

Oceanex Inc.

Fighting Against Forced Labour and Child Labour in Supply
Chains Act

Report for the fiscal year ending December 31, 2023

Dated May 31, 2024

Introduction

This Report is filed in response to Oceanex Inc.'s reporting obligations under *Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act"). It is the first such Report that Oceanex Inc. has filed. A copy of this Report is publicly available and has been posted on Oceanex Inc.'s website at www.oceanex.com in accordance with the requirements of the Act.

I. About Oceanex Inc.

Oceanex Inc. ("Oceanex") is a Canadian owned and federally regulated private corporation which is incorporated under the Canada Business Corporations Act ("CBCA") (Business Number 867892291RC0003) and must comply with the provisions of the Canada Labour Code. With its headquarters located in St. John's, NL, it is governed by a Board of Directors.

Oceanex is a vertically integrated intermodal terminal and freight transportation company, providing transportation service to/from the island of Newfoundland from points throughout North America. Notably, the majority of goods transported to the island originate within Eastern Canada. Oceanex controls the largest marine terminal in Newfoundland that handles containers and trailers and manages 100% of the container and trailer traffic into this terminal utilizing three vessels and a fleet of intermodal containers and trailers. Oceanex is a service-based transportation company and does not engage in the production, manufacturing, or distribution of any goods within the meaning of Act.

While Oceanex operations occur within Canada, from time to time its vessels are required to travel to shipyards outside of Canada for the purpose of undergoing required maintenance and drydocking.

Oceanex provides a year-round weekly service from any point in North America to Newfoundland:

Via Montreal, with two ships calling St. John's weekly;
Via Halifax, with one ship calling St. John's weekly.

Oceanex handles any type of freight, any size, be it general or temperature-controlled cargo, roll-on, roll-off equipment, LTL shipments, containers ranging in size from 20' to 53', and any type of non-containerized freight, including dangerous goods and over dimensional cargo. Oceanex's fleet of vessels are Canadian registered cargo vessels and include the Oceanex Connaigra, Oceanex Avalon, and Oceanex Sanderling.

Through its extensive intermodal network, Oceanex provides door-to-door service and carries approximately half of all freight to Newfoundland. Its clients represent all sectors of the economy including retail, wholesale, building materials, project cargo, and consumer and industrial products. Oceanex uses its fleet of leased and owned NL based trucks and contracted road carriers for its road transportation network. These trucks and road carriers are registered to operate in and between provinces in Canada and as required to and from the U.S. to assist it in delivering goods for its customers. Additionally, on an as required basis, Oceanex contracts with CN to provide it with rail transportation services.

While Oceanex itself operates the marine terminal in St. John's where its vessels land for the purpose of loading and unloading cargo, at the Ports of Montreal and Halifax such terminal services are provided to it by QSL and PSA respectively.

While the equipment used to service Oceanex vessels at the Ports of Montreal and Halifax is leased, owned, operated and maintained by QSL or PSA, as the case might be the equipment that Oceanex uses to service its vessels at the marine terminal it operates at the Port of St. John's is leased, owned, operated and maintained by Oceanex.

In addition to its headquarters in St. John's, Oceanex has offices in Mississauga, ON, Montreal, QC, Halifax, NS, as well as terminal operations in St. John's and Mount Pearl, NL.

II. Oceanex is an Entity that is Subject to the Act

While Oceanex is a private company and is not listed on any stock exchange, it has a place of business in Canada (indeed all of its places of business are in Canada). As per its consolidated financial statements, it has at least \$20 million in assets, revenue in excess of \$40 million as a result of sales of its transportation services, and regularly employs in excess of 250 persons as employees.

As such, it is an **entity** that is subject to and governed by the provisions of the Act.

III. Oceanex Assets

To understand how Oceanex's supply chain works, it is necessary to understand something about the nature and types of assets that Oceanex owns or uses in relation to its operations, that being:

1. Three (3) owned cargo vessels for marine operations;
2. A large inventory of flatbed trailers and chassis, including flat deck, open top, extendable flat deck and drop deck trailers for road/rail operations;
3. Over 2,500 containers of various sizes (20', 40' and 53') and types including dry, temperature controlled, heated and refrigerated containers, as well as containers capable of transporting liquid cargo for marine, road or rail related operations. Oceanex leases or owns the 20' and 40' containers it uses while it owns the 53' foot containers which comprises approximately 70% of its container inventory. The Oceanex fleet of 53' containers includes dry, heated, and temperature-controlled reefer units used for chilled or frozen cargo.
4. The cranes used to load and unload containers from its vessels in St. John's are all owned by Oceanex. It also owns a number of yard tractors, forklifts, and service vehicles, as well as reachstackers used for terminal cargo handling operations.
5. The fleet of owned and leased trucks based out of St. John's are used for its road transportation network to pick up and deliver goods and cargo by road transport throughout Newfoundland.

