

Meraki Resources

2023 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024

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Background

This report (the “report”) is made on behalf of Meraki Resources Ltd. and certain of its subsidiaries listed below (collectively, “Meraki”, “we”, “us” or “our”) pursuant to Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Bill S-211” or the “Act”) covering our most recently completed fiscal year from July 1, 2022 to June 30, 2023. This is the first version of the report submitted by Meraki.

Forced labour can be found in almost every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide. Forced labour and child labour risks occur primarily through the global supply chains of businesses. As such, 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 labour practices are identified, addressed, and eradicated from supply chains. Based on the Act, there are eight mandatory areas that must be reported:

1. The steps the entity has 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.
2. Its structure, activities, and supply chain(s).
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) and supply chain(s) that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
5. Any measures taken to remediate any forced labour or child labour.
6. 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.
7. The training provided to employees on forced labour and child labour.
8. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business(es) and supply chain(s).

1. Steps Taken by Entity

To address the requirements of Bill S-211, the following steps have been undertaken by Meraki to identify and manage risks associated with forced labour and child labour in our businesses and supply chains:

Step 1 - Assess Applicability

Our work commenced with a kick-off meeting involving Meraki's accounting and supply chain departments and an independent consulting firm, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key board members, management, and personnel; obtaining necessary documentation; and developing a draft timeline for the required analysis, and ultimately for report preparation was completed.

Step 2 - Scope Identification

Our management conducted an assessment and identified relevant business areas by analyzing Meraki's financial statements and other data to understand transaction streams and accounts related to our supply chain, both at a consolidated company and individual business entity level. We documented Meraki's business structure, related activities, and reviewed existing policies and processes concerning forced labour and child labour within our operations and supply chain. Additionally, our management evaluated and delivered training programs to ensure their effectiveness in meeting the Act's requirements and documented policies relevant to supplier conduct.

Step 3 - Risk Assessment

We reviewed our supply chain data, analyzed suppliers, expenditures, and categories of goods across various jurisdictions, and conducted a preliminary analysis of significant suppliers in high-risk areas to assess relationships and financial flows. Following this, we prepared a comprehensive risk assessment categorizing potential exposure levels in Low, Medium, and High-risk categories with respect to forced or child labour. Factors that were considered in our risk assessment included the significance of spending; category(ies) of goods and origin (jurisdiction) of the suppliers and the origin of their goods.

Step 4 - Remediation and Action Plans

Based on the results of our risk assessment (please refer to Section 4 for details), no suppliers were identified as posing a High or Medium risk. As a result, there is no need to develop or implement any remediation efforts.

2. Structure, Activities and Supply Chains

The entity covered in this Bill S-211 report for Meraki includes:

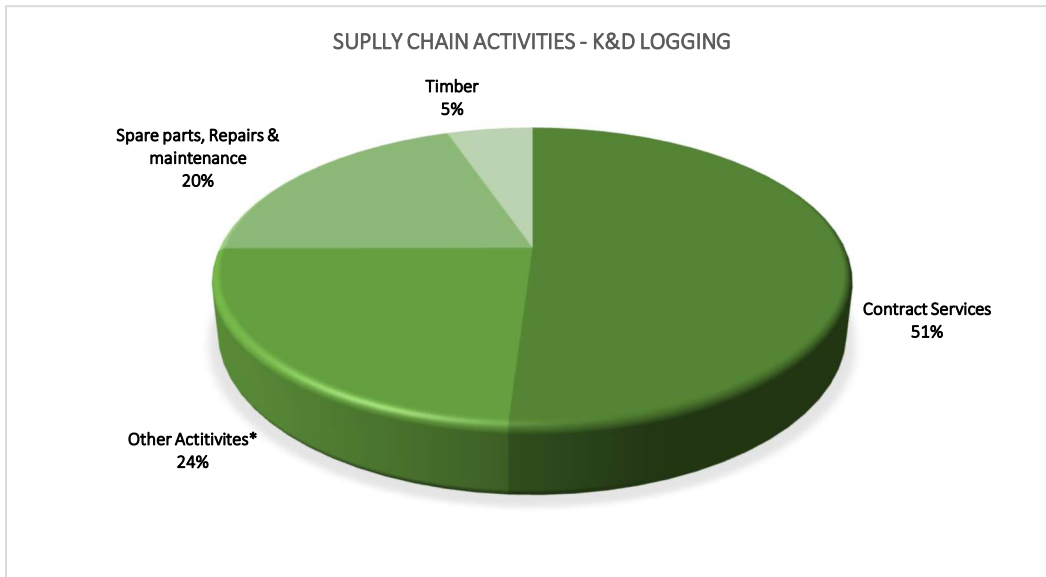
- K&D Logging Ltd (“K&D Logging”) – a subsidiary of Meraki Resources Ltd.

