



# Valbruna Canada Ltd.

Stainless Steel Specialty Products

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## VALBRUNA CANADA LTD. : FORCED LABOUR AND CHILD LABOUR REPORT 2023

### INTRODUCTION

As a leading Canadian stainless steel and nickel alloys distribution company with operations in Ontario, Canada, Valbruna Canada Ltd. (VC or the Company) believes in promoting human rights and responsible business practices, as described in the International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work, as well as Canadian domestic standards. We recognize that risks of forced labor and child labor (also referred to as modern slavery) exist and acknowledge that understanding and managing these risks requires a collaborative approach with our suppliers, our workforce and other external stakeholders.

This report (the Report) outlines VC's governance processes, existing measures, and progress made in the 2023 calendar year and subsequent months to date to prevent and mitigate the risks of modern slavery across the supply chain we utilize.

This Report is the first report prepared by VC pursuant to Canada's new Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act). This Report is prepared for VC on a stand-alone basis and it is intended to be updated, filed and published annually.

### 1 – STEPS TAKEN TO PREVENT AND REDUCE RISK OF FORCED LABOUR AND CHILD LABOUR

In general terms VC took the following steps to date to prevent and reduce the risk of forced labor in its business and supply chains:

- Formed a Working Group formed by its Secretary, its Managing Director and its Financial Controller to review the impact of the Act on VC and assess the effectiveness of the governance structure, policies and procedures of VC to address the risks of forced labour and child labour;
- Mapped our main suppliers for the year 2023, which are essentially its parent company, Acciaierie Valbruna Spa of Italy and its sister company, Valbruna Slater Stainless Inc. ("VSSI") of the US, recently requested and obtained from them (and from another group company supplying input products to VSSI) a certification confirming their practices against forced and child labor and is considering starting a high-level due diligence assessment to identify potential human rights issues throughout its supply chain;
- Reviewed internal worker recruitment policies and procedures to make sure that all VS's workers are recruited voluntarily.

## 2 – OUR STRUCTURE, BUSINESS AND SUPPLY CHAIN

### OUR CORPORATE STRUCTURE AND BUSINESS ACTIVITIES

*VC is the sole distributor in Canada of the stainless steel and nickel alloys products manufactured by its Italian parent, Acciaierie Valbruna SpA, and to a lesser extent by its US sister company, Valbruna Slater Stainless Inc. ("VSSI"). Its business activity consists in importing into Canada, warehousing and distributing to unrelated Canadian customers said products, mainly stainless steels bars for construction and for engineering applications. VC does not source any products to re-sell from third parties. In addition VC owns 100% of Valbruna ASW Inc. of Welland, ON, which operates a steel meltshop manufacturing carbon and stainless steel ingots and billets, to be sold in part to third parties in the US and Canada, but mainly for its US sister company VSSI for further processing into stainless steel bars.*

### OUR SUPPLY CHAIN

The supply chain of stainless steel and nickel alloys products purchased by VC in 2023 was indicatively as follows:

- About 98% purchased from its Italian parent, Acciaierie Valbruna Spa and manufactured entirely in its plants in Vicenza and Bolzano, Italy, and
- About 2% purchased from its US sister company VSSI and manufactured in its Fort Wayne, Indiana plant, using mainly stainless steel ingots and billets melted and poured by Valbruna ASW Inc. in Welland, Ontario, and to a lesser extent other semi-finished products manufactured by its Italian parent.

## 3 – OUR POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND CHILD LABOUR

### GOVERNANCE AND RESPONSIBILITIES

VC's Board is accountable for VC's strategic objectives, including sustainability matters, as well as overseeing the effectiveness of VC's risk management systems and internal controls. Our process strives to ensure that the Board is informed of the interrelationship between the business environment and its associated risks, and is intended to facilitate and stimulate discussion of our key business risks.

