



TAK International Ltd.



Forced Labour and Child Labour in Supply Chains Company
Compliance Report

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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act)*, TAK International Ltd. ("TAK International", "the Company") has begun prioritizing the analysis of forced labour and child labour through mapping activities for the 2024 fiscal year. TAK International has statements and policies in place that emphasize our commitment to human rights and abiding by local and international legislation, but also recognizing there is always room for continuous improvement. TAK International's policies and everyday practices serve as a strong foundation as we implement more anti-forced and anti-child labour measures. As a growing, socially conscious company, TAK International recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

Background

The measures introduced through the Act, aims to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- The steps the entity has taken during its previous 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 by the entity or of goods imported into Canada by the entity.
- Its structure, activities and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

Introduction

TAK International is a private company that operates within the global supply chain, primarily serving Canadian customers by sourcing and producing high-quality steel products for the oil and gas pipeline industry. The company's financial year, for which it is currently reporting, spans from January 1, 2023, to December 31, 2023.

TAK International has chosen to self-report for this financial year, a decision rooted in its strong commitment to upholding ethical business practices. This includes a firm stance against the use of forced and child labor. By proactively reporting, the company demonstrates transparency and accountability, ensuring that its operations, both domestically and internationally, align with its core values.

The company plays a pivotal role in facilitating orders between Canadian clients and Chinese manufacturing firms, leveraging its extensive network and industry expertise to meet the specific needs of its customers. TAK International also owns and operates a small-scale manufacturing entity in China, which specializes in the production of steel products used in the oil and gas pipeline sector. This facility adheres to stringent quality and ethical standards, ensuring that all products not only meet industry specifications but are also produced in a manner that respects labor rights and environmental considerations.

Business Structure, Activities and Supply Chain

Structure

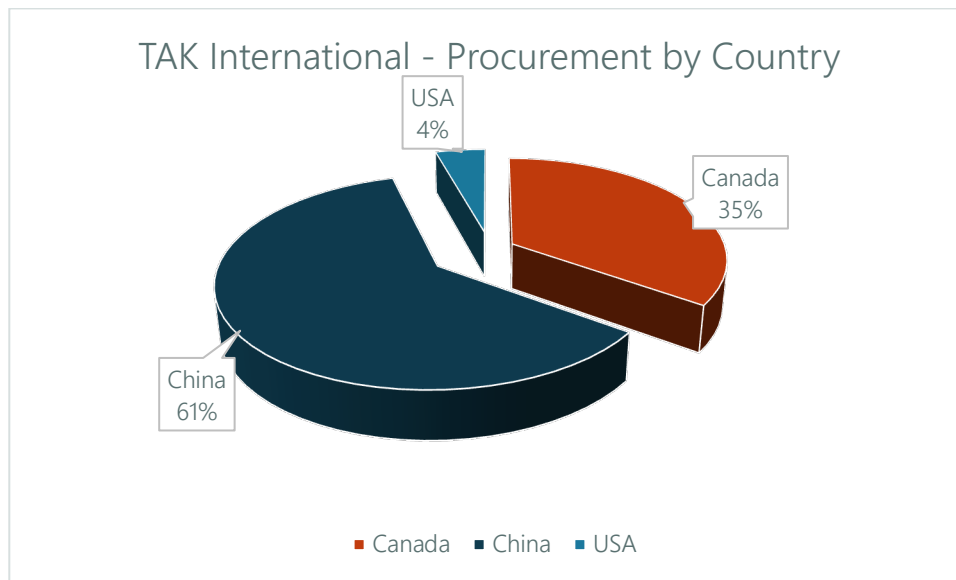
TAK International is a private company with offices in Alberta, Canada and Tianjin, China that liaises with Chinese fabrication and production companies. The Company is comprised of the following operating and non-operating entities: CompCoat Company Ltd., TAK International Trading (Tianjin) Co., Ltd., TAK (Tianjin) Precision Manufacturing Co., Ltd., China Canada United (Tianjin) Protective Coating Co., Ltd. There are currently, 39 employees working for TAK International in our offices and manufacturing unit in China and Canada. 15 at TAK International Trading Co. (TAKTJ), 13 at China Canada United Protective Coating CO (CCPC) and 11 at TAK Precision Manufacturing Co (TTPM).

