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COMPLIANCE REPORT  
**THE FIGHTING AGAINST  
FORCED LABOUR AND CHILD  
LABOUR IN SUPPLY CHAINS  
ACT**  
(BILL S-211)

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Submitted to:

***The Minister of Public Safety and Emergency Preparedness***

Date:

***May 31, 2024***

Submitted by:

***National Environmental Products Ltd. (Neptronic)***

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## Introduction

On December 20, 2023, the Minister of Public Safety and Emergency Preparedness published guidance on the Fighting Against Forced Labour and Child Labour in Supply Chains Act, which officially came into force as of January 1, 2024.

National Environmental Products Ltd. (Neptronic), a privately owned, Quebec-based manufacturer in the HVAC industry, operates both in Canada and internationally. With over \$20 million in assets and \$40 million in revenue over the past two years, and employing an average of 250 employees, our corporation recognizes the importance of maintaining ethical supply chains free from forced and child labor. Compliant with Bill S-211, we have implemented comprehensive policies and procedures to monitor, assess, and address these risks.

This report outlines the measures and actions taken by Neptronic to comply with ***the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Bill S-211)***. Maintaining internal controls to ensure that all workers are recruited voluntarily, our commitment to ethical practices and human rights is integral to our operations; this report details our efforts to prevent forced labour and child labour within our supply chains.

This report does not include commercially or legally sensitive information. The information contained in this report is identical to that submitted by Neptronic via the questionnaire provided by the Minister through its portal on the Minister's website. This report is also published prominently on our website, and it can also be provided to any member of the public upon request.

Neptronic has exercised reasonable diligence in attesting that the report is true, accurate and complete in all material respects.



## Policies and Procedures

### ***Supply Chain Due Diligence:***

- **Due Diligence Framework:** Neptronic has put in place a due diligence framework designed to evaluate and monitor our suppliers rigorously. This framework includes [mapping main activities, preparing detailed questionnaires and subsequent verification processes to assess each supplier's compliance with our ethical standards and the legal framework.](#)
- **Risk Assessments:** Neptronic conducted internal assessments to identify potential areas of concern within our supply chains and to address practices in our activities and supply chains that increase the risk of forced labour and/or child labour. These assessments, to be continuously implemented, consider factors such as [geographical location, industry sector, and the historical performance of suppliers in adhering to ethical labor practices.](#)
- **Supplier Selection Criteria:** Neptronic established specific criteria for the selection and maintenance of suppliers. These criteria mandate a [strong commitment to ethical labor practices, including the prohibition of forced labor and child labor.](#) Suppliers are evaluated not only on cost and quality but also on their adherence to our ethical standards and the current legal context.

### ***Supplier Code of Conduct:***

- **Development and Enforcement:** Neptronic developed a [Supplier Code of Conduct](#) (Annex A) that outlines our expectations regarding labor practices, environmental standards, and business ethics. This code explicitly prohibits forced labor and child labor by our suppliers.
- **Mandatory Compliance:** All Neptronic suppliers will be required to sign and comply with our Supplier Code of Conduct. Compliance is monitored through regular interactions and periodic reviews to ensure ongoing adherence to our standards.

### ***Audits and Assessments:***

- **Regular Audits:** Neptronic incorporated our ethical standards as part of our regular verification of suppliers to ensure they comply. These audits are both scheduled and surprise inspections to get an accurate picture of supplier practices.
- **Corrective Action Plans:** Neptronic has designed corrective action plans for suppliers found in violation of our policies. These plans are designed to address specific issues and include timelines for compliance. Continuous monitoring ensures that corrective measures are effectively implemented.



### ***Training and Capacity Building:***

- **Training Programs:** Neptronic has designed and implemented training for key employees (Product Designers and Buyers) focused on the risks and indicators of forced labor and child labor. This training is designed to equip participants with the knowledge and tools needed to identify and prevent unethical labor practices.
- **Awareness Campaigns:** To raise awareness about the importance of ethical labor practices within our supply chain Neptronic has included a specific initiative of immediate impact is the addition of our Supplier Code of Conduct to our welcome package for new vendors as well as a condensed version of it to be included in our Purchase Orders as of May 2024. These initiatives highlight the moral and legal implications of forced labor and child labor and promote a culture of ethical responsibility.

### ***Grievance Mechanisms:***

- **Confidential Reporting Channels:**
  - Alegria Mafoda, Director of HR Neptronic has been designated as person responsible for confidential reporting for employees, concerning issues related to forced labor and child labor via phone, email, and online platforms to ensure ease of use.
  - Suppliers can report concerns in confidence to [quality@neptronic.com](mailto:quality@neptronic.com).
- **Investigation Protocols:** Upon reception of a report, a dedicated team reviews it and conducts investigations, to propose appropriate actions based on findings. All reports are investigated promptly and thoroughly. Transparency and accountability are maintained throughout the process.

Through these comprehensive policies and procedures, Neptronic remains committed to ensuring that our supply chains are free from forced labor and child labor, upholding the highest ethical standards in all aspects of our operations.



