



Forced Labour and Child Labour Report

Introduction

This Forced Labour and Child Labour Report (this “**Report**”) is submitted by Tornado Global Hydrovacs Ltd. (“**TGHL**”) and our wholly owned subsidiary, Tornado Global Hydrovacs (North America) Inc. (“**Tornado NA**” and collectively with TGHL, referred to as “**Tornado**” or the “**Company**”, “**we**” or “**our**”) for the financial year ending December 31, 2023 and is made in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, S.C. 2023, c.9 (Canada), also known as the Modern Slavery Act (the “**Act**”). This Report is not a revised version of a report already submitted this reporting year. This Report is a joint report which applies to, and describes the reasonable steps taken by, Tornado to mitigate forced labour and child labour in our organization’s operations and supply chains.

Tornado shares are listed for trading on the TSX Venture Exchange under the symbol TGH. Tornado’s business number is 764982294 and Tornado NA’s business number is 736899923.

Tornado designs, manufactures and sells hydrovac trucks and truck-mounted hydrovac excavation equipment to excavation service providers for use in the municipal market and the oil and gas industry in North America. Tornado operates its production facility and research and development facility in Red Deer, Alberta, Canada, and its sales centre and corporate head office in Calgary, Alberta, Canada. Tornado also maintains an office in China, which is principally used to source certain manufacturing inputs and pre-fabricated parts that are integrated into the Hydrovac trucks and truck-mounted Hydrovac excavation equipment at the Company’s production facility.

Our Respect for Human Rights

Tornado fully supports the objectives of the Act and opposes the use of all forms of forced labour and child labour in our operations and our supply chain. Respect for human rights is fundamental to our values, the long-term stability and growth of our business and to the wellbeing of the communities in which we operate.

As set out in the United Nations Guiding Principles on Business and Human Rights (“**UNGPs**”), business enterprises have a responsibility to respect internationally recognized human rights. The responsibility to respect human rights requires that business enterprises: (a) avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and (b) seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

Tornado is headquartered in Calgary, Alberta and its production and research and development facilities are located in Red Deer, Alberta on the territories of Indigenous peoples, including the First Nations of Treaty 6 and of Treaty 7 as well as other non-Treaty First Nations and Métis. We are committed to reconciliation.

Steps Taken During 2023 Fiscal Year to Prevent and Reduce Risks of Forced Labour and Child Labour in our Supply Chains [Section 11(1) of the Act]

Tornado is committed to operating ethically, following practices, policies and standards in compliance with the objectives of the Act and applicable labour and employment laws. As part of this commitment, we acknowledge the importance of addressing modern slavery and child labour within our supply chains and activities.

Tornado strives to ensure its own activities and the facilities which it operates in Canada and China avoid any use of forced labour and child labour in our operations.

In 2023, Tornado did not undertake activities specifically to address the objects of the Act, however, as part of our general operational due diligence, we:

1. took reasonable steps to confirm the identity of all of our suppliers, and
2. visited the production sites of our suppliers on approximately 14 occasions in China without prior notice to our suppliers, to confirm that the site is operating in accordance with industry standards and did not observe any child labour at our suppliers' facilities during those visits.
3. Specifically in China, Tornado maintains a local office to assist with sourcing parts from China, verifying the identity of our suppliers based in China by checking corporate information with local business bureaus and tax authorities, conducting continuous site visits to observe site operations of our suppliers, and ensuring high standards of production quality.

Corporate Structure, Activities and Supply Chains [Section 11(3)(a) of the Act]

Corporate Structure

TGHL is an Alberta Corporation incorporated under the *Business Corporations Act* (Alberta) (the “**ABCA**”) effective April 27, 2016. TGHL was incorporated by Empire Industries Ltd. (“**Empire**”), TGHL’s parent company at the time, to acquire Empire’s Hydrovac business unit including all of the tangible and intangible assets, employees and operations of TGHL Trucks, a division of Empire that has been in existence since 2005 (the “**Hydrovac Business**”), for the purpose of spinning-out the Hydrovac Business to Empire’s shareholders via plan of arrangement under Section 193 of the ABCA (the “**Arrangement**”). On June 27, 2016, the Arrangement was completed and TGHL began operating the Hydrovac Business as a standalone business. On July 8, 2016, the Class “A” Common Shares of TGHL were listed on the TSX Venture Exchange and commenced trading under the symbol “TGH.V”.

Effective January 1, 2017, the TGHL entered into an asset purchase agreement with Tornado NA., a wholly owned subsidiary, whereby the Corporation transferred all of its assets to Tornado NA pursuant to Section 85(1) of the *Income Tax Act* (Canada) in exchange for addition capital stock of Tornado NA.

