



ZL EOR CHEMICALS LTD.'S FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS REPORT

Financial year ended December 31, 2023



REPORT ON FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR

Introduction

This report is the first report prepared under the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Act”). It covers the Company’s latest financial year ending December 31, 2023 (“Reporting Period”). The Report outlines the steps the Company has taken during the Reporting Period to prevent and reduce the risk that forced labour or child labour is used, as well as the Company’s risk assessment and management.

1. Structure, Operations, and Supply Chains

- **COMPANY OVERVIEW:**

ZL EOR Chemicals Ltd. (“the Company”) is a company with main office at Suite 101- 2855 Arbutus Street, Vancouver, BC, V6K 2S2. The main business activities of the Company are to manufacture and wholesale trade of chemicals.

- **OPERATIONS OVERVIEW:**

The Company has assets and produces goods in Canada. The Company imports goods from outside Canada, engages in processing and production, Research and Development in Canada, and sells goods in and outside Canada.

2. Policies on Forced Labour and Child Labour

At the outset, the Company has zero-tolerance policy for forced labour and child labour and its prohibited by the existing set of policies.

The Company’s existing policies; including the policy on “Import Compliance”, the policy on “Corporate Social Responsibilities,” the policy on “Procurement” as well as the “Code of Conduct” prohibit sourcing goods or services where child labour or forced labour is used or even suspected. Within the Company, it is the human resources department policy and practice; to employ staff members who are at or over the legal age. Also, all staff members are engaged into employment



on their own will without possibility of forced labour. All staff members as well as labourers are employed with written contracts, which comply with child labour and forced labour regulations. The human resources department is trained in this regard.

2. Policies on Forced Labour and Child Labour (Con't)

Human resources department has also implemented relevant training on the subject matter to all staff members' in welcome-day training as well as in periodic workshops.

Per the Company's policy, the supply chain department does not engage with any vendors who has known record of using forced labour and child labour.

For the company's procurement on the raw material, its procurement and Import Compliance policy requires logistics and procurement staff to source products and services exclusively from compliant vendors.

In sum, despite the complexity of supply chain in our industry, our suppliers and vendors are required to work in accordance with our Company's code of conduct which calls for strict observance of laws and human rights.

3. Due Diligence Processes

- **RISK ASSESSMENT:**

As a matter of practice for the Company, any level of risk relating to the question of child labour and or forced labour will be classified as high risk and as such it warrants extra ordinary measures from the Company. Therefore, the Company has set a few parameters to help the staff in assessing the risk of child and or forced labour relevant to the company's business. The suspicion or the presence of any of these factors triggers a risk assessment for the business or the transaction in question. Some of the factors that usually trigger risk assessment include the followings:

1. "Hotspots": The Company is aware of what's called the "hotspots" of forced labour and child labour.
2. Whether our vendor or supplier subcontracts some or all of the work.
3. Whether the vendor/supplier use young adults in hazardous work and long hours.



These are usually the main risk factors for our business when it comes to forced labour and child labour. In the case of “hotspots”, the Company initially attempts to avoid dealing with contractors who are located in, or sourcing raw materials from these spots. If suspicion arose with respect to a contractor or supplier, the company takes practical steps to verify whether the entity in question is compliant.

In the case of subcontracting risk of forced labour and child labour; it is a Company policy to limit subcontracting and if subcontracting is allowed or authorized by the Company, the Company makes sure subcontractors abide by the main contract which prohibits the practice of forced and child labour. Visits to subcontractor’s facilities will be conducted and their activities will be monitored by the Company’s representative.

In the case of using young adults in hazardous work and extended hours, as a matter of policy and principle, the Company does not use young adults for hazardous work. Likewise, those staffing companies who supply the Company with labourers are oriented and directed to comply with forced labour and child labour regulations. If the Company investigation reveals the slightest possibility of the presence of such a factor, business with such contractors will be ceased until the conditions in question is remedied.

In addition to the aforementioned practices in assessing and dealing with forced labour and child labour risks, the Company is currently preparing additional protocols and policies to enhance compliance with forced labour and child labour regulations and taking active measures.

The Company takes two proactive measures to combat forced and child labour: First, on the internal level, the Company’s HR department is strictly prohibited from hiring staff who are below the legal age for work. It is the practice of the HR department to verify the age of all applicants and ascertain that all those who were considered for employment are at or above the legal age. Regardless of age, the company has never forced work on its employees, not in office and not at sites. Additionally, when dealing with staffing agencies, the company obliges those vendors to be compliant with child labour laws and actively demands that those companies adhere to the law.

