



Canature WaterGroup – Forced Labour And Child Labour Report

Introduction

This Forced Labour and Child Labour Report (this “**Report**”) for the financial year ending December 31, 2023 is made pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada), also known as the Modern Slavery Act (the “**Act**”).

This Report is a joint report which applies to, and describes the reasonable steps taken by, the following reporting entities to mitigate forced labour and child labour in our organization’s operations and supply chains:

	<u>Reporting Entity</u>	<u>Abbreviation</u>
1.	Canature N.A. Inc.	Canature NA
2.	Canature WaterGroup Canada Inc.	CWCI

Canature NA and CWCI are hereinafter referred to collectively in this Report as “**Canature WaterGroup**” or “**we**”, “**us**” or “**our**”, except where the context otherwise requires.

Respect for Human Rights

Canature WaterGroup 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. In applying the lens of the UNGPs, we have assessed the potential for our operations to cause, contribute to, or be directly linked to adverse human rights impacts, including forced labour and child labour. For the reasons described in this statement, we remain of the view that there is low risk that our operations have caused or contributed to adverse human rights impacts. We have started to review our policies and procedures to assess whether the operations of our suppliers who provide goods used in our production and distribution processes cause or contribute to adverse human rights impacts.



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

Corporate Structure

Canature NA is a corporation incorporated pursuant to the *Canada Business Corporations Act* and is used solely to hold investments in operating companies located in Canada, U.S.A. and Mexico that are involved in the distribution of water treatment products predominantly in those jurisdictions.

CWCI is a corporation incorporated pursuant to the *Canada Business Corporations Act* and operates throughout Canada. CWCI is a wholly-owned subsidiary of Canature NA.

Canature NA does not have any employees. CWCI employs approximately 113 employees in Canada. Other subsidiaries of Canature NA, comprised of wholly owned subsidiaries and subsidiaries in which Canature NA holds a controlling interest, employ approximately 30 employees in Canada, 79 employees in the United States and 6 employees in Mexico. Save for CWCI, none of the subsidiaries of Canature NA are required to submit a report pursuant to the Act.

The majority of CWCI's workforce is engaged on an ongoing basis. CWCI utilizes a very small pool of contractors, casuals and external consultants. Employee salaries are reviewed annually against the local market data, including the Consumer Price Index (CPI) in Canada.

Activities

CWCI specializes in the assembly and distribution of innovative, high quality water treatment systems for the residential and commercial water treatment industry. CWCI's products can be purchased through independent water dealers and professional plumbers throughout Canada. CWCI has assembly and warehouse facilities located at its head office in Regina, Saskatchewan and also has a sales office and warehouse located in Cambridge, Ontario.

Supply Chain and Operations

Supply Chains

Canature WaterGroup 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, particularly where raw materials are procured by our suppliers from one or more other entities that we do not have direct interaction with or where limited information is available regarding the operations of that supplier.

For its financial year ending December 31, 2023, CWCI utilized approximately 155 different suppliers in procuring goods utilized in its products. Over fifty percent (50%) of CWCI's total



procurement spend during this period was on goods acquired from its main supplier located in China. Moreover, approximately seventy-five percent (75%) of CWCI's total procurement spend during this period was on goods acquired from its top ten (10) suppliers, which are located in China, South Korea, United States and Canada.

The types of goods procured by CWCI from its suppliers mainly consist of water softeners/filters and related components, reverse osmosis drinking water systems and related components, ion exchange resin and other filter media, pumps, water treatment cartridges, ultraviolet systems and related components and water testing kits.

Our Operations

Canature WaterGroup procures various services and goods (other than goods which are incorporated into products for re-sale by CWCI) to support our operations. In this regard, our supply chain profile remains largely the same year-on-year. The types of services and goods (other than goods which are incorporated into products for re-sale by CWCI) procured by Canature WaterGroup to support its effective operations are listed below. We also provide a general description of the key forced labour and child labour risks that are likely to exist in each of those categories by virtue of the industry risk profiles and provision of goods or services.

