

# Bill S-211 Report - *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

## Introduction

This report is Ferro Technique Ltd./Ferro Technique Ltee (“Ferro Technique”)’s response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“the Act”). Ferro Technique is committed to the protection of human rights in all our business practices and operations. This includes the prevention of modern slavery, forced labour, and child labour in both our internal business practices and supply chain operations.

Ferro Technique 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. The financial reporting year of Ferro Technique covered by this report is June 1, 2022 to May 31, 2023.

## Structure, Activities & Supply Chain

### Structure

Ferro Technique operates as a private corporation with two physical locations in Mississauga, Ontario, and Windsor, Ontario.

Ferro Technique was founded in 1952, specializing in machine and tool distribution and services.

### Activities

Ferro Technique operates within the machine and tool distribution and services industry providing a wide range of standalone machines, tools, and accessories, and installation of custom options and full turnkey automation solutions. In addition, Ferro Technique also provides preventative maintenance and calibration and laser assignment services. Our distribution line includes DN Solutions, Muratec, Hartford, Brother, TRAK, and Jvonne.

There are a total of 53 employees who work for Ferro Technique, with over 90% of our workforce located in Ontario. Figure 1 illustrates the distribution of Ferro Technique’s employees across various locations.

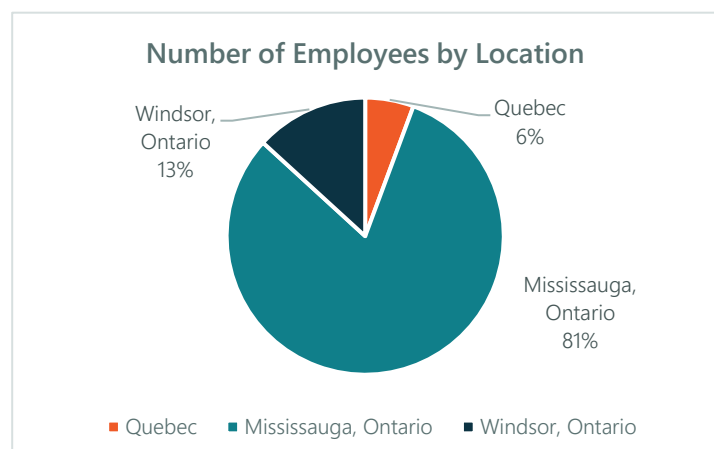


Figure 1

## Supply Chain

Figure 2 presents the makeup of Ferro Technique’s supply chain by country. Ferro Technique has seven (7) direct suppliers from three (3) countries, two (2) of which are outside of Canada. Note, this analysis was performed over material suppliers which, for the purposes of this report, are direct suppliers who account for approximately at least one percent (1%) of Ferro Technique’s total procurement spend over the current reporting year.

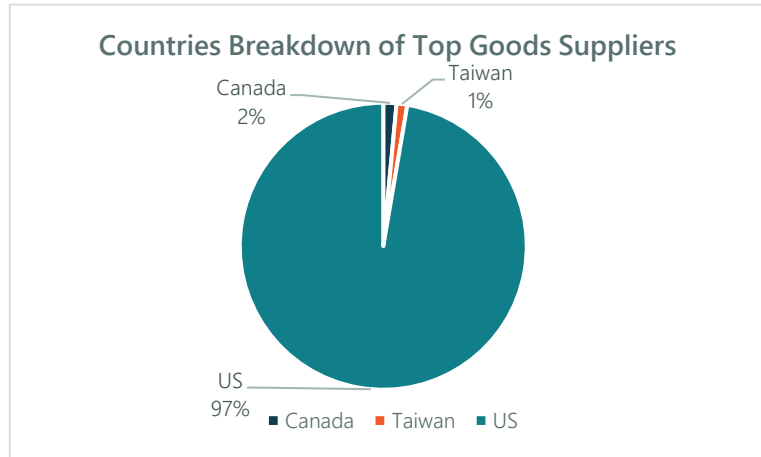


Figure 2

Given that the majority of items procured by Ferro Technique consist of CNC machines, parts, and accessories, we have conducted a risk assessment focusing on the standard materials utilized in the manufacturing of these goods. Notably, these materials typically include aluminum, brass, bronze, iron, copper, magnesium, plastics, tin, and zinc.

