



Prairie Flour Realty Ltd.

Forced Labour and Child Labour in Supply Chain Assessment



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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 its supply chains.

The measures introduced through former Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps 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. There are seven mandatory reporting areas that must be investigated and reported on which include:

- 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.

As of March 2024, Prairie Flour Mills Ltd. has started the assessment of forced labour and child labour within the supply chain. It has reached out to some of its major suppliers by sending questionnaires and conducting interviews intended to gather information and understand their supply chain processes. Some of these suppliers are also in the process of working internally to put their processes in place to comply with Bill S-211 reporting requirement, while some others have started familiarizing themselves with it at the time of connecting with them. Prairie Flour has started to refine its internal processes by updating its policies and procedures, improving its supply chain management processes, and plans to provide forced and child labour awareness training to employees to meet Bill S-211's requirements.



Introduction

This report is Prairie Flour Realty Ltd's and its subsidiaries ("Prairie Flour Mills Ltd", "Company") response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff ("the Act"), sections 11(1) and 11(3).

Prairie Flour Mills Ltd satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

This report covers the financial year August 1, 2022 to July 31, 2023. This is the first version of the report submitted for Prairie Flour Mills Ltd, located at 11 Janzen Rd, Elie, MB R0H 0H0.

Structure, Activities & Supply Chain

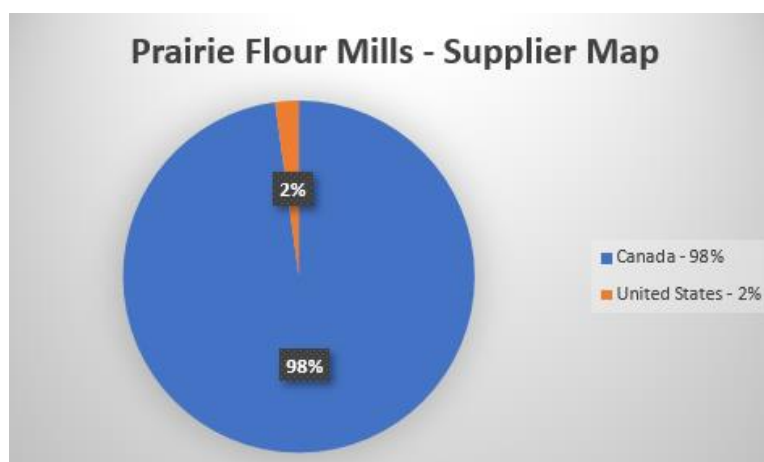
Structure and Activities

Prairie Flour Realty Ltd. is the holding entity of the operating Company "Prairie Flour Mills Ltd" and is in the primary business of agriculture and transformation of agricultural raw materials into end products, specifically milling wheat and manufacturing the highest quality of wheat flour. It is federally regulated and operating in the Province of Manitoba.

Company is owned by a group of shareholders, governed by the Board of Directors and driven under the stewardship of the President/CEO. Prairie Flour Mills makes a concerted effort to operate in ways that makes a positive impact on society and the environment. The Company has a reputation for honesty and integrity, which is the key to the success of its business, this includes its employees, suppliers, customers and other stakeholders. At its fiscal year ending July 31, 2023, Prairie Flour Mills had 50 employees.

Supply Chain

Prairie Flour has approximately 155 direct suppliers with 98% based in Canada and remaining based in the US.





Policies & Due Diligence

Policies

Prairie Flour has various policies in place that serve as a framework or guiding principles for all executives and employees to promote integrity and deter wrongdoing in performing their roles. The following policies and processes are in place:

A. Employee Handbook

The employee handbook outlines the following key sections:

- Equal Opportunity Employment and Human Rights – stating that the Company is an equal opportunity employer and employs personnel without regard to race, ancestry, place of origin, colour, ethnic origin, language, citizenship, religion, gender, sexual orientation, age, marital status and follow the universal declaration of human rights.
- Human Resources (“HR”) policies – summarizes common HR policies regarding pay, benefits and allowances, vacation time and other leave types.
- Employee Code of Conduct – summarizes key expectations on professionalism, attendance, job duties and authority, collaboration, communication and compliance with law.
- Confidential Information and Company Intellectual Property – discusses employees’ responsibility on how to protect confidential information and intellectual property.
- Conflict of Interest – this section discusses the employee’s responsibility around disclosure of potential conflicts of interest.
- Respect in the Workplace/Harassment/Workplace Violence – stating Prairie Flour’s commitment to providing a safe and respectful work environment for all employees free from harassment, bullying, violence and any discriminatory behavior.
- Health and Safety – this states that the Company is concerned about the safety and well-being of their employees and committed to make every effort to maintain safe working conditions.
- A section on forced and child labour was added in the current fiscal year that strongly urges the reporting of any incident of forced or child labour observed within the organization.

B. Environmental, Social Governance (“ESG”) Policy

- This policy outlines the firm-wide approach to integrating ESG in business and investment activities.

Supplier Due Diligence

Suppliers, contractors, and other entities engaged by Prairie Flour are generally expected to be bound by the same provisions laid out in the code of business conduct and ethics as a condition of their engagement and these expectations are included as part of their contracts. The contracts have been updated to include an expectation that third parties engaged by the Company are also expected to adhere to the provisions of Bill S-211.

Prairie Flour conducts visits of existing suppliers’ facilities, however, this is focused on food and safety and



does not include forced and child labour. The Company plans to include a criterion around forced and child labor in the supplier visits. The Company also plans to include guidance that outlines the frequency of the visits, suppliers to be covered, or the assessment criteria in their supplier visit programs.

