

FORCED LABOUR AND CHILD LABOUR REPORT 2023

May 31st, 2024

National Engineered Fasteners Inc.

About this Report

This report is in keeping with the commitments of National Engineered Fasteners Inc., Business No. 897774048 (“NEF”), to uphold ethical business practices, and pursuant to Canada’s new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”). This report will set out steps NEF has and will take in order to reduce and mitigate the risks of forced and child labour within NEF’s suppliers, workforce and other external stakeholders.

For the purposes of the Act, the reporting covers from January 1st to December 31st of 2023. This report will be prepared and filed annually in accordance with the Act and chronical NEF’s journey, having recently partnered with Gexpro Services, to developing and aligning with more comprehensive processes and policies in an effort to reduce and mitigate the risks of forced and child labour within NEF’s suppliers, workforce and other external stakeholders.

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OUR STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

NEF is the sole entity covered in this report. Gexpro Services is a world class global Supply Chain Solutions provider headquartered in Irving, Texas, USA that acquired NEF in 2021 and serves as a resource and instrument for success and innovation for NEF but is not represented in this report.

While NEF is headquartered in Breslau, Ontario, Canada, it has grown to become a global company with over 75 employees across locations in Canada and Mexico, with a diverse product and services portfolio related to the transportation and Aerospace and Defense sectors.

NEF manages a global supply chain with 70% of that material procured outside of North America to support our automotive sales division. The balance of the material procured is sourced in North America with strict adherence to customer specifications and US DFARS regulations on defense procurement.

OUR POLICIES AND DUE DILIGENCE PROCESSES

In its previous financial year NEF conducted an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains in an effort 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. NEF has been actively monitoring its suppliers with site visits to review production capacity, new product capabilities but also to review the workforce for compliance without any formal auditing tools in place.

NEF has not developed its own written practises, policies and due diligence processes related to forced labour and/or child labour; however, its parent company Gexpro Services has a Code of Conduct that undertakes it and its affiliates, including NEF, will only do business with suppliers that comply with local and other applicable legal requirements and the company's guidelines relating to labor, the environment, health, and safety.

Further, Gexpro Services has developed and implemented a Code of Conduct for Suppliers, Contactors and Vendors which outlines its expectations regarding the workplace standards and business practices of its suppliers, their parent entities,

subsidiaries, affiliates, subcontractors and others who are within the supply chain. Each supplier is responsible for ensuring that its employees, representatives, and subcontractors understand and comply with the Code. This Code of Conduct includes, but is not limited to, the following elements:

- Prohibits use or support of child labour in all forms;
- Prohibits use or support of forced or compulsory labour, including withholding salary, benefits, property or documents to force personnel to continue work;
- Requires provision of a safe and healthy workplace that prevents potential occupational accidents.

Gexpro Services has been developing and implementing the following items which will serve to help ensure NEF, as one of its affiliates, will have the tools available 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:

- An action plan for addressing forced labour and/or child labour;
- Due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains;
- Child protection policies and processes;
- Anti-forced labour and/or anti-child labour contractual clauses;
- Anti-forced labour and/or anti-child labour standards, codes of conduct and/or compliance checklists;
- Grievance mechanisms.

NEF will be using the Gexpro Services Supplier Code of Conduct audit process starting immediately with all current and future suppliers to ensure there is visibility and compliance in all supply chain activities.

RECOGNIZING FORCED LABOUR AND CHILD LABOUR RISKS

In 2023, NEF conducted a review of current NEF mandates, policies, procedures as they relate to forced labour and child labour risks and human rights issues. As a result of this, NEF has identified that there could be actual or potential risks of direct or indirect forced and child labour that could be mitigated by developing

policies and due diligence processes that address these risks. NEF recognizes that whilst no sectors or industries involved in the production or importation of goods are assumed to be entirely free of these risks, NEF is committed to taking steps in identifying and mitigating these risks. NEF also recognizes that internal education training and onboarding can assist in mitigating risks.

REMEDATION MEASURES, TRAINING AND AWARENESS, ASSESSING OUR EFFECTIVENESS

Remediation measures to be taken include aligning with and working towards adopting supplier policies and procedures Gexpro Services has developed which include requiring suppliers to follow codes of conduct. Additionally, internal training is being assessed and the effectiveness of this training will be measured as we improve and grow. As NEF will continue to work on compliance with this new Act, the effectiveness of training and mitigation measures will be assessed.

REPORT APPROVAL AND ATTESTATION

In accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (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.

I have the authority to bind National Engineered Fasteners Inc.



Scott Davis

General Manager

Date: May 31, 2023