## Policies & Due Diligence Processes

Ferro Technique has the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and our supply chain:

### Internal Policies

| Sections of the Employee Handbook      | Description  | Support in Mitigating Risk of Child Labour and/or Forced Labour  |
|--|--|--|
| <b>Commitment to Equal Opportunity</b> | The Employee Handbook states that Ferro Technique strives to ensure that the principles of human rights legislation are respected and expects a work environment where everyone is treated fairly and is free from any form of discrimination based on race, ethnicity, age, gender, sexual orientation, or other protected grounds. | This section provides a framework for Ferro Technique to promote equality within our business operations, contributing to reducing the marginalization of certain groups who are more vulnerable to exploitation such as children and at-risk adults. By raising awareness of our organization, we can play a crucial role in advancing the fight against exploitation and |

| Sections of the Employee Handbook                  | Description   | Support in Mitigating Risk of Child Labour and/or Forced Labour  |
|--|---|--|
|  |   | abuse in global supply chains.   |
| <b>Diversity, Equity, and Inclusion (DE&amp;I)</b> | This section outlines Ferro Technique’s commitment to building and fostering a diverse, fair, and inclusive workplace that values diversity and encourages respect for dignity, beliefs, and ideas.   | DE&I is instrumental in mitigating the risk of child labour and forced labour by addressing systemic inequalities and fostering environments where all individuals are treated with equity.  |
| <b>Accessibility &amp; Accommodations</b>          | Ferro Technique is committed to creating and sustaining an inclusive and collaborative environment that provides access to services in a manner that respects the dignity and independence of people with disabilities. We provide accommodation for employees with disabilities, both physical and mental, to the point of undue hardship. | Accessibility and accommodation in the workplace ensures that individuals with disabilities or special needs have equal employment opportunities. By removing barriers to employment and providing necessary accommodations, such as assistive tools and technologies or modified work environments, this section of the Handbook enables individuals to participate fully in the workforce, reducing their vulnerability to exploitation and forced labour. |
| <b>Whistle-Blower Protection</b>                   | Employees are encouraged to report any misconduct, unlawful activities, and other concerns to the employee’s immediate managers, Human Resources, or senior management as soon as learning of them without fear of retaliation.   | If an issue were to arise related to forced labour or child labour, this reporting process is a mechanism in place to identify and alert the management of Ferro Technique who then would tend to resolution efforts.  |
| <b>Conduct and Behaviour</b>                       | This section of the Handbook identifies and defines inappropriate and unacceptable conduct and behaviour. This section also explicitly states that inappropriate or unacceptable conduct could result in disciplinary action including termination of employment.   | These two sections contribute to fostering a workplace culture that prioritizes safety, respect, and dignity for all employees. By establishing clear guidelines on appropriate behaviour and zero tolerance for   |

| Sections of the Employee Handbook          | Description   | Support in Mitigating Risk of Child Labour and/or Forced Labour  |
|--|---|--|
| <b>Workplace Violence &amp; Harassment</b> | This section of the Handbook outlines that acts of workplace violence and harassment, and workplace sexual harassment and discrimination are not tolerated at Ferro Technique and where possible, are to be redressed. For transparency purposes, the handbook defines the terms “workplace harassment,” “workplace violence,” and “workplace sexual harassment.”   | violence and harassment, we have created an environment where employees feel safe and empowered to report any instances of misconduct, including suspected cases of child labour or forced labour.         |
| <b>Health and Safety</b>                   | The Employee Handbook includes a health and safety clause, where employees at Ferro Technique have a right to refuse any work that they have reason to believe is unsafe. The policy also explicitly states that every person who undertakes, or has the authority, to direct how another person does work or performs a task is under a legal duty to take reasonable steps to prevent bodily harm to that person, or any other person, arising from the work or task. | By encouraging employees to refuse work they deem unsafe, this section of the Handbook serves as a tool against exploitative practices that can lead to the perpetuation of child labour or forced labour. |

## Due Diligence Processes

### *Supplier Selection*

When Ferro Technique considers partnering with new suppliers, particularly those providing large machinery, our representatives undertake thorough assessments. This often includes on-site visits to suppliers' facilities, both domestic and international, to verify the quality and precision of the machinery before committing to any engagement. In cases where a physical visit is impractical, Ferro Technique opts for video conferences or other means to conduct detailed evaluations with suppliers.