Risk Assessment

A risk assessment over Prairie Flour's industry of operation, goods procured and countries where goods are procured from has been performed over a sample of material direct suppliers. Material direct suppliers for the purpose of this reporting are those suppliers that make up the top 80% of procurement spend.

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 Labour.

Industry of Operations

Prairie Flour operates within the Agriculture and Manufacturing industry which is associated with a high risk of child labour or forced labour according to the two indices.

Countries Goods are Procured From

For countries of origin, 98% of suppliers are based in Canada while the remaining 2% is from the US, both of which are low risk countries per Global Slavery Index by the Walk Free Foundation and US Department of Labour.

Goods Procured

Based on 2022 List of Goods Produced by Child Labour or Forced Labour by the US Department of Labour's Bureau of International Labour Affairs, wheat is determined to be under high-risk category. But since the wheat used in the operations is sourced from Canada and the US, the overall risk assessment is low. Furthermore, Prairie Flour has determined that there are no high-risk suppliers based on the suppliers' operations.

Remediation of Forced & Child Labour

To mitigate the risk of child labour and forced labour within supply chains, Prairie Flour has started to incorporate the following mechanisms for supplier due diligence:

Supplier Interviews and Questionnaires

Prairie Flour has initiated the distribution of questionnaires to suppliers as well as interviewing the supplier's representatives concentrating on conducting due diligence concerning Bill S-211. Based on initial responses received, no instances of child labour or forced labour were identified. In addition, Prairie Flour has also developed a Supplier Approval Form and Supplier Performance Monitoring Form that will enhance its supplier due diligence process.



Supplier Setup

When considering suppliers, Prairie Flour performs a review of their business to assess the risk of child labour or forced labour as it relates to the prospective supplier.

Terms and Conditions

Prairie Flour requires each supplier to adhere to local laws of Canada, and those binding the Province of Manitoba. These terms and conditions have been updated to include specific clauses identifying expectations regarding child labour and/or forced labour.

Using these mechanisms, Prairie Flour is continuing the effort to mitigate the risk of child labour or forced labour through their supply chain. With the use of the questionnaire specifically, the Company is actively engaged in collecting survey responses to thoroughly evaluate this risk across its supply chain.

Remediation of Vulnerable Family Income Loss

Prairie Flour is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. To date, Prairie Flour has not identified instances of the use of child labour or forced labour within its operations or those of its suppliers. Prairie Flour is continuing its review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

Training on forced and child labour was provided to the General Manager in fiscal year 2024. The training included the following areas:

- An overview of Bill S-211, similar laws around the world, the definition of forced and child labour, its forms, and examples of child and forced labour both globally and in Canada;
- A snapshot of the recent outlook of modern slavery including statistics of the global number of people suffering from modern slavery; and
- Common key drivers of forced and child labour such as absence of rights, lack of physical safety, poverty and inequality, criminality, and corruption among others.

Moreover, Prairie Flour has started to provide Code of Conduct Training covering Forced and Child Labour within the facility.

Self-Assessment Process & Requirements

In fiscal year 2023, Prairie Flour did not have a self-assessment and internal accountability process in place in relation to forced and/or child labour.

Though, the assessed risk for forced and child labour within Prairie Flour is low, the Company will



continuously assess and determine if there are areas in its supply chain that are at risk of forced or child labour.

To track Prairie Flour's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms will be in place:

Internal Activities

1. Policy review: Prairie Flour has committed to refine its policies to ensure relevance and accuracy based on the current operating conditions in accordance with this Act.
2. Employee Handbook: this document serves as a valuable resource available to all employees to ensure that they familiarize themselves with Prairie Flour's policies. This document will also be refined to ensure relevance and accuracy based on the current operating conditions in accordance with this Act and would include reporting any incidents of forced and child labour.
3. Code of Conduct Acknowledgement: During employee onboarding, signing the code of conduct demonstrates their understanding and commitment. Prairie Flour recognizes the importance of incorporating an annual sign-off to reinforce employees' understanding of expected conduct and to promptly inform them of any document revisions. This process ensures ongoing adherence to Company standards and practices.

Supplier Activities

1. Supplier Questionnaires: Prairie Flour is in the process of collecting questionnaire responses from suppliers. These questionnaires specifically ask suppliers detail about their risk and process related to child labour and forced labour.
2. Terms and Conditions: With each agreement/contract that goes out, Prairie Flour attaches their terms and conditions therefore, requiring the suppliers to follow expectations on upholding certain aspects, specifically, the laws of Canada. Prairie Flour has identified the opportunity to integrate a clause within these Terms and Conditions regarding a zero-tolerance for child labour and forced labour. This clause will identify the outcome or, disciplinary action should an instance of child or forced labour be reported or discovered by Prairie Flour.
3. Annual Attestation: on a risk-based approach, Prairie Flour will require selected suppliers to provide a yearly attestation that its business practices align with the requirements of Bill S-211.

Conclusion

Given that Bill S-211 is a new Act, Prairie Flour plans to continue refining its internal processes by updating policies and procedures, supply chain management processes and forced and child labour awareness training to employees to meet requirements of the Bill S-211. Prairie Flour has already started the process of updating its policies to include Bill S-211 provisions in Fiscal 2024.

Prairie Flour commits to have an ongoing assessment of forced and child labour in its operations for the remainder of the fiscal year as well as the following years to continue to comply with the reporting requirements of the Act.



Approval and 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.

Gerald H. Bryson

Full Name

Signature

President / CEO Board member.
(Director)

Title

Date

May 16 / 2024.

I have the authority to bind Prairie Flour Realty Ltd. and this report covers financial year 2023 and applies to Prairie Flour Realty Ltd. and its wholly owned subsidiaries.