Tornado’s head office is located in Calgary, Alberta. TGHL is not itself involved in the production, selling or distribution of goods but it controls Tornado NA which produces and manufactures and sells goods. Tornado NA is headquartered in Calgary, Alberta, and is involved in the design, manufacturing and sale of Hydrovac trucks and truck-mounted Hydrovac excavation equipment, in addition to providing heavy duty truck maintenance and servicing. TGHL and Tornado NA each maintain their registered office at 2100, 222 3rd Ave SW, Calgary, Alberta T2P 0B4.

Tornado has 2 wholly-owned subsidiaries that were incorporated pursuant to the laws of China with operations in China, namely: Tornado Global Hydrovacs (Shanghai) Ltd. (“**TGH Shanghai**”), and Tornado Hydrovacs Asia Pacific Holdings Ltd. (“**TH Asia**”). TGH Shanghai maintains its registered office at Suite 4522, Building #2, 1 - Haikun Road, Fengxian District, Shanghai, China and TH Asia maintains its registered office at 11/F Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong. TGH Shanghai and TH Asia are not reporting entities under the Act, and commentary on these entities within this report is limited to their role as a supplier of Tornado NA.

TGHL has no employees in Canada other than its directors and executive officers and has no employees outside of Canada. Tornado NA has 188 employees in Canada, and utilizes contractors, casuals, and external consultants that are engaged on an ongoing basis. TGHL NA has no employees outside of Canada. TGH Shanghai has 4 employees in China, and no employees in Canada. TH Asia has no employees in China, and no employees in Canada.

Activities

Tornado specializes in the design, manufacturing and sale of hydrovac trucks and truck-mounted hydrovac excavation equipment, and provides hydrovac maintenance, servicing, and the supply and installation of spare parts for its trucks and equipment. Tornado’s products are sold in North America to excavation service providers in the municipal market

and in the utilities, construction and oil and gas industries through its network of sales representatives and dealers. Tornado operates its production facility and research and development facility in Red Deer, Alberta, Canada, and its sales centre in Calgary, Alberta, Canada. Tornado also engages in a range of research and development activities to advance the quality of its Hydrovacs, improve efficiencies, and meet evolving industry standards.

In 2023, Tornado generated approximately \$32,517,000 of revenue from the sale of hydrovac trucks and related equipment in Canada and approximately \$72,491,000 of revenue from the sale of hydrovac trucks and related equipment and intellectual property into the United States.

In 2023, Tornado NA imported various components required for the manufacture of the Company's hydrovac trucks and equipment from China. TGH Shanghai and TH Asia primarily source manufacturing inputs and prefabricated parts to be used by Tornado NA at the production facility located in Canada. In 2023, Tornado NA acquired approximately \$13,151,000 in manufacturing inputs and prefabricated parts from China through TGH Shanghai and TH Asia.

Supply Chain

Tornado is committed to complying with all applicable laws and regulations, including in respect of forced labour and child labour, and we expect our suppliers to demonstrate the same commitment in the regions in which they operate. We acknowledge the risk of forced labour and child labour existing in any complex supply chain. Tornado procures various goods and services to support its operations. While our specific supply chain profile remains largely the same year-over-year, due to its longstanding relationships with its key suppliers, the types of goods procured by Tornado NA in material amounts from its suppliers consist of:

- fabricated metal components,
- electronics, and
- hydraulic components.

For its 2023 fiscal year, Tornado NA sourced inputs from approximately seven factories in countries outside of Canada and the United States, being Mexico and China. Tornado also purchased positive displacement blowers that are manufactured in Europe and used in its Hydrovacs trucks from two Canadian distributors.

Policies and Due Diligence Processes in relation to forced labour and child labour [Section 11(3)(b) of the Act]

We have adopted internal policies to promote and ensure compliance with applicable laws including without limitation applicable laws in respect of employment and human rights in the jurisdictions in which we operate our business.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (the “**Code**”) which applies to Tornado and its subsidiaries and that governs all employees, contractors, officers and members of the Board of Directors and requires all such persons to engage in legally and ethically correct conduct to maintain and promote Tornado's integrity. While this policy does not specifically reference forced labour and child labour, it includes requirements to:

- avoid conflicts of interest;
- not to offer excessive or inappropriate gifts or benefits to any person that may influence or be perceived to influence a business decision;
- not accept excessive or inappropriate gifts or other benefits from persons doing or seeking to do business with the Company;
- commit to the prevention of workplace discrimination and harassment;
- commit to ensuring the health and safety of all employees, officers and directors; and
- know and comply with all laws, rules and regulations and specifically with respect to international business, comply with all trade sanctions, boycotts, embargoes, export controls and other Government of Canada directives.

The Code specifically directs employees, directors, officers and contractors to contact managers or appropriate personnel to report violations of applicable laws, including any laws, rules, statutes or policies applicable to Tornado and all subsidiaries as a whole, or conduct that is illegal or unethical observed in operations. The Code also includes a Whistleblower Policy for reporting complaints and concerns.

