

2025 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, 2024 (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.

Organizational Structure

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 a privately held HVAC-R distributor incorporated under the Quebec Business Corporations Act and is headquartered in Saint-Bruno-de-Montarville, Québec. It operates through three principal legal entities:

- The Master Group Inc. – Canadian parent company and primary distribution network.
- Value Added HVAC Distributors Inc. (VAD) – U.S. operations in Virginia, North Carolina and South Carolina.
- Refrigeration Sales Company LLC (RSC) – U.S. operations in Ohio and western Pennsylvania.

VAD and RSC are wholly controlled U.S. subsidiaries that conduct no operations in Canada and maintain distinct domestic supply chains that do not feed into Canadian distribution.

Scope of the Report

This statement addresses the activities and supply chains of The Master Group Inc. in Canada only. VAD and RSC are included for ownership transparency; supplier data from their U.S. operations is excluded. Unless stated otherwise, “Master” refers solely to Canadian operations.

Activities, and Supply Chain

Master employs over 1,300 people and operate 56 branches and three distribution centres across Canada. Our operations are structured around two core business lines:

- **Wholesale Distribution:** Serving residential and light commercial contractors, Master acts as a key distributor of HVAC-R products across Canada.
- **Business Solutions:** Master supplies premium HVAC-R systems to specialized commercial, industrial, and high-end institutional clients. This includes support through sourcing, system design, installation, and application-specific consultation.

Our supply chain strategy emphasizes long-term, collaborative relationships with key direct suppliers, primarily located in Canada and the United States. These suppliers provide HVAC-R systems and related spare parts that support our domestic distribution network.

We also monitor the origin of imported goods. Approximately 65% of imports for our Canadian operations originate from the United States. The remaining imports come from a range of countries, including China, Thailand, Mexico, Japan, and Italy. However, our visibility into the countries of origin for components and raw materials used in these products remains limited, which may pose potential risk factors further upstream in the supply chain.

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

During the Reporting Period, Master took the following steps to prevent and reduce the risks of forced labour and child labour in its operations and supply chain:

- Continued to operate the Ethics Hotline—implemented in the previous reporting period—administered by an independent third party and available for employees to report concerns anonymously. The updates to the Code of Conduct, initially planned for 2024, will now be implemented in 2025 to ensure alignment with evolving best practices. Master plans to update its Code of Conduct in 2025 to include explicit recognition of workers' fundamental human rights.
- Continued to apply the Ethics and Conduct Concerns Disclosure Policy, adopted in the previous reporting period, which provides formal protection to any employee who reports a concern in good faith.
- Provided awareness sessions to employees in product-management and procurement on forced and child labour and initiated ad-hoc discussions on these topics with suppliers. While these conversations are not yet carried out systematically, Master intends to formalize and embed them into routine supplier business-review meetings in 2025.
- Conducted on-site visits to prospective manufacturing partners in Malaysia and other jurisdictions and follow-up visits to existing suppliers in China and the United States, among other objectives, to assess working conditions.
- Finalized and began disseminating Master's Vendor Guide, which sets clear expectations on legal compliance, business ethics and labour practices, including a strict prohibition on forced, bonded or child labour.
- Continued to track the country of origin of purchased and imported goods in our Canadian operations.

Policies and Due Diligence Processes

Master has not yet implemented a formal stand-alone Forced-Labour Policy. However, the Vendor Guide issued at the end of 2024 sets out clear expectations regarding supplier conduct. It reflects Master's commitment to ethical practices and includes provisions aimed at preventing and mitigating the risks of forced and child labour within its supply chain.

The Vendor Guide:

- Requires vendors to conduct business in compliance with all applicable laws, regulations, and industry standards, including those of Canada and any other jurisdictions in which they operate.
- Prohibits forced, bonded, or involuntary labour, as well as the employment of individuals below the legal minimum working age.
- Calls on vendors to actively monitor their own supply chains and to take immediate corrective measures should any violation occur.

Throughout 2024, our sourcing teams initiated the distribution of Master's Vendor Guide to our suppliers and began integrating its requirements into ongoing supplier-relationship-management discussions.

Employee Training

Master provides onboarding and annual training to all employees, covering company policies and other topics related to maintaining a safe and ethical workplace, including the Code of Conduct. Managers reinforce key elements during team discussions. In 2024, issues related to forced and child labour were addressed through manager-led briefings and informal sessions with teams in product management and procurement. No formal workshops or mandatory e-learning modules are currently planned.

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Risk Assessment - Forced Labour and Child Labour

Risk-assessment approach

Master maintains long-term relationships with many of its suppliers, most of whom are large, well-established international companies with published human-rights or modern-slavery statements. During the Reporting Period we reviewed those statements and checked for any forced-labour findings.

In parallel, we conducted a desktop country-and-commodity screening for all Tier 1 suppliers. Each country of origin was cross-referenced against the Global Slavery Index. Countries rated “high risk” by any of these sources were flagged.

Findings to date

No instances or specific risks of forced or child labour were identified among direct suppliers in 2024. We recognise, however, that visibility beyond Tier 1 remains limited, and that upstream activities—particularly raw-material extraction and processing—may present higher risk. Those upstream risks will be addressed through the supplier self-assessment questionnaire planned for 2025.

Canadian operations

Within Canada, Master staffs temporary roles in distribution centres via reputable employment agencies operating under robust provincial labour laws. We therefore assess the risk of forced or child labour in our domestic facilities as low.

Assessing Effectiveness

In 2025, Master will distribute a supplier self-assessment questionnaire focusing on forced and child labour. Key Performance Indicator (KPI): percentage of direct suppliers completing the questionnaire – baseline to be established in 2025 with a target response rate of 75 %. Responses will inform continuous-improvement actions.

Remediation Measures and Remediation of Loss of Income

Master encourages employees to report actual or suspected humanrights violations through its confidential Ethics Hotline, which is available 24 hours a day, seven days a week, in English and French. The tollfree number is posted on the company intranet and included in the Employee Code of Conduct, which confirms that reports may be made anonymously and without fear of reprisal. Master strictly prohibits any form of direct or indirect retaliation for a goodfaith report and commits to conducting an appropriate investigation whenever a report is received.

During the Reporting Period, the Ethics Hotline received no calls concerning forced or child labour, and consequently no investigations were opened, and no remedial actions were required. Likewise, Master identified no instances of forced or child labour in its operations or Canadian supply chains. Should a substantiated case arise in the future, Master will work with all affected stakeholders to ensure appropriate compensation and livelihood restoration in line with the Act and international good practice.

Approval and Attestation

Pursuant to section 11(4)(b)(ii) of the Act, the Board of Directors of Master approved this statement on May 28, 2025.

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 Period.

Dated at Saint-Bruno-de-Montarville, Québec, this 28th day of May 2025.

/s/ Emilie Duguay

Vice-President, Legal Affairs and Corporate Secretary

I have the authority to bind The Master Group Inc.

This report will be posted on www.master.ca by May 31st, 2025, in English and French and filed via Public Safety Canada’s online portal.