All of Oceanex's office space referenced in this Report, including the terminals in St. John's and Mount Pearl, is leased. Office furniture at these sites is owned by Oceanex while office equipment is either owned or leased.

The only land owned by Oceanex is a parcel of raw undeveloped land located on the outskirts of St. John's, NL that was purchased for possible future development as a staging area and terminal site in relation to its transportation services.

IV. The Oceanex Supply Chain

Oceanex has a highly developed supply chain. To support its operations, Oceanex must source and procure goods such as:

- fuel and lubricants that it uses in its cargo vessels, trucks, cranes, yard tractors, service vehicles and forklifts
- personal protective equipment
- office furniture
- office equipment
- office supplies
- consumables of all types including foodstuffs and kitchen, accommodation and living quarters related supplies

Such items would all be sourced in Canada from Canadian suppliers.

Oceanex vessels were constructed at shipyards outside of Canada, with the newest having been built in Germany in 2013 and the oldest in Japan more than 40 years ago. Occasionally, mechanical equipment and parts must be sourced from European suppliers. Canadian suppliers are used for the supply of company owned or leased trucks, yard tractors, service vehicles, reachstackers, and forklifts. Oceanex cranes used at its St. John's terminal were manufactured in Austria or Germany and sourced from Germany.

The chassis and trailers that Oceanex owns or leases were mainly sourced from Canadian suppliers; however, some were sourced from US suppliers. The containers owned or leased by Oceanex would have been sourced from suppliers located in Canada, the U.S., or China with the majority of our 53' containers having been manufactured and sourced in China.

When sourcing vessels and equipment, Oceanex considers factors such as price, availability, quality, reputation and reliability of the supplier or manufacturer. Whenever possible, goods and/or services are acquired from Canadian suppliers. However, warranties, parts availability, and the specialized nature of some of the equipment may at times require purchase of same from foreign suppliers, primarily Germany, Sweden, and Denmark. This would generally apply to parts for the vessels and cranes that were not manufactured in Canada including engines, shafts, propellers and propulsion systems.

Under Canadian law, cargo vessels like those that Oceanex uses in its operations must undergo mandatory inspections or dry dockings at set intervals or as needed for immediate repairs. In addition to commercial terms, Oceanex selection of shipyard is often based on availability and ability to complete the required work. Furthermore, as Canadian shipyards cannot always accommodate Oceanex vessels, it is not unusual for Oceanex to enter into contracts with suppliers (i.e., shipyards and suppliers of parts and services related to that survey and/or other work being done) that are outside of Canada related to major refurbishment, repair & quadrennial survey work.

Oceanex is a company that observes all laws and regulations that are applicable to it. It monitors the activities of its suppliers, especially those that are located outside of Canada to ensure that they comply with all laws and regulations that are applicable to them.

V. Measures Oceanex has Taken in Response to the Act

Honesty and integrity, observance of human rights and applicable laws, fair dealing with staff and all those it deals with, including its customers, are key pillars in the corporate ethos of Oceanex. Likewise, it expects all those it deals with and does business with to behave similarly in dealing with their staff and others and to also ensure that those in their supply chains behave in such a manner.

While Oceanex has not identified evidence that any of its suppliers are engaging in the use of forced labour and child labour, it recognizes the risk of such issues particularly when procuring containers from international suppliers located in countries where concerns have been raised related to the use of forced or child labour. The following section will outline what Oceanex has done to mitigate risks associated with such procurement activities.

