

Bill S-211 2024 Annual Report: Fighting against forced and child labor in supply chains

Contents

Statement	2
Company Structure.....	2
Policies and Due Diligence	3
Training.....	4
Supply Chains and Risks Within	4
Measures and Remediation	5
Effectiveness Assessment	5
Attestation	6

Statement

This statement is made pursuant to Bill S-211, an Act to enact the Fighting Against Forced Labor and Child Labor in Supply Chains Act. This document outlines the approach and initiatives by Canalta Controls Ltd. to identify and address the risks forced labor and child labor in its business operations and supply chains during the 2024 fiscal year, from October 2023 to September 2024.

Forced and child labor are serious crimes and human rights violations. As a Canadian manufacturer, there is a responsibility to ensure ethical standards in operations and supply chains. This report outlines measures taken to prevent and detect forced and child labor in production and imports, both in Canada and abroad.

Company Structure

Canalta Controls Ltd. is a privately held Canadian company that began operations in 1986. As the business model evolved, Canalta began to focus on the manufacturing of industrial control and measurement equipment. Canalta has been supplying industry worldwide with quality double block & bleed, dual and single chamber orifice fittings, meter runs, flow conditioning accessories and parts since 1993. Canalta meter runs, and orifice fittings are currently in service on every continent and in many offshore production facilities. We have provided effective flow measurement equipment to companies large and small for the oil and gas industry. Canalta has taken an industry-leading role in orifice meter innovation by improving the reliability and safety of orifice-based metering packages.

The Canalta Controls Ltd. team comprises roughly of 110 members, with our headquarters in Red Deer, Alberta, Canada. This is where we maintain our primary warehouse and manufacturing facilities with full in-house design, full machining, pressure welding, pipe honing, assembly and quality control capabilities.

Canalta's international affiliated companies include two foundries in India, an inspection facility in South Korea, direct sales branch office & warehouse in USA and sales teams in both South America and India. We have grown the network of partners representing and servicing our product around the world. This outward expansion has been undertaken to provide our growing customer base with cost-effective, high quality measurement equipment as efficiently as possible.

Throughout our history we have maintained a dedication to quality, service, value and respect without sacrificing our competitive price point. Our quality certifications for ISO 9001, ABSA, PED and UKCA demonstrate our controls in place to maintain quality and our dedication to upholding these values in the future.

Policies and Due Diligence

Canalta Controls Ltd. is committed to identifying and understanding the risks of forced labor and child labor within our supply chain. This includes assessing areas of highest risk and implementing appropriate measures to address these concerns. As part of this commitment, we expect our external providers and business partners to uphold our dedication to human rights and comply with all applicable labor laws. Additionally, we have developed an Environmental, Social, and Governance (ESG) program to enhance accountability, transparency, and responsible sourcing practices across our operations and partnerships.

The following policies within Canalta's employee handbook have been updated or newly established to address forced and child labor. Below are the applicable policies:

- Code of Business Conduct
- Environmental, Social and Governance (ESG)
- Ethical Supply Chains

Employees are encouraged to promptly report any suspected violations of these policies to the HR Manager. All reports will be treated with the utmost seriousness, and retaliation against those who report in good faith is strictly prohibited.

The Code of Business Conduct and its supporting policies may be updated periodically, with formal communication of any changes. These updates will supersede existing policies or practices. During annual employee handbook revisions, all employees are required to acknowledge the terms of the Code of Business Conduct.

Our due diligence process for identifying and assessing human rights risks focuses on three factors: the supplier, the commodity being procured, and the location.

Given Canalta's diverse purchasing markets, the following due diligence practices are implemented:

- Establishing an External Provider Code of Conduct for suppliers, sub-contractors, and vendors, explicitly prohibiting forced and child labor. The code also addresses ethical material sourcing, human rights, health and safety, sanctions, and conflict materials, requiring providers to maintain documentation demonstrating compliance. External Providers must review, acknowledge and adhere to this Code of Conduct.
- Avoiding manufacturers in high-risk regions of China where forced or child labor has been documented.
- While Russia ranks # 8 on the Global Slavery Index produced by [Walk Free](#), that was taken into consideration and in conjunction with end user's requirements, imposed sanctions, so therefore there are no Russian materials within any of our raw materials or procured goods.
- Publishing this report annually on the company's webpage.

