



Forced Labour and Child Labour Report

Introduction

This Forced Labour and Child Labour Report (this “**Report**”) for the financial year ending August 31, 2023, in the case of Kenco Holdings Ltd. and September 30, 2023, in the case of BHD Tubular Limited is made pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada), also known as the Modern Slavery Act (the “**Act**”). This Report is not a revised version of a report already submitted this reporting year.

This Report is a joint report which applies to, and describes the reasonable steps taken by, the following reporting entities to mitigate forced labour and child labour in their activities and supply chains:

<u>Reporting Entity</u>	<u>Abbreviation</u>
BHD Tubular Limited	BHD
Kenco Holdings Ltd.	Kenco

In this Report, BHD and Kenco are hereinafter referred to as the “**Kenco Group**” or “**we**”, “**us**” or “**our**” except where the context otherwise requires.

Respect for Human Rights

Kenco Group fully supports the objectives of the Act and opposes the use of all forms of forced labour and child labour in our activities and our supply chains. Respect for human rights is fundamental to our values, the long-term stability and growth of our business and the well-being of the communities in which we operate.

As set out in the United Nations Guiding Principles on Business and Human Rights (“**UNGPs**”), business enterprises have a responsibility to respect internationally recognized human rights. The responsibility to respect human rights requires that business enterprises: (a) avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and (b) seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

The Kenco Group has a risk-based due diligence approach on forced labour and child labour. The Act came into force on January 1, 2024. While as of the end of their respective fiscal years, BHD and Kenco had not taken any steps to identify and assess the risk of forced labour and child labour in its activities and supply chains, following a risk-based approach, Kenco Group is committed to continuous improvement in our policies and processes.

Corporate Structure, Activities and Supply Chains [Section 11(3)(a) of the Act]

Corporate Structure

Kenco is a corporation incorporated in 2011 under the *Business Corporations Act* (Alberta) and is located in Edmonton, Alberta, Canada. Kenco is not involved itself in the production, selling or distribution of goods, but it controls BHD which is involved in the importation of goods into Canada and sale and distribution of goods in Canada and the United States. BHD is a corporation incorporated in 1998 under the *Business Corporations Act* (Alberta) and is headquartered in Edmonton, Alberta, Canada. BHD is involved in the sale and distribution of industrial pipe for use in the oil and gas, mining, civil and nuclear industries, primarily in Canada but with a smaller portion being sold to purchasers in the United States. Kenco and BHD each maintain their registered office at 2200, 10235 – 101 ST NW, Edmonton, Alberta, Canada T5J 3G1. Kenco has other subsidiaries, however those subsidiaries are not reporting entities under the Act.

Kenco has no employees in Canada other than its sole director and officer, and has no employees outside of Canada. As of January 2024, BHD has 27 employees in Canada and no employees outside of Canada.

Activities

BHD is a leading distributor of carbon steel industrial pipe. BHD is not itself involved in the manufacture and production of goods, but procures for sale industrial pipe from various manufacturers and wholesalers, and sells industrial pipe primarily in Canada with a portion of its sales to companies located in the United States. BHD is headquartered in Edmonton, Alberta, Canada and carries out its retail and wholesale operations from an 8-acre pipe yard in Edmonton, Alberta, Canada and a 60-acre pipe yard in Tofield, Alberta, Canada that can house pipe stock or may be used by customers for projects of varying sizes. BHD also provides pipe customization services including cutting, galvanizing, threading and coating through its pipe yard locations.

Supply Chain and Operations

During the 2023 fiscal year, BHD procured 43% of its industrial pipe products for resale directly from approximately 21 manufacturers primarily located outside of Canada in countries such as Brazil, China, Germany, India, Italy, Korea, Mexico, Philippines, Thailand, and the United States. Approximately 55% of BHD's industrial pipe products for resale were procured from 29 wholesalers located within Canada, and 2% from 5 wholesalers located within the United States. BHD procures goods and equipment used in its customization services processes at its pipe yards from manufacturers and wholesale suppliers located within Canada.

We acknowledge the risk of forced labour and child labour existing in any complex supply chain, particularly where BHD has no direct contact with the manufacturers and raw materials suppliers used in the supply chains of BHD's suppliers of goods for resale. Limited information is available to BHD regarding the activities and supply chains of the wholesalers and manufacturers that BHD uses to purchase goods for resale. For each pipe purchase, BHD is provided with a Material Test Report (MTR) that includes the name and location of the manufacturer, and for some manufacturers, the name and location of the steel supplier. BHD does not receive and does not

request any information about the steel supplier's supply chain and activities. BHD does not receive and does not request any information on the due diligence processes (if any) the wholesalers or manufacturers undertake on their suppliers, or any information regarding the wholesalers and manufacturers' activities outside of information obtained through in-person visits by BHD to a manufacturers' factory.

