

FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS

FINANCIAL YEAR END
MARCH 31, 2024

ESG



INTRODUCTION

HTC Pureenergy Inc. dba HTC Extraction Systems (“**HTC**” or the “**Corporation**”) is pleased to release its first Annual Report (“**Report**”) on Fighting Against Forced Labour and Child Labour in Supply Chains (also referred to as modern slavery) per the requirements put forth in *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“**the Act**”). HTC plays a role in promoting human rights and responsible business practices in Canada. We recognize that risks of forced labour and child labour can exist and acknowledge that understanding and managing these risks requires a collaborative approach with our workforce, suppliers and external stakeholders.

Since HTC is in the strategic planning and development stage, has minimal operations and an inactive supply chain, we have a unique opportunity to embed ethical practices from the very beginning. Laying the groundwork now will set a solid foundation for the Corporation’s future growth and ensure that ethical considerations are integrated into every aspect of our business’ core operations and supply chains.

REPORTING ENTITY

HTC is incorporated under the *Business Corporations Act Alberta* and is domiciled in Canada. The registered office of the Corporation is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, S4P 0S7.

HTC is publicly traded on the Toronto Venture Exchange Canada (“**TSXV**”), under the ticker symbol (“**HTC.V**”). HTC is required to prepare an annual report (“**the Report**”) on forced labour and child labour risks in supply chain and business activities to adhere to the *Act*.

The Report outlines HTC’s governance processes, existing measures, and progress made in the 2024 fiscal year to prevent and mitigate the risks of modern slavery across our supply chains. The Report is made pursuant to the *Act* and was approved by the HTC Board of Directors (“**BOD**”) on May 14, 2024.

CORPORATE STRUCTURE AND BUSINESS ACTIVITIES

HTC wholly owns or partially owns subsidiaries including KF Hemp Corp., Oroverde Genetica Corp. HempCo and Oroverde’s operations are based in Saskatchewan and their principal place of business is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. HTC and each of its associated companies has its own board of directors responsible for directing and overseeing business activities.

HTC and its subsidiaries are developmental stage companies whose commercial business strategies include biomass extraction and formulation and a developer of patented proprietary technologies designed for the extraction of biomass, gas and liquids, as well as the distillation and purification of ethanol and ethanol-based solvents used in extraction. Engineered to large-scale, HTC’s extraction and purification systems reduce operating costs and capital expenditures while simultaneously delivering superior performance through lowered energy usage and emissions, as well as improved quality of the final product.

- HTC technologies are designed to provide: Biomass Extraction and Ethanol Purification Solutions: HTC licenses and utilizes proprietary technology for the extraction of particles from biomass, liquids, and gas used in the Biofibre/Protein/Plant Oil business sector, as well as for the carbon credit validation, certification and trading.
- Clean Energy Solutions: Next generation extraction technologies to produce clean energy in a manner that is both environmentally sustainable and profitable.

OPERATIONAL ACTIVITIES

HTC's operational activities are minimal. HTC is currently pursuing alternative viable strategies to bring shareholder value and economic growth to the Corporation. It's the groundwork that will support the Corporation's future endeavors and help navigate the complexities of entering a viable market.

SUPPLY CHAIN

In the 2024 reporting period, HTC is in its strategic development and planning stage. This period is the groundwork for future supply chain participation, which will be essential once the Corporation reignites full-scale operations. During this time, the Corporation focuses on designing its supply chain network which will lead to selecting potential suppliers, creating strategies for logistics, procurement, and inventory management. We understand establishing a strong supply chain foundation in the early stages can lead to a more efficient and resilient operation when the Corporation launches its future products or services to the market.

However, as HTC progresses towards operational status, it will be crucial to establish robust policies and due diligence processes to ensure that the risk exposure to forced labour and child labour in our supply chain are managed effectively. This proactive approach not only demonstrates corporate responsibility but also aligns with international, Canadian federal and provincial labour standards and can significantly enhance the Corporation's reputation among stakeholders and consumers. Establishing a clear, ethical supply chain from the outset will serve as a strong foundation for sustainable and responsible business practices in the future.

ADDRESSING FORCED AND CHILD LABOUR RISK IN HTC'S OPERATIONS AND SUPPLY CHAIN

OPERATIONAL RISK

HTC considers itself at a negligible risk exposure to forced and child labour within its development stage and operations are yet to begin in the future. Reasons supporting this assessment include:

- HTC is a small Corporation in terms of employee and consulting numbers;
- HTC maintains high ethical standards with minimum exposure to forced labour and child labour due to the proactive and robust protections enforced by the Canadian and provincial labour laws. These laws are designed to safeguard workers from exploitative practices in the organizations. *The Canada Labour Code*¹ ("CLC") provides a structured approach to industrial relations, occupational health and safety for employees within federal jurisdiction. Meanwhile, the *Alberta Employment Standards Act*² and *Saskatchewan Employment Standards Act*³ offer specific guidelines for employment, ensuring that workers are granted fair pay, reasonable hours, and safe working conditions. These measures collectively contribute to Canada's low exposure to forced and child labour, reflecting the country's dedication to protecting the rights and well-being of its workforce.

