

1. Introduction

This Report is prepared by **Dacro Industries Inc. (Dacro)** for the financial year ending December 31, 2024 ("Reporting Period") and sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or of goods imported into Canada by Dacro according to the Act to enact the Fighting Against Forced Labor and Child Labor in Supply Chains and to amend the Customs Tariff which came into force on January 1, 2024.

2. Steps To Prevent and Reduce Risk of Forced Labour and Child Labour

Dacro took the following steps during the Reporting Period to prevent and reduce the risk of Forced Labour and Child Labour in its business and supply chains.

- During this fiscal year, Dacro has established a formal process in qualifying and evaluating vendors addressing forced and child labour.
- We adhere to a long-established informal guideline prioritizing procurement from trusted local, Canadian, and subsequently U.S. vendors, substantially mitigating the risk of engaging in practices associated with forced and child labour.

3. Dacro's Structure, Activities, And Supply Chain

Dacro has been manufacturing equipment for the Resource Industry since 1974. Located in Edmonton, Alberta, Canada, in the center of the industrial activity of Western Canada, we are well positioned to serve the Resource based Industries of North America, including Oil and Gas, Refining, Petrochemical, and Pulp and Paper. Dacro has unique capabilities for mechanical design and fabrication of large, complex pressure vessels and related equipment with extensive experience in carbon steel and alloy materials.

Dacro owns two facilities, with headquarters and a shop located at 9325-51 Avenue NW Edmonton, AB- T6E and a second shop located at 6204-46 Avenue Tofield, Alberta- T6B 4J0. Shop personnel are provided by our Union Agreement with the Boilermakers Lodge 146.

Dacro has a Supply Chain of long-term relationships spanning over 50 years. This includes vendors, services providers and contractors. This year 71.7% of our annual spend is with North American companies. Depending on project requirements, major material may be sourced from other reputable suppliers in other countries including 11% Japan, 8.7% Korea, 0% Germany, 4.6% China and 4% Austria.

4. Dacro's Policies and Due Diligence Processes on Forced Labour and Child Labour

4.1 Company Policies on forced labour and child Labour

Dacro is developing the process to define a formal Corporate and Supply Chain Code-of-Conduct specifically addressing forced and child labor.

Dacro adheres to a long-established informal guideline prioritizing procurement and subcontracting from trusted local, Canadian, and subsequently U.S vendors, and following the guidelines provided by Public Safety Canada, Canada's Modern Slavery Act, and US Department of Labor, Bureau of International Labor Affairs, herein mentioned.

4.2 Due Diligence Process

Dacro is developing a multi-year roadmap to help us integrate all the considerations and opportunities, including the promotion and protection of human rights against Forced Labour and Child Labour, into our Supply Chain strategies, procedures, and protocols.

This will include pre-screening supported by our Prequalification Process, Self-assessment questionnaires, and monitoring, before any new awarding.

Other areas of progress will include:

- *Additional Contractual Requirements*

Dacro subcontracts will include appropriate verification, notification requirements, audit, and inspection clauses, and we reserve the right to conduct inspections, assessments, and audits to ensure that suppliers comply with applicable laws, rules, and standards, including those related to human rights. In addition, our standard terms will require suppliers and subcontractors to commit to adhering to the principles and standards in our Supplier Code of Conduct and to require their own suppliers and subcontractors to commit to similar principles and standards. Dacro will also reserve the right to discontinue business relationships in cases of non-adherence to the Supplier Code.

Our suppliers and subcontractors will be obligated to take reasonable steps to ensure that goods and services are procured from ethical sources. This includes refraining from benefiting, directly or indirectly, from child or forced labour or any other discriminatory work practices.

Furthermore, Dacro will request that suppliers provide information about their corporate structure (including relevant subcontractors), its policies related to forced labour and child labour, and the steps the supplier has taken to assess, manage, remediate, or provide training regarding the principles and requirements covered by the Supplier Code.

5 Identification. Parts Of the Dacro Business that carry a Risk of Forced Labour and Child Labour

Dacro has identified risks to the best of our knowledge and will continue to strive to identify any possible emerging instances of forced labour or child labour in its supply chains during the financial year. Accordingly, no remediation measures were taken.

6 Measurements Taken to Remediate any Forced Labour or Child Labour

Dacro did not identify any forced labour or child labour in their activities and supply chains as well as Dacro did not identify any loss of income to vulnerable families resulting from measurements taken to eliminate the use of forced labour and child labour in our activities and supply chains.

7 Training provided to employees on forced labour and Child Labour

Dacro is in final revisions of completing Dacro's Standard of Business Conduct Code and upon completion all Dacro personnel will be required to complete annual training, which will be a guide to ethical decision making in support of Dacro's value to Integrity – we value honesty and integrity in everything we do.

8 How Dacro assesses its effectiveness in ensuring that forced labour and child labour are not used in its business and supply chains

Dacro does consider that having operations exclusively located within Canada, with 71.7% of our annual vendor and

subcontractor expenditures occurring domestically and in the United States and given the stringent legal and regulatory frames in Canada and USA, the risk of forced or child labour within our supply chain is considerably lower. Additionally, Dacro does not engage in forced child labour at any of our facilities or temporary Sites. Therefore, no additional assessments were required.

9 Consultation, Approval and Attestation

This report, in the case of a single entity, was approved pursuant to subparagraph 11(4)(a) of Canada's Modern Slavery Legislation by Dacro Industries Inc. governing body.

In accordance with the requirements of the Act, and in particular with section 11 thereof, I attest that I have reviewed the information contained in the report for Dacro Industries Inc. 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 respect for the purposes of the Act, for the reporting year listed above.

Full Name: Brian Purnell

Title: President

Date: May 21, 2025

Signature:

A handwritten signature in blue ink, appearing to read 'BPurnell', written over a horizontal line.

(I have the authority to bind Dacro Industries Inc.)