Oceanex's Methodology of Approach

On learning that the Act was to be brought into effect, Oceanex established a Working Group, reporting to its Executive Vice President, and comprised of legal, quality, procurement, and administrative staff:

- to study the Act to determine if and how it was applicable to Oceanex;

- to study the measures Oceanex had in place to deal with the use of forced labour and child labour and non-compliance with applicable labour and minimum wage laws and determine if any entity in its supply chain was engaging in such practices;
- to develop a list of those entities who were on Oceanex’s approved suppliers list and to determine the identity of all those entities in Canada and outside of Canada who had supplied Oceanex with goods and/or services since January 1, 2023;
- to determine what changes in its policies and procedures Oceanex had to make and what measures Oceanex had to take to bring it into conformity with its obligations under the Act; and
- to develop and oversee the implementation of Oceanex’s action plan in relation to the same.

Beginning Steps and Implementation

One of the first steps that Oceanex took was to develop a list of those juridical entities that were on its approved supplier list, to determine the identity of all those juridical entities who had supplied Oceanex with goods and/or services since January 1, 2023, and to divide that list into two further lists to segregate the list for suppliers external to Canada and suppliers internal to Canada.

Following a thorough review of the large number of suppliers that were on included on Oceanex’s list of suppliers, the Working Group determined that in the period concerned since January 1, 2023, some 595 suppliers located within Canada and 34 suppliers located outside Canada had supplied Oceanex with goods and/or services.

In 2023, less than 1% of the goods and services that it procured in the running of its business were provided by suppliers based outside of Canada.

As stated previously, Oceanex has always been vigilant in monitoring its suppliers, particularly those outside of this country that it deals with to ensure they provide the goods and services in compliance with all laws applicable to them and Oceanex and that they respect the human and legal rights of those who do work for them. While Oceanex’s then policies required its suppliers and all persons with whom Oceanex does business to comply with all laws of application to them and us, Oceanex determined that for it to be compliant with the provisions of the Act, more than this was required. Specifically, Oceanex determined that it was necessary for it:

- to amend certain of its existing policies related to Supplier Qualification;
- to develop and implement an Acquisition Policy that clearly sets out the measures Oceanex is to take when it comes to acquisition of goods and/or services;
- to conduct a retrospective survey of its suppliers since January 1, 2023 for the period concerned starting with suppliers of goods and services to Oceanex external to Canada to determine if they were in compliance with the Act based on an actionable declaration. During 2024, to build upon this approach and obtain similar actionable declarations from suppliers of goods and services to Oceanex internal to Canada;
- to remove from that suppliers’ list any supplier that did not or refused to provide Oceanex with a positive declaration that such supplier complied with the requirements of the Act, until such time, if ever, that same is provided;
- to put in place a process whereby all new Oceanex suppliers must provide a positive declaration before becoming an approved supplier of goods and/or services to Oceanex;
- to amend on a go forward basis the language of its contracts related to acquisition of goods and/or services to require compliance by all our suppliers with the requirements of the Act and to provide for the termination of contracts with any suppliers found by Oceanex to be in violation of the requirements of the Act;

- to implement a training program for all staff involved in procurement of goods and/or services for Oceanex regarding the Act, the changes in Oceanex supplier qualification, procurement and acquisition policies and procedures, that also clearly outlines the expectations Oceanex has of all employees involved with procurement; and
- to put in place a plan for the engagement of all Oceanex employees to enlist their help and support in achieving Oceanex's policy and procedures objectives with respect to assisting in the fight against the use of forced and child labour and observance of labour and minimum wage laws in its supply chain;

all with a view to ensuring compliance by Oceanex with its obligations under the Act.

Implementation of Policy and Procedures Changes

As a first step in the implementation of this action plan, Oceanex developed and implemented in 2023 an Acquisition Policy (POL 023). That Policy which is binding on all Oceanex employees and suppliers unequivocally declares Oceanex's commitment to upholding ethical standards and ensuring that its supply chains remain untainted by modern slavery, forced labor, and child labor.

It outlines the approach that Oceanex will take to ensuring that not only it but all those who it deals with comply with the requirements of the Act.