Type of goods / service	Description	Generally known forced labour and child labour risks
Office equipment / consumables / marketing	Coffee, tea, other beverages, food, cleaning products, office furniture, printing, stationery, merchandise suppliers	<p>Food Services - Food related supply chains have a high risk of forced labour and child labour due to the reliance on ingredients sourced globally, often from countries with a higher prevalence of, and vulnerability to forced labour and child labour. For example, coffee, tea, cocoa, rice, palm and derivative products and seafood are some of the many products linked to forced labour and child labour.</p> <p>Corporate Merchandise - Mass-produced items and garments, particularly if produced in countries with a greater prevalence of, and vulnerability to and have a higher risk of child labour and forced labour.</p> <p>Furniture - There are increased forced labour and child labour risks associated with producing and sourcing raw materials such as timber, bricks, PVC in flooring, fabrics, metals and glass as well as risks in the manufacturing industry located in countries with a greater prevalence of, and</p>

		vulnerability to, forced labour and child labour.
Technology and IT	Electronics, tablets, laptops, desktops, mobile phones	Forced labour and the worst forms of child labour are present in the supply chains that provide IT companies with the necessary raw materials to produce electronic goods, and parts of those goods. The manufacture of electronics has been associated with labour exploitation, including child labour and forced labour.
Transport	Airlines, couriers, hotels, communications service providers	The hospitality and food services industry, irrespective of jurisdiction, has elevated risks driven by parallel factors described below in relation to the cleaning sector.
Facilities management	Cleaning and janitorial services	<p>The cleaning industry is considered a higher risk industry for forced labour and debt bondage due to factors such as employers withholding wages, excessive working hours, complex and opaque subcontracting arrangements, and workers on temporary visas with limited bargaining power and awareness of their rights at work.</p> <p>Like the cleaning sector, the prevalence of subcontracting in the facilities maintenance industry can lead to contractual liabilities and obligations diminishing to the point where the human rights of workers on site may go unnoticed due to a lack of transparency.</p>

Our suppliers of these goods and services are primarily domiciled in Canada but also include global entities. We are of the view that our supply chains and activities for the types of goods and services procured by Canature WaterGroup (other than goods which are incorporated into products for re-sale by CWCI) carry a low risk of the use of forced labour and child labour.

Steps taken during last financial year to prevent and reduce risk that forced labour and child labour used in supply chain [Section 11(1) of the Act]

Other than obtaining verification from new employees of CWCI regarding their age and eligibility to work in Canada, Canature WaterGroup did not take steps during the last financial year 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 elsewhere for goods distributed by CWCI or of goods imported into Canada by CWCI.



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

We have internal policies and processes in place to promote and ensure compliance with applicable laws (including in respect of employment and human rights) in the jurisdictions in which we operate our business, including with respect to child labour and forced labour.

We employ best practice methods during the recruitment process for prospective candidates to ensure that CWCI hires employees in accordance with applicable laws. These checks include requiring candidates to disclose whether they are eligible to work in Canada as part of the application process and confirming their age as part of our onboarding process. We also verify a candidate's eligibility to work in Canada by obtaining their social insurance number and, if necessary, requiring that candidate to provide a work permit.

Any overtime hours worked must be voluntarily and mutually agreed to by the employee and their manager. Any work outside of usual hours, such as in the evening, overnight or weekend, are paid in accordance with the applicable penalty rates. Similarly, all employees are paid their wages via an electronic transaction and receive a pay slip. It is through a combination of these methods that we have assessed our operational risk of child labour and forced labour as low.

At this point, Canature WaterGroup does not have any formal external policies or processes in place that are specific to the prevention of forced labour and child labour in our supply chain, however, the Board of Directors of Canature NA and CWCI (collectively, the "**Board**") have recently directed CWCI's Chief Operations Officer to review and recommend to the Board policies for Canature WaterGroup and its affiliated companies to establish and maintain moving forward, such as a responsible supply chain policy and a supplier code of conduct.