### *Onboarding*

All new purchase orders to new vendors are provided to Ferro Technique's Operations Manager for review. Once approved, the new supplier information is submitted to Accounting to create the new Business Partner in the system.

### *Terms and Conditions*

All vendors are bound by the terms stated in the purchase orders/invoices. Terms vary per agreement. In cases where exclusivity is required, Ferro Technique and our suppliers are required to enter into contractual agreements. These contracts delineate the terms and conditions, ensuring that suppliers are legally obligated to adhere to the specified terms.

### *Monitoring and Evaluation*

All supplier changes are monitored on an as-required basis. Ferro Technique conducts periodic site visits as resources allow, typically a few times a year. In addition, our technicians always inspect components prior to assembly into machinery to ensure precision and quality.

Ferro Technique has not encountered any known instances of risks associated with forced labour or child labour. The major vendors Ferro Technique chooses to do business with are companies that are respected within their industry.

### *Recruiting*

From an operational perspective, as a condition of employment, new employees must present documentation establishing their identity and their eligibility to legally work in Canada. New employees must provide Ferro Technique with a valid Social Insurance Number, landed immigrant papers, employment visa, or temporary work permit. This provides Ferro Technique with an opportunity to detect that all newly hired employees are legally eligible to work in Canada and are of legal age.

## Supply Chain Risk Assessment

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A risk assessment over Ferro Technique's industry of operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. This risk assessment used two separate indices to conclude on the inherent risk of child labour 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 Labor.

### **Industry of Operation**

Ferro Technique operates within the industry of machine tool distribution and services. Given the two indices noted above have identified risks of child labour and forced labour inherent to services, it is concluded that this industry has a **high inherent risk** exposure. However, operational risks and risks related to child labour/forced labour are minimized since all Ferro Technique's service engineers have electrical or mechanical certifications or apprenticeships in progress.

### **Goods Procured**

Ferro Technique mostly procures and distributes CNC machines, tools, and accessories. A risk assessment has been conducted over the goods procured from material suppliers noted above focusing on the standard materials utilized in the manufacturing of these goods and identified an initial inherent risk of forced labour and/or child labour within the following categories:

- 1) **Extreme inherent risk:** Electronics – machine parts and accessories
- 2) **High inherent risk:** Metals – iron, copper, tin, and zinc

All other remaining materials have a **low inherent risk** of child labour or forced labour, according to the two indices noted, which include the following categories:

- 1) Metals – aluminum, brass, bronze, and magnesium
- 2) Plastics

### **Countries Which Goods Are Procured From**

For the purposes of a risk assessment over countries goods are procured from, this report focuses on material suppliers only – those accounting for approximately at least one percent (1%) of the total supplier spend during the 2023 fiscal year.

#### Direct suppliers

Of the material suppliers, one percent (1%) comes from Taiwan. According to the two indices noted above, Taiwan has been identified as a source country that has a **high inherent risk** of using both child labour and/or forced labour.

The remaining proportion of suppliers, 99 percent (99%), comes from Canada and the United States of America. According to the two indices noted above, Canada and the United States of America have been identified as source countries that have a **low inherent risk** of using both child labour and/or forced labour.

#### Second-tier suppliers

Ferro Technique is aware that two of our major suppliers manufacture their machines in South Korea and Japan. According to the two indices noted above, South Korea and Japan have been identified as source countries that have a **low inherent risk** of using both child labour and/or forced labour.

Though Ferro Technique is aware of the countries in which our suppliers manufacture their products, it is unknown where they purchase their materials from, which could expose the supply chain to inherent risk related to the originating source countries.

## **Remediation of Forced Labour & Child Labour and Vulnerable Family Income Loss**

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

## Awareness Training

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Ferro Technique does not have training in place on the topic of child labour or forced labour. However, we do incorporate training for new employees on topics relevant to the act and have the employee review several key policies:

- The general health and safety policy and program
- The required violence and harassment policy review
- The required personal information protection (privacy) policy
- Human rights training, including anti-discrimination and harassment policy
- All hazard-specific training

This process ensures the individual understands the company's standards and expectations. Other sections within the Handbook that are relevant to child labour and forced labour include: commitment to equal opportunity; diversity, equity, and inclusion; accessibility and accommodations; whistle-blower protection; conduct and behavior; workplace violence and harassment; and health and safety.