It mandates that every supplier to Oceanex must provide Oceanex with a declaration affirming as an entity that has supplied, supplies, or will supply goods and services to Oceanex (as the case may be) represents, warrants and agrees that:

- 1) it has not been and is not engaged in any practices involving the use of child labour, forced labour, the exploitation of vulnerable people or human trafficking ("slavery and human trafficking");
- 2) its employees and agency workers are paid in compliance with all applicable employment laws and minimum wage requirements applicable to where they work and are not in violation of the same;
- 3) it has taken and will take reasonable steps to prevent slavery and human trafficking and the use of child labour in connection with its business and in relation to the businesses and suppliers that are part of its supply chain.
- 4) When requested by Oceanex to do so, the respondent shall demonstrate to Oceanex that it has acted in accordance with the representations and warranties given in this Declaration at all times in relation to the performance of its obligations as a supplier of goods and/or services to Oceanex.
- 5) The respondent agrees to respond to all reasonable requests for information required by Oceanex for the purposes of completing its annual report as required by Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act.
- 6) The respondent will permit Oceanex and its third-party representatives, on reasonable notice during normal business hours, but without notice if there are reasonable grounds to suspect an instance of slavery and human trafficking, or otherwise as part of an Oceanex audit of it as a supplier to Oceanex to audit the respondent's compliance with its obligations under this Declaration and provide access to its premises, copies of its records related to its supply to Oceanex and cooperate with Oceanex conduct of any such audits.
- 7) If Oceanex has reasonable belief that the respondent has had any involvement in activities relating to slavery and human trafficking or use of child labour, including in its supply chain, Oceanex shall have the right to terminate any supply arrangement it has with the respondent immediately on notice to respondent.

Based on the contents of this declaration, Oceanex caused a survey to be completed in 2024 retrospectively of all its suppliers of goods and services outside of Canada. Suppliers outside Canada who did not respond

positively or failed to respond after multiple requests to do so have been removed from Oceanex's approved supplier list. As a result of its efforts, Oceanex as an entity that imports goods into Canada has removed some 4 suppliers from its list. These suppliers will remain ineligible until they provide the required affirmations (declaration) and meet all Supplier Qualification Procedure requirements.

While it was developing and putting in place its Acquisition Policy, Oceanex as part of the action plan it developed in 2023, also amended its Supplier Selection, Monitoring and Control Procedure (OP-074) and Supplier and Contractor Qualification Form – FM-160-092. This Procedure now includes a requirement that all potential new suppliers of goods and/or services to Oceanex must as a condition of being approved as an Oceanex supplier submit a declaration worded similarly to that contained in Oceanex's Acquisition Policy certifying their compliance with the same and the requirements of the Act, regardless of where the supplier is based.

Oceanex's Acquisition Policy also contains a clause that requires that all supplier contracts will contain explicit clauses prohibiting the use of modern slavery, forced labor and child labor, thereby establishing a contractual foundation for ethical conduct.

Building upon the content of the action plan that it developed in 2023 and of the foregoing commitment as contained in its Acquisition Policy, Oceanex before the date of submission of this Report updated Oceanex Standard Terms and Conditions related to the Supply of Goods and/or Services by Seller – FM-160-204 to include a new clause 16 g) [See bracketed words inserted for clarification purposes] that reads as follows:

“Warranties by Seller with respect to Use of Forced Labour and Child Labour. The Seller [i.e., Supplier] represents and warrants and covenants with the Buyer [i.e., Oceanex]:

- i) it has not been and is not engaged in any practices involving the use of child labour, forced labour, the exploitation of vulnerable people or human trafficking ("slavery and human trafficking");
- ii) its employees and agency workers are paid in compliance with all applicable employment laws and minimum wage requirements applicable to where they work and are not in violation of the same;
- iii) it has taken and will take reasonable steps to prevent slavery and human trafficking and the use of child labour in connection with its business and in relation to the businesses and suppliers that are part of its supply chain.
- iv) that it has no reason to believe and no knowledge that any of the suppliers in the Seller's supply chain are engaging in or have been engaged in any of the practices referred to in subparagraphs i) and/or ii) of this paragraph g);
- v) that in any instance where the Buyer has reason to believe that the Seller or any one in its supply chain may be in violation of the warranties contained in this paragraph g) it will respond to the Buyer's reasonable inquiries related to the same;
- vi) that the Seller recognizes that the Buyer may, at any time, choose by way of an audit of the Seller to determine if the Seller or anyone in its supply chain is in compliance with its provisions of this paragraph g) in which case the Seller will permit or facilitate access by the Buyer to the Seller's premises and facilities and operations and those in its supply chain for such a purpose;
- vii) that where the Seller fails to promptly respond to the Buyer's reasonable inquiries under subparagraph v) of this paragraph or to an audit request made under paragraph subparagraph vi) of this paragraph g) the Buyer may by notice in writing or given electronically by email either suspend its contract with the Seller until compliance is had and/or terminate its contract of supply with the Seller.
- viii) that where the Buyer determines that the Seller or anyone in the Seller's supply chain is in violation of the Warranties contained in this paragraph g) the Buyer may and will on notice given in writing or electronically by email terminate its contract of supply with the Seller in which case the same shall be at an end.”