Our company group includes Meraki Resources Ltd (the parent company), K&D Logging Ltd., Bluepoint Construction Ltd., Fall River Logging Ltd., KDL Construction Ltd and KDL Resource Management Ltd. However, all the other companies except for K&D Logging. do not meet the conditions for Bill S-211. i.e., they are not involved in producing, selling or distributing goods, or importing goods into Canada, or they do not meet two out of three criteria of revenue / assets / number of employees in any one of the two latest fiscal years. Hence, these entities are not considered reporting entities as defined by the Public Safety Canada Guide and are thus excluded from further analysis.

Located in Fort St James, BC, K&D Logging entity is a logging contractor that works for multiple lumber companies sourcing and delivering their raw materials.

All of K&D Logging’s supply chain is sourced from Canada and the US, thus inherently carrying a lower risk of forced labour or child labour. For fiscal year 2023, K&D Logging incurred over \$50 million in supply chain spend, which primarily consists of the following activities:

- Contract Services (51%)
- Spare Parts, Repairs & Maintenance (20%)
- Other Activities* (24%)
- Timber (5%)



*Other Activities refer to Government (7%), Parent/Sister company (9%), and sundry categories of spend each totally under 24%

3. Policies & Due Diligence

Currently, Meraki Resources has the following policies and due diligence procedures in place in relation to forced labour and child labour which apply to K&D Logging as well:

1. **Employee Handbook:** The handbook includes the behavioral expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the document speak directly to the respectful treatment and behavior of employees. Certain elements of Meraki's employee handbook relate to conducting work in an ethical and professional manner and expected behaviour that must be followed. Meraki also commits to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of discrimination. -
2. **Supplier Code of Conduct:** Meraki has developed a Supplier Code of Conduct which includes a Procurement Policy and addresses the risks of child labour and forced labour. It outlines the standards we expect from our supply chain partners, ensuring that suppliers and subcontractors align with Meraki values across various external domains. Meraki plans to circulate this Code of Conduct to our suppliers before the end of FY24, i.e., December 31, 2024.

4. Risk Assessment

To assess and manage the risks associated with forced labour and child labour, we employed a systematic approach to classify suppliers into low, medium, and high-risk categories. This involved evaluating a combination of multiple factors, including the origin of goods, the category of goods, and the significance of spend.

Origin of Goods

All of K&D Logging's supply chain is sourced from Canada and the United States, both of which are considered low-risk countries with respect to forced labour and child labour.

The risk assessment of the origin of goods references, amongst other publicly available data, the US Department of Labour (<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods/supply-chains>).

Category of Goods

Management assessed the category of goods based on the following considerations:

- **Timber:**

According to the US Department of Labour, the risk category for timber is designated as high. However, this classification pertains specifically to certain countries; these do not include Canada and the US. Given that K&D Logging exclusively procures timber harvested in Canada, the associated risk is evaluated as low.

- **Parts & Services:**

Suppliers that provide parts and services (repairs & maintenance) for mill equipment and similar tasks, categorized under Parts & Services, are assessed as low risk. This low-risk assessment is supported by the suppliers' business operations being located within Canada – generally within the geographic regions surrounding our facilities.

- **Contract Services:**

Suppliers involved in contract services are deemed to have a low risk. This assessment is based on the fact that these service providers operate within Canada, and all services are rendered domestically.

