



Forced Labour and Child Labour in Supply Chains Report

Fiscal Year 2023

1. ABOUT THIS REPORT

This report has been prepared in accordance with Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") by GHP Group, Inc. (the "**Company**"), covering its last financial year ending December 31, 2023.

This report outlines the Company's efforts and actions during its previous financial year in identifying and understanding the risk of forced labour and child labour within its operations and supply chains, and the key steps taken to strengthen controls aimed at preventing and mitigating potential risks.

References in this report to "GHP", "we", "our" and similar terms are to the Company.

2. OUR COMMITMENT

We consider the respect of human rights to be a fundamental corporate responsibility and have zero tolerance for forced and child labour within our operations and our supply chains. Additionally, we are committed to maintaining a safe, healthy, inclusive, and discrimination-free work environment where all forms of harassment, coercion, and disruptive conduct are strictly prohibited, and we expect our suppliers to uphold the same standards.

Within our Company, we are dedicated to conduct business in a responsible and ethical manner, not only within our own internal operations but also in our interactions with our business partners and stakeholders. In fact, we only do business with suppliers who meet our customers' auditing strict requirements for working conditions, which implicitly reinforces our position against forced and child labour.

3. PREVENTING AND REDUCING RISKS OF FORCED LABOUR AND CHILD LABOUR

During our last financial year, we continued to take measures to proactively prevent and mitigate the risk of forced labour or child labour throughout our business and supply chains. The specific actions taken include:

- We maintained our monitoring practices and engaged with our suppliers located in higher-risk regions to address issues related to forced labour and child labour, providing close assistance through due diligence and certification processes initiated by our largest customers to address any workplace and human rights issues, and ensuring continuous compliance.
- We provided relevant training sessions on forced labour and child labour to our employees in China who are involved in the certification process.

- We ensured voluntary recruitment, proper internal controls, and compliance with governmental standards and legal requirements, for our employees in both North America and China.
- We continued to offer grievance mechanisms in our North American facilities, with a commitment to taking appropriate action when informed of any issues.

Details of the above actions are set out in this report.

4. ABOUT US & OUR SUPPLY CHAIN

We are a leading product distributor that specializes in the distribution of electric fireplaces, fireplace glass doors, fireplace accessories, electric log sets, portable heating products, and barbecue grill products, among others. All of our products have been put through rigorous testing to ensure that they not only meet, but exceed the industry standards of quality, durability and functionality.

Our corporate headquarters and assembly operations are located in Niles, Illinois (US). We also have a distribution warehouse in Canada, with our main headquarters and distribution facilities located in Guelph, Ontario.

Our customers are mainly large international retailers who market our products in Canada and the United States.

The goods imported into Canada mainly originate from select manufacturers located in China and South Korea, as well as from the US. The raw materials used by those business partners include steel, plastic, wire, glass, brass, and ceramic fiber, which are sourced from the regions surrounding the manufacturing facilities, including from China.

There can be a number of levels of suppliers between GHP and the raw materials at the very beginning of the process. As such, respecting and complying with human rights obligations is as much the responsibly of our suppliers as it is ours. That is why we adhere to high human rights standards and we take steps to ensure our suppliers are doing the same.

5. POLICIES AND DUE DILIGENCE PROCESSES

We believe in the importance of maintaining a safe, healthy, inclusive, and discrimination-free work environment for all workers, both in our own activities and supply chains. This dedication is reflected in our employee manuals and is integrated into our recruitment process.

5.1 Our Employee Manuals and Recruitment Process

With respect to our North American activities, we have implemented employee manuals that emphasize equal employment opportunities, fair treatment, and non-discrimination, in alignment with human rights principles. These manuals reflect our commitment to a safe and inclusive workplace, prohibiting all forms of discrimination. We require employees to comply with laws, regulations, and uphold high standards of conduct and integrity. Non-compliance with these principles may result in disciplinary action, including termination of employment.

We also offer grievance mechanisms to our North American employees, with a commitment to taking appropriate action when informed of any issues. We encourage employees to resolve

disputes by discussing them with their supervisor or the Human Resources Department to prevent escalation. To ensure a safe and respectful work environment for our North American employees, we are committed to promptly and impartially investigating incidents or complaints of workplace violence or harassment, and we strictly prohibit retaliation against those who report or participate in investigations.

In addition, we have continued to apply comprehensive measures to ensure voluntary recruitment at our facility, maintaining proper internal controls, and ensuring compliance with legal requirements. These measures include gathering detailed information on worker recruitment, ensuring timely payment, diligently collecting necessary identification documents, verifying age and legal eligibility for work, particularly when we employ people in China. Our robust payroll systems guarantee accurate compensation, and we facilitate government pension plan payouts, where applicable. Additionally, we meticulously verify and register work permits to ensure compliance with regional standards and legislation mandated by the respective governments.

