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Halifax, Nova Scotia
Canada B3L 2C1

Fighting Against Forced Labour and Child Labour in Supply Chains Act Annual Joint Report

1. Introduction

The *Fighting against Forced Labour and Child Labour in Supply Chains Act, S.C. 2023, c.9* (the “Act”) requires that businesses state actions they have taken during the fiscal year to prevent and reduce the risk of forced labour and child labour within their operations and supply chain. This report is submitted jointly on behalf of Merex Incorporated, Eastern Sea Products Limited and Ocean Spectrum Limited (collectively, the “Merex Group”) which jointly have an obligation to publish a report under the Act. This report is for the period January 1, 2023 – December 31, 2023 and it describes the steps taken by the Merex Group for the purposes of managing its operations and supply chain.

2. Structure, Activities and Supply Chain

a. Structure & Location

The Merex Group consists of the following entities for the purposes of the Act: Merex Inc., Eastern Sea Products Ltd., and Ocean Spectrum Ltd. Merex is a wholly owned subsidiary of Eastern Sea Products Ltd., which in turn is majority owned by Ocean Spectrum Ltd.

The head office for the Group is located at Halifax, Nova Scotia. It has been actively engaged in business for thirty years.

b. Activities

The Merex Group is engaged in the processing, export, import and distribution of food products, primarily seafood. The Group owns and operates a modern fish processing and drying plant located at Scoudouc, NB. The processing plant is approved by the Canadian Food Inspection Agency and it is third party certified to Global Food Safety (GFSI) Standards. The Group supplies salted, dried and frozen seafood products to its customers.

c. Supply Chain

The Merex Group's supply chains encompass the sourcing of raw materials for further processing at its plant and the purchasing of other finished products for distribution to its customers. Foreign suppliers are based in the United States, South America, Europe, Africa and Asia. The Merex Group is committed to ethical sourcing and complying with the laws and regulations of all jurisdictions in which it operates.

3. Policies, Proceses and Due Diligence

a. Social Welfare Policy

The Merex Group has a written Social Welfare Policy adopted in 2023, which includes the following elements:

- i. Code of Business Ethics
- ii. Employee Recruitment Policies
- iii. Employment Policies
- iv. Safety & Training

These policies have been adopted to ensure that employees are treated fairly and with respect; to ensure that the workplace is free of physical, verbal or sexual abuse, and to ensure employee safety while at work. Among other things, Employment Policies specifically preclude the use of underage employees and forced labour. In an effort to better control recruitment and to improve transparency in the hiring process, policies prioritize the direct recruitment of employees rather than relying on third party intermediaries.

b. Social Compliance Audits

In 2023, the Company's processing plant underwent a social welfare audit by an established firm which is a global specialist in environmental, social and governance (ESG). This was performed by a certified Social Compliance Auditor. The audit found that the Group's hiring practices were compliant with all relevant legislation. Among other things, the audit assessed such issues as the use of prison labour, child labour and young workers and there were no concerns raised in any of these areas.

Separate from the social compliance audit, the Merex Group also maintains Marine Stewardship Council certification, which encompasses certain requirements for product traceability and worker protection.

c. Supplier Onboarding Policy

The Group has implemented a three step approach to supplier onboarding: Identification, Qualification, and Activation.

All prospective foreign vendors are required to complete a questionnaire which is used as a means of assessing their suitability to join the Group as a supplier. Among other things, elements assessed by these surveys include:

- i. Traceability systems
- ii. Third party, Global Food Safety Initiative (GFSI) certification
- iii. Implementation of Good Manufacturing Practices

In regions deemed by the Company to involve higher levels of risk, third party social welfare audits of vendors are also required. An example would be the Sedex Members Ethical Trade Audit (“SMETA”).

Once a vendor has been activated, they continue to be re-evaluated annually.

The Merex Group is also in the process of developing a formal Supplier Code of Conduct, which will be circulated to foreign suppliers annually, beginning in 2024. It will more clearly delineate business principles and social welfare policies which are expected to be upheld by suppliers.

4. Risks of forced labour and child labour

The Merex Group recognizes that the risk of forced labour and child labour is a global challenge that is present in every industry, including ours. Therefore, it is our obligation to do our best to ensure that human rights are protected and that our employees and those of our supply chain partners are treated with dignity and respect.

In 2023, we conducted an internal risk assessment where we estimated the relative level of supply chain risk in our various sourcing regions, including such variables as worker protections, raw material origin, industry, and relative importance to group activities. We used the results from this analysis as a guide to assess the level of due diligence required in each sourcing area, with higher levels of caution being exercised in regions believed to be of higher risk.

5. Remediation

If a supplier partner were believed to be engaging in the use of forced labour, child labour or other human rights abuses, that would be considered grounds for termination of the relationship.

Allegations were made in 2023 that one of our vendors had engaged in the use of forced labour and as a result we terminated the relationship. The vendor involved represented less than 2% of our aggregate foreign purchases.

6. Training

No formal training with respect to forced labour and child labour was conducted in 2023. We instead relied upon pre-existing knowledge and programs within the Merex Group, an external technical advisor, media reports, and the personal involvement of senior management in the Group's 2023 Social Compliance Audit in the development of knowledge and expertise.

7. Assessing Effectiveness


Approved vendors are reassessed annually to ensure that they continue to meet the Group's requirements to be a suitable business partner. This includes confirmation of successfully completing annual third party audits. Through this process we measure the effectiveness of our processes and track compliance.

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.

MEREX INCORPORATED

I have the authority to bind Merex Incorporated:



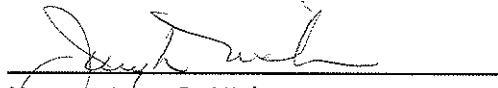
Name: Jerry R. Nickerson

Title: President

Date: May 31, 2024

EASTERN SEA PRODUCTS LIMITED

I have the authority to bind Eastern Sea Products Limited:



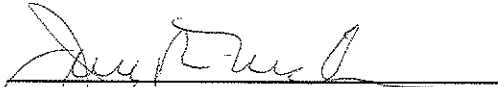
Name: Jerry R. Nickerson

Title: President

Date: May 31, 2024

OCEAN SPECTRUM LIMITED

I have the authority to bind Ocean Spectrum Limited:



Name: Jerry R. Nickerson

Title: President

Date: May 31, 2024