

2023 Forced and Child Labor Report

INTRODUCTION

This Report is produced by Walter Surface Technology Inc. (“**WALTER**” or the “**Corporation**” or “**our**” or “**we**”) for the financial year ending December 31, 2023 (the “**Reporting Period**”) and sets out the steps taken to prevent and reduce the risk that forced labor or child labor is used at any step of the production of goods in Canada or elsewhere or of goods imported into Canada by the Corporation. This Report constitutes the first report prepared by the Corporation pursuant to Canada’s new Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “**Act**”). This report is a joint report for the following entities: Allegro Industries, Minnesota Twist Drill, Drillco Cutting Tools, Magnum Carbide LLC, PushCorp Inc. and Greenfield Industries Inc.

We acknowledge our responsibility to combat forced and child labor and are committed to acting ethically and with integrity and transparency. We are working to put systems and controls in place to safeguard against any form of forced or child labor taking place within the business or our supply chain.

1. The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labor or child labor is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.

Overall, WALTER took the following steps during the Reporting Period to prevent and reduce the risk of forced labor or child labor in our business and supply chains:

- Reviewed and updated our Code of Business Conduct and Ethics policy, Anti-Corruption & Anti-Bribery policy, Whistleblower policy, and Health & Safety onboarding training in Oct 2023, having 100% employees sign-off for compliance.

- 65% of our suppliers are from low-risk jurisdictions and geographies from a forced labor & child labor perspective.
- The remaining 35% of suppliers reported that they have standards, and written policies in place that prohibit forced and child labor in any form within their organization and supply chain.

2. The entity's structure, activities, and supply chains.

OVERVIEW OF WALTER

Walter Surface Technology is a leading provider of innovative solutions for the metalworking industry, specializing in cutting, grinding, and finishing applications. The company offers a comprehensive range of products and services designed to enhance productivity, efficiency, and safety in metalworking operations. Walter Surface Technology operates by delivering high-quality abrasives, power tools, chemical solutions, and related equipment tailored to meet the needs of its customers across various industries, including manufacturing, construction, automotive, aerospace, and more.

There are 170 employees in Canada and 766 employees working outside of Canada as of December 31, 2023. Our headquarters is located in Montreal, Canada, with offices distributed through USA, Mexico, and Brazil. In addition, Walter Surface technology has partner organizations with Allegro, Minnesota Twist Drill, Drillco, Magnum Carbide, PushCorp Inc and as of 2024 Greenfield Industries. The listed entities are all located in the US, specifically in the following regions: Piedmont, Chisholm, Baton Rouge, Waynesboro, Garland, and Seneca, respectively. Such entities are manufacturers or suppliers and distributors of safety equipment, metal cutting tools, twist drills and industrial equipment.

Most of the Corporation's marketing is provided through its head office in Greater Montreal, Québec. Sales of the Corporation's products are made through various offices of the Corporation or its subsidiaries. Repair services are also available through authorized Service Centers located in the United States, and Canada.

OUR SUPPLY CHAIN

WALTER's global supply chain consists of product suppliers, providing notably abrasives, cleaning solutions, power tools, personal protection equipment, tooling, welding equipment, onsite safety equipment and lubricants, as well as suppliers of non-product goods and services. The raw materials, components and items required to manufacture and assemble complete products (packaged and ready to sell) are procured from suppliers around the world and vary from product to product. Most of these items or components are provided by suppliers with which WALTER has price and volume agreements, in addition to long-term contracts. Much of our products are shipped to Canada or the US and assembled and distributed by our facilities. WALTER currently does business with approximately 78 product suppliers located in 18 countries and approximately 1,092 non-product suppliers in Canada and the US. When it comes to choosing the right supplier, the R&D team locates the suppliers needed and manages the sourcing and repurchasing of the product or item. Changes in supplier will happen when there is a change in product design, when the R&D team optimizes the performance of a product or when there are cost reduction projects. In most instances, when change is necessary, the team visits the new supplier for quality control. In assessing risk, it is known that existing long-term partnerships can have lower risk because corporations will have a better knowledge of the supplier's operations and policies. However, a new partnership or business relationship may be equally low risk if proper due diligence is conducted.

3. The entity's policies and due diligence processes in relation to forced labor and child labor.

WALTER is dedicated to integrating human rights principles into its policies, governance structure, and decision-making processes. Policies in place that reinforce this concept are the following:

- Pre-Approval Policy and List of Services for Pre-Approval
- Hiring Policy
- Anti-Bribery and Anti-Corruption Policy
- Code of Business Conduct and Ethics
- Disclosure Policy (Operating Companies)
- Work Health and Safety Policy
- Environmental Policy
- Whistleblower Policy

Certain policies are helping us in our due diligence process for modern slavery.

3.1 Code of Business Conduct and Ethics Policy

All WALTER employees and business partners must adhere to principles in the Code of Business Conduct and Ethics Policy. This policy guides activities for all our operations globally and clearly states our position on several labor practice issues and outlines our standards of integrity and expectations for ethical behavior. The policy also serves as an affirmation of our commitment to fair labor practices in the workplace and provides a framework to guide WALTER's operations and business practices globally.