### POLICIES AND STANDARDS

Code of ethics (policy and commitment on human rights)

VC is bound by its Italian parent Acciaierie Valbruna SpA's Code of Ethics (CBE), which applies to all the Valbruna Group entities and reinforces the Company's requirements and expectations for conducting business ethically and the resulting expected behaviours, and includes a statement on Valbruna's commitment to human rights. The Acciaierie Valbruna SpA's COE can be found in the Valbruna Group internet site [www.valbruna-stainless.com](http://www.valbruna-stainless.com). Said COE reiterates our group position of Social Responsibility and as part of our commitment to human rights, we stand firmly against the use of forced labour and child labour in our operations and across our supply chain. The COE Policy applies to all employees, directors, officers, and workforce of Acciaierie Valbruna SpA and its majority owned subsidiaries in all countries where Valbruna conducts business. It is reviewed periodically and each revision is approved by its Board.

Expectations on reporting violations

Said COE also provides a framework for asking questions and highlights resources in place to report concerns. At Valbruna we report (and encourage the reporting of) actual or potential non-compliances with our policies or our legal requirements, including those in relation to forced labour and child labour, so they can be addressed appropriately.

Personnel are required to report any actual or suspected violation of the law or of our COE, including those in the context of forced labour and child labour, and all health, safety and environment related hazards, potential hazards

or incidents, of which they become aware. Valbruna takes every report seriously and provide immunity from disciplinary action for good faith reporting of incidents and issues. Personnel have several avenues to report an issue depending on its nature to the Acciaierie Valbruna SpA's Supervisory Body established under Italian Legislative Decree N. 231, dated June 8, 2001.

Additional information related to VC's due diligence processes is provided below in the discussion of our actions to address modern slavery risks.

## **4 – PARTS OF OUR BUSINESS AND SUPPLY CHAIN THAT CARRY THE RISK OF INVOLVING FORCED LABOUR AND CHILD LABOUR AND THE STEPS TAKEN TO ASSESS AND MANAGE THEM**

### *UNDERSTANDING OUR RISK EXPOSURE*

VC's greatest risk exposure to forced labour and child labour is through its suppliers and the primary sources of these risks come from procuring goods in higher-risk countries and sectors. But being our key suppliers entities of the Valbruna Group and bound by its COE, they recognize the potential risks of forced labour and child labour in their extended supply chains and the complexity and challenges in assessing and assure modern slavery compliance.

In addition VC and the other entities of the Valbruna Group are already participating and compliant with several laws and regulations for the transparency of international supply chains, including:

- The US and Canadian Customs regulations requesting all importers of steel products into the US and Canada to identify the "country of melt and pour" of said steel products, which in the case of VC's is mainly Italy and partly Canada, and
- The so-called Conflict Minerals laws and regulations, like the Dodd-Frank Act dated 2001 of the US and the European Union Regulation 2017/821, aiming to ensure that key minerals like tin, tungsten, tantalum and gold are sourced responsibly from areas not subject to armed conflicts like the DRC, in which the risk of violence and human exploitation including forced and child labour is particularly severe; of said minerals only tungsten is occasionally contained in some stainless steel products imported and distributed by VC.
- In addition VC has recently:
  - established a cross-functional working group involving the Company Secretary, its Managing Director and its Financial Controller to examine its supply chain for high-risk activities and suppliers for forced labour and child labour risks to comply with the new annual reporting requirements imposed by the Act. Mapped our main suppliers for the year 2023, which are essentially its parent company, Acciaierie Valbruna Spa of Italy and its sister company, Valbruna Slater Stainless Inc. ("VSSI") of the US,
  - requested and obtained from them (and from another group company supplying input products to VSSI) a certification confirming their practices against forced and child labor and is considering starting a high-level due diligence assessment to identify potential human rights issues throughout its supply chain;
  - Reviewed internal worker recruitment policies and procedures to make sure that all VS's workers are recruited voluntarily.

