



The Precast Group

Forced Labour and Child Labour in Supply Chains
Company Assessment



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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

In compliance with the *An Act to support the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, The Precast Group (“the Group”, or “the Company”) has begun prioritizing the analysis of forced labour and child labour. While the Group does not currently have formal policies in place related to these issues, our Employee Agreement and Employee Handbook clearly outlines that it is compliant with the laws of the Province of Ontario. The Group does not currently have formal policies on child or forced labour in place, but we wish to emphasize our commitment to human rights and to abide by relevant local and international legislation. As a growing, socially conscious precast concrete company, the Group recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

Background

The measures introduced through the Act, aim to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour 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.
- Its structure, activities and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

Structure

The Precast Group operates as a private corporation based in Ontario. We specialize in manufacturing and distributing high quality custom precast concrete and masonry and providing landscaping services exclusively within Eastern Ontario. Each company has a different fiscal year end, therefore the financial year for which the Group is reporting is January 1, 2023, to December 31, 2023. This is the first version of the report submitted and the report is for The Precast Group, which is comprised of the following entities: Central Precast Inc., M-CON Products Inc., and Utility Structures Inc. This a joint report for Central Precast Inc., M-CON Products Inc., Utility Structures Inc., and also includes Mion Holdings Inc.

As per the combined financial statements of the Group, we had more than \$20 million in assets, generated more than \$40 million in revenue, and currently have 237 employees across our offices and factories in Ontario. Therefore, meeting the Bill S-211 reporting requirements, with two out of the three compliance thresholds related to revenue and assets having been met.

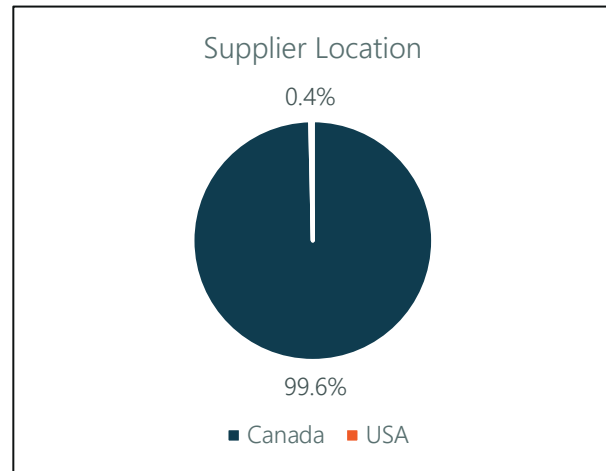
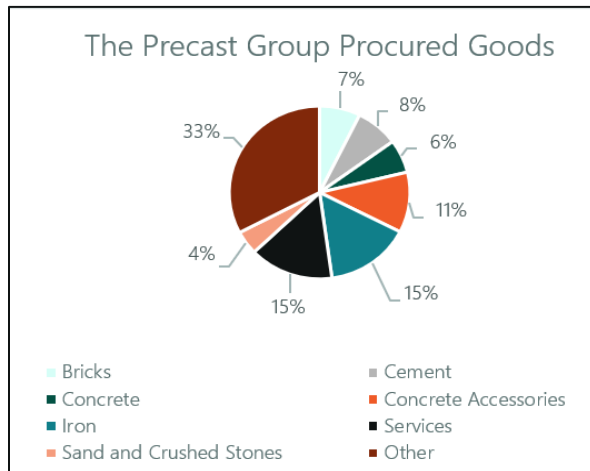
Activities

The Group procures inventory for production and distribution through direct acquisition of goods for concrete production, which are then shipped to clients. We serve the development, utilities and infrastructure sectors.

Additionally, we manufacture and supply a diverse range of custom and standard architectural masonry products for both residential and commercial buildings. Complementing our precast and masonry offerings, we provide an extensive selection of landscaping products and accessories, catering to various landscaping needs and design preferences.

Supply Chain

The Group's largest suppliers for 2023 originated in Canada, with less than 1% of our spend attributed to suppliers in the United States. The Group has 642 Canadian suppliers and 4 suppliers from the United States. The pie charts describe the Group's breakdown of spend at a high level based on the types of goods procured as well as the spend associated with the location on the supplier.



