

# ANNUAL REPORT CONCERNING THE RISK OR USE OF FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS

For the Financial Year Ended December 31, 2023

This annual report (this “**Report**”) on the risk or use of any forced labour or child labour in the business and supply chain VDM Metals Canada Ltd. (“**VDM Canada**”), as well as any actions taken by VDM Canada to monitor, assess, mitigate, and remediate the same, as appropriate, is dated as of August 16, 2024 and is being delivered in respect of the financial year ended December 31, 2023 (the “**Reporting Period**”). This Report has been prepared in accordance and compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”).

## A. Structure, Activities, and Supply Chains

VDM Canada is the Canadian subsidiary of the VDM Metals group of companies (“**VDM Metals**”). VDM Metals is one of the world's leading suppliers of materials in all semi-finished forms, and from its headquarters in Werdohl, Germany, VDM Metals employs about 2,000 people worldwide. Within VDM Metals, VDM Canada is active in the sales & distribution of high performance alloys that consume expensive raw materials such as nickel, cobalt, chromium etc. as a base material. VDM Canada’s compliance and sustainability efforts, including as to forced labor and child labor, are centrally managed and consistently applied throughout VDM Metals.

VDM Canada was incorporated on June 1, 1976 under the laws of Canada, and is headquartered in the city of Vaughan, Ontario. VDM Canada does not exercise any direct, indirect, or common control over any entity.

### Supply Chain

VDM Canada’s purpose is the distribution of goods produced and provided by or via its parent company. Thus, all alloys were received from VDM Metals; all aluminium plates delivered to VDM Canada were received from a third party company in Germany, which received a Gold EcoVadis rating in 2022, placing the company in the top 5% of over 90,000 companies assessed on its commitment to sustainability .

VDM Metals is subject to the German Supply Chain Act. In order to comply with it, VDM Metals was required to publish a “Statement of Principles” (the “**Statement**”), available on the VDM Metals website [here](#). In particular, the Statement contains the following information on VDM’s risks in the value chain and, in particular, on its supply chain risks:

*“As part of the risk analysis in our own business area, we did not identify any risks within the meaning of the German Supply Chain Due Diligence Act, taking into account the existing measures. This assessment is supported by the numerous specific measures that we have developed and introduced in the areas of Human Resources, Health & Safety and Sustainability, among others, in order to identify and effectively eliminate human rights and environmental protection-related risks. These instruments are regularly checked, for example through internal and external audits (e.g. ISO certifications) and provide us with continuous information about whether and, if so, what action is needed or what potential for improvement we can still exploit. In many cases, our risk minimization measures go far beyond the local legal*

*requirements and serve to maintain the most homogeneous, auditable process landscape possible in our domestic and foreign units in order to enforce our values and demands.”*

*“In 2023, we subjected our supply chain to the specific risk analysis described in this document. While we were only able to identify isolated risks among our direct suppliers, we identified various human rights and environmental risks further along the supply chain, particularly in the raw material extraction and initial processing stages. The risks vary primarily with regard to the countries of origin of the raw materials and the places of initial processing. Risks exist in particular with regard to the following areas:*

- *Environmental management (e.g. contamination of soil, water and air)*
- *Fair and safe working conditions (pay, discrimination, health protection at the workplace, child/forced labor)*

*These issues are the focus of our prevention and remedial measures along our value chain.”*

*“We also expect our suppliers to observe our human rights and environmental expectations and to base their daily work on them – including in their collaboration with suppliers. Our suppliers are therefore required to introduce appropriate processes and improve existing processes in order to effectively counteract any risks. We also take this into account when selecting our suppliers. Our requirements are reflected in particular in our Supplier Code of Conduct, the standards of which our suppliers guarantee and are obliged to enforce against their upstream suppliers. In view of the risk of human rights violations in connection with the mining of conflict minerals, our supplier code contains, for example, clear and strict guidelines with regard to the procurement of conflict minerals throughout the entire supply chain. As part of the systemically supported onboarding process, our suppliers receive training to inform them about our human rights and environmental-related expectations and to raise their awareness of them. The aforementioned code of conduct is an integral part of our contractual supply relationships. In combination with the in-depth risk analysis along the entire supply chain already mentioned, we assume that we have anchored a robust system to prevent human rights violations and environmental crimes in our internal processes. If violations of our expectations in this regard are identified in our value chain, we encourage our suppliers to cooperate in ending the violation. In order to be able to assess the success of our prevention and remedial measures, we carry out appropriate controls in coordination with our suppliers, e.g. through on-site audits. We also have an escalation plan, which also includes the temporary or permanent suspension of a supplier as a last resort.”*