## **5 – MEASURES BEING CONSIDERED TO REMEDIATE ANY FORCED LABOUR AND CHILD LABOUR ISSUE**

## **SUPPLIER REGISTRATION AND RISK CLASSIFICATION**

VC is considering supplier registration and risk classification options to manage modern slavery risks in our supply chain. But being our key suppliers entities of the Valbruna Group and bound by its COE, they already recognize the potential risks of forced labour and child labour in their extended supply chains and the complexity and challenges in assessing and assure compliance against modern slavery.

If issues were to be found, they would be escalated to senior management for review and action in accordance with the Valbruna Group COE. High-risk suppliers, materials, and manufacturing sites flagged in future by VC's internal processes, if any, would be subject to additional internal due diligence screening and risk controls.

Since VC did not identify so far any evidence of forced labour or child labour, we did not implement any remediation measures in the 2023 calendar year and subsequent months to date.

## **6 - REMEDIATION MEASURES FOR LOSS OF INCOME RESULTING FROM ELIMINATION OF FORCED LABOUR AND CHILD LABOUR**

In case of identifying the risks of forced labour or child labour in the Company's activities and supply chain, VC plans primarily to focus on understanding the operations and supply chain of our Tier 1 suppliers and rely of the independent controls and assessments of our Italian Parent Acciaierie Valbruna SpA and of our US sister company Valbruna Slater Stainless Inc. for potentially higher-risk second level suppliers, if any.

Since VC did not identify so far any evidence of forced labour or child labour, we did not implement any remediation measures in the 2023 calendar year and subsequent months to date.

## **7 – TRAINING PROVIDED TO OUR EMPLOYEES ON FORCED LABOUR AND CHILD LABOUR**

VC recently started training activities for certain of its employees in key positions about the new Canadian Act against Forced and Child Labour, like having them attending specialized webinars and providing them explanatory documentation to read and review.

Upholding human rights, including both forced labour and child labour, is explicitly addressed in the Valbruna Group COE. It is being planned that every member of the VC team will be expected to read, understand and comply with the principles and requirements set out in the COE and be required to complete certain annual training.

This current and planned training framework underscores our dedication to fostering a culture that not only understands but actively champions human rights across all facets of our operations and supply chain.

## **8 - ASSESSING OUR EFFECTIVENESS**

VC is committed to developing a resilient and transparent supply chain where the human rights of every worker involved are respected. To date, our focus has been further enhancing our foundational capabilities and processes to continue to effectively manage our suppliers on critical forced labour and child labour issues to ensure human rights are not violated within our supply chain.

While VC believes in the efficacy of our measures to prevent and mitigate forced labour and child labour within our operations and supply chain at the Tier 1 level, we will strive to maintain and continually improve our sustainable and transparent supply chain and work to develop a robust understanding of our global supply chain networks. These activities include assessing contractual terms and working with suppliers to obtain appropriate certifications and measure the effectiveness of their actions to address forced labour and child labour.

## LONGER TERM

Identifying and eliminating forced labour and child labour in the global supply chain is a complex social, economic, and governance issue that can only be resolved through partnership and collaboration across industry, suppliers, governments, and non-profit organizations. Collaboration is one of our core values and our supply chain partners are crucial to developing collective solutions. This requires us to deepen relationships with our supply chain partners, strengthen our contractual language at the Tier 1 supplier level, and to work together to build new levels of transparency throughout all tiers of our supply chain and build joint solutions to deliver value across multiple dimensions.

As a part of ongoing enhancements, we will strive to continue to identify emerging risks. The Company also intends to continue developing and implementing additional due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and child labour in our activities and supply chain.

## REPORT APPROVAL, ATTESTATION AND PUBLICATION

I confirm that this Report has been approved by the Board of Directors of VC on May 27, 2024, and contains the following 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 VC. 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.

This Report will be posted on VC's web site at <https://www.valbrunaasw.ca/valbruna-canada>. In addition it will be made available upon written request addressed to :

The Secretary – Valbruna Canada Ltd. – 8724 Holgate Crescent – Milton, ON, L9T 5Z1.

I have the authority to bind Valbruna Canada Ltd.



Valter Viero

Director and Secretary

Valbruna Canada Ltd.

Date: May 27, 2024