Goods and Services Procured Directly by BHD to Support our Operations

BHD procures various services and goods (other than goods for resale by BHD) to support its operations. While BHD's specific supply chain profile remains largely the same year-on-year, the types of goods (other than goods for resale) and services procured by BHD from its suppliers to support its operations generally consist of:

- Office equipment and supplies, consumables, and marketing materials
- Technology and IT
- Transport and accommodation
- Facilities management, including:
 - Janitorial services; and
 - Cleaning, sanitation, and personal property equipment and products
- Parts and equipment, including:
 - welding supplies; and
 - motor vehicles

Other than professional services (legal and accounting), investment and insurance services, and transport and accommodation goods and services, Kenco does not procure goods and services. BHD also procures professional (legal and accounting), investment and insurance services to support their operations.

Steps Taken During 2023 Fiscal Year to Prevent and Reduce Risks of Forced Labour and Child Labour in our Supply Chains [Section 11(1) of the Act]

During the 2023 fiscal year, BHD did not take any steps to prevent or reduce the risk that child labour and forced labour are being used at any step in the production of goods in Canada or elsewhere for goods distributed by BHD within and outside of Canada.

While BHD did not take any steps during its 2023 fiscal year to specifically address the objectives of the Act, in carrying out its operations BHD undertook an in-person visit to a new production factory of an existing manufacturer that BHD previously purchased from located in the United States. The primary purpose of the factory tour was to assess production capabilities and operations, and no specific inquiries regarding the use of child labour and forced labour were made by BHD. However, during the in-person factory tour, BHD executive members including the Vice President and Procurement Manager were provided the opportunity to assess the working conditions and cleanliness of the factory, take photographs and notes, and to inquire of factory management regarding their hiring processes and employee qualifications as a level of technical skill is required to produce the products BHD purchases.

BHD fully supports the objectives of the Act and opposes the use of forced labour and child labour in its supply chain. In anticipation of preparing and filing this Report, in its 2024 fiscal year starting in October, 2023 and extending into January, 2024, BHD began taking steps to map its activities and supply chains to assess the risks of forced labour and child labour being used by its suppliers of goods for resale. The steps taken include without limitation beginning to analyze the countries of origin of goods procured from its manufacturers and wholesalers that carry potential risk for forced labour and child labour being used at any step in production due to geopolitical and other social, economic, and political factors existing in those countries. BHD expects to comment on any actions or steps arising from its mapping activities in next year's report.

Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour **[Section 11(3)(b) of the Act]**

Currently, BHD does not have any formal policies or processes in place that are specific to the prevention of forced labour and child labour in its supply chains. However, BHD has certain internal procedures in place to promote and ensure compliance with applicable laws (including with respect to employment and human rights) in its own operations. This includes an Incident Report form used as part of BHD utilizing the ISO 9001 quality management system. The Incident Report form is used by BHD employees to report incidents of nonconformance to BHD procedures and processes, including without limitation incidents that impact product quality and workplace safety.

Employee Hiring Practices

In its hiring practices, BHD requires copies of government issued identification for any new employees in addition to Social Insurance Numbers as part of checking the new employee has a right to work in Canada. BHD does not hire any school aged employees during the school year or holiday breaks. All BHD employees are over the age of 18 and legal citizens of Canada. Some of BHD's employees are paid hourly and others a salary, with wages reviewed annually to ensure they are compliant with its legal obligations in Alberta. Any overtime hours worked must be voluntarily and mutually agreed to by the employee and their manager. Any work outside of usual hours, such as in the evening, overnight or weekend, or calls into work of an employee, are paid in accordance with the applicable report-to-duty rates. Employee salaries are reviewed annually against the local market data, including the Consumer Price Index (CPI) in Canada, and against employment standards legislation to ensure compliance. All employees are paid their wages via an electronic transaction and receive a pay slip.

BHD has established compensation policies, including compensation grids, which are reviewed regularly. Permanent and full-time employees of BHD are eligible for employer-paid benefits. BHD also provides an employee assistance plan that supports the mental, social, physical and financial health of BHD employees.

BHD has established organization guidelines and operating practices which govern operations including the hours of operation, employee job descriptions and salary ranges, and safety policies and procedures for employee protection. These policies must be adhered to by all BHD employees, and employees are encouraged to report any observed breaches of these policies to their managers

through completed Incident Reports. Based on the above practices, BHD has assessed its operational risk for forced labour and child labour use in its own activities as low.

