



Frontier Power Products ULC

2023 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024

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Background

This report (the “report”) is made by Frontier Power Products ULC (“FPP”, “we”, “us” or “our”) pursuant to Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Bill S-211” or the “Act”) covering our most recently completed fiscal year from January 1, 2023 to December 31, 2023. This is the first version of the report submitted by FPP.

Forced labour can be found in almost every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide. Forced labour and child labour risks occur primarily through the global supply chains of businesses. As such, there is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative labour practices are identified, addressed and eradicated from supply chains. Based on the Act, there are eight mandatory areas that must be reported:

1. The steps the entity has taken during its previous financial year 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 by the entity or of goods imported into Canada by the entity.
2. Its structure, activities, and supply chain(s).
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) and supply chain(s) that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
5. Any measures taken to remediate any forced labour or child labour.
6. Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
7. The training provided to employees on forced labour and child labour.
8. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business(es) and supply chain(s).

1. Steps Taken by Entity

To address the requirements of Bill S-211, the following steps have been undertaken by FPP to identify and manage risks associated with forced labour and child labour in our businesses and supply chains:

Step 1 - Assess Applicability

Work regarding Bill S-211 commenced with a kick-off meeting involving accounting and supply chain departments, and an independent consulting firm, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key board members, management, and personnel who will be involved in compiling the Bill S-211 report; obtaining necessary documentation relating to the report; and developing a draft timeline for the required analysis, and ultimately for report preparation was completed.

Step 2 - Scope Identification

Our management conducted an assessment and identified relevant business areas by analyzing FPP's financial statements and other data to understand transaction streams and accounts related to our supply chains; FPP documented its business structure, related activities, and reviewed existing policies and processes concerning forced labour and child labour within our operations and supply chains. Additionally, our management evaluated and considered delivering training programs to ensure our team members' effectiveness in meeting the Act's requirements and documented policies relevant to supplier conduct.

Step 3 - Risk Assessment

We reviewed our supply chain data, analyzed suppliers, expenditures, and categories of goods across various jurisdictions, and conducted a preliminary analysis of significant suppliers in high-risk areas to assess relationships and financial flows. Following this, we prepared a comprehensive risk assessment categorizing potential exposure levels in Low, Medium, and High-risk categories with respect to forced or child labour. Factors that were considered in our risk assessment included the significance of spend; category(ies) of goods and origin (jurisdiction) of the suppliers and the origin of their goods.

Step 4 - Remediation and Action Plans

Based on the results of our risk assessment (please refer to Section 4 for details), no suppliers were identified as posing a High or Medium risk. As a result, there is no need to develop or implement any remediation efforts.

2. Structure, Activities and Supply Chains

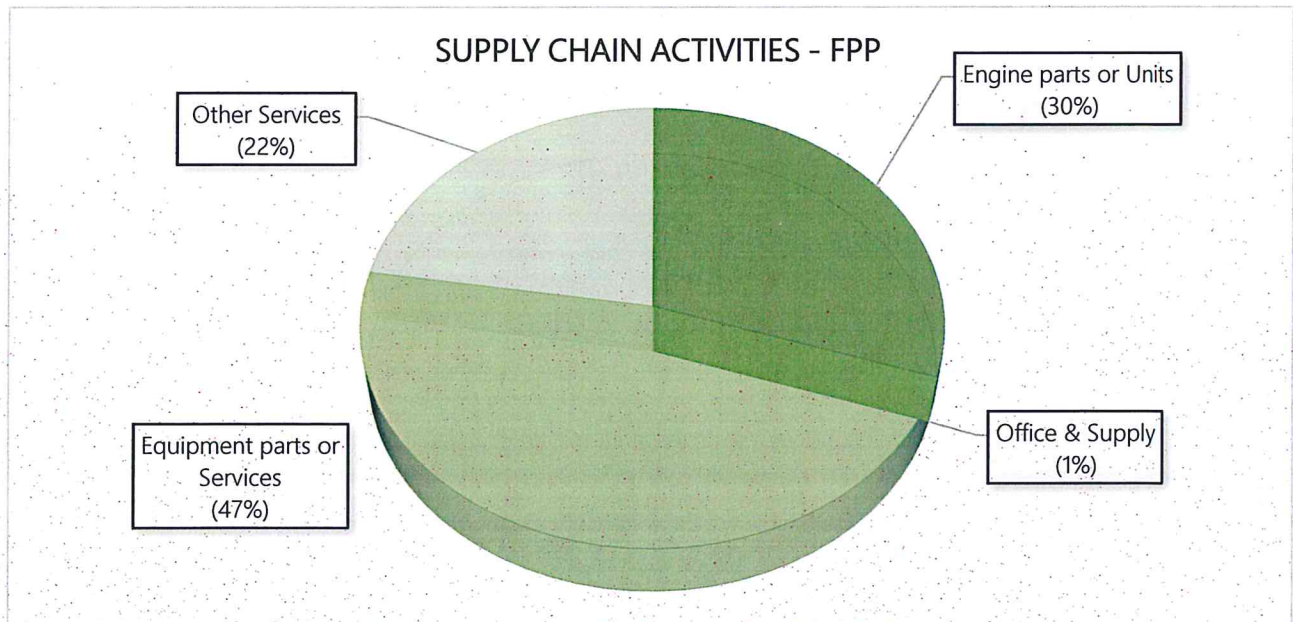
The entity covered in this Bill S-211 report for FPP includes:

