

Modern Slavery Report 2023 Fiscal Year DAFCO FILTRATION GROUP CORPORATION



*This Modern Slavery Report (the “**Report**”) addresses the period from **January 1st, 2023** to **December 31, 2023** and has been prepared in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)(the “**Act**”). This Report is made on behalf of DAFCO Filtration Group Corporation “**DAFCO**”) (“we”, “us” or “our”).*

1. Introduction

Forced labour and child labour, each as defined in the Act, are crimes and serious violations of human rights. As a leading filtration business, DAFCO recognizes the important role that we have in ensuring that our operations and products, and the supply chains that support these, adhere to the highest ethical standards, including the prevention and identification of forced labour and child labour in our supply chain. This Report sets out the steps we have taken during Fiscal Year 2023 to prevent and reduce the risk that forced labour or child labour is used at any step in the production of goods in Canada or elsewhere by DAFCO or of goods imported into Canada by DAFCO.

2. Our Business

DAFCO is a Canadian corporation with two-hundred-seventy-five employees in Canada as of the date of this report.

DAFCO is an air filter manufacturer headquartered in Mississauga, ON, Canada. We are dedicated to generating clean air through a wide range of filtration products while keeping environmental issues in mind.

The company’s complete line of air filters addresses the needs of the Commercial, Institutional HVAC business as well as Industrial applications such as Cleanroom, Power Systems and Paint & Finishing.

DAFCO’s production and distribution facilities have been strategically located across Canada to better service our customers on a national level.

DAFCO's primary manufacturing facility is located in Mississauga with other manufacturing sites in Montreal Quebec, Calgary, and distribution sites in Manitoba, Saskatchewan, and British Columbia.

DAFCO'S supply chain includes businesses that supply goods and services to our organization, from various regions around the world.

In total, we procure goods and services from approximately one hundred suppliers and contractors. The suppliers we engage include businesses that provide us generally with paper products, metal products, non-woven filter media.

3. Our Policies

Through our organizational and governance policies we communicate our values and expectations, setting a high bar of integrity for ourselves, our suppliers, and our selling partners, and we do not tolerate any forms of forced labour or child labour. We are committed to consistently evolving and improving our approach. We make every effort, including due diligence and audits to monitor the overall performance of our suppliers. Our relevant policies are discussed in further detail below:¹

Code of Business Conduct and Ethics

We are committed to conducting our business in a lawful and ethical manner. Our Business Code of Conduct and Ethics (the Code) is the foundation of our company policies and sets out guiding principles on professional conduct and establishes that in performing their job duties, DAFCO employees should always act lawfully, ethically and in the best interests of DAFCO. Our Code states that all people should be treated with respect and dignity and lists physical or verbal abuse, discrimination, and harassment as unacceptable conduct.

Supplier Code of Conduct

Our Code applies to our suppliers as well. We expect our suppliers to comply with all applicable legal requirements in the jurisdictions in which they operate and abide by Our Code. We also expect our suppliers, vendors, and service providers to act ethically and in a manner that meets or exceeds the standards in our Code. We are committed to reviewing our Code on a periodic basis to ensure that this policy is in line with current best practices.

Whistleblower Policy

Our Code makes it clear that retaliation against anyone who reports a good faith concern is prohibited and will not be tolerated. This policy applies equally to anyone who reports a concern regarding any of our Suppliers or their activities.

Due Diligence

We expect third parties with which we work to adhere to business principles and values similar to our own and to comply with all applicable laws and regulations. Before making any commitments towards third parties, we take reasonable steps to appropriately evaluate the relationship and mitigate any associated risks by carrying out risk-based due diligence and checks.

We acknowledge that employees working with our supply chain partners are in the best position to help us spot potential instances of labour or child labour in our supply chain and are committed to providing them with the tools and policies to prevent and reduce risks of forced and child labour. More information regarding our commitments can be found below.

4. Assessing Our Risk

We have conducted an initial review of our supply chain to identify areas of concern or risks of forced labour or child labour. This information will help us assess and manage potential risks.