5.2 Due Diligence Processes

We, as participants in the manufacturing industry, acknowledge our responsibility to take a strong stance against forced labour and child labour. We understand that our due diligence process plays a crucial role in ensuring that workers associated with our business and supply chains are not subject to exploitation. It is our commitment to provide safe working conditions and adhere to employment, health and safety, as well as human rights laws and standards. To uphold the highest standards required by our customers, we engage with our manufacturers located in higher-risk regions and support them during our customers' audit process, which encompasses various aspects such as forced labour, child labour, and other pertinent considerations..

These audits are at the core of our operations in China. The certification procedure is lead by our customers and is followed by our manufacturers under the monitoring of GHP employees in China, who take a leading role in facilitating and overseeing the certification efforts of our suppliers. This includes close supervision of our suppliers to ensure they meet the auditing requirements established by our significant customers. In that context, we also engage with these manufacturers to address issues related to forced labour and child labour, collaborating on-site with them to ensure compliance. Only suppliers who meet our customers' requirements are eligible to engage in business with us.

At the end of the process, inspectors selected by our customers conduct on-site visits before providing their conclusions on the manufacturer's certification. A Sedex Members Ethical Trade Audit (SMETA) Report is issued, which provides a summary of the main findings, covering a range of topics, such as health and safety, working conditions, and the prohibition of child labour in factories.

These certification procedures enable us to track the implementation and outcomes of our efforts, as we update these processes annually to ensure ongoing compliance and to mitigate risks related to forced labour and child labour.

Given that GHP has not yet identified any instances of forced labour or child labour in its activities and supply chains, no measures were taken to remediate such instances or to remediate the loss of income to the most vulnerable families that may result from measures taken to eliminate the use of forced labour and child labour.

6. RISK ASSESSMENT

We have initiated the process of identifying risks in our activities and supply chains and given that our primary focus is on direct suppliers rather than tracing all the way down to raw materials, there are still gaps in our assessment.

Although we have not identified any instances of forced labour or child labour in our activities and supply chains, we are aware that there may be certain areas of concern regarding the potential risks of forced labour or child labour associated with the raw materials or commodities used in our supply chains, as well as risks within the manufacturing activities of our foreign suppliers.

We believe that cultivating long-term and trusted business relationships with our partners and suppliers can greatly enhance overall performance and risk management. As we have established long-standing business relationships with our suppliers, we are confident that the low turnover of suppliers contributes to reducing these areas of concern and potential risks. While we do not assess all our suppliers, we do evaluate certain suppliers beyond our direct ones to enhance our risk management efforts. In addition, the certification process that we apply to all our manufacturers in China allows us to assess and manage these risks effectively.

7. TRAINING AND CAPABILITY BUILDING

GHP provides mandatory training to employees in our China offices who oversee production and participate in the factory certification process to ensure a comprehensive understanding of the risks associated with forced labour and child labour.

The training allows these employees to understand relevant regulations and equips them with the necessary knowledge and skills to assist suppliers in audit preparation, and guide them through the SMETA audit requirements. By providing these training sessions, we ensure that our employees in China are well-prepared and capable of assisting companies during the certification process and fulfilling auditing obligations, ultimately maintaining the integrity of our supply chains and meeting customer expectations.

8. ASSESSING THE EFFECTIVENESS OF OUR APPROACH

We are continuously dedicated to identifying, assessing, and addressing the risks of forced and child labour within our operations and supply chains. The certification process of factories based on customers' guidelines that is completed annually and the results of such audits allow us to assess the effectiveness of the measures taken to ensure that forced labour and child labour are not being used in those facilities.

We collaborate with suppliers on a continuous basis, informing the manufacturers of their performance in the certification process. Given that the certification is updated annually, we are able to measure the effectiveness of our suppliers' actions in addressing forced labour and child labour, including tracking relevant performance indicators. These collaborative efforts and performance tracking demonstrate our commitment to ensuring ethical practices in our business and supply chains.

9. APPROVAL AND ATTESTATION

This report was approved by the Board of Directors of GHP Group, Inc. on May 22, 2024 pursuant to subparagraph 11 (4)(a) of the Act and constitutes GHP's report for the financial year ending December 31, 2023.

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 Company. 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 indicated above.

I have the authority to bind GHP Group, Inc.

DocuSigned by:



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Full name: Philippe Martin

Title: Director

Date: May 22nd, 2023