



2023 FORCED AND CHILD LABOUR REPORT



2023 FORCED AND CHILD LABOUR REPORT

This is the first report filed by Xtract One Technologies Inc. (“Xtract” or the “Company”) under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”). The Act came into force in Canada on January 1, 2024. Its goal is to implement Canada’s international commitment to contribute to the fight against forced labour and child labour through the imposition of reporting obligations on entities producing goods in Canada or elsewhere or importing goods produced outside Canada. The Act is part of a broader global effort to prevent and combat forced and child labour, an effort that the Company is committed to supporting.

We acknowledge our responsibility to combat forced and child labour and are committed to upholding fundamental human rights and ethical labour practices both within our operations and supply chain. This report reflects the Company’s commitment to implementing and endorsing responsible business practices to prevent and reduce the risk of forced or child labour in our supply chains.

This report sets out actions taken by the Company during the financial year ended July 31, 2023. In accordance with the Act, this report is published on the Company’s website: <https://xtractone.com/>.

OUR BUSINESS

Xtract is based in Toronto, Ontario, and is an industry-leading provider of threat detection solutions. While the Company’s threat detection solution is primarily software-based, the solution also includes a hardware component deployed to each customer for use in their facility.

The Company is a reporting issuer in all provinces and territories of Canada, except the province of Québec. The Company’s common shares are listed for trading on the TSX under the trading symbol “XTRA”, on the OTCQX under the trading symbol “XTRAF”, and on the Frankfurt Stock Exchange under the trading symbol “0PL”. The Company was incorporated on May 11, 2010, under the *Business Corporations Act* (British Columbia). The Company operates its business through the following wholly owned subsidiaries: Xtract One Detection Ltd., Patriot One (UK) Limited, Xtract One (US) Technologies Inc., EhEye Inc. and Xtract Technologies Inc. On a consolidated basis, as at July 31, 2023, the Company had 68 employees.

We procure a significant proportion of the input components of our hardware from a range of distributors throughout North America. Domestic and imported components for the hardware component of our threat detection solutions are principally assembled by our contract manufacturer in Ontario, Canada, and distributed nationally and internationally to customers.

The Company is proud of its reputation as an honest, ethical, and responsible industry participant. Our integrity has helped us become a leading safety technology solution, active in a number of Tier-1 facilities throughout North America, the United Kingdom and Japan. The Company has standard supply chain and procurement practices in place and relies upon each colleague to act with integrity, use good judgment, and act appropriately in any given situation. We strive to foster a culture of honesty, accountability, and compliance.

POLICIES AND DUE DILIGENCE PROCESSES

As outlined in our HR Employee Handbook, all Canadian employees must provide supporting documentation confirming their identity and eligibility to legally work for the Company in Canada. The Company does not allow the use of child, compulsory or forced labor, trafficking in persons, or any acts associated with modern slavery for any purpose. In addition to our HR Employee Handbook, we have several supporting policies in place to protect against forced and child labour in our operations and supply chain, namely:

1. Whistleblower Policy

All Company employees and contractors have access to the Company's Whistleblower Policy (available through the Company's internal HR management software and on the Company's website). The Company's Whistleblower Policy instructs participants to report problematic operational practices directly to the Company's external legal counsel for consideration, and allows for submission on an anonymous basis.

2. Human Rights Policy

The Company's Human Right Policy outlines our commitment to promoting and respecting human rights throughout the Company's operations. We contribute to the realization of human rights through consistent compliance with laws and regulations wherever we have operations, including all applicable wage, hour, and labour laws and regulations.

3. Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics specifically emphasizes compliance with applicable laws, rules, regulations and other legal requirements applicable wherever the Company is carrying on business. These include, implicitly, laws prohibiting the use of forced and child labour. The Company's Code of Business Conduct and Ethics further encourages employees to promote ethical behavior, and specifically prohibits management retaliation in respect of the reporting of the same. As with the Whistleblower Policy, the Company's Code of Business Conduct and Ethics provides the ability to report concerns directly to the Company's external legal counsel, including anonymously if desired.

