** – The summary summarizes certain standard behaviours and outlooks, that are specific to environmental, social, and governing factors, that Falkbuilt executives and employees are expected to adhere to. The summary is publicly available on the Falkbuilt website.
- **“We are all Falkers” Falkbuilt Diversity Statement** – The document includes a statement pertaining to the company’s beliefs in a diverse workforce. The statement further promotes the importance of inclusion and a workplace that is respectful of personal differences.
- **Waste Prevention Program** – The document outlines practices encouraged by Falkbuilt that advocate waste reduction, reuse, and recycling of materials. The document provides an outline of various practices that Falkbuilt has committed to their offices, employee facilities, and factories.
- **Human Resources Orientation** – the Human Resources team conducts a brief presentation to new hires that include health and safety requirements, cultivating a respectful workplace and an environment with zero tolerance for harassment.

Supplier Due Diligence

Falkbuilt suppliers, contractors, and other entities engaged by the company are primarily trusted vendors, where an established relationship exists. A Supplier Code of Conduct as of the previous fiscal year does not exist but Falkbuilt is currently in the process of creating one.

The Product Development Team initiates the process of determining and requesting items to be sourced for their operations. The team discusses different factors such as specification requirements and pricing for the required items with the Procurement team, and a search for the vendor is performed. The decision on which vendor to engage depends on both technical and commercial requirements. These requirements are thoroughly discussed by the Product Development and Procurement Teams before finalizing the vendor engagement. This process is currently not formally documented but the company is looking at creating policies around supplier due diligence which will also incorporate details specific to forced or child labour.

Risk Assessment

A risk assessment over Falkbuilt’s industry of operation, goods procured and countries where goods are procured from has been performed over the direct suppliers of materials. Direct suppliers for the purpose of this reporting are those that make up the top 80% of the company’s procurement spend.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - Walk Free’s Global Slavery Index and the US Department of Labor’s List of Goods Produced by Child Labor or Forced Labor.



Industry of Operations

Falkbuilt operates within the Construction & Manufacturing industry which is associated with a high risk of child labor or forced labor according to the two indices.

Countries Goods are Procured From

For countries of origin, 69.23% and 25.44% of vendors are based in Canada and the United States, respectively. These are low risk countries per the slavery index. The remaining 5.33% are based in various locations around the world, which include countries such as, China, India, and Taiwan, all of which are assessed as extreme and high-risk countries per the Global Slavery Index by Walk Free Organization and the US Department of Labour.

Goods Procured

Per the 2022 List of Goods Produced by Child Labour or Forced Labour published by the US Department of Labor's Bureau of International Labor Affairs, materials used in construction operations that Falkbuilt procures belong to high and extreme risk categories. These products include textiles, stones, timber, glass, copper, electronics, granite, and other materials.

Remediation of Forced & Child Labour

To mitigate the risk of child and forced labour within supply chains, Falkbuilt incorporated the following mechanism for supplier due diligence:

Supplier Questionnaires

Falkbuilt has initiated the distribution of questionnaires to suppliers, concentrating on conducting due diligence concerning this Act. From the initial responses received, no instances of child labor or forced labor have been identified.

Supplier Code of Conduct

Falkbuilt is in the process of creating a Supplier Code of Conduct, outlining items such as but not limited to, legal compliance, ethical business practices, force/child labour practices, and supply chain responsibility.

Remediation of Vulnerable Family Income Loss

Falkbuilt is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. To date, Falkbuilt has not identified instances of use of child labour or forced labour within its operations or those of suppliers. Falkbuilt has committed to performing a review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

Training for forced and child labour was provided to the CFO and team in April 2024. The training included the following areas:

- An overview of Bill S-211, similar laws arounds the world, the definition of forced and child labour, its forms, and examples of child and forced labour both globally and in Canada.
- An overview of modern slavery including statistics of the global number of people suffering from the issue.
- Common key drivers of forced and child labour such as absence of rights, lack of physical safety, poverty and inequality, criminality, and corruption amount others.



Falkbuilt commits to raising awareness and educating their employees on forced and child labour as well as how the related risks are identified and mitigated within the supply chain. The company is looking at creating training program that could be extended to all employees of Falkbuilt.

Self-assessment Process & Requirements

In fiscal year 2023, Falkbuilt did not have a self-assessment and internal accountability process in place in relation to forced and/or child labour. Upon the risk assessment analysis performed on Falkbuilt and its operations, the risks associated to forced and child labour is low, since 94% of their suppliers are located in the low-risk countries of Canada and the United States. Falkbuilt has committed to continuously assess and determine the areas in its supply chain that are at risk of forced or child labour.

To monitor and track the effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms will be in place:

Internal Activities

1. **Policy review:** Falkbuilt has committed to refine and ensure relevance and accuracy based on the current operating conditions in accordance with this Act.
2. **Employee Training/Orientation:** Training designed to educate staff on the issues pertaining to forced and child labour. Developed training resources are to be available to all employees to ensure that they familiarize themselves with current events, policies, and procedures regarding forced and child labour.
3. **Supplier Code of Conduct Acknowledgement:** Falkbuilt is in the process of creating a Supplier Code of Conduct that will include details specific to forced and child labour.

Supplier Activities

1. **Supplier Questionnaires:** The Supplier Questionnaire specifically request suppliers for details related to their risk and processes related to forced and child labour and if they currently have any policies and procedures to mitigate the risk. Falkbuilt has provided questionnaires to their direct suppliers and is currently in the process of collecting responses to ensure that any critical information outlined within the responses is further discussed.

Conclusion

Given that Bill S-211 is a new Act, Falkbuilt plans to continue refining its internal processes by updating policies and procedures, supply chain management processes and forced and child labour awareness training to employees to meet requirements of the Bill S-211. The Company commits to have an ongoing assessment of forced and child labour in its operations to continue to comply with the reporting requirements of the Act.



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 the entity listed above. 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.

Mogens Smed	<small>DocuSigned by:</small> <i>Mogens Smed</i> <small>DC6A4FBFDEF5400...</small>
Full Name	Signature
CEO	5/27/2024
Title	Date

I have the authority to bind Falkbuilt Ltd. and this report covers the fiscal year 2023.