Additionally, the Board has recently directed CWCI's Chief Operations Officer to review and recommend to the Board processes for Canature WaterGroup and its affiliated companies to employ in completing due diligence in its operations and supply chains to mitigate financial, social and/or environmental risks, such as background checks on suppliers and the inclusion of contractual provisions in supply agreements which require a supplier's commitment to recognizing and respecting human rights and workers' rights.

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

We believe that our internal activities in Canada and that of our subsidiaries in Canada, the United States and Mexico do not carry a risk of forced labour and child labour being utilized. We are in the early stages of assessing and identifying parts of our supply chain in other countries which may carry a risk of forced labour or child labour, however, based on our current understanding, we believe that our supply chain has a low risk for the use or forced labour or child labour. The information we currently have on foreign suppliers is limited, although we regularly visit and tour the manufacturing facility of our main supplier located in China (which main supplier accounted for more than 50% of our total procurement spend in fiscal 2023). While we did not conduct an in-person visit of our main supplier's manufacturing facility in fiscal 2023, representatives of Canature WaterGroup did visit this manufacturing facility in early 2024. We would also note that



based upon the data contained in Walk Free's Global Slavery Index 2023 (in particular, the estimated prevalence and number of people in modern slavery, by country), we believe the geographical location of our main suppliers presents a low risk for the use of forced labour and child labour.

With the objective of further understanding the potential risk of forced labour or child labour being utilized in our supply chain, the Board has recently directed its Chief Operations Officer to review and recommend to the Board potential risk mapping and risk assessment tools which Canature WaterGroup and its affiliated companies may utilize moving forward to further identify, assess and reduce such risks throughout our supply chain.

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

We are not currently aware of any forced labour or child labour practices occurring within our supply chain and we believe that our supply chain presents a low risk of forced labour or child labour being utilized. Accordingly, we have not undertaken any measures to remediate any forced labour or child labour to date.

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

We are not currently aware of any forced labour or child labour practices occurring within our supply chain and we believe that our supply chain presents a low risk of child labour or forced labour being utilized. Accordingly, we have not undertaken any measures to remediate any loss of income relating to any forced labour or child labour to date.

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

Canature WaterGroup currently does not offer training to its employees on forced labour and child labour. The Board has recently directed CWCI's Human Resources Manager to review and recommend to the Board training programs and materials that could be provided to employees of Canature WaterGroup and its affiliates to raise awareness and mitigate the risk of forced labour and child labour in our activities and in our supply chains.

Assessing Effectiveness [Section 11(3)(g) of the Act]

Canature WaterGroup does not currently have policies and procedures in place to assess its effectiveness in ensuring that forced labour or child labour are not being used in its activities and supply chains. In connection with the preparation of this Report, the Board has committed to reviewing its internal and external policies annually and more frequently, if the circumstances require it. Further, the Board has recently directed its Chief Operations Officer to review and recommend to the Board potential tools and indicators that can be utilized in assessing the effectiveness of our policies, processes and other actions aimed at reducing the potential for forced labour and child labour within our activities and supply chains.



Approval and Attestation [Sections 11(4) and (5) of the Act]

This Report has been approved by the Board of Directors of Canature N.A. Inc. in accordance with subparagraph 11(4)(b)(i) 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 Canature N.A. 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 respects for the purposes of the Act, for the reporting year listed above.

CANATURE N.A. INC.

Per: _____ Signed by Don Fettes
Name: Don Fettes
Title: Director
Date: May 16, 2024

Per: _____ Signed by Michale Fiorante
Name: Michale Fiorante
Title: Director
Date: May 16, 2024

This Report has been approved by the Board of Directors of Canature WaterGroup Canada Inc. in accordance with subparagraph 11(4)(b)(i) 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 Canature WaterGroup Canada 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 respects for the purposes of the Act, for the reporting year listed above.

CANATURE WATERGROUP CANADA INC.

Per: _____ Signed by Don Fettes
Name: Don Fettes
Title: Director
Date: May 16, 2024

Per: _____ Signed by Michale Fiorante
Name: Michale Fiorante
Title: EVP & CFO
Date: May 16, 2024