- Frontier Power Products ULC (FPP)

FPP is a Canadian distributor of industrial and marine power products and also a manufacturer of specialty power equipment in Western Canada and Ontario.

FPP's supply chain is sourced from Canada, USA, Japan, United Kingdom, Jordan, and Spain, which are considered countries carrying a lower risk of forced labour or child labour, based on publicly available sources (e.g., Walk Free's Global Slavery Index; US Department of Labor's List of Goods Produced by Child Labor or Forced Labor, etc.). For fiscal year 2023, FPP incurred over \$100 million in supply chain spend, which primarily consisted of:

- Engine Parts or Units (30%)
- Equipment Parts or Related Services (47%)
- Other Services (22%)
- Office Supply (1%)



3. Policies & Due Diligence

Currently, FPP has the following policies and due diligence procedures in place in relation to forced labour and child labour:

1. **Personnel Manual and Employee Handbook:** The document includes the behavioral expectations of employees and their rights and responsibilities. Though forced labour and/or child labour are not explicitly stated within the document, aspects and clauses of the document speak directly to working hours, overtime, ethic, equity, respectful treatment and behavior of employees, etc. The document also includes a Code of Conduct which outlines conducting work in an ethical and professional manner and expected behavior. FPP also commits to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of discrimination.
2. **Supplier Code of Conduct:** FPP has developed a Supplier Code of Conduct which includes a Procurement Policy and addresses the risks of child labour and forced labour. It outlines the standards we expect from our supply chain partners, ensuring that suppliers and subcontractors align with FPP values across various external domains. FPP plans to circulate this Code of Conduct to our suppliers before the end of FY24, i.e., December 31, 2024.
3. **Supplier Onboarding Policy:** FPP has a standardized process for onboarding new suppliers to ensure they meet the company's quality, compliance, and ethical standards. The document mentions the process of onboarding suppliers, performing due diligence before onboarding, contract negotiation, and supplier performance review, etc.

4. Risk Assessment

To assess and manage the risks associated with forced labour and child labour, FPP employed a systematic approach to classify suppliers into low, medium, and high-risk categories. This involved evaluating a combination of multiple factors, including the origin of goods, the category of goods, and the significance of spend.

Origin of Goods

The majority of FPP's supply chain is sourced from Canada and the US (over 99% in value), and a small portion of FPP's supply chain (less than 1% in value) is sourced from United Kingdom, Jordan and Japan, which are all considered low-risk countries with respect to forced labour and child labour.

The risk assessment of the origin of goods references, amongst other publicly available data, the US Department of Labor (<https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods/supply-chains>).

Category of Goods

Management assessed the category of goods based on the following considerations:

- **Engine Parts or Units:**

Suppliers identified as distributors, primarily those offering engine parts, or units are assigned a medium risk level. This is due to the potential for these suppliers to import goods from various global locations which may have a higher risk of forced labour or child labour, thereby introducing variable risk factors.

- **Equipment Parts or Services:**

Suppliers that provide spare parts, accessories, equipment or equipment related services and supplies, are assessed as medium risk. This is due to the potential for these suppliers to import goods from various global locations which may have a higher risk of forced labour or child labour, thereby introducing variable risk factors.

- **Other Services:**

Suppliers involved in services, such as insurance, courier, logistics services, office-related services, and other supplies such as shop supplies, cleaning supplies and other office-related supplies for FPP are deemed to have a low risk. This assessment is based on the fact that these service providers operate and their services are rendered within Canada.

