



FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS REPORT

PRECISION, INC.

May 21, 2024

Introduction

This report is made pursuant to section 11(a) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) and is published on behalf of Precision, Inc. (the “**Company**”, “**we**” or “**PPI**”).

This report refers to the financial year ended September 30, 2023 and was approved by the Board of Directors of Precision, Inc. on May 21, 2024. It sets out the steps we have taken to address forced labour and child labour risks in our business and supply chains.

The Company is required to report under the Act by virtue of meeting the following thresholds pursuant to the definition of “entity” under section 2 of the Act:

- it has a place of business in Canada;
- it does business in Canada and has assets in Canada; and
- based on its consolidated financial statements, it had at least \$20 million in assets and employed an average of at least 250 employees for at least one of its two most recent financial years.

The Company is not required to report with respect to forced labour and child labour risks in any other jurisdiction at this time.

Our Structure, Activities and Supply Chains

The Company operates in the manufacturing sector as a provider of high performance and innovative conveyor products and solutions. As such, collectively the PPI group of companies has over a million square feet of manufacturing space in 27 global facilities located in the United States, Canada, Chile, Mexico and Peru. Our products are primarily in use in North and South America, but are sold worldwide for use in a diverse group of industries, including aggregate, mining, forestry, grain, unit handling and food processing.

Precision, Inc. was established as a corporation in Iowa, United States on November 17, 1977. The PPI group has manufacturing centres located in Blackfalds, Alberta (through our subsidiary Precision Pulley & Idler Alberta, Inc.); Surrey, British Columbia (through our subsidiary Precision Pulley & Idler Inc.); Sacramento, California; Arlington, Texas; Lewisberry, Pennsylvania; Maysville, Kentucky; Cleveland,

Tennessee; Santiago, Chile (operating through our subsidiary Precision Pulley & Idler S.A.); and a service centre located in Chihuahua, Mexico (operating through our affiliate Precision Pulley and Idler Mexico S de RL). The PPI group employs nearly 1,000 individuals worldwide, of whom 50 are employed in Canada.

Our organizational structure is divided into three divisions: bulk materials, unit handling and Latin America. PPI's activities within Canada primarily consist of the production and manufacturing of conveyor components (specifically pulleys). After manufacturing, our finished products are primarily sent to customers in Canada or mines operating in Latin America.

We source materials and components from suppliers located in China, Spain, India, Mexico, Vietnam, Taiwan, South Africa, the United States and Canada. The majority of our suppliers are located on the Eastern seaboard of China, providing us with metals and steel and plastic components, including bearings, idlers, seals and bushings. Our second most significant source country is Spain, which provides many of our rubber components. In 2023, we spent over USD\$13,100,000 of our sourcing budget with Chinese suppliers, and approximately €1,900,000 with Spanish suppliers, out of a total sourcing budget of approximately USD\$16,300,000.

Risk Assessment and Management

To assess forced labour and child labour risk in our supply chain generally, we refer to external data sources, engage with our peers and consult with external experts. In order to identify our business activities that have greater exposure to forced labour or child labour risk, we consider the following factors:

- Reliance on low skilled workforce;
- Dangerous or undesirable work;
- Presence of migrant workers;
- Presence of labour intermediaries;
- Offshore production;
- Long, complex or non-transparent supply chains; and
- Country risks, e.g. poverty, conflict, weak enforcement of international human rights standards.

The raw materials we use in producing our goods include various metals, especially steel, as a result of which our supply chain is linked to the mining sector. According to the Responsible Sourcing Tool (www.responsiblesourcingtool.org) and the US State Department 2023 Trafficking in Persons Report, there are notable risks with respect to the extractives, mining and metal sector due to hazardous/undesirable work, vulnerable, easily replaced and/or low-skilled workforce, a migrant workforce, the presence of labour contractors, recruiters, agents or other middlemen in the labour supply chain, and the existence of potentially long, complex and/or non-transparent supply chains.

