

**2023 FORCED AND CHILD LABOUR REPORT**

**PETRONAS Energy Canada Ltd.**

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# PETRONAS ENERGY CANADA LTD.

## 2023 FORCED AND CHILD LABOUR REPORT

### 1. Introduction

This report (the **Report**) is made by PETRONAS Energy Canada Ltd. (hereafter **PECL**, the **Reporting Entity**) pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the **Act**). This Report constitutes our forced labour and child labour reporting statement for the financial year ending December 31, 2023 (**2023**). Wherever this Report refers to "PECL", "the Company", "we", "us" or "our", it is a reference to PECL as the Reporting Entity.

### 2. Steps Taken to Prevent and Reduce the Risks of Forced and Child Labour in 2023

PECL took the following steps during 2023 to prevent and reduce the risk of forced and/or child labour in our operations and supply chains:

- Established a formal internal working group, comprised of Supply Chain, Finance, Legal and Sustainability stakeholders all working towards understanding the legislation and what changes would be required in order to ensure compliance;
- Engaged the services of Shift Critical International, an external sustainability advisory firm, to assess the legislative framework and advise PECL;
- Revised our applicable standard agreements (Master Goods and Services Agreement and Purchase Order Terms and Conditions) in order to strengthen our commitment to preventing forced or child labour at any step of the supply chain;
- Reviewed its internal policies to address any gaps raised by the legislation in a Canadian context;
- Conducted a Supplier<sup>1</sup> risk assessment;
- Compiled an internal report and update for the Board of Directors; and,
- Created a report to the Government of Canada, as required under the Act, including completion of the mandatory questionnaire associated with the Act.

Details of the actions listed above are set out in this Report.

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<sup>1</sup> The identified key suppliers that provide workforce services and/or supply goods directly to PECL ("Suppliers" or "Tier 1 Suppliers").

### 3. Corporate Structure, Business Operations and Supply Chains

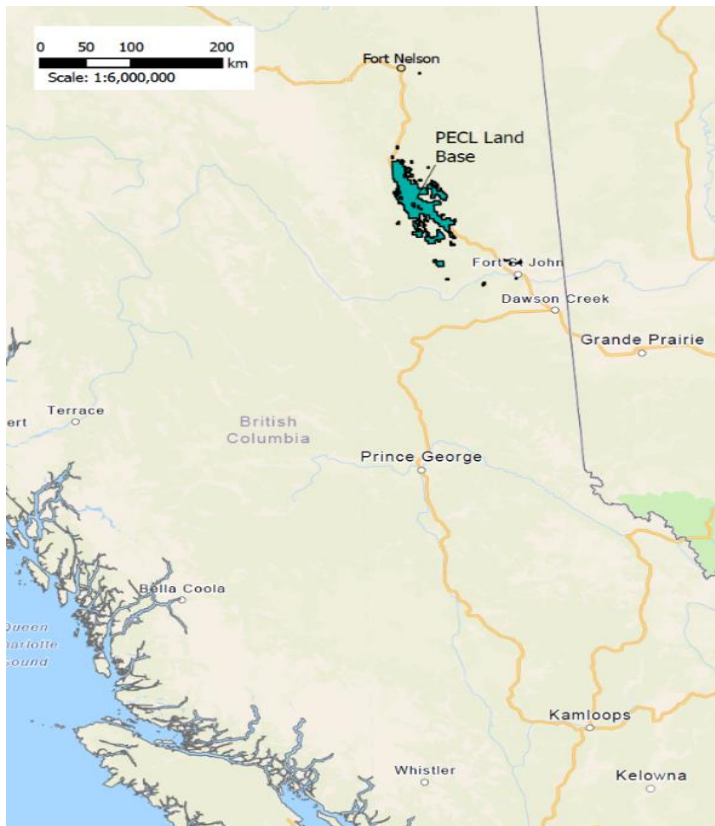
#### Corporate Structure and Governance

PECL is headquartered in Calgary, Alberta. It is overseen by an eight-person Board of Directors and a ten-person Executive Management Team. PECL has approximately 550 employees in its corporate and field locations. It has a robust internal governance system in place managed by its Governance, Risk and Compliance Team. It follows a number of policies including, the Code of Business Conduct and Ethics, Whistleblower Policy, Workplace Harassment, Bullying and Violence Prevention Policy as well as a supporting policy framework.

#### Business Operations

Our current upstream natural gas operations are all within the North Montney basin in Northeastern British Columbia. With a dominant land position in that resource-rich area, we are one of the largest natural gas resource owners in Canada. Together with our joint venture partners, we own more than 800,000 gross acres of mineral rights with 53 trillion cubic feet of reserves and contingent resources (See Fig. 1 below).

