

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

Introduction

This report has been prepared by Spargus Industries Ltd. (“**Spargus**”) in response to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for our financial year ending December 31, 2023.

Spargus is committed to promoting labour practices that protect the human rights of workers in our operations and supply chains, including preventing and mitigating risks of forced labour and child labour. We will collaborate with our workforce and business partners to identify and eliminate, or otherwise control, risks to people and the environment in which we operate.

Organizational structure, activities, and supply chain

Spargus is a private company incorporated under the laws of British Columbia. Our head office is in New Westminster, British Columbia.

We control Ames Tile & Stone Ltd. (the “**Company**”) that supplies and distributes tile, stone, and other materials in British Columbia, Alberta, Manitoba, and Saskatchewan, and occasionally to customers in the United States. In this reporting year, its source of materials included ceramic tiles from Italy, Spain, Germany, the Netherlands, Turkey, India, China, Malaysia, and the United States; setting materials, tools, trims, heating products and accessories from the United States; and vinyl and SPC flooring from China.

The Company has long-standing relationships with suppliers and visibility over the manufacturers in their supply chain. Most of its supplier relationships are directly with manufacturers, and it requests information about manufacturers when purchasing through distributors.

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

Spargus’ approach to prevent and reduce the risks of forced labour and child labour involves conducting due diligence and engaging with the Company at a governance level. We do not manage the day-to-day operations of the Company, which has an independent management team who is responsible for managing risks associated with its operations and supply chains.

During the reporting year, the Company’s approach to preventing and reducing the risks of forced labour or child labour focused on ensuring safe workplace practices in their operations and conducting risk-based due diligence on their direct suppliers, including site visits of certain manufacturers.

Policies and due diligence processes

Supply chain due diligence and other operational matters are the principal responsibility of the Company and its management team. Spargus’ involvement is limited to Board governance and oversight, including risk management, strategy, and operational decision making.

We understand that, in the reporting year, the Company had the following policies and processes in place to address the risks of forced labour and child labour:

- Implementing policies and processes focused on protecting its employees' safety and human rights and engaging with its suppliers to verify compliance with our expectations relating to quality and acceptable labour practices.
- Implementing Workplace Guidelines & Resolution Process described in the Handbook ensures that its employees, workers, supervisors, and managers understand their rights and responsibilities to maintain workplace health and safety. The Company encourages employees to raise concerns about conduct and conditions at the workplace. In 2024, it adopted a new confidential complaints process.
- Participating in Certificate of Recognition (**COR**) programs in British Columbia, Alberta and Manitoba, which is granted to employers who develop health and safety programs that meet established provincial safety standards.
- Managing the supply chain through centralized responsibility and governance over procurement.
- Qualifying vendors and conducting annual visits to certain manufacturers and the manufacturing partners of distributors to ensure product quality and compliance to ISO standards.

Assessing the risk of forced labour and child labour

The policies and due diligence processes described above enable the Company to identify hazards and mitigate the risks of unsafe or unlawful working conditions in its operations. To date, Spargus has not identified any risks of forced labour and child labour in the operations of the Company or the manufacturers of the products it sells.

We are aware that publicly available information has identified risks of forced labour and child labour relating to raw materials in the global supply chain, in materials such as bricks, cement and timber. To date, Spargus has no knowledge that any of these risks exist in the Company's extended supply chain. However, we are committed to reviewing available information to improve our awareness and approach of any human rights risks that exist in the extended supply chain.

Remediation measures and remediation of loss of income

The Company's safety policies and processes include remediation processes to ensure that complaints or concerns relating to health, safety or other human rights are heard and adequately addressed. The Company recently established a confidential complaint procedure to enable employees and contractors to disclose suspected wrongdoings in the workplace.

To date, Spargus has not received reports or identified incidents relating to forced labour or child labour in the operations or supply chain of the Company, and as such has not taken any remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

Employee training

Spargus has not provided training to employees specifically on the risks of forced labour or child labour in our supply chains.

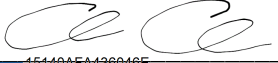
Assessing effectiveness

Spargus monitors compliance of the Company through our governance and risk management processes. We have not adopted any specific mechanisms to assess the effectiveness of steps taken to prevent or reduce the risks of forced labour or 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 entity 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 New Westminster, British Columbia, this 30th day of May, 2024.

DocuSigned by:

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Andrew Ames, President

I have the authority to bind Spargus Industries Ltd.