Training

During the 2024 fiscal year, key members of our company's senior management team participated in the webinar '*Modern Slavery in Canada: Understanding the Fight Against Forced Labor and Child Labor in Supply Chains Act.*' Following the completion of this webinar, updates were made to the employee handbook, including the addition of an Ethical Supply Chains policy, revisions to the Code of Business Conduct, and enhancements to the ESG framework. These updates were reviewed during meetings with employees to ensure they understand their responsibilities under the new policies.

We encourage our employees to take advantage of opportunities to expand their knowledge and actively contribute to our ethical commitments.

All employees have access to Canalta's online learning platform, hosted by a third-party. In the 2025 fiscal year, this platform will transition to a new third-party learning management system. As part of this update, training programs on forced and child labor will be introduced, and all employees, regardless of position, will be required to complete the training in fall 2025.

Supply Chains and Risks Within

In 2024, Canalta Controls Ltd. created an External Provider ESG Code of Conduct that was sent to External Providers to sign and return to us regarding our commitment to ethical and legal business practices and expects that all External Providers (suppliers, vendors and sub-contractors) of processes, products and services, commit to the same level of Environmental, Social & Governance business conduct and compliance with applicable laws.

Level one providers represent the largest allocation of funds and play a critical role in production outcomes. The level one providers utilized are located in India, China, South Korea, Canada and USA. While parts and materials are sourced from these locations our products are manufactured, packaged and shipped from our Red Deer, Alberta headquarters to our clients.

Suppliers are expected to uphold the human rights of workers and treat them with dignity and respect.

When receiving materials from all External Providers, they are required to provide detailed documentation on the origin of the material used from all levels of their supply chain within the products supplied to us.

Examples of high-risk areas within our top External Providers country of origin locations:

- India: While forced, child and bonded labor is utilized in India, it is not as high of a risk within our sector of manufacturing. Forced/child labor is primarily seen in textiles, garments, leather, footwear, mining, agricultural, brick kilns, textile dyeing, spinning mills, and leather tanning.
- China: Avoid Xinjiang region and state-imposed programs as this has the highest rate of forced labor.

It is expected that our External Providers, when using sub-contractors are transparent in their dealings as well as ensuring their supply chain adheres to our External Provider ESG Code of Conduct.

Measures and Remediation

Canalta has not identified any confirmed instances of forced or child labor, so no remediation measures have been required to be taken. Nor has there been any identified or any confirmed instance of loss of income due to measures it has taken to address the risk of forced or child labor. Therefore, no measures have been required to be taken to remediate loss of income.

However, the importance of continual vigilance and monitoring is recognized in order to uphold the mitigation of forced and child labor within our operations and supply chains.

Effectiveness Assessment

As part of our governance process, we monitor compliance with our policies on an ongoing basis. We also review any concerns raised to HR as described in the policies section including any informal mechanisms of employee feedback. At Canalta, we will assess the effectiveness of efforts to reduce and prevent risks of forced/child labor by, but not limited to:

- **Policies:** Annually reviewing and updating our company policies as needed regarding forced and child labor to ensure they align with the industry's best practices and governing standards.
- **Code of Conduct – External Providers:** Annually reviewing and updating of the Code of Conduct as needed ensuring return and acknowledgement of the Code of Conduct by suppliers.
- **Training:** Ongoing employee training to occur as more information becomes available on Bill S-211 Forced and Child Labor Act.
- **Monitoring External Providers:** Review, assess and audit External Providers as necessary. External Providers who are in violation of the Code of Conduct are subject to immediate discontinuation if any forced, child or bonded labor is used.
- **Employee Handbook:** Annually updating and implementing changes based on governing standards.

Attestation

This statement is made pursuant to Bill S-211, an Act to enact the Fight Against Forced Labor and Child Labor in Supply Chains Act for the 2024 fiscal year from October 2023 to September 2024.

I attest that I have reviewed the information contained in the report for the entity listed below my signature. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all respects for the purposes of the Act, and I have the authority to bind the entity listed below my signature for the reporting year listed above.

Signed,



Tracy Orellana
General Manager

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May 22, 2025