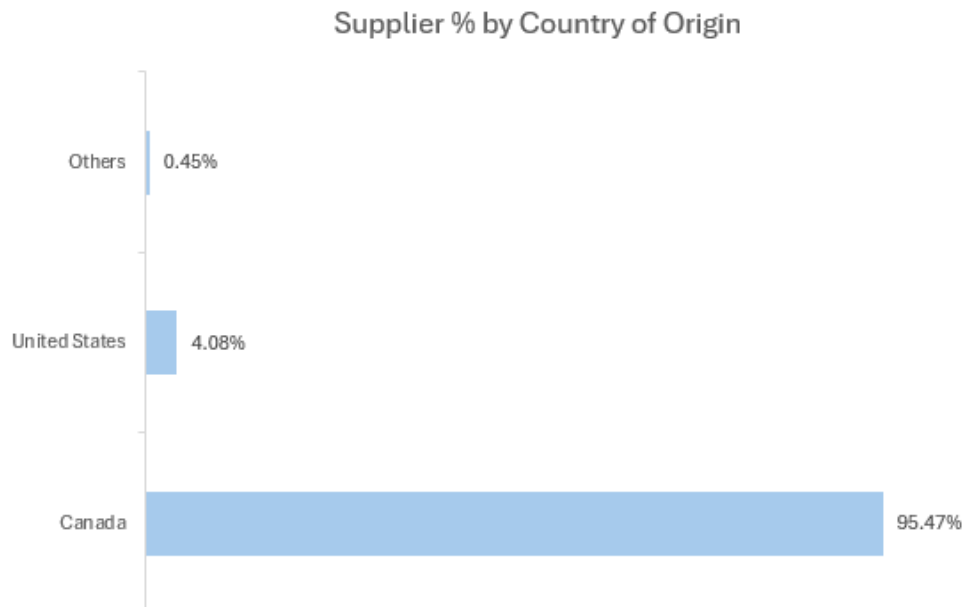
**FIG. 1: PECL LAND HOLDINGS**



## Supply Chain Management

The Act requires PECL to report on activities that relate to the production, sale, and distribution of goods, both in and outside of Canada, and any importation of goods into Canada. We procure goods and services from a range of third parties related primarily to oil and gas resource development. Vendor contracts are issued in accordance with PECL's policies and procedures. The chart below reflects our 2023 supply chain broken out by Supplier country of origin by percentage (See Fig. 2 below).

**FIG. 2: SUPPLIER COUNTRY OF ORIGIN BY %.**



At the core of our vendor engagement strategy is an assessment of how a new vendor will share our commitment to safe operations, deliver cost-effective and innovative solutions with excellent service, provide the greatest degree of economic benefit and employment to the communities where we operate, provide economic and employment opportunities to the local area First Nations within whose traditional territories we operate, and engage with locally owned and operated businesses that employ local residents; all of which are factored into vendor selection and competitive tender evaluation criteria.

## Policies

As part of our commitment to the policies and standards set by the PECL Board of Directors and management, PECL seeks to collaborate with staff and contractors who share our commitment. Our contractors are contractually required to follow our policies which, in addition to those listed above, include our Confidentiality Policy, Conflicts of Interest Policy, Health, Safety and Environment Policy, the PECL Canada HSE Policy Statement and a set of shared values including honesty and integrity which are explained to prospective partners (our suite of policies can be found on our website at <https://www.petronascanada.com/>).

## 4. Due Diligence: Steps Taken to Assess and Manage the Risks

PECL took the following steps to prevent and identify the risk of forced and child labour in our supply chain during 2023.

We created a 2023 transaction report for all of our Tier 1 Suppliers that provide workforce services and/or supply goods directly to PECL.

The Suppliers were asked to complete an online questionnaire which focused on various areas of potential risk and due diligence such as, inherent risks in their own operations and their supply chains, reports of any incidents of child or forced labour, and the policies and training they have in place.

## 5. Forced Labour and Child Labour Risk

Overall, PECL's supply chain risk of modern slavery is considered low. Some of the key findings of our Supplier risk assessment are addressed below.

- **Direct Operations:** PECL's operations are based entirely within Canada. Canada is considered a low-risk location for forced and child labour and our products are also low risk.
- **Supplier Operations:** Based on the results of the risk assessment, we have determined that there is low inherent risk among our Suppliers with a significant portion of the Suppliers having a risk score of zero.

## 6. Remediation

At this point we do not have cause to apply remediation measures.

## 7. Remediation for Loss of Income

Based on the findings from the review, at this time, PECL will not need to take any measures to address loss of income to the most vulnerable families affected by instances of forced labor or child labor in our supply chain.

## 8. Training

To date, certain staff members were selected to participate in training, based on the applicability of the Act to their area of work and connection with Suppliers. The Executive Leadership Team also received training on the Act and its implications. Going forward, PECL will consider broader training for different client groups.

## 9. Acting on the findings of our Risk Assessment

PECL will continue to evaluate opportunities to strengthen due diligence around forced labour and child labour. We will evaluate the risk and our needs and consider the following:

### Policy and governance review

Reviewing our policy framework to ensure that it includes appropriate references to child labour and forced labour. Oversight of policies and processes for managing risk will be reviewed to ensure that sufficiently robust governance is in place.

## Engagement

Increasing engagement with Suppliers if they are identified as carrying elevated risk. This enhances our due diligence process, provides opportunities to encourage better risk assessment from Suppliers, and helps to identify problematic areas.

## Training

We are assessing regularly occurring and broader staff training to help our people identify and react to signs of forced labour or child labour risk in the supply chain.