## **B. Steps Taken to Prevent and Reduce Risks of Forced Labour and Child Labour**

During the Reporting Period, VDM Canada took the following steps to prevent and reduce the risks of forced labour and child labour in its activities and supply chains:

- Conducting an internal assessment of risks of forced labour and/or child labour in the organization’s activities and supply chains;
- Contracting an external assessment of risks of forced labour and/or child labour in the organization’s activities and supply chains;
- Developing and implementing an action plan for addressing forced labour and/or child labour;

- Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains;
- Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour;
- Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains;
- Developing and implementing child protection policies and processes;
- Developing and implementing anti-forced labour and/or -child labour contractual clauses;
- Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists;
- Monitoring suppliers;
- Developing and implementing training and awareness materials on forced labour and/or child labour;
- Developing and implementing procedures to track performance in addressing forced labour and/or child labour; and
- Engaging with civil society groups, experts and other stakeholders on the issue of addressing forced labour and/or child labour.

Further information on the foregoing steps are set out in greater detail in this Report.

### **C. Policies and Due Diligence Processes**

#### **Code of Conduct, Supplier Code of Conduct, and Statement of Principles**

VDM Metals expects its employees to observe the human rights and environmental standards set out in VDM Metals' Code of Conduct and the VDM Metals-wide guidelines for avoiding corruption, fraud and anti-competitive agreements, when performing their own responsibilities and when dealing with suppliers. VDM Metals' compliance guidelines contain clear behavioral guidelines for compliance-relevant aspects of its employees' daily work and help them make appropriate, informed decisions. They are a practical means of aligning the actions of VDM Metals' employees with VDM Metals' corporate values and legal requirements. The content of VDM Metals' compliance guidelines is not limited to addressing behavioral requirements, and focuses more on detailing responsibilities and follow-up processes in the interest of maximum acceptance. For example, VDM Metals' policy on handling incoming reports explains how and who processes them once they are received.

VDM Metals' Code of Conduct for Suppliers as well as its Due diligence in the Supply Chain: Statement of Principles expressly declare that forced labour and child labour are not accepted. VDM Metals' Code of Conduct for Suppliers is an integral part of VDM Metals' business/contractual relationship with suppliers and referred to in VDM Metals' General Conditions of Purchase. In compliance with the German Supply Chain Act, to which VDM Canada's parent entity is subject, VDM Metals conducted a risk analysis

of its subsidiaries including VDM Canada in its previous fiscal year, focusing on human rights and environmental risks. As part of the analysis, VDM Metals' high-risk suppliers operating in areas flagged under the Conflict-Affected and High Risk Areas list developed by the EU were required to conduct specific compliance training and answer an extensive compliance questionnaire. The answers given by such suppliers formed the basis for further risk mitigation measures.

### Due Diligence

As part of its due diligence processes, VDM Metals, and VDM Canada, by extension:

- Embeds responsible business conduct into policies and management systems;
- Identifies and assesses adverse impacts in operations, supply chains and business relationships;
- Ceases, prevents or mitigates adverse impacts; and
- Tracks implementation and results.

### *EcoVadis*

VDM Metals engages with applicable external third parties to assist in its due diligence of its operations, supply chains, and processes. VDM Metals is certified by EcoVadis, a sustainability rating platform for global procurement chains. Within the EcoVadis process, scorecards are used to rate and monitor the environmental, ethical, and social practices of suppliers and business partners. Please see VDM Metals' [press release dated August 22, 2023](#) for further information.

