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# REPORT ON FORCED LABOR IN SUPPLY CHAINS

NAILOR INDUSTRIES INC. / NAILOR INTERNATIONAL INC.

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ADDRESSING AND ELIMINATING FORCED LABOUR IN OUR SUPPLY CHAIN

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# 1 - INTRODUCTION & IDENTIFYING INFORMATION

Nailor International Inc. and its wholly-owned subsidiary, Nailor Industries Inc., are committed to maintaining the highest standards of ethics and integrity across all aspects of our operations. As leaders in the HVAC manufacturing industry, we recognize the importance of combating forced labor and human rights violations in our supply chain. This report is prepared in compliance with the S-211 bill, reflecting our ongoing efforts to ensure ethical business practices.

- **Reporting Entity's Legal Name:** Nailor International Inc. and Nailor Industries Inc.
- **Financial Reporting Year:** 2024
- **Identification of a Revised Report:** No
- **Business Number(s):** Available upon request
- **Identification of a Joint Report:** Yes
- **Identification of Reporting Obligations in Other Jurisdictions:** N/A
- **Entity Categorization According to the Act:** Corporation
- **Sector/Industry:** HVAC Manufacturing
- **Location:** Headquartered in Toronto, Ontario

## 1.1 - CORPORATE STRUCTURE & OPERATIONS

Nailor International Inc.: Nailor International Inc. functions primarily as a holding company with minimal operational activities. Nailor International Inc.'s primary role is the oversight and management of its assets and investments.

Nailor Industries Inc.: Headquartered in Toronto, Ontario, Nailor Industries Inc. imports, distributes, and exports mainly to the United States. We manage multiple manufacturing facilities and produce a diverse range of HVAC products tailored for both residential and commercial buildings. Our operational excellence is supported by a robust structure that ensures efficiency and adherence to ethical standards at every level.

## 2 - GOVERNANCE & COMPLIANCE FRAMEWORK

The governance of Nailor International Inc. and Nailor Industries Inc. includes a dedicated Compliance Committee responsible for overseeing our corporate social responsibility, particularly in relation to forced labor and human rights. Our internal policies, including the Code of Conduct and Supplier Code of Conduct, align with international human rights standards and local regulations to ensure a workplace and supply chain free from forced labor.

- **Code of Conduct:** Our Code of Conduct provides comprehensive guidelines for ethical behavior expected from all employees and executives within Nailor International Inc. and Nailor Industries Inc.
- **Supplier Code of Conduct:** We require all suppliers to adhere to stringent criteria that prohibit forced labor and ensure the welfare of their employees.

### 2.1 - SUPPLY CHAIN MANAGEMENT

Nailor Industries Inc.'s supply chain includes many large suppliers that have a very low risk for exposure to forced labour in their supply chains. We conduct rigorous audits and regular assessments to ensure compliance with our ethical standards. Suppliers are required to demonstrate their commitment to human rights and are periodically reviewed to ensure ongoing compliance. We anticipate the risk of forced labor is relatively low in our immediate supply chain as we buy most of our products and materials from the United States, sourcing from ethical suppliers.

### 2.2 - FORCED LABOUR RISK ASSESSMENT

Given the geographic locations of our operations and the nature of our supply chain, we assess the risk of forced labor as very low. This assessment is based on:

- **Geographical Analysis:** Our operations and suppliers are located in regions with stringent labor laws and regulations.
- **Audit Results:** Regular audits have shown no evidence of forced labor or unethical labor practices within our supply chain.
- **Supplier Measures:** Our tier 1 suppliers, primarily from the United States, have measures in place to prevent forced labor.

## 3 - POLICIES & PRACTICES

**Health and Safety Standards:** We maintain high health and safety standards that contribute to the well-being of all employees, directly combating conditions that could lead to abuses such as forced labor.

**Fair Hiring Practices:** Our hiring policies are transparent, promoting fairness and equality, which helps prevent any form of labor exploitation.

### 3.1 - EMPLOYEE & SUPPLIER ENGAGEMENT

We engage with our employees and suppliers through:

- **Training Programs:** Regular training on our policies and their rights under labor laws. We provide extensive training to employees and will supplement our training for the procurement team and all applicable employees.
- **Feedback Mechanisms:** Systems are in place for employees and suppliers to provide feedback on our practices, fostering transparency and accountability.

### 3.2 - MONITORING, REPORTING, AND CONTINUOUS IMPROVEMENT

Nailor International Inc. and Nailor Industries Inc. are committed to continuous improvement in our practices to prevent forced labor. We conduct annual reviews of our policies and procedures to ensure they remain effective and relevant. We will periodically review our supplier list and discuss with our procurement team to ensure they are not using forced labor in their supply chains. We have not encountered any forced labor in our supply chain yet, but if it comes to our attention, we will immediately terminate the relationship with that supplier.

### 3.3 - REMEDIATION MEASURES

As we have not identified instances of forced labor in our supply chain, we have not yet had to take remediation measures. However, we have established protocols to immediately address any forced labor findings, including terminating relationships with offending suppliers and working to mitigate any resulting impacts.

## **4 - REMEDIATION OF LOSS OF INCOME**

Efforts to eliminate forced labor may impact the income of vulnerable families. Should this occur, we will try to take the appropriate steps to address and mitigate such impacts.

### **4.1 - TRAINING**

We have and will continue to provide extensive training to our employees, especially our procurement team, to ensure they understand and can identify risks related to forced labor and child labor. This training includes:

- Mandatory training sessions.
- Specific training for senior management and procurement staff.
- Regular updates and refresher courses.

### **4.2 - ASSESSING EFFECTIVENESS**

We assess our effectiveness in ensuring that forced labor is not used in our supply chains through:

- Regular audits and assessments.
- Tracking and reporting mechanisms.
- Continuous feedback from employees and suppliers.
- Periodic reviews and updates to our policies and training programs.

### **4.3 - CONCLUSION**

Nailor International Inc. and Nailor Industries Inc. remain steadfast in our commitment to uphold the highest standards of human rights across our operations and supply chain. This report demonstrates our proactive approach to ensuring these standards are met and improved upon.

## 5 - APPROVAL

This report has been reviewed and approved by the CEO, Michael T. Nailor, and the Board of Directors of Nailor International Inc. and Nailor Industries Inc. on May 31st, 2024, reflecting our ongoing efforts to address and eliminate forced labor within our operations and supply chain.

*Michael T. Nailor*

Michael T. Nailor  
CEO  
Board of Directors  
May 31st, 2024