This wording will be incorporated by reference in all Purchase Orders issued by Oceanex.

Pursuant to Oceanex's Acquisition Policy, similar contractual language will be incorporated in all new contracts of supply to Oceanex that do not take the form of a Purchase Order.

As is also stated in Oceanex's Acquisition Policy, Oceanex recognizes the pivotal role employees play in maintaining ethical standards and the need to provide training to its employees regarding the Act, the changes that Oceanex has made in its policies and procedures related to procurement in fulfillment of its obligations under the Act, and the need to enhance employee awareness regarding the same.

In fulfillment of Oceanex's Acquisition Policy and Oceanex's obligations under the Act, as of May 26, 2024, Oceanex's General Counsel and Quality Management Lead have conducted six (6) orientation/training sessions for 60 staff members involved in procurement. The purpose of each of these training sessions was to make staff aware of:

- the obligations that devolve on Oceanex under the Act as a regulated entity that is subject to its provisions.
- the steps that Oceanex has taken to implement its obligations under the Act.
- the changes that Oceanex has made to its policies and procedures to bring it into compliance with the Act.
- the expectations of Oceanex staff in relation to assisting Oceanex in fulfilling its obligations under the Act, and in assisting in wiping out the evils and harms arising as a result of the use of forced and child labour in the supply chain and non-observance by anyone in it of applicable labour and minimum wage laws.

Further to the foregoing, Oceanex in fulfillment of its obligations under the Act, has committed to provide similar orientation and training sessions to all new employees and periodic refresher and further training to employees regarding any developments or changes related to the Act.

Building upon these training sessions, a memo has been sent to all trained staff, reminding them of their duty to report any suspected non-compliance by a supplier or supply chain member to the General Counsel and Quality Management Lead. This team, in consultation with senior management, will investigate reported concerns to decide the required course of action.

As part of its program of raising awareness, a memo was sent to all employees advising them of the Act's existence and purpose. It reiterated the importance of reporting suspected violations of the Act by any supplier or supply chain member and Oceanex's expectation of its employees to notify Oceanex's General Counsel and Quality Management Lead of any suspected violation of the Act by any supplier or potential supplier for investigation and potential supplier suspension or disqualification if non-compliance is confirmed.

As it did before the Act came into effect, Oceanex will closely monitor supplier behaviour, particularly that of suppliers to Oceanex external to Canada.

Further to the above measures, as part of its due diligence requirements, commencing in 2024 pursuant to the action plan it developed in 2023, Oceanex will audit selected suppliers to ensure compliance with the Act and their obligations to Oceanex. Should Oceanex determine or find any forced labour or child labour situations exist in its supply chain, it will promptly report the same to authorities having jurisdiction over a matter and will assist them in any investigation. It will also advise and work with Canadian Government authorities on how best to develop a plan to remediate and address the same.

Should Oceanex find any measure to be necessary to remediate a loss of income to vulnerable families as a result of a breach of the Act by someone in its supply chain necessitating it to develop or be part of a remediation plan, Oceanex will report any such situation to Canadian authorities and work with them to develop and implement any required plan of remediation.

Oceanex is committed to doing what it can to assist Canada and the world in eliminating the use of forced or child labor and ensuring suppliers appropriately and properly comply with labor and minimum wage laws. This commitment includes providing orientation and training for new employees on the Act and Oceanex's related policies and procedures, as well as ongoing periodic updates and refresher training for all employees.

Further to its commitment to do so, Oceanex will continue to evolve and refine its processes to meet its legal obligations under the Act.

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, being Oceanex Inc., as have the other members of the Board of Directors. 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.

Full name: Sidney J. Hynes
Title: Executive Chairman of the Board of Directors of Oceanex Inc.
Date: May 29, 2024

Signature: Sidney J Hynes

I have the authority to bind Oceanex Inc.