## Reporting

Pursuant to the Act, we will compile an annual report to inform the authorities, our shareholder, and other stakeholders of our efforts to support Canada's international commitment to contribute to the fight against forced and child labour risk in the supply chain.

## Supplier contracting review

All of our applicable standard agreements (Master Goods and Services Agreement and Purchase Order Terms and Conditions) were revised in order to strengthen our commitment to preventing forced or child labour at any step of the supply chain.

## Annual risk assessment

PECL will conduct an annual Supplier risk assessment to gather information about risks related to forced and child labour.

## Employee and Executive Training

PECL is considering options for staff training on forced labour and child labour, including in-person and online modular courses. Options under consideration address a variety of needs among PECL staff, from those that have a functional role related to supply chain issues, through to specialized training for supply chain professionals, boards, and executive management members. We are committed to ensuring that our staff have the appropriate knowledge and understanding to identify and act upon signs of forced labour and child labour in the supply chain.

## Suppliers Onboarding and Contract Terms

PECL requires that agreements for the provision of goods and/or services be in writing and documented in a contract. PECL requires its contractors to follow all laws, including the Act, and all policies outlined on its website. We also have specific clauses on this in our Supplier documentation to address forced and child labour.

New Suppliers planning to be onboarded require certifications, incorporation, applicable insurance, and accreditation by ISNetwork for any site-related work including expectations related to ethical behaviours; all of this content is available to contractors and Suppliers on the PECL website.

## Supplier Compliance with Policies

PECL has created a framework of an effective compliance program that monitors performance against its strategic objectives, regulatory requirements and corporate values. This framework consists of

numerous policies, procedures, guidelines and standards that set out the requirements for many business processes.

Employees and contractors must work within this framework to minimize risk to PECL and to ensure consistency with PECL requirements and reporting processes. Drawing the attention of our contractors to our own respect for human rights, and actions to combat forced labour and child labour, including requiring contractors to acknowledge familiarity with these policies, highlights the issues and enhances accountability within supply chains.

## 10. Our Approach to Remediation

Based on our current assessment, PECL has limited risk of forced labour or child labour in our supply chain. We have set in place mechanisms that allow employees, contractors and stakeholders to bring matters of concern including those associated with forced and child labour to our attention.

We have important mechanisms in place to uphold high standards of integrity within our company, including through our Whistleblower Policy and an Ethics Hotline.

### Whistleblower Policy

The Whistleblower Policy sets forth PECL's requirements for its commitment to ethical business practices and a work environment that fosters mutual respect, open communication, and integrity, consistent with the expectations and plans of PECL. PECL encourages all employees, contractors, and consultants who are performing work for the company, and other stakeholders who are impacted by the company's business, to speak up and proactively raise their concerns about potential violations, issues and/or concerns. We provide protection from retaliation against Whistleblowers who raise concerns about PECL in good faith. All complaints are dealt with and elevated to the highest levels within the company.

### Ethics Hotline

Our Ethics Hotline is available 24/7 for people to register good faith concerns or complaints about the company including concerns about forced or child labor. The Hotline can be contacted by email ([Integrity@petronascanada.com](mailto:Integrity@petronascanada.com)), online through an external and independent third-party [www.ethicspoint.com](http://www.ethicspoint.com), by telephone at EthicsPoint toll-free (1-855-696-4386) or by letter at the following address: Attention: General Counsel, PETRONAS Energy Canada Ltd., 1600, 215 Second St. SW, Calgary, Alberta, Canada T2P 1M4.

## 11. Assessing the Effectiveness of Our Actions

Based on the risk assessment that we have conducted and the responses that we have obtained from Suppliers we believe that our supply chain risk is low. Our Board is apprised on an ongoing basis regarding actions to identify and mitigate risk; forced labour and child labour have been added to this oversight.

Our internal working group has been constituted to review the Act and its implications for PECL. We are committed to reporting annually on our assessed risk, as well as reviewing policies and practices on a regular and ongoing basis. We have applied additional due diligence measures in the first year of reporting through an independent third-party service provider.

In 2023, PECL achieved the responsibly sourced gas certification through Equitable Origin's EO100™

Standard for Responsible Energy Development. Receiving RSG certification reaffirms that PETRONAS Canada's commitment to sustainability and responsible operations. Additionally, Supply Chain Management (SCM) internal audits are performed on process and procedures on a scheduled basis. Specific SCM frameworks and procedures are reviewed annually and the PECL SCM Policy is amended as required.

## 12. Looking Forward

We will continue to collaborate with Suppliers identified as carrying elevated possible risk and will assess opportunities to enhance our annual approach to modern slavery risk disclosure. Other measures which may add value to this effort will be considered and presented to management and the Board as we develop a clearer picture of the future challenges.

## 13. Approval and Attestation

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of PECL.

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. 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 2023.

I have the authority to bind PETRONAS Energy Canada Ltd.



**Full name:** Izwan Ismail

**Title:** President & Chief Executive Officer

**Revised Submission Date:** September 10, 2024

*(Original Submission Date: May 15, 2024)*