Employee Onboarding

We employ industry standards during the recruitment process for new employees to ensure that we hire employees in accordance with applicable laws. Our onboarding process includes due diligence of our employees including requesting a copy of the employee's social insurance number to confirm their eligibility to work in Canada and their date of birth and address.

In fiscal year 2024, Tornado intends to improve our employee onboarding process by implementing a process to verify the identity of its new employees using their government identification.

Supplier Due Diligence

As noted above, Tornado and specifically TGH Shanghai verifies the identities of its suppliers located in China, the United States and elsewhere.

Specifically, with respect to its suppliers located in China, TGH Shanghai employees complete regular site visits to the suppliers' production plants to observe their activities and monitor and confirm that the production facilities are being operated in accordance with best industry practices. Such monitoring and oversight are primarily related to ensuring quality products in our supply chains rather than specifically identifying forced labour and child labour risks. No forced labour or child labour was observed at the facilities of Tornado's suppliers during the site visits during the 2023 fiscal year.

In addition, in the 2023 fiscal year Tornado NA has included contractual representations in its supply agreement contract with a Canadian supplier of goods regarding the supplier's compliance with all applicable modern slavery legislation, including the Act, and obligating the supplier to take reasonable measures to implement due diligence systems to ensure compliance with modern slavery legislation.

Risk Assessment and Management [Section 11(3)(c) of the Act]

During the 2023 fiscal year, Tornado had not formally assessed or identified which parts of its supply chain may carry a risk of forced labour or child labour. However, Tornado acknowledges that no complex supply chain is risk free and it has identified the industries and sectors which support its operations that may carry a risk of forced labour and child labour, although further assessment of its own supply chain is required.

Tornado has identified the following risks of forced labour or child labour in our supply chains generally:

- a risk based on the location of our suppliers in China;
- a risk where raw materials are procured by our suppliers for use in their supply chain from one or more other suppliers or manufacturers that we do not have direct contact with; and
- a risk where raw materials are procured by our suppliers for use in their supply chain where limited information is available to us regarding the source of such raw materials.

To manage these risks, as noted above, Tornado (specifically, TGH Shanghai) maintains a field office in China in order to, among other reasons, have regular oversight and monitoring of its supplier's production and manufacturing facilities.

Tornado NA has also incorporated contractual representations in its supply agreement with a Canadian supplier and is reviewing the ability to include contractual representations regarding compliance with modern slavery legislation in its contracts with its other suppliers located in North America and China.

Forced Labour and Child Labour Remediation Measures [Section 11(3)(d) of the Act]

In the 2023 fiscal year, Tornado was not aware of any occurrences of forced labour or child labour practices occurring within our supply chain and activities. Accordingly, we did not take any measures to remediate any adverse impacts of forced labour or child labour.

Loss of Income - Remediation Measures [Section 11(3)(e) of the Act]

In the 2023 fiscal year, Tornado was not aware of any occurrences of forced labour or child labour practices occurring within our supply chain and activities, and as a result no measures were taken to eliminate the use of forced labour or child labour. Accordingly, we did not take any action to remediate any loss of income to families that potentially could have resulted from any measure taken to eliminate the use of forced labour or child labour in Tornado's activities and supply chains.

Training provided to Employees [Section 11(3)(f) of the Act]

In the 2023 fiscal year, we did not provide formal training to the employees of Tornado on forced labour and child labour.

Assessing Effectiveness in Ensuring Forced Labour and Child Labour are Not Used in our Activities or Supply Chains [Section 11(3)(g) of the Act]

As of the date of this report, Tornado does not have any policies or processes in place to measure and track its success in preventing and reducing the risk of forced labour and child labour in its activities and supply chains.

Forward Looking Information

This report contains forward looking information concerning the Company's business and affairs. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "intends" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". These forward-looking statements are based on current expectations and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially due to any number of factors, including such variables as new information regarding potential mineral reserves, changes in demand for and commodity prices of graphite, molybdenum or any other commodity, legislative, environmental and other regulatory approval or political changes. Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that these expectations will prove to be correct. Such statements include statements with respect to: (i) our intention to, in 2024 begin to assess the potential for our operations to cause, contribute to, or be directly linked to adverse human rights impacts, including forced labour and child labour, (ii) our intention to improve our employee onboarding process by validating new employee's government identification.; and (iii) the anticipated review of Tornado's supply agreements and contracts to include contractual representations regarding compliance with modern slavery legislation in its contracts with its other suppliers located in North America and China. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Any such forward-looking statements are expressly qualified in their entirety by this cautionary statement. Forward-looking information is provided as of the date of this Report and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required under applicable securities legislation.

Approval of Report and Attestation

This Report has been approved by the Board of Directors of Tornado Global Hydrovac Ltd. in accordance with Section 11(4)(b)(ii) of the Act.

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.

Per: 

Name: Brett Newton

Title: Chief Executive Officer

Date: May 30, 2024

I have the authority to bind Tornado Global Hydrovacs Ltd.