

2024 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

Introduction

This joint report has been prepared by the Kalesnikoff Group in response to the requirements under Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") for our financial year ending December 31, 2023. This joint report is filed on behalf of Kalesnikoff Mass Timber Inc. and Kalesnikoff Lumber Co. Ltd. In this report, the terms "Kalesnikoff Group", "we", and "our" refer to both entities.

The Kalesnikoff Group is committed to making a positive difference for our employees, local community, and the environment. We support and promote practices that protect the safety and human rights of workers impacted by our operations.

Organizational Structure

Founded in the 1930s, the Kalesnikoff Group is a group of private companies that have operated in Canada for over 80 years. Our head office is in Castlegar, British Columbia. In this reporting year, we employed approximately 310 permanent employees.

We are active in local environmental initiatives, extra-curricular activities, and programs that promote education, health, and safety. We are also committed to transparency and engagement with Indigenous peoples and other interested members of the public. We seek inputs from Indigenous peoples and the local community in respect of each timber harvesting project we undertake.

Our business is guided by the principle "Take Care of the Land, and the Land will Take Care of You". We operate in a manner that limits environmental impact, prevents pollution, and protects the health and safety of our employees, the public, and the environment.

Activities and supply chains

The Kalesnikoff Group produces, sells, and distributes lumber and timber, including glued-laminated timber panels, glulam beams, cross-laminated timber panels, dimensional lumber, lamstock lumber, logs, and residuals such as wood chips. We harvest timber from forests located in the West Kootenay region of British Columbia. Our products are manufactured and processed in accordance with industry quality standards, including the American National Standard. We provide services at multiple stages of our clients' projects, such as integrated delivery services, design-assist guidance, and fabrication services. In this reporting year, the majority of our products were sold in Canada and the United States. We also exported products to Japan.

We procure lumber and timber from reputable suppliers in southern British Columbia and Alberta. To support our manufacturing activities, the Kalesnikoff Group procures equipment and related parts from reputable distributors. For this reporting year, our largest procurement category was wood manufacturing equipment. Most of our equipment and parts was procured from Canadian distributors, but we also imported equipment and parts from European countries. We import supplies, such as glue and epoxy, from the United States.

Steps to prevent and reduce the risks of forced labour and child labour

In this reporting year, the Kalesnikoff Group has taken the following steps to prevent and reduce the risks of forced labour or child labour in our operations and supply chain:

- Continuing to implement our general workplace safety policies, including our Code of Conduct, Health and Safety Policy, Whistleblower Policy, and Diversity, Equity & Inclusion Policy
- Maintaining high standards of workplace safety and compliance with human rights and employment standards requirements
- Training workers on our safety policies during orientation and onboarding training and through ongoing safety training programs, and tracking employee training using internal software to ensure compliance with legislative requirements as well as operational needs
- Designating an internal officer to ensure compliance with our policies within our organization
- Conducting risk assessments within our operations to identify, prevent, reduce or eliminate risks associated with our business activities
- Using our existing grievance mechanisms to ensure that complaints or concerns relating to violations of labour rights are heard and adequately addressed

Policies and due diligence processes

The Kalesnikoff Group has integrated responsible business practices by adopting a strong commitment to sustainability in both our harvesting and manufacturing processes. We have adopted and implement policies to protect the health and safety of our employees, the public, and the environment.

As a producer of raw materials and a manufacturer of goods, the Kalesnikoff Group is primarily focused on the safety and human rights of workers in our operations. To reduce the risks of forced labour and child labour in our operations, the Kalesnikoff Group has adopted and implements policies to protect the health, safety, human rights, and wellness of our employees, including a Code of Conduct, Health and Safety Policy, Whistleblower Policy, and Diversity, Equity & Inclusion Policy. All employees are subject to mandatory health and safety training, which is tracked through an online platform. We conduct background checks and age verification of prospective employees to comply with applicable laws and certification requirements. We do not hire employees under the age of 18.

We procure goods from reputable distributors in Canada, the United States, and Europe. Our procurement decisions are based on the quality and availability of the specialized wood manufacturing equipment, supplies, and parts that we require for our operations.

Assessing the risk of forced labour and child labour

The Kalesnikoff Group produces raw materials, manufactures, and distributes products in compliance with Canadian employment, labour, human rights and safety laws, including age verification requirements. We do not hire temporary or agency workers. As a result, we have not identified risks of forced labour and child labour in our operations.

Our supply chain primarily consists of products, wood manufacturing equipment and parts procured from distributors in jurisdictions that have laws protecting workers from forced labour and child labour. To our knowledge, the risk of forced labour and child labour in our direct supply chain is low. However, we have limited visibility over the extended supply chain, such as raw materials used in manufacturing equipment

and parts. We rely on equipment manufacturers to respect the human rights of their workers and those impacted by their operations. We are committed to reviewing our approach to risk assessment over the extended supply chain as transparency over the global supply chain increases.

Remediation measures and remediation of loss of income

The Kalesnikoff Group has established and implements policies to encourage the reporting of complaints or concerns regarding health and safety and other human rights. Our Whistleblower Policy provides a mechanism for employees and other stakeholders to confidentially voice their concerns. Our grievance mechanisms require that concerns regarding health and safety or other human rights issues are addressed and resolved in a timely manner.

To date, we have not received any complaints relating to forced labour or child labour in our operations or supply chain, and as such have not taken any remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

Employee training

The Kalesnikoff Group prioritizes the health and safety for our workers, contractors, suppliers and other members in the community that are affected by our operations. We are committed to educating workers on our internal policies. All employees undergo comprehensive onboarding training and orientation, as well as continuous training. Mandatory health and safety training is tracked through an online platform. To date, we have not developed training for employees specifically on the risks of forced labour and child labour in our supply chain.

Assessing effectiveness

The Kalesnikoff Group monitors compliance of our management, supervisors, and employees with the standards set out in our Health and Safety Policy and Code of Conduct. To date, we have not developed a program to monitor our approach to assessing risks of forced labour and child labour in our supply chain.

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 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.

Dated in the City of Castlegar, British Columbia, this 30 day of May, 2024.



KRYSTLE SEED

I have the authority to bind the Kalesnikoff Group.