The risk assessment of the category of goods references the US Department of Labour

<https://www.dol.gov/agencies/ilab/reports/child-labour/list-of-goods>

Spend

The spend risk rating utilizes stratification of spend per vendor into three intervals to assess the significance (and accordingly, risk level) associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classification is as follows:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 5% of the total annual supply chain spend are classified as medium risk.
- Expenditures that equal or exceed 5% of the total annual supply chain spend are deemed high risk.

Other factors

Other factors considered for the risk assessment included, but were not limited to:

- **Small Local Business (Low Risk):** These are locally operated small businesses known for their transparent supply chains, attributable to their small scale and emphasis on regional community engagement.
- **Publicly Traded Company (Low Risk):** These suppliers belong to publicly traded companies that are subjected to rigorous reporting standards, fostering greater transparency.
- **Long-term Partner (Low Risk):** Supplier with whom FPP has maintained a long-term relationship, consistently proving their commitment to ethical labour practices.
- **Suppliers with Unionized Workforces (Low Risk):** Suppliers that have their workforce represented by labour unions are recognized for their advocacy of workers and human rights.

Based on our comprehensive risk assessment, management evaluated over 700 suppliers to develop this report. The assessment revealed that **NONE** of the suppliers pose a high or medium risk of forced labour or child labour.

5. Remediation - Forced & Child Labour

To date, FPP has not identified any suppliers as medium or high risk. All are considered low risk for exposure to forced labour and child labour. Consequently, there are currently no remediation efforts required.

Should FPP be made aware of any issues regarding the behaviour or conditions within our supply chain, FPP is committed to promptly addressing such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, entertaining required corrective actions with the supplier and ensuring such corrective actions are fully implemented.

6. Remediation - Vulnerable Family Income Loss

As noted above, there have been no instances identified by FPP of forced labour or child labour. As such remediation does not apply.

7. Awareness Training

Currently, FPP's training programs on relevant topics are outlined below:

During the onboarding process for new employees, FPP provides trainings on our Personnel Manual and Employee Handbook, which contain aspects related to forced labour and/or child labour through non-discrimination, anti-harassment, and professional behaviour clauses. These trainings are mandatory.

FPP recognizes the importance of having employees aware of signs of child and forced labour and has identified the opportunity to incorporate training on this during the onboarding process and throughout its existing Personnel Manual and Employee Handbook.

Further, FPP will consider offering relevant training to all employees on identifying, assessing, and responding to the risks associated with child labour and/or forced labour within FPP's operations and supply chains. The first training session is scheduled in the late 2024/early 2025.

8. Ensuring Effectiveness of Processes

On May 31, 2024, FPP completed and reported our initial assessment of Bill S-211, and we remain committed to ongoing reviews of our processes, policies, and practices, including the assessment of our suppliers. This commitment is aimed at aligning with industry best practices and mitigating our risks related to forced labour and child labour.

Policies and Procedures

An annual review of FPP policies and procedures related to forced labour and child labour will be conducted, to identify gaps to further strengthen and reduce the risk of this within our activities and supply chains now and into the future.

Employee Handbook and Code of Conduct Enhancement

A forced and child labour clause will be added to the existing Personnel Manual and Employee Handbook. This clause will explicitly state that FPP has zero-tolerance for forced and/or child labour. Employees will be required to annually acknowledge and sign-off on the acknowledgement receipt of the Employee Handbook, representing their adherence to FPP policy.

Supplier Activities


Supplier Code of Conduct: A forced, and child labour clause is specifically mentioned in the Supplier Code of Conduct. This clause explicitly states that FPP has zero-tolerance for forced and/or child labour. This clause will identify the outcome or, disciplinary action should an instance of child or forced labour be reported to or discovered by FPP.

Supplier Agreement / Onboarding: FPP has identified the opportunity to implement a clause within new supplier agreements clearly stating our zero-tolerance for child labour and forced labour during the contract negotiation.

Supplier Monitoring: FPP will continuously monitor the supplier's performance against agreed-upon metrics and conduct a regular review and provide feedback for continuous improvement to the suppliers. Record keeping for frequency of reviews and date of last review will be kept in a centralized system to ensure these reviews are being performed by FPP management.

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.

I have the authority to bind Frontier Power Products ULC. This report covers the financial year 2023 and applies to *Frontier Power Products ULC* in terms of the Act.

Butch Kibble	
Full Name	Signature
Chief Operating Officer (Brandt Holdings)	5/30/2024
Title	Date