

FERRO TECHNIQUE LTD. FERRO TECHNIQUE LTEE

Report – Forced Labour in Canadian Supply Chains

Table of Contents

Executive Summary	1
Introduction	1
Structure, Activities & Supply Chain	1
Policies & Due Diligence Processes	2
Supply Chain Risk Assessment	5
Remediation of Forced Labour & Child Labour and Vulnerable Family Income Loss	6
Awareness Training	7
Assessing Effectiveness and Next Steps	7
Attestation	9

Executive Summary

Ferro Technique maintains a low-risk profile with the countries where vendors are located and the source countries of our machine manufacturers. The goods procured are generally low-risk, however, we remain aware that the global supply chain for electronics and certain types of metals can carry labour-related risks.

Additionally, Ferro Technique has several policies in place to improve the quality of our workplace and operations. These include:

1. Commitment to Equal Opportunity
2. Diversity, Equity, and Inclusion (DE&I)
3. Accessibility & Accommodations
4. Whistle-Blower Protection
5. Conduct and Behaviour
6. Workplace Violence & Harassment
7. Health and Safety

These policies contribute to fostering a workplace culture that prioritizes safety, respect, and dignity for all employees. Ferro Technique will continue to evaluate taking measures such as training and enhancing the rigor of supplier due diligence.

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, 2023, to May 31, 2024.

This year's report follows a similar structure to last year's report. It includes updated information where updates are available.

Structure, Activities & Supply Chain

Structure

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

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 47 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.

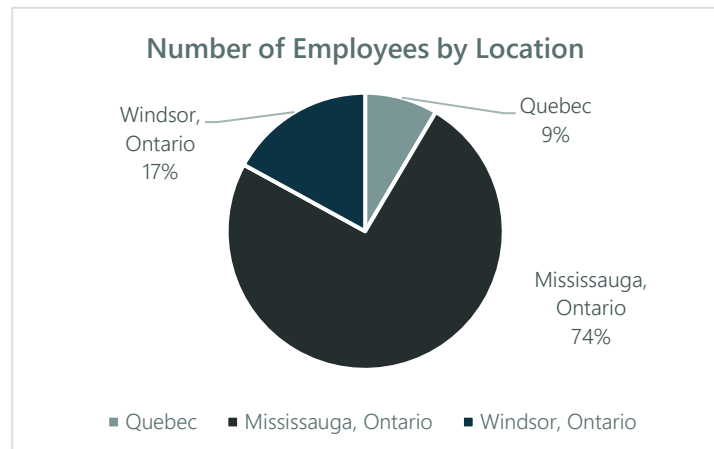


Figure 1

Supply Chain

Ferro Technique has twelve (12) 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 of goods account for at least one percent (1%) of Ferro Technique's total procurement spend over the current reporting year.

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

Employee Handbook Section	Description	Support in Mitigating Risk of Child Labour and/or Forced Labour
Commitment to Equal Opportunity	The Employee Handbook states that Ferro Technique strives to ensure that the principles of human rights	This section provides a framework for Ferro Technique to promote equality within our business operations,

Employee Handbook Section	Description	Support in Mitigating Risk of Child Labour and/or Forced Labour
	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.	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 abuse in global supply chains.
Diversity, Equity, and Inclusion (DE&I)	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.
Accessibility & Accommodations	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.
Whistle-Blower Protection	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.
Conduct and	This section of the Handbook	These two sections contribute to

Employee Handbook Section	Description	Support in Mitigating Risk of Child Labour and/or Forced Labour
Behaviour	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.	fostering a workplace culture that prioritizes safety, respect, and dignity for all employees. By establishing clear guidelines on appropriate behaviour and zero tolerance for 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.
Workplace Violence & Harassment	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."	
Health and Safety	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 department 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

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, risks of child labour and forced labour are inherent to the global industry. As a result, it is concluded that the industry Ferro Technique operates in has inherent risk exposure to forced labour. However, operational risks and risks related to child labour or forced labour are minimized since all of

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 of the goods procured from material suppliers, noted above, focusing on the standard materials utilized in the manufacturing of these goods. The risk assessment identified an inherent risk of forced labour and/or child labour within the global supply chains of the following goods:

- 1) Electronics – machine parts, accessories, and batteries
- 2) Metals – iron, copper, tin, and zinc

All other remaining good's supply chains do not carry inherent risk of child labour or forced labour, according to the US Department of Labor's List of Goods Produced by Child Labor or Forced Labour, 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 – those accounting for approximately at least one percent (1%) of the total supplier spend during the 2024 fiscal year.

Direct suppliers

Material from direct suppliers comes from Canada, Italy and the United States of America. According to Walk Free's Global Slavery Index, Italy, Canada, and the United States of America have been identified as source countries that have a low prevalence of modern slavery among their populations.

Second-tier suppliers

Ferro Technique is aware that two of our major suppliers source machines manufactured in South Korea and Japan. According to Walk Free's Global Slavery Index, South Korea and Japan are countries that have a low prevalence of modern slavery in their population.

While Ferro Technique is increasing its awareness of where goods within our supply chain come from, it is not known where all our suppliers source their raw materials from.

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

To date, Ferro Technique has not identified instances of the use of child labour or forced labour within our operations or those of our suppliers. Ferro Technique is continuing to review its procurement practices to enhance the rigor of its due diligence processes, including raising awareness with its suppliers. At Ferro Technique, we commit to remediate human rights incidents and violations that occur

within our operations and supply chain. During the year 2024, we received zero (0) complaints about Human Rights contraventions internally and externally. We will continue to monitor processes to ensure we do not conduct business with entities that violate human rights or labour rights, and we will immediately cease partnership with a business if evidence of forced labour or child labour is found.

Awareness Training

Ferro Technique does not have training in place on the topic of child labour or forced labour. However, we continue to incorporate training for new employees on topics relevant to labour conditions 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.

Assessing Effectiveness and Next Steps

For the second year, Ferro Technique has retaken steps to evaluate labour and supply chain risks.

Internal Activities

1. **Reporting on Refusal of Unsafe Work:** Ferro Technique will continue to document and learn from refusal to work due to unsafe working conditions.
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. Harassment incidents are tracked in effort to evaluate means to minimize and eliminate behaviours and incidents that lead to claims.
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. Conduct incidents are tracked in effort to evaluate means to implement measures that will mitigate incidents.
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 will evaluate the opportunities to implement clauses or conditions within purchase orders and/or invoices regarding zero tolerance for child labour and forced labour.
2. **Supplier Data Collection:** Ferro is evaluating an approach to collect more information about its suppliers. A successful approach considers whether existing channels or a questionnaire is most effective. Evaluating supplier data collection considers collecting information relating to the Act and other supplier information that support Ferro Technique in meeting its stakeholders' expectations.
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

Ferro Technique continues to monitor its supply chain. Some steps taken include:

5. **Mapping activities:** As part of this report, Ferro Technique has mapped our activities to complete a risk assessment to align with the Act.
6. **Internal assessment of risks of forced labour and/or child labour in 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.

Next Steps

Ferro Technique continues to evaluate opportunities to improve supply chain risk management. These include:

7. **Training:** Ferro Technique is considering enhancing its training offerings to include supply chain risk specific courses.
8. **Supplier Information:** Ferro Technique continues to consider the best approach to collect supplier information will support Ferro Technique to optimize its business and improve its ability to comply with regulatory requirements.

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.

Kevin Farr

Full Name


Signature

VP of Finance

Title

May 27, 2025

Date

I have the authority to bind Ferro Technique Ltd./Ferro Technique Ltee and this report covers financial year 2024 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.