Ferro Technique recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

## Mitigating Activities / Assessing Effectiveness

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To mitigate and to track Ferro Technique's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

### Internal Activities

1. **Reporting on Refuse & Unsafe Work incidents:** Ferro Technique will continue to track refusal to unsafe work incidents. Each report requires an investigation to determine if forced labour or child labour is relevant to the claim.
2. **Total harassment incidents:** Ferro Technique has zero tolerance for workplace harassment. All claims made regarding harassment will be reported to the employee's immediate managers, Human Resources, or senior management, including an investigation and action plan to resolve the issue in a timely manner.
3. **Conduct and behaviour incidents:** Ferro Technique has zero tolerance for inappropriate conduct and behaviour. All claims made regarding this will be reported to the managers or Human Resources, including an action plan to resolve the issue in a timely manner. If an employee is found to be guilty of misconduct, he or she may be subject to disciplinary action depending on the seriousness of the offense.
4. **Governance:** Ferro Technique will continue to monitor and assess compliance with the Employee Handbook and review identified policies on an as-needed basis.

### Supplier Activities

1. **Purchase Orders/Invoices:** Ferro Technique has identified the opportunity to implement a clause

within purchase orders and/or invoices regarding zero tolerance for child labour and forced labour. This clause will identify the outcome or, disciplinary action should an instance of child labour or forced labour be reported or discovered by Ferro Technique.

2. **Supplier Questionnaire:** A phased-in approach will be adopted to have new and existing suppliers complete a Supplier Questionnaire which will include specific questions regarding child labour and forced labour. This phased approach will begin with the largest suppliers first and will continue across the supply chain within a reasonable time period. For each questionnaire submitted, Ferro Technique will collect responses in a centralized system, to understand how the risk of child labour or forced labour affects suppliers.
3. **Supplier Monitoring:** Key suppliers of Ferro Technique will be monitored on an annual basis, either through performance reviews or onsite visits. Record keeping for frequency of reviews and date of last review is kept in a centralized system to ensure these reviews are being performed.
4. **Governance:** Each parameter of supplier activities will be reviewed on an as-needed basis.

## Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

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Ferro Technique has taken the following steps to prevent and reduce the risk of child labour or forced labour:

1. **Mapping supply chains:** As part of this report, Ferro Technique has mapped our supply chain to complete a risk assessment to align with the Act.
2. **Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** As part of this report, Ferro Technique has identified risks within our activities and supply chain that have inherent risks of child labour and/or forced labour.
3. **Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** As part of this report, Ferro Technique assessed the risks associated with the goods procured against global forced labour and child labour benchmarks and indices.
4. **Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily:** Human resources checks new employee information to ensure they are legally permitted to work at Ferro Technique. Future checks will evaluate additional aspects of the recruitment process.
5. **Developing and implementing an action plan for addressing forced labour and/or child labour:** Ferro Technique has identified the need to develop an action plan to address emerging risks in our supply chain.
6. **Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour:** Remediation efforts relating to due diligence mechanisms in place have been identified to reduce the risk of child labour and/or forced labour within the




supply chain.

7. **Developing and implementing anti-forced labour and/or child labour contractual clauses:** Ferro Technique has identified the opportunity to integrate contractual clauses within our purchase orders and/or invoices related to anti-forced labour and/or child labour.
8. **Developing and implementing training and awareness materials on forced labour and/or child labour:** Ferro Technique has identified the opportunity to develop employee training relevant to child labour and/or forced labour.

## Attestation

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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.

|                      |  |
|----------------------|--|
| <b>Kevin Farr</b>    |  |
| <b>Full Name</b>     | <b>Signature</b>   |
| <b>VP of Finance</b> | <b>05/30/24</b>  |
| <b>Title</b>         | <b>Date</b>  |

I have the authority to bind Ferro Technique Ltd./Ferro Technique Ltee and this report covers financial year 2023 and applies to Ferro Technique Ltd./Ferro Technique Ltee and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of Ferro Technique Ltd./Ferro Technique Ltee if they apply.