The risk assessment of the category of goods references the US Department of Labour

<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

Spend

The spend risk rating utilizes stratification of spend per vendor into three intervals to assess the significance (and accordingly, risk level) associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classification is as follows:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 5% of the total annual supply chain spend are classified as medium risk.
- Expenditures that equal or exceed 5% of the total annual supply chain spend are deemed high risk.

Other factors

Other factors considered for the risk assessment included, but were not limited to:

- Small Local Business (Low Risk): These are locally operated small businesses known for their transparent supply chains, attributable to their small scale and emphasis on regional community engagement.
- Publicly Traded Company (Low Risk): These suppliers belong to publicly traded companies that are subjected to rigorous reporting standards, fostering greater transparency.
- Long-term Partner (Low Risk): Supplier with whom Meraki has maintained a long-term relationship, consistently proving their commitment to ethical labour practices.
- Suppliers with Unionized Workforces (Low Risk): Suppliers that have their workforce represented by labour unions are recognized for their advocacy of workers and human rights.

Based on our comprehensive risk assessment, management evaluated all of K&D Logging's suppliers (400+) to develop this report. The assessment revealed that **NONE** of the suppliers pose a high or medium risk of forced labour or child labour.

5. Remediation - Forced & Child Labour

To date, Meraki has not identified any suppliers as medium or high risk: All are considered low risk for exposure to forced labour and child labour. Consequently, there are currently no remediation efforts required.

Should Meraki be made aware of any issues regarding the behavior or conditions within our supply chain, Meraki is committed to promptly addressing such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, entertaining required corrective actions with the supplier and ensuring such corrective actions are fully implemented.

6. Remediation - Vulnerable Family Income Loss

As noted above, there have been no instances identified by Meraki of forced labour or child labour. As such remediation does not apply.

7. Awareness Training

Currently, Meraki's training programs on relevant topics are outlined below:

During the onboarding process for new employees, Meraki provides training on our Employee Handbook, which contain aspects related to forced labour and/or child labour through non-discrimination, anti-harassment, and professional behaviour clauses. These trainings are mandatory.

Meraki recognizes the importance of having employees aware of signs of child and forced labour and has identified the opportunity to incorporate training on this during the onboarding process and throughout its existing Employee Handbook.

Further, Meraki will consider offering relevant training to all employees on identifying, assessing, and responding to the risks associated with child labour and/or forced labour within Meraki operations and supply chains. The first training session is scheduled on June 10, 2024, for the entire K&D Logging team.

8. Ensuring Effectiveness of Processes

On May 31, 2024, Meraki completed and reported our initial assessment of Bill S-211, and we remain committed to ongoing reviews of our processes, policies, and practices, including the assessment of our suppliers. This commitment is aimed at aligning with industry best practices and mitigating our risks related to forced labour and child labour.

Policies and Procedures

Meraki will work on updating the vendor policies to ensure compliance with respect to the forced and/or child labour. An annual review of Meraki policies and procedures related to forced labour and child labour will be conducted, to identify gaps to further strengthen and reduce the risk of this within our activities and supply chains now and into the future.

Employee Handbook

A forced and child labour clause will be added to the existing employee handbook. This clause will explicitly state that Meraki has zero-tolerance for forced and/or child labour. Employees will be required to annually acknowledge and sign-off on the Code of Conduct, representing their adherence to Meraki policy.

Supplier Activities

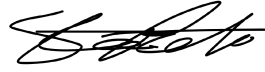
Supplier Agreement: Meraki has identified the opportunity to implement a clause within new supplier agreements during the onboarding of the supplier which clearly states our zero-tolerance for child labour and forced labour. This clause will identify the outcome, or disciplinary action should an instance of a child or forced labour be reported to or discovered by Meraki.

Supplier Monitoring: Key suppliers of Meraki will be monitored on an annual basis to confirm the compliance.

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.

I have the authority to bind Meraki Resources. This report covers the financial year 2023 and applies to K&D Logging Ltd. in terms of the Act.

Stephen Pettie

A handwritten signature in black ink, appearing to read "Stephen Pettie", written over a horizontal line.

Full Name

Signature

VP Finance

05-30-2024

Title

Date