### *Metal Alliance for Responsible Sourcing/Responsible Minerals Initiative*

VDM Metals is a member of the Metal Alliance for Responsible Sourcing ("**MARS**"). MARS supports companies in creating an integrated risk management system based on the guidelines of the Organization for Economic Cooperation and Development ("**OECD**").

As a processor of metallic raw materials, VDM Metals is also a member of the Responsible Minerals Initiative ("**RMI**") and uses its resources to design due diligence processes encompassing all its subsidiaries.

### *Supplier Selection and Management*

VDM Metals expects its suppliers to observe VDM Metals' human rights and environmental standards, which are set out in VDM Metals' Code of Conduct for Suppliers. Suppliers are therefore required to introduce appropriate processes and improve existing processes in order to effectively counteract any risks. Suppliers' compliance with the VDM Metals' Code of Conduct for Suppliers is also considered when selecting VDM Metals' suppliers. As part of the systemically supported onboarding process, VDM Metals' suppliers receive training to inform them about our human rights and environmental-related expectations and to raise their awareness of them.

The VDM Metals' Code of Conduct for Suppliers is an integral part of VDM Metals' contractual supply relationships. In combination with the in-depth risk analysis along the entire supply chain already mentioned, VDM Metals assumes that we have anchored a robust system to prevent human rights violations and environmental crimes in VDM Metals' internal processes. If violations of VDM Metals'

expectations in this regard are identified in VDM Metals' supply chain, VDM Metals encourages its suppliers to cooperate in ending the violation. In order to be able to assess the success of VDM Metals' prevention and remedial measures, VDM Metals carries out appropriate controls in coordination with its suppliers, e.g. through on-site audits. VDM Metals also has an escalation plan, which also includes the temporary or permanent suspension of a supplier as a last resort.

### *Complaint Mechanisms*

VDM Metals promotes a culture of open communication in which employees can express concerns or questions about compliance issues in the company and in the supply chain at any time and in a variety of ways, including anonymously. VDM Metals' compliance department sees itself as an advisor for employees and can be contacted personally to ensure effective prevention of compliance violations. If violations of VDM Metals' human rights or environmental expectations are identified, VDM Metals works to ensure that these are mitigated or ended as quickly as possible. VDM Metals expects its employees to work together towards this goal wherever possible.

VDM Metals has an open error culture throughout its organization in order to promote the highest quality and safety standards for its products. VDM Metals strives to be just as active and transparent when it comes to how VDM Metals understands and manages compliance and sustainability. In VDM Metals' experience, the greatest learning effects and successes can be achieved this way. VDM Metals believes that establishing mechanisms through which employees and third parties can report illegal and/or unethical behavior without fear of reprisal is an important part of VDM Metals' strategy for preventing rights violations and sustainable development. VDM Metals' whistleblower/complaints systems can be accessed and used by everyone (in many languages) via the Internet or VDM Metals' website. VDM Metals investigates reported information with due seriousness and in the manner defined in VDM Metals' Internal Investigations Policy. This guideline (also published on VDM Metals' website) defines the principles of processing in a binding manner in order to ensure a high and transparent standard for the initiation, implementation and documentation of internal audits as a result of information received. VDM Metals guarantees the confidentiality of the information and whistleblowers.

### **D. Risk of Forced Labour and Child Labour in Activities and/or Supply Chains**

During the Reporting Period, VDM Metals has identified risks to the best of its knowledge and will continue to strive to identify emerging risks. VDM Metals has identified that there is a risk of forced labour and child labour occurring in its operations and supply chains by virtue of: (a) the industries it operates in (i.e. mining, quarrying, and oil and gas extraction, manufacturing, and retail trade); (b) the types of products it produces, sells distributes, or imports; (c) the locations of its activities, operations, or factories; (d) the types of products it sources; and (e) the raw materials or commodities used in its supply chains.

A summary of VDM Metals' risk assessment procedures is set out below.