Supplier Due Diligence

BHD does not carry out factory tours of the manufacturers that it purchases from on any set schedule. Factory tours are scheduled in advance following an invitation from the manufacturer. During in-person tours at the factories, BHD makes inquiries of the manufacturers regarding their hiring practices and processes for qualifying their workers as experienced or skilled to work in the factories. The intent of factory tours is to assess operational capabilities and ensure quality product in BHD's own supply chain, rather than specifically identifying any forced labour or child labour risks. To date, BHD has not taken any steps or implemented any processes to review its manufacturers' or wholesalers' policies, activities, hiring practices, due diligence processes, or supply chain specifically with respect to forced labour and child labour risks in their supply chains and operations.

Additionally, while BHD currently does not have any formal policies or practices in place in relation to preventing forced labour and child labour risks in its supply chain, BHD in its 2024 fiscal year is in the early stages of reviewing its procurement practices and processes for the goods it purchases for resale. During its 2024 fiscal year, BHD expects to take steps to review any new manufacturers prior to purchasing goods for elevated risks of child labour and forced labour being used, including where a proposed manufacturer has a head office or production facilities located in countries identified on published indices such as the Walk Free Global Slavery Index as ranking in the top 10 countries with the highest prevalence of modern slavery. Following a risk-based approach, BHD will seek to manage any risks associated with procuring from these manufacturers by developing any processes or practices as required, including without limitation avoiding procuring from the manufacturer.

Risk Assessment and Management [Section 11(3)(c) of the Act]

During the 2023 fiscal year, BHD had not formally assessed or identified which parts of its supply chains may carry a risk of forced labour or child labour.

As noted above, in its current 2024 fiscal year BHD is in the early stages of assessing and identifying the parts of its activities and supply chains which carry a risk of forced labour and child labour being used, and there are still gaps in the assessments BHD is completing. To date, BHD has not assessed or identified which parts of its supply chain that support its operations (outside of its procurement supply chain pertaining to goods procured for resale) may carry a risk of forced labour or child labour being used. Based on the assessments completed to date, BHD has identified the following risks of forced labour and child labour in its supply chains generally:

- a risk based on the location of its manufacturers outside of North America,
- a risk where raw materials are procured by the manufacturers BHD purchases from for use in the manufacturers' supply chains from one or more suppliers that BHD does not have direct contact with, and
- a risk where the wholesalers that BHD purchases from procure goods from one or more suppliers that BHD does not have direct contact with.

As noted above, in its 2024 fiscal year, to manage these risks, BHD expects to take steps to review any new manufacturers before BHD purchases from them to identify risk based on the countries in which they have headquarters or production facilities.

Forced Labour and Child Labour Remediation Measures [Section 11(3)(d) of the Act]

In the 2023 fiscal year, Kenco Group was not aware of any occurrences of forced labour or child labour practices occurring within our supply chain and activities. Therefore, we did not take any measures to remediate any forced labour or child labour.

Addressing Loss of Income Arising from Remediation Measures Taken during 2023 Fiscal Year [Section 11(3)(e) of the Act]

In the 2023 fiscal year, Kenco Group was not aware of any occurrences of forced labour or child labour practices occurring within our supply chain and activities, and therefore no measures to eliminate the use of forced labour or child labour were taken as they were not needed. As no remediation measures were taken, we did not take any steps to remediate any loss of income to the most vulnerable families.

Training Provided to Employees [Section 11(3)(f) of the Act]

In the 2023 fiscal year, we did not provide formal training to the employees of Kenco Group on forced labour and child labour.

Assessing Effectiveness in Ensuring Forced Labour and Child Labour are Not Used in our Activities or Supply Chains [Section 11(3)(g) of the Act]

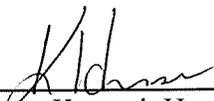
The Kenco Group does not currently have in place any policies or processes to measure and track its success in preventing and reducing the risks of forced labour and child labour in its activities and supply chains.

Approval of Report and Attestation

This Report has been approved by the Board of Directors of Kenco Holdings Ltd. in accordance with Section 11(4)(b)(i) of the Act.

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 or entities 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.

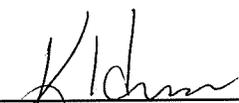
Per: 

Name: Kenneth Hesse
Title: Director
Date:

I have the authority to bind Kenco Holdings Ltd.

This Report has been approved by the Board of Directors of BHD Tubular Limited in accordance with Section 11(4)(b)(i) of the Act.

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 or entities 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.

Per: 

Name: Kenneth Hesse
Title: Director
Date:

I have the authority to bind BHD Tubular Limited