## Results and Outcomes

- **Supplier Compliance:** Since the implementation of our due diligence framework, we have seen significant levels of supplier compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Bill S-211) and with our ethical standards.
- **Audit Findings:** Considering Neptronic's industry, the types of products we produce, purchase and distribute, the types of parts and products we source, as well as the raw materials or commodities used in our supply chains (Tier one direct suppliers), Neptronic identified forced labour or child labour risks and supply chain vulnerabilities related to the following sectors:
  - Mining
  - Textiles
  - Electronics
  - Agriculture
  - Chemical
- Initial verifications have not identified any forced labour or child labour in our activities and supply chains, nor any substantial areas in need of improvement leading to the implementation of corrective actions and enhanced supplier performance. We remain committed to working with our established supply network to identify and correct any non-compliance.
- **Training Impact:** Training programs have been created to increase awareness and understanding among employees, resulting in proactive identification and mitigation of risks.



## Challenges and Future Actions

Despite our progress, we acknowledge that challenges remain. We are committed to continuous improvement and will focus on the following areas in the coming year:

- Expanding our verification processes to include auditing our suppliers deemed to be in high risk sectors or geographic locations.
- Enhancing our risk assessment tools to better identify potential issues.
- Strengthening our training programs to ensure ongoing education on ethical labour practices.

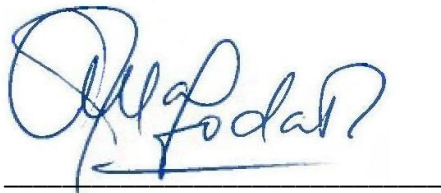


## CONCLUSION

Neptronic remains steadfast in our commitment to combatting forced labour and child labour within our supply chains. We are dedicated to upholding the highest ethical standards and will continue to take proactive measures to ensure compliance with Bill S-211. We appreciate the opportunity to report on our efforts and welcome any feedback or guidance from the Ministry.

Authorized Signatory:

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.

A handwritten signature in blue ink, appearing to read 'Alegria Mafoda', written over a horizontal line.

Alegria Mafoda  
Director Human Resources  
Neptronic  
2024/05/23

This report is submitted in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Bill S-211).



# SUPPLIER CODE OF CONDUCT

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## Introduction

Neptronic is committed to conducting business ethically and responsibly. We expect our suppliers to share this commitment by adhering to the principles outlined in this Supplier Code of Conduct. This Code sets forth the minimum standards for ethical behavior, labor practices, environmental stewardship, and business integrity.

### *Ethical Business Practices*

- **Compliance with Laws:** Suppliers must comply with all applicable local, national, and international laws and regulations.
- **Integrity:** Suppliers must conduct business with integrity, honesty, and transparency. Bribery, corruption, and other unethical practices are strictly prohibited.
- **Confidentiality:** Suppliers must safeguard Neptronic's confidential information and intellectual property and only use it for authorized purposes.

### *Labor Practices*

- **Prohibition of Forced Labor:** Suppliers must not use or benefit from forced, bonded, or indentured labor, involuntary prison labor, or human trafficking in any form.
- **Child Labor:** Suppliers must not employ workers under the age of 15 or under the legal working age as stipulated by local law, whichever is higher.
- **Working Conditions:** Suppliers must provide a safe and healthy work environment for their employees, complying with all applicable safety and health regulations.
- **Wages and Benefits:** Suppliers must pay workers at least the minimum wage required by local law and provide all legally mandated benefits.
- **Working Hours:** Suppliers must comply with applicable laws regarding working hours, overtime, and rest periods.





- *Non-Discrimination*: Suppliers must provide a workplace free from discrimination and harassment, where all employees are treated with respect and dignity.

#### *Environmental Stewardship*

- *Environmental Laws*: Suppliers must comply with all applicable environmental laws and regulations.
- *Sustainable Practices*: Suppliers are encouraged to minimize their environmental impact by adopting sustainable practices, reducing waste, conserving energy, and water, and minimizing emissions.
- *Hazardous Materials*: Suppliers must responsibly manage hazardous materials to prevent environmental contamination and ensure safe disposal.

#### *Business Integrity*

- *Anti-Corruption*: Suppliers must not engage in any form of corruption, bribery, extortion, or embezzlement.
- *Fair Competition*: Suppliers must compete fairly and comply with antitrust laws and regulations.
- *Intellectual Property*: Suppliers must respect the intellectual property rights of Neptronic and others.
- *Conflict Minerals*: Suppliers must ensure that products supplied to Neptronic do not contain conflict minerals sourced from areas where proceeds may support armed conflict or human rights abuses.

#### *Monitoring and Compliance*

- *Audits*: Neptronic reserves the right to audit suppliers' facilities and practices to ensure compliance with this Code. Suppliers must provide access to relevant documents and cooperate with audit processes.
- *Corrective Actions*: If non-compliance is identified, suppliers must promptly implement corrective actions to address any issues. Failure to comply with this Code may result in termination of the business relationship.

#### *Reporting Concerns*

- *Grievance Mechanism*: Suppliers must establish mechanisms for workers to report concerns or violations of this Code without fear of retaliation.
- *Communication*: Suppliers must communicate the principles of this Code to their employees, agents, and subcontractors.



*Conclusion*

By adhering to Neptronic's Supplier Code of Conduct, suppliers help ensure a sustainable, ethical, and responsible supply chain. Neptronic values its partnerships with suppliers and looks forward to working together to uphold these principles.

*Acknowledgement*

We, the undersigned, acknowledge receipt and understanding of the Neptronic Supplier Code of Conduct and commit to complying with its principles and requirements.

Supplier Name:

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Authorized Signatory:

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Title:

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Date:

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