

2024 REPORT UNDER THE FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT

Introduction

This report has been prepared by The Master Group Inc. (“Master”) in response to the requirements under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for its financial year ending December 31, 2023 (the “Reporting Period”).

Master is committed to promoting labour practices that protect the human rights of workers, including preventing and mitigating the risks of forced labour and child labour in its operations and supply chains. We acknowledge our responsibility to respect human rights and avoid complicity in human rights abuses.

Organizational Structure, Activities, and Supply Chain

Founded in 1952, Master is a leader in the heating, ventilation, air conditioning and refrigeration (“HVAC-R”) sector. At Master, we exist to improve lives and communities, and we do it by sourcing, specifying, distributing and supporting HVAC-R products and solutions across North America.

Master is incorporated under the *Quebec Business Corporation Act*. Our headquarters are located in Boucherville, Quebec, Canada. We have over 1,500 employees, 68 branches, and four distribution centres across Canada. We control two companies that distribute goods in the United States: Value Added HVAC Distributors Inc. (“VAD”) and its subsidiaries, as well as Refrigeration Sales Company LLC (“RSC”). VAD is headquartered in Richmond, Virginia, and also operates in North Carolina and South Carolina. RSC is headquartered in Ohio and also operates in Western Pennsylvania.

Master is the largest independent HVAC-R distributor in Canada and has two main business streams:

- **Wholesale Distribution:** Master is the key distributor for residential and light commercial contractors.
- **Business Solutions:** Master supplies premium HVAC-R equipment to highly specialized and sophisticated customers in the commercial, industrial and high-end institutional markets through sourcing, design, installation, and application advice.

Our supply chain strategy prioritizes establishing and cultivating enduring partnerships with key direct suppliers, predominantly based in Canada and the U.S.A., for the procurement of HVAC-R systems and spare parts.

Furthermore, we monitor the origins of our imported goods beyond our direct suppliers, revealing that 67% of imports for our Canadian operations originate from the U.S.A. The remaining third of these imports hail from diverse countries such as Mexico, Thailand, Italy, China, and Japan. However, our visibility into the countries of origin for the components and raw materials used in these products remains limited.

Steps to Prevent and Reduce the Risks of Forced Labour and Child Labour

In our financial year ending December 31, 2023, we took the following steps to prevent and reduce the risks of forced labour or child labour in our operations and supply chain:

- Updating our *Employee Code of Conduct* to include respect and recognition of basic human rights of workers in our operations;
- Implementing an Ethics Hotline, administered by a third party, offering employees the option to anonymously report concerns they wish to bring forward;
- Adopting and distributing our Ethics and Conduct Concerns Disclosure Policy, which provides formal protection to any employee who discloses or reports a concern in good faith against any form of retaliation or reprisal;
- Started developing training and awareness materials on forced labour and child labour in particular with the procurement and product teams, the management and the Board of Directors;
- Developing and beginning to implement an ESG Action Plan approved by the Board of Directors, which, in particular, emphasizes human rights in our supply chains; and
- Tracking information related to the country of origin of our purchased and imported goods in our Canadian operations.

Further details on these activities are provided in the following sections of this report.

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Policies and Due Diligence Processes

Master has adopted and is implementing policies which, amongst other things, are concerned with the prevention and mitigation of forced and child labour.

We have adopted a *Code of Conduct* that sets our expectations of ethical business behaviour, including respect and recognition of basic human rights of workers in our operations. The *Code of Conduct* describes our Ethics Hotline, which provides a mechanism for any violations of the *Code of Conduct* to be reported and remediated appropriately.

We have also established health and safety programs to ensure compliance with applicable safety, human rights and employment standard laws at our operational sites. This includes our *Harassment Policy*, which commits Master to responding to all forms of harassment, discrimination, bullying or violence and taking any necessary corrective actions. This applies to all employees, vendors, clients, and customers who enter our operational sites or do business with Master.

Master maintains long-term relationships with a number of its suppliers. These suppliers tend to be large, well-established international companies with human rights statements that we rely upon. As a distributor for these substantially larger companies, Master has little leverage to impact their approach to forced and child labour and must also rely on their systems and processes in this respect. Nonetheless, we have made several site visits to both new and existing suppliers in North America and Asia. This continuity, in relationship and communication, provides us with a high-level view of our suppliers' business practices.

In 2023, Master adopted an ESG Action Plan to be implemented from 2024 to 2026. The Action Plan includes three strategic pillars: **Responsible Sourcing, Doing What's Right**, and **Committing to our Stakeholders**. Within the Responsible Sourcing pillar, the Action Plan describes measures focused on human rights in Master's supply chain. These include:

- Conducting an internal assessment of the risks of forced labour and/or child labour in our activities and supply chains;
- Assessing supplier ESG performance, risks, and opportunities through a questionnaire in accordance with Master's ESG strategy, values, and commitments; and
- Implementing supplier evaluation processes to ensure that, to the extent possible given our limited business leverage in some instances, our actual and new suppliers meet Master's requirements.

The Action Plan also sets out a governance structure to be implemented. This includes, the allocation of responsibility for human rights due diligence in Master's supply chains to a senior director-level resource in the business unit.

Forced Labour and Child Labour Risk

Master has not identified risks of forced labour or child labour in its direct suppliers, given our long-term relationships and the location in which these suppliers operate. Further, we do not have visibility over our extended supply chain and, based on publicly available information, are aware that there could be labour-related risks in the production of raw materials for components in the products we distribute. To improve our visibility and ability to assess the risks of forced labour and child labour in our supply chain, our Canadian operations have started to track the country of origin for our imported goods and, as describe in our ESG Action Plan, are committed to engaging with our direct suppliers to improve visibility over the labour practices of our indirect suppliers.

While we use employment agencies to hire temporary labour for our distribution centers, the agencies we work with have strong reputations in the industry. Additionally, given that we operate in jurisdictions that have well-established employment laws, hours of work, and health and safety protections for workers, the risks of forced and child labour in our Canadian and U.S. distribution activities are low.

Remediation Measures and Remediation of Loss of Income

Master encourages the reporting and investigation of human rights violations in our operations through our Ethics Hotline. This hotline is available to employees to report any potential violations of company policies.

We do not tolerate direct or indirect acts of retaliation made in response to a good faith report. We are also committed to conducting an appropriate investigation in response to any reports received on the Ethics Hotline.

To date, we have not received any complaints relating to forced labour or child labour in our operations or supply chain, and as such have not taken any substantive remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

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Employee Training

Master provides onboarding training, as well as annual training, to all our employees. This covers our policies along with other matters relating to safe and ethical workplace practices. To date, we have not provided training that specifically addresses forced labour or child labour for our employees, though we intend to develop this content for potential use in the future.

Assessing Effectiveness

Master has not yet developed formal measures to assess the effectiveness of our approach in preventing and mitigating the risks of forced labour and child labour in our supply chains.

Approval and 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.

Dated in the City of Boucherville, Quebec, this 30th day of May, 2024.

/s/ Emilie Duguay

Vice president, Legal Affairs and Corporate Secretary

I have the authority to bind The Master Group Inc.