SUPPLY CHAIN RISK

HTC recognizes that the absence of a supply chain due to the Corporation being in the strategic planning and development stage does indeed mitigate the immediate risk of forced and child labour. HTC understands that identifying forced and child labour within supply chains is a challenging task due to the hidden and complex nature of these practices.

¹ [The Canada Labour Code](#)

² [Alberta Employment Standards](#)

³ [Saskatchewan Employment Standards](#)

HTC'S REMEDIATION MEASURES

Although HTC is in the strategic planning and development stage, effective corporate policies remain of the utmost importance. HTC historically has had in place a comprehensive corporate policy index that is periodically reviewed for weaknesses.

BUSINESS CODE OF CONDUCT

Implementing policies and conducting due diligence regarding forced and child labour is crucial for ethical and legal compliance, as well as for maintaining responsible and sustainable business operations for future operations. In 2024, HTC has reviewed and implemented additional corporate policies to strengthen our corporate policy index, one of which is, the *Forced Labour and Child Labour Protection Policy*. Integrating responsible sourcing and supplier vetting into our supply chain strategy will help mitigate risks associated with forced labour and child labour down the line. HTC prioritizes ethical considerations throughout and establishing partnerships.

RISK ASSESSMENT AND MANAGEMENT POLICY

HTC's *Risk Assessment and Management Policy* clearly states the organization's zero-tolerance stance towards forced labour and child labour. It emphasizes the commitment to comply with all relevant laws and international standards pertaining to labour rights, including the prohibition of forced labour and child labour. Additionally, it articulates the organization's values and ethical principles regarding the fair and humane treatment of workers. The following key area of the risk assessment and management policy has developed a robust framework for preventing and addressing forced labour and child labour risks effectively:

- **Policy:** Policy outlines the overarching principles and objectives of the risk management process within the organization. It sets the tone for the entire policy, stating the organization's commitment to managing the risks of child labour and forced labour exposure effectively.
- **Purpose:** The purpose highlights the importance of preventing forced labour and child labour within the Corporation and its supply chain. It underscores the moral imperative of respecting human rights, promoting dignity, and ensuring the well-being of workers at all levels of the organization and throughout its operations.
- **Scope:** This defines the scope of the policy in relation to forced labour and child labour risks. It encompasses not only HTC's own operations but also its supply chain, including suppliers, contractors, and consultants. The scope also extends to any other entities or stakeholders with which the Corporation interacts, emphasizing the need for vigilance and due diligence throughout the entire value chain.
- **Responsibility:** In terms of responsibility, the policy clearly delineates the roles and obligations of all stakeholders within the organization. This includes senior management, human resources, procurement, and compliance officers. Each stakeholder understands their role in preventing and addressing forced labour and child labour risks, whether it's through risk assessment, due diligence, monitoring, or corrective action.
- **Procedures:** Finally, the procedures section outlines the specific measures and protocols that the organization will implement to deter and mitigate forced labour and child labour risks. This includes conducting risk assessments to identify vulnerable points in the supply chain, implementing supplier code of conduct agreements, conducting audits and inspections, providing training and capacity-building for employees and suppliers.

HTC'S SUPPLY CHAIN ASSESSEMENT TOOLS

HTC has established a Supplier Management Tool ("**SMT**") which is a proactive approach to assess and monitor the Corporation's future supplier base, especially regarding critical issues like corruption, forced labour, child

labour, and anti-bribery and corruption (“ABC”) risks. This process aligns with HTC’s risk assessment and management policies as follows:

- **Questionnaire Design:** The questionnaire has been designed with the intention of a key component of risk assessment and will be sent out to suppliers. It aims to gather relevant information that will help to determine each supplier's risk profile. HTC includes questions about forced labour and child labour to identify potential vulnerabilities within its supply chain.
- **Risk Proofing:** The responses from suppliers will help in profiling their risk levels. Suppliers who exhibit higher risks in areas such as corruption, forced labour, or child labour may require closer scrutiny and additional measures to mitigate these risks. This segmentation allows the Corporation to prioritize its risk management efforts more effectively.
- **Policy alignment:** The questionnaire will also request information from suppliers about their own policies and processes related to forced labour and child labour. This aligns with the Corporation's risk management policy, which emphasizes the importance of suppliers having robust measures in place to address these issues. It allows the HTC to assess the alignment of supplier practices with its own values and standards.
- **Continuous Monitoring:** Beyond the initial questionnaire, the SMT will facilitate ongoing monitoring of supplier performance and risk exposure. This allows the Corporation to track changes in supplier risk profiles over time and take proactive measures as needed. It ensures that risk management efforts remain dynamic and responsive to evolving threats.
- **Compliance and Accountability:** Utilizing an SMT for supplier management demonstrates HTC's commitment to compliance and accountability. By systematically assessing and monitoring supplier risks, the Corporation can demonstrate due diligence in preventing and mitigating risks such as corruption, forced labour, and child labour. This not only protects the Corporation from legal and reputational harm but also fosters trust with stakeholders.

TRAINING AND AWARENESS

HTC’s proactive comprehensive training program has been constructed for all future employees, contractors, and consultants with the focus on the critical issues of forced labour and child labour within our operations and supply chain. This program is designed to enhance awareness and equip our team with the knowledge and tools necessary to identify and combat unethical practices.

Key components of the Corporation’s training program are as follows:

- **Policy and Legal Frameworks:** Provide an overview of relevant laws and regulations pertaining to forced labour and child labour, both domestically and internationally.
- **Risk identification:** Educate employees on how to identify signs of forced labour and child labour within the Corporation’s operations and supply chain.
- **Supplier Vetting:** Train employees involved in procurement and supply chain management on how to vet suppliers to ensure compliance with ethical labour practices.
- **Reporting Procedures:** Establish clear procedures for employees to report any suspicions or incidents of forced labour or child labour, ensuring confidentiality and protection from retaliation.
- **Internal Accountability:** Communicate the Corporation's commitment to zero tolerance for forced labour and child labour and outline the consequences for non-compliance.
- **Ethical Decision-Making:** Provide guidance on ethical decision-making in complex situations that may arise within the supply chain.

- **Continuous Improvement:** Emphasize the importance of ongoing monitoring, evaluation, and improvement of the Corporate policies and practices related to forced labour and child labour and throughout the corporate policy index.

Our commitment to ethical business conduct and human rights is unwavering, and this training will be a significant step towards ensuring that our values are reflected throughout every level of the Corporation. By raising awareness and providing the necessary knowledge and tools, we are not only fulfilling our social responsibility but also contributing to a safer and more just working environments for all involved.

ASSESSING EFFECTIVENESS

HTC is committed to the ethical responsibility of mitigating forced labour and child labour risks in our operations and supply chains. Our approach has been to fortify our risk frameworks, ensuring they are robust enough to address and reduce the exposure to modern slavery. We have taken significant steps to enhance our understanding and capabilities in identifying potential risks of modern slavery.

In line with Canada and the *Act*, HTC has been proactive in our efforts to comply with the reporting requirements. Our actions include rigorous supply chain analysis, third-party risk assessments, and implementing remediation measures where necessary. We believe that these efforts will not only align us with regulatory requirements but also strengthen our social responsibility and corporate governance.

We will continue to assess the effectiveness of our actions and make improvements as required. Our goal is to ensure transparency and accountability in our fight against modern slavery.

HTC's annual risk assessment policy is reviewed on a consistent basis with valuable contributions from various departments, including sustainability groups. This comprehensive review allows us to effectively investigate and monitor forced labour and child labour exposure in our operations and supply chains.

HTC's commitment to maintaining the highest standards of integrity and transparency is further reinforced by our planned regular risk-based assurance activities. These include a range of measures from external independent audits to internal supply chain-focused assurances, ensuring that we stay ahead of potential risks of modern slavery and continue to operate responsibly.

REPORT APPROVAL AND ATTESTATION

In accordance with the requirements of The Act, and in particular section 11 thereof, we attest that we have reviewed the information contained in the Report for the entity or entities listed above, in accordance with the Policy, and more specifically subparagraph d(ii)(B). We attest to the truthfulness, accuracy, and completeness of the contents within, reflecting due diligence for the reporting financial year ending March 31, 2024.

Signed "Jeffrey Allison"

**JEFFREY ALLISON,
PRESIDENT & CEO**

Signed "Lionel Kambeitz"

**LIONEL KAMBEITZ,
DIRECTOR**

Signed "Wayne Bernakevitch"

**WAYNE BERNAKEVITCH,
CHAIRMAN**

Signed "Garth Fredrickson"

**GARTH FREDRICKSON,
DIRECTOR**