Activities

TAK International operates within Alberta's liaising industry and operates a small-scale manufacturing unit in China. All production activities are undertaken in Tianjin, China. The Company's primary market is Canada where clients request TAK International to source products from China. TAK International also acts as sales agents for Canadian based entities to sell products in the China market.

Supply Chain

TAK International’s supply chain is comprised of 128 direct suppliers from three countries, namely Canada, USA and China. 93% of our procurement spend is with 23 suppliers, while the remaining suppliers individually account for less than 1%. The majority of our suppliers originate from China. The pie chart below depicts our spend per country excluding the suppliers (and their countries of origin) that attribute less than 1%.



Policies and Due Diligence

Current Policies

The **Employee Handbook**, which is provided to all employees during onboarding, includes sections on the fair and equal treatment of employees and our commitment to creating a safe and non-threatening work environment. The document contains statements like *"This Handbook shall be interpreted and applied in accordance with the Alberta Employment Standards Code, any successor legislation, and the regulations thereto, as amended from time to time. For further clarity, should any provision of this Handbook conflict with the provisions of the ESC, or any other applicable legislation, then the provisions of the ESC or other applicable legislation shall prevail"*. In line with the principles highlighted in the handbook we are able to demonstrate our commitment to prevention of child labour by having employed no one under the age of 18 at any of our sites. Furthermore, our **Anti-Discrimination and Anti-Harassment Policy** states that, *"Under the Alberta Human Rights Act, every person has the right to freedom from harassment and discrimination in employment. Harassment and discrimination will not be tolerated, condoned, or ignored. If a claim of harassment or discrimination is proven, disciplinary measures will be applied against the offending employee(s), up to and including dismissal"*. These statements indicate that TAK operates in accordance with the Alberta Employment Standards and Alberta Human Rights Act and highlight our

unwavering resolve to cultivate a workplace characterized by safety, respect, and integrity that is free of child and forced labour, not only for our employees but also for every individual associated with TAK International.

Our ***diversity and inclusion policy*** emphasizes our commitment towards providing a safe and inclusive space for all employees which is evident in the statement: *"Empowering and providing a safe space for all employees to express themselves, exchange ideas, and feel heard"*.

TAK International has a strong commitment to preventing child and forced labour and works to keep employees safe. This is demonstrated by the fact that every supplier is required to sign our ***Statement of Forced and Child Labour*** which demonstrates our and our supplier's commitments towards ensuring that the supply chain is free of forced labour and child labour. Additionally, our Respectful Workplace Policy states, *"management to ensure this place of work is free from negative, aggressive, and inappropriate behaviors, and that the environment is aimed at providing high quality products and services in an atmosphere of respect, collaboration, openness, safety, and equality. All employees have the right to be treated with dignity and respect"*. This policy underscores TAK International's holistic approach to creating a workplace that is not only safe and conducive to productivity but also respectful and inclusive. By fostering a culture of mutual respect and understanding, TAK International endeavors to create an environment where everyone feels valued, supported, and empowered to thrive while ensuring there is no child or forced labour.

In essence, our policies encapsulate our overarching commitment to ethical excellence and underscores TAK International's dedication to creating a workplace that exemplifies the highest standards of integrity, respect, and inclusivity. Through proactive measures, transparent processes, and a steadfast commitment to upholding ethical principles, we strive to ensure that we remain a beacon of ethical leadership in all aspects of operations.

Due Diligence

TAK International onboards ***new suppliers*** by first conducting due diligence activities, which include two assessments, qualitative i.e., desktop research to understand the supplier's background, performing reference checks with the customers of the supplier, conducting virtual interviews, and, quantitative i.e. site visits and conducting inspection regarding technological capability, checking on certifications such as ISO, operational standards etc.). As mentioned in the earlier section, TAK International has developed a Statement of Forced and Child Labour which suppliers are required to attest to that states that they do not engage in any activities stipulated in the Act.

As part of TAK International's commitment to prevent child or forced labour within our supply chain, TAK International has developed a ***questionnaire*** that has been provided to our suppliers to complete as part of our due diligence process. This questionnaire will be used to obtain confirmation from suppliers that they do not engage in child and or forced labour. In the upcoming year we will follow-up with suppliers to get responses.