3.2 Whistleblower Policy

While the Whistleblower Protection Act itself may not specifically target forced labor, its provisions play a crucial role in combating Forced Labor and Child Labor by empowering individuals to speak up without fear of retaliation. Additionally, the act can indirectly minimize forced labor by fostering a culture of accountability within organizations. Knowing that employees have legal recourse if they witness or are subjected to forced labor can act as a deterrent for employers engaging in such practices.

3.3 Due Diligence Process

The policies and procedures in place are designed to assist employees/individuals to whom it applies in understanding their legal and ethical obligations and to encourage avoidance of conflicts of interest, and accountability for compliance with applicable laws. The monitoring of compliance is achieved through systems and processes implemented by WALTER management that are designed to result in wide dissemination of the Code, to encourage compliance with its provisions and to facilitate the reporting of actual or suspected breaches. Such breaches are investigated by management as appropriate and, depending upon the nature of the breach and other relevant circumstances, either dealt with by management with the results reported to the board or referred to the board for further action.

4. The parts of the entity's business and supply chains that carry a risk of forced labor or child labor being used and the steps it has taken to assess and manage that risk.

In addressing the question of identifying potential areas within the entity's business and supply chains that carry risks of forced or child labor, the company undertook a thorough assessment process. This involved mapping out the entirety of our supply chain, from sourcing raw materials to final product

delivery. While acknowledging the lack of prior analysis as this is a new requirement, WALTER is committed to establishing clear supplier guidelines, fostering transparency through supplier partnerships, and implementing grievance mechanisms for workers.

By adopting a “risk-based approach” we were able to identify which elements of the business and supply chains may involve high modern slavery risks. When examining our supply chain structure at a thematic, overarching level, it was found that a relatively small percentage of suppliers were considered from high-risk geographies based on the information available. Our methodology of identifying risks in our supply chain combines country risk indicators, and the type of products/services offered by the supplier. Our methodology to identify risks is notably based on 1) whether the supplier is headquartered or its manufacturing sites are located in countries that are at risk according to the global slavery index based on the products they supply to WALTER, 2) whether the products/services originate from or are delivered from one of the countries mentioned above, and 3) if the products offered by the supplier to WALTER include raw materials.

Having no visibility over these suppliers regarding their risk-management protocols and mitigation strategies on modern slavery risks can be considered a blind spot for our operations/supply chains. To help address this issue and promote ethical labor practices throughout the supply chain, WALTER sent out a *Supplier Inquiry Questionnaire* to all suppliers in high-risk geographies. Based on the responses, most suppliers had written policies which strictly prohibit forced labor and child labor. It was also seen that suppliers would either conduct unscheduled inspections of the facility to look for any signs of forced labor or have regular audits from their compliance team.

By having these proactive measures in place, suppliers demonstrated their commitment and transparency to combatting forced and child labor. WALTER will continue to help mitigate forced labor and child labor exploitation and is committed to respecting and enforcing human rights.

5. Any measures taken to remediate any forced labor or child labor.

As no specific instances of forced labor or child labor have been identified, no remediation activities or measures have been undertaken.

6. Any measures taken to remediate the loss of income to the most vulnerable families results from any measure taken to eliminate the use of forced labor or child labor in its activities and supply chains.

WALTER does not tolerate non-compliances of its prohibition against forced labor and child labor. If such a non-compliance occurs, WALTER will take immediate remedial action to mitigate, address and resolve within the shortest possible period. If such non-compliance is not promptly and satisfactorily remediated, with assurance of non-recurrence, WALTER reserves the right to take any further action, including, but not limited to, termination of employment, contractual relationship, and/or notification to law enforcement agencies.

7. The training provided to employees on forced labor and child labor.

WALTER ensures that its employees undergo routine training sessions covering ethical subjects and company policies. All new office employees are assigned a mandatory onboarding training package which includes training in our Code of Business Conduct and Ethics, Anti-Corruption & Anti-Bribery, Whistleblower, Health & Safety onboarding training. Every year, during the month of October, all employees are required to sign off their abidance by the policy mentioned above and follow a yearly

Health & Safety refresher training. In the upcoming year of 2024, WALTER plans to extend its training efforts to specific groups, focusing on issues such as child labor and forced labor.

8. How the entity assesses its effectiveness in ensuring that forced labor and child labor are not being used in its business and supply chains.

WALTER intends to assess its effectiveness in preventing and reducing risks of forced labor and child labor in its activities and supply chains at a later stage.

We recognize the importance of maintaining constant vigilance to identify and address any instances of forced and child labor throughout our business and supply chains. We will be reviewing the progress and effectiveness of our programs in combating forced and child labor annually. In addition, WALTER intends to work alongside suppliers to check any progress and actions they have put in place to address modern slavery risks.

9. Report Sign Off Process

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.

“I have the authority to bind Walter Surface Technology.”

Signature:



Full name: Marc-André Aubé

Title: President & CEO

Date: May 23, 2024