Second, in dealing with suppliers, contractors, subcontractors and vendors, the Company takes two measures to ascertain that those who are dealing with it are compliant with forced labour and child labour laws.

The first measure; the company’s agreements and contracts with these vendors call for compliance with the law and oblige the vendor to certify that it is compliant with the law. For example, when the Company imports products from overseas, whether the products were imported from a “hotspot” or otherwise, the procurement department does a background check on suppliers and at the slightest suspicion of human rights violations relating to the supplier or his contractor, the Company initially refrain from dealing with said supplier. The contract will be terminated for those who are not compliant.



The second measure is a practical one, the Company relies on local authorities or local experts on the suppliers jurisdiction to verify the compliance of the vendor in question with the law. In addition to visiting the production facilities or the sites of vendor, secondary sources of relevant entities such as the reports from authorities, NGOs and other concerned entities were utilized in assessing the risk. Additionally, when the Company is selecting suppliers, we assess risk based on a number of factors, including geographic risk (hotspots), previous audit performance, manufacturing process risks, observance of HSE rule, among other factors. We also participate in consortium and news magazines which track and report various issues-including forced labour and child labour issues- relating to our industry. In addition to our own internal monitoring, risk reports relevant to the issue at hand come to us from, news outlets, people in the supply chain or whistleblower mechanisms. In the future, when Company's business expands, we will institute its own reporting and will make it available, directly, to suppliers employees and the public at large.

Further, human resources department also embed relevant training on all staff members' welcome-day training.

- **INVESTIGATION PROCEDURES**

As far as the Company is concerned there has been no incident of no-compliance in the company. However in cases of suspicion of forced labour and child labour, the Company has the following protocol to investigate any potential event of non-compliance:

1. Involve management in the matter;
2. Involve a trained HR professional and legal counsel and direct them to investigate any potential incident or transaction suspected of being in violation of forced labour and child labour laws.
3. Have an HR representative or legal counsel analyze the risk and report it to management with recommendation on actions to be taken.

4. Risk Management Measures

- **PREVENTIVE MEASURES:**

1. Human resources department will refuse any job applications in case an applicant is under age. The Company will not force any staff member to work involuntarily. The company has no work in which it has shortage of labour and hence, no need for child labour and no need for extending the hours of work.



2. Supply chain department will let vendors know that, the Company does not tolerate forced labour and child labour activities. If any such activity is found, the Company will immediately terminate the work relationship.
3. Company work relationships were built on clear contractual terms which prohibit the engagement with contractors who are suspected of the offence of forced labour and child labour.

- **REMEDIAL ACTIONS:**

So far, as no forced labour or child labour issues were identified, the Company found no necessity to perform any remedial actions. Nevertheless, the company's existing policies call for the following remedial actions:

1. In the event of suspicion, of no-compliance company will immediately terminate the relationship in question.
2. The Company, at the slightest, will investigate any dealing or transaction and while investigating, will suspend the relationship with the trader in question.
3. In the event of a proven case of forced labour or child labour the Company will take additional remedial measures, including reparation and restitution.
4. Company actively works with participants in its industry, and there is a consensus in the industry that such inhumane practices ought to be curtailed and eliminated. The prohibition against forced labour and child labour is now an industry standard and the Company adheres to this standard.

- **TRAINING:**

Staff members are knowledgeable on the subject matter and are trained in dealing with suspected forced labour and child labour cases. Workshops and training on the subject matter were carried out periodically. The company, at least, on a weekly basis, in staff and management meeting, orient employees on relevant matters and deals with questions relevant to risk in general. Legal counsel of the company issues directives and update the policy frequently and relay such updates and directives to employees. As part of the training, risk assessment is carried out in all the transactions and business relationships of the company.



5. Public Commitment and Transparency

- **PUBLIC DISCLOSURE:**

The Company does not have its own public website. The company will provide a copy of this report to any member of the public who requests it in writing.

6. Attestation

- **ATTESTATION STATEMENT:**

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.

A handwritten signature in black ink, appearing to read 'Echo Liu', is written over a horizontal line.

Echo Liu

President

I have the authority to bind ZL EOR Chemicals Ltd.

May 30, 2024