We recognize that there are limited due diligence processes in place and aimed to reduce the risk of child labour and/or forced labour within our activities and supply chain.

Risk Identification and Management

A risk assessment of TAK International's operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of TAK International's total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - *Walk Free's Global Slavery Index* and the *US Department of Labor's List of Goods Produced by Child Labor or Forced Labor*.

Industry of Operations

TAK International conducted a risk assessment on the countries where we have operations and found that there was a range of inherent risks of forced labour or child labour. Our operations based in Canada are considered to have a low inherent risk of child and forced labour. However, our operations in China are considered to have an inherent risk of child and forced labour. This does not mean evidence of forced labour or child labour was found to support this risk analysis as we currently have mechanisms in place to prevent this and will continue to improve and uphold high standards of ethical business practices.

Countries of Suppliers and Risk

TAK International had a risk assessment conducted on the countries of origin for our suppliers and found that there was a range of inherent risks of forced labour or child labour with our suppliers predominantly based in the USA, Canada and China. Both the USA and Canada are considered to have low Inherent risks of child and forced labour while China is considered to have an inherent risk. However, the supplier country of origin inherent risk level does not mitigate all the risks associated with child labour and forced labour, and TAK International will continue to implement necessary practices to maintain an environment free of child or forced labour.

Type of Goods Procured and Risk

Using the two indices, TAK International conducted a risk assessment on the types of goods purchased from our suppliers. From the goods purchased a number were found to have an inherent risk of forced and/or child labour. These categories of goods included: nickel sulphate, zinc, aluminium, steel, electronics, polypropylene, timber, glass, garments, brassware, concrete, and furniture. There was an overall inherent risk observed for these products. However, the inherent risk level associated to a commodity does not mitigate all the risks related to child labour and forced labour, and further analysis and understanding by TAK International will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

Remediation Forced and Child Labour and Vulnerable Family Income Loss

TAK International is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. TAK International is committed to identifying and addressing human rights incidents and violations that occur within our operations and communities. To date, TAK International has not identified instances of the use of child labour or forced labour within its operations or those of suppliers. TAK International recognizes the significant impact forced and child labour can have on individuals and their families and thus relies on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding TAK International and its suppliers up to the highest standards of practice.

Awareness Training

There is currently no training in place within TAK International on the topic of child labour or forced labour. However, new employees go through orientation, which includes the review and signoff of the Employee Handbook, which covers company standards like honesty, ethics, respect, and compliance to government legislation. These sections also address practices to prevent child and forced labour within TAK. The employee handbook that is mandatory for all employees to sign off specifically states that all applicable laws such as Alberta Employment Standards, Alberta Human Rights Act, and all other applicable legislations will supersede the employee handbook in case there is any conflict. This statement implies that the practice of using forced and child labour is prohibited within TAK International.

While suppliers aren't provided training by TAK International on these topics, they are required to attest that their operations are free from such practices.

TAK International recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

Self-Assessment Process and Requirements

Currently, we do not have any self-assessment process or practices to assess our efficacy against fighting forced labour or child labour. However, as part of reviewing our supply chain and internal processes, we are committed to holding our supply chain against the high standards we set for the rest of our business and processes. TAK International will evaluate and perform appropriate assessments to ensure that we can identify appropriate key performance indicators ("KPI") metrics, internal auditing mechanisms, quality assessment programs internally and with our suppliers to ensure that our supply chain is free of any forced labour or child labour.

Conclusion and Key Takeaways

Through our analysis, TAK International found that one of the countries from which we procure have an inherent risk of forced labour and child labour, and inherent risks could be attributed to some of the goods purchased. However, TAK International has several measures in place to maintain a low risk of these practices occurring. TAK International is committed to continuous improvement and has identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within the TAK International supply chain.

Attestation

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.

Craig Trendel

A handwritten signature in black ink, appearing to read "Craig Trendel", written over a horizontal line.

Full Name

Signature

President

September 24, 2024

Title

Date

I have the authority to bind *TAK International* and this report covers financial year *December 31st, 2023*, and applies to *TAK International*. and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *TAK International*.