We have reviewed the primary regions where our materials originate to help us identify regions that merit heightened focus. We have used resources from organizations such as the International Labour Organization, the United Nations Office on Drugs and Crime, and the Walk Free Foundation to learn more about forced labour and child labour. With the help of information from these resources we have reviewed the items and services we procure, the regions which they originate from, and the skill level of the workforce required to provide these items and services.

Based on our review we have determined that a very small percentage of our materials come from regions where modern slavery is prevalent. Despite the very low level of regional risk, we do believe that our procurement of textiles and other materials that typically rely on a lower level of skilled workforce, merits special attention.

Currently DAFCO engages in various activities to identify, assess, and manage supplier risk. We have visited key suppliers in Asia to inspect their factories and we apply a performance score card with our suppliers to regularly review their overall performance.

Notwithstanding our current efforts, the risk assessment detailed above has been instrumental in helping us identify areas of improvement for our supply chain processes and further refined our commitments that are detailed below.

5. Our Commitments

As discussed above, DAFCO has engaged in regular reviews of performance with our key suppliers in 2023. We have also assessed their overall performance against our score card. In addition, our Director of Supply Chain is a Certified Supply Chain Management Professional who has completed training on ethical procurement. This training included modules on forced labour and child labour.

In addition to maintaining our current processes for reviewing our suppliers and training our key Supply Chain leaders and staff, we are committed to implementing the following steps to prevent and reduce risks of forced and child labour:

- *Conducting regular Supply Chain Mapping activities to help us identify potential risks for forced labour and child labour;*
- *Evolving and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in our activities and supply chains;*
- *Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour (Examples: based on region, materials, etc.);*
- *Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains;*
- *Developing and implementing anti-forced labour and/or child labour contractual clauses (standard terms);*
- *Expanding our Supplier ScoreCard to include specific requirements related to the prevention of forced labour and child labour;*
- *Auditing high-risk suppliers which may include site visits;*
- *Establishing regular training and awareness materials on forced labour and/or child labour;*
- *Engaging with supply chain partners on the issue of addressing forced labour and/or child labour;*

Remediation Measures

Our Code and related whistleblower policy require all employees and contract workers of DAFCO to report actual or possible misconduct. We also undertake diligence efforts (as further described in this Report) to ensure that the risk of forced labour and child labour is mitigated in our business. In the event that we discover any forced labour or child labour in our business and supply chains, we plan to take the following measures to remediate such forced labour or child labour:

- *Suspension or termination of a supplier, sub-supplier or contractor;*
- *Actions to prevent forced labour or child labour and associated harms from reoccurring;*
- *Enhanced supervision and/or monitoring of supplier, sub-supplier or contractor].*

Training

As discussed above, DAFCO personnel driving our supply chain efforts at all levels will regularly refresh their training on ethical procurement practices including relevant topics on forced labour and child labour. In addition, every new employee of DAFCO will continue to receive materials and information on our values and policies, including our Code and is informed of how to report wrongdoing. We provide employees with ongoing and periodic training opportunities to ensure that all employees have current knowledge.

6. Our Progress and Effectiveness

As part of our governance processes, we monitor compliance with our policies on an ongoing basis. We also review any concerns raised through our ethics reporting system and other informal mechanisms of employee feedback. To date no significant concerns or complaints have been identified.

We are committed to establishing key performance indicators (KPIs) with respect to tracking our commitments and will review those KPI's regularly.

7. Approval & Signature

This Report was approved by DAFCO's Board of Directors on May 31st, 2024 and has been submitted to the Minister of Public Safety and Emergency Preparedness in Canada. This Report is also available upon request by emailing capurchasing@filtrationgroup.com.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report for DAFCO Filtration Group Corporation. Based on my knowledge, and having exercised reasonable 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.



Marc Saad

President, May 31st, 2024

I have the authority to bind **DAFCO Filtration Group Corporation**.