### *Annual and Ad Hoc Risk Analyses*

VDM Metals carries out regular annual and ad hoc risk analyses of its entire organization, and in relation to its direct suppliers, which provide VDM Metals with iron, steel, and castings products, production-related services, and waste management. As part of the review of the raw materials, products and services VDM Metals uses, VDM Metals also examines indirect suppliers. VDM's risk analysis encompasses supplier relationships that at least reach a certain, predefined volume and are carried out in two stages:

1. Stage One: VDM Metals abstractly determines the human rights and environmental global risks inherent in its operations and supply chains based on country of domicile/origin and product group. As part of this analysis, VDM Metals consults publicly available sources such as the list of conflict and high-risk areas in accordance with European Union (“EU”) Regulation 2017/821 (CAHR-A), the World Bank’s governance indicators, and Yale University’s Environmental Performance Index.
2. Stage Two: If risks are identified in Stage One, VDM Metals subsequently relies on the sources noted in Stage One and other external sources, such as the Corporate Social Responsibility Risk Check from MVO Nederland and sources and reports referenced therein, to deepen its analysis by inquiring into the specific practices implemented by its suppliers to ensure compliance with applicable human rights laws and best practices.

To ensure compliance with VDM Metals’ human rights and environmental expectations, VDM Metals implements prevention and remedial measures based on the results of the aforementioned risk analysis.

### *Conflict Minerals*

Section 1502 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU Conflict Minerals Regulation 2017/821 created a statutory framework for dealing with and importing "conflict commodities." VDM Metals includes cobalt alongside tantalum, tin, tungsten, their ores (cassiterite, columbite-tantalite and wolframite) and gold. VDM Metals minimizes risks in the raw materials supply chain by following the principles of the OECD Due Diligence Guideline and applying RMI industry standards to best minimize risks.

#### **E. Remediation of Forced Labour and Child Labour in Activities and/or Supply Chains**

During the Reporting Period, VDM Canada did not identify any forced labour or child labour in its activities and supply chains and as a result, no measures to remediate the use of forced labour or child labour needed to be taken.

#### **F. Remediation of Loss of Income in Most Vulnerable Families**

As VDM Canada did not need to take any measures during the Reporting Period to remediate the use of forced labour or child labour in its operations and supply chains, VDM Canada did not identify any loss of income to vulnerable families during the Reporting Period resulting from any such measures, and accordingly, did not take any remediation measures.

#### **G. Training on Forced Labour and Child Labour**

VDM Metals’ employees, including VDM Canada’s employees, are required to participate in mandatory compliance trainings at least once every year. New employees have to participate in a compliance training not later than three months after they have started to work for VDM Metals. All compliance trainings address the values and principles reflected in VDM Metals’ Code of Conduct and VDM Metals’ Code of Conduct for Suppliers, and VDM Metals’ zero tolerance for the use or facilitation of forced labour or child labour is not tolerated. Employees in certain departments who may be able to identify the risks or use of forced labour or child labour (e.g. sales and procurement) are trained on identifying areas of non-compliance with the international standards that VDM Metals and its subsidiaries are required to adhere

to (e.g. German Supply Chain Act, , the Code of Conduct, etc.). VDM Metals' training curriculum is updated/reviewed every year.

**H. Assessing Effectiveness of Forced Labour and Child Labour Prevention Mechanisms**

VDM Metals consults various external frameworks when designing, assessing the effectiveness of, and re-designing (as required) its forced labour and child labour prevention mechanisms, including the RMI, EU Regulation 2017/821 (CAHR-A), the World Bank's governance indicators, Yale University's Environmental Performance Index, the Corporate Social Responsibility Risk Check from MVO Nederland and sources and reports referenced therein, and the OECD Due Diligence Guideline.

**ATTESTATIONS**

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 VDM Metals Canada Ltd. 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.

*"Joshua Roberts"*

Joshua Roberts  
Director, VDM Metals Canada Ltd.  
August 16, 2024

I have the authority to bind VDM Metals Canada Ltd.

**Approved by the Board of Directors of VDM Metals Canada Ltd. this 16<sup>th</sup> day of August, 2024.**