SUPPLY CHAINS

The Company's SmartGateway product is manufactured in Cornwall, Ontario by a third party contract manufacturer, subject in every respect to the legal and regulatory prohibitions on forced and child labour applicable in Ontario and which produces a comprehensive Sustainability Report addressing prohibitions on forced and child labour. Approximately 75% of the labour-plus-materials value of the Company's hardware products are North American, and any external material inputs are sourced through distributors based in Canada or the United States, similarly subject to applicable laws and regulations prohibiting forced or child labour.

We are committed to working with current and prospective suppliers to ensure a clear understanding and adherence to ethical business practices.

FORCED LABOUR AND CHILD LABOUR RISKS

To date, the Company's risk management approach has focused on risks to workers in our own operations, including respecting the safety and human rights of workers.

We acknowledge that understanding the risks of forced labour and child labour in our supply chains is critical to targeting our actions and engagement with our suppliers. In line with the UN Guiding Principles, identifying and prioritizing the most salient risks connected to our operations and business relationships is key to preventing and mitigating forced labour and child labour.

We are committed to improving our understanding of the risks in our supply chain, including by engaging in research, mapping our supply chain against publicly available information, and seeking feedback from workers, manufacturers, distributors, and communities.

We recognize risks of forced labour and child labour in the global supply chain include vulnerable populations, such as domestic and foreign migrant workers, temporary workers, and young workers. Additionally, we acknowledge region-specific risks, such as countries with large populations of migrant workers, weaker employment law enforcement, or where prevalence of modern slavery has been documented.

REMEDITAITON MEASURES

The Company has not identified any significant risks related to forced or child labour in its supply chains and has not identified forced labour or child labour in its own direct operations. As no instances of forced labour or child labour in our activities and supply chains have been identified, no measures were taken to remediate the loss of income to the most vulnerable families that result from measures taken to eliminate the use of forced labour and child labour.

TRAINING

All Company employees are required to review and agree to abide by the provisions of the Company's HR Employee Handbook and Code of Business Conduct and Ethics in connection with their engagement by the Company. Additionally, the Whistleblower Policy provides further details in respect of the manner in which any employee may raise a concern (as more particularly described above).

ASSESSING EFFECTIVENESS

To assess the effectiveness of our approach, including human rights, we rely on input from relevant internal and external stakeholders, including investors, customers, employees, and community members.

To date, we have had no complaints made under the Whistleblower Policy, and have not identified any forced or child labour in our organization or supply chain.

PLANS FOR 2024

In fiscal 2024, we plan to undertake the following actions to further deepen and strengthen our work to combat forced and child labour in our business and supply chains:

- Due diligence
 - Incorporate evaluation activities targeting forced labour and child labour risks into periodic supplier review processes.
 - Where a supplier, vendor or contractor is found to be in violation of the Company's standards in respect of forced and child labour protections, Xtract will take prompt remedial action in order to address the violation. Remedial measures may include termination of the business contract with the organization that committed the violation.
- Remediation of loss of income
 - Evaluate options for establishing a process to assess if vulnerable families have experienced loss of income as a result of steps the Company has taken to combat forced or child labour.

Training for 2024

- Continue with mandatory review and acknowledgment of the HR Employee Handbook by all employees and Code of Business Conduct and Ethics by all employees and contractors.
- Review all policies regularly to ensure ongoing compliance with human rights and regulations related to forced and child labour.
- Engage in employee training and practical education to inform employees about the harm that illegal labour practices can cause, as well as providing information and guidance necessary to notice or determine whether illegal labour is used at any point in the supply chain.

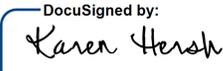
Approval and Attestation

This report was approved by the Board of Directors of Xtract One Technologies Ltd. for the financial year ended July 31, 2023, in accordance with subparagraph 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I hereby attest that I have reviewed the information contained in the report for the entity listed above. To the best of my knowledge, and after having exercised due diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

May 31, 2024

XTRACT ONE TECHNOLOGIES INC.

DocuSigned by:

Per: 8B812B8FFFA54FE...

Karen Hersh, CFO, on behalf of the Board of Directors
I have authority to bind the Company