Amongst the countries where we source goods, the US Department of State Trafficking in Persons Report identifies China, our largest source country, as Tier 3, Very High Risk, for human trafficking; among other factors, state-sponsored forced labour is prevalent in China¹. Vietnam is identified as Tier 2 Watch List, High Risk, due in part to the fact that fifty-five percent of Vietnamese workers work in the informal economy where labour laws are not effectively enforced². As well, the US Department of State

¹ U.S. State Department 2023 Trafficking in Persons Report: China

² U.S. State Department 2023 Trafficking in Persons Report: Vietnam

Trafficking in Persons Report identifies Mexico as Tier 2, Moderate Risk, for human trafficking. Most of the other countries where we operate or source goods are considered to be low risk for forced labour or child labour. However, we recognize we may be indirectly linked to the risk of forced labour or child labour as a result of our business activities, and we are aware that certain sectors may pose a higher risk of human trafficking.

Our exposure to the risk of forced labour and child labour increases when we seek out new suppliers, particularly in countries with which we have less familiarity. To mitigate this risk, our sourcing team conducts site visits and inspections, for potential as well as existing suppliers. We take these site visits seriously. For example, in 2023 we rejected a potential supplier in India due to concerns about potential forced labour and child labour issues observed during site visits.

Our Policies and Due Diligence Processes in relation to Forced Labour and Child Labour

While at this time we do not have formal written policies in relation to forced labour and child labour, nor have we formally mapped our supply chains to date, our sourcing team is intimately familiar with our supply chain, and our procedures include various steps designed to mitigate the risks of human trafficking in our supply chain. This includes risk assessments and extensive due diligence on prospective suppliers prior to awarding supply contracts to them. Part of our due diligence involves visiting potential suppliers to review their capabilities, management and working conditions. In 2023 such site visits resulted in our rejection of a potential supplier in India due to concerns about possible forced labour and child labour.

In China we tend to deal with suppliers on the country's eastern seaboard, which in our experience tend to be more professionally managed than suppliers in central and western China and are used to North American audit standards, expectations regarding working conditions, and export requirements.

To further mitigate human trafficking risks in our supply chain, we typically source products directly from the manufacturer, rather than relying on middlemen and intermediaries. This enables us to build a closer relationship with our suppliers and maintain close contact as well as the ability to monitor their business practices with confidence.

We continue to monitor our suppliers regularly in order to encourage responsible business conduct. To date we have not identified any human trafficking concerns in our existing suppliers. However, we aim to work with third parties that share our values and work to the ethical and business standards expected by the Company, so if we find breaches of human trafficking laws within our supply chain, we will look to support our suppliers in their efforts to comply with relevant laws. If, despite such efforts, we see no significant ongoing reduction in such breaches by the applicable party, we may choose to suspend or terminate work with that supplier.

Remediation of Forced Labour or Child Labour

To date, no incidences of forced labour or child labour have been identified in our supply chain audits. However, under our Employee Handbook, all employees and contract workers are encouraged to report actual or possible ethical or legal violations. If any incidences of forced labour or child labour are identified, the Company will work to develop and implement a corrective plan to improve and remedy the situation.

Training on Forced Labour and Child Labour

We seek continuous improvements in our approach to identifying and addressing forced labour and child labour risks. At present we have not implemented formal training with respect to human trafficking for our employees. However, our supply chain management team is aware of the issues and incorporates human trafficking assessment into their review and audit of potential and existing suppliers.

In future we hope to implement training which will be provided to the individuals and functions we assess to be most likely to encounter issues related to human rights and sourcing. We are also considering providing training and awareness materials to our suppliers in partnership with industry organizations.

Assessing Effectiveness

We continue to be proud of our ongoing work and achievements over the past year towards improving our internal processes and diligence. We are working hard to develop better internal tools and measurements to gauge the effectiveness of our efforts to prevent and reduce the risks of forced labour and child labour.

We recognize that as a complex and hidden issue, forced labour and child labour requires more effort to uncover, particularly in lower tiers of supply. As we continue our due diligence activities, we will consider the need for additional ways to assess the effectiveness of our actions.

Conclusion

We remain committed to preventing forced labour and child labour from taking place in our business and in our supply chains. As human rights risks for our business are identified and expectations evolve, the Company will continue to explore opportunities to enhance our human rights due diligence and risk management processes.

Attestation

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.

May 21, 2024

I have the authority to bind **PRECISION, INC.**



Charlie Daugherty
VP Finance/CFO