Policies and Due Diligence

Current Policies

Employment Agreement

Our Employee Agreement clearly outlines that it is governed by and construed in accordance with the laws of the Province of Ontario. Furthermore, the agreement specifies a work week of up to 42.5 hours, with eligibility for a bonus annually based on employee and company performance. The Employee Agreement also has a Due Diligence clause, confirming that employees are voluntarily accepting employment and have not been induced. Employees are required to sign the Employee Agreement as a confirmation of their understanding and commitment to comply with company terms.

Employee Handbook

Our Employee Handbook highlights our adherence to the *Employment Standards Act* legislation of Ontario and ensures workplace rights under the General Employment Policies, including freedom from harassment and discrimination. The Employee Handbook also states the procedure for reporting complaints regarding harassment and discrimination.

Within the Employee Handbook, Our Code of Conduct states that there is no tolerance for any acts of misconduct, and that individuals who engage in misconduct are subject to disciplinary actions, including termination, when necessary. According to the Harassment and Violence policy, there is a channel for reporting and investigation of any perceived unethical behaviour. Together, these policies serve as safeguards against forced labour and child labour.

Due Diligence

Supplier Questionnaires

Most of the Group’s supply chain comes from Canada and suppliers are required to follow international and Canadian laws regarding the procurement of raw materials. While the Group does not have proscribed due diligence processes for smaller vendors, we have assessed the risk with procuring from them as low.

However, as part of our commitment to prevent child or forced labour within our supply chain, the Group has requested that suppliers that pose the highest risk to them complete a questionnaire. This questionnaire is used to obtain confirmation from 16 suppliers (which account for 44% of our spend) that they do not engage in child and or forced labour. Suppliers that have responded to the questionnaire have indicated that they have not identified any instances or unmitigated risks of forced labour or child labour within their business activities, operations, or supply chains. To date, 3 out of 16 suppliers have provided a response to the questionnaire, of which the 3 suppliers represent a total of 6% all spend, and we are working on obtaining responses from the additional low-risk suppliers for the next financial year.

Onsite Visits

The Group performs routine onsite visits to local supplier operations as part of the onboarding process and periodically during the year once the supplier has been onboarded. These visits strengthen supplier relationships and establish open lines of communication should any issues arise relating to the procurement of the Group’s products. However, while onsite visits are carried out, there is potential to formalize a description of required activities during the visits to ensure compliance with the Group’s standards.

Risk Identification and Management

A risk assessment of the Group’s supply chain from the dimensions of country of origin and type of good has been performed for our material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of the Group’s total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - Walk Free’s *Global Slavery Index* and the US Department of Labour’s *List of Goods Produced by Child Labour or Forced Labour*.

Countries of Operations and Risk

The Group had a risk assessment conducted on the countries where we have operations and found that there were low inherent risks of forced labour or child labour in Canada. The inherent risk associated with entities operating within Canada are low but continued due diligence is required.

Countries of Suppliers and Risk

The Group had a risk assessment conducted on the countries of origin for our suppliers and found that there were low inherent risks of forced labour or child labour in Canada and the United States. This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is an inherent low risk and continued due diligence is required. The table below illustrates the number of suppliers and their country of origin:

Country	Suppliers (#)	Inherent Risk per Country
Canada	642	Low
United States of America	4	Low

Type of Goods Procured and Risk

The Group had a risk assessment conducted on the types of goods purchased from suppliers. For the purposes of this report, material suppliers have been defined as those who account for at least 1% or more of the total procurement spend during the fiscal year. The risk analysis indicated high inherent risks for forced labour and child labour from the raw materials of these goods. This does not mean that evidence of forced labour was found to support this risk analysis but that there is an increased inherent risk which necessitates closer scrutiny to ensure those risks do not flow through to the goods procured. While goods we purchase have high or extreme inherent risk, the overall risk associated with the goods in our supply chain has been assessed as low as they are produced/quarried locally in Canada -- which has a low inherent risk. The table below illustrates these commodities:

Goods	Inherent Risk per Good	Country	Inherent Risk per Country	Overall Risk
Bricks	Extreme	Canada	Low	Low
Cement	High	Canada	Low	Low
Gravel (crushed stones)	Extreme	Canada	Low	Low
Iron	High	Canada	Low	Low
Nails	High	Canada	Low	Low
Rubber Gloves	High	Canada	Low	Low
Sand	High	Canada	Low	Low
Sandstone	Extreme	Canada	Low	Low
Stones	Extreme	Canada	Low	Low
Stones (limestone)	High	Canada	Low	Low
Timber	Extreme	Canada	Low	Low

Remediation Forced and Child Labour and Vulnerable Family Income Loss

We are committed to identifying human rights incidents and violations that occur within our operations and communities. As there were no incidents related to forced or child labour reported to or noted within the Group, there has been no need for the entities to report, correct or remediate any incidents of forced or child labour. The Group recognizes the significant impact forced and child labour can have on individuals and their families and thus rely on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding the Group, and its suppliers up to the highest standards.

Awareness Training

The Group does not have formal training in place on the topic of child labour or forced labour. Our current processes will be reviewed to ensure they suitably address our commitment to the prevention of child labour and forced labour within our supply chain and operations.

As a combined entity, we recognize the opportunity to enhance employee training relevant to this Act. Therefore, we will be evaluating conducting applicable training for staff in the foreseeable future, as well as updating the onboarding process to enhance compliance with and awareness of child and or forced labour.

Self-Assessment Process and Requirements

As a combined entity, we are in the process of understanding and evaluating our supply chain; as part of this process, we will evaluate our processes to understand areas of improvement around self-assessment processes internally and within our supplier management. This will include key performance indicators (KPI) metrics, internal audits, quality assessment programs to ensure the implementation of the child and forced labour awareness. We will continue to review our practices to enhance the rigor of self-assessment processes to identify how effective they are in ensuring that forced and child labour are not being used in our business and supply chains.

Conclusion Key Takeaways

Through our analysis, we found that, although the commodities which we procure from our suppliers have a higher inherent risk for forced labour and child labour, we manage that risk by buying predominantly from Canadian suppliers. However, we are committed to continuous improvement and have identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within the Group and our supply chain.

In the upcoming year, the Group has identified areas and mechanisms where we have opportunities to further reduce the risk of forced labour and/or child labour within our activities and supply chains. These

include:

Recommendations Related to The Precast Group Activities:

1. **Consider Strengthening Informal Processes:** While significant changes may not be immediately feasible, making adjustments to informal processes could contribute to better risk management and lays the foundation for future improvements.
 - a. **Consider Increasing Communication and Documenting Key Discussions:** This can involve regular meetings or huddles to discuss ethical practices such as forced labour or child labour. Employees can be encouraged to share their thoughts, concerns, and ideas related to identifying and preventing child and forced labour in the supply chain. Key discussion points could be recorded to ensure that important decisions and actions are documented. This can include meeting minutes, notes from supplier discussions, or agreements reached regarding ethical standards.
2. **Investigate Adjusting Formal Processes:** For processes already documented, small adjustments can improve risk management:
 - a. **Consider Adding a Clause in the Employee Handbook:** The handbook currently has clear guidelines on topics such as workplace conduct, safety protocols, and ethical standards. Incorporating a clause in the employee handbook regarding child labor and forced labor can strengthen the Group's stance on these issues. The clause would include policies specific to being compliant with Bill S-211. This centralized resource would provide clear guidelines for employees, promote consistency in decision-making, and establish accountability for ethical behavior, ensuring a cohesive organizational culture.
 - b. **Explore Introducing Formal Training Requirements:** By incorporating training modules specifically addressing ethical sourcing practices, including the prohibition of child labor and forced labor, employees would gain a deeper understanding of their roles in upholding these standards. Through a structured training program, the Group could instill a culture of accountability and responsibility, ensuring that all staff are equipped to recognize and report any signs of unethical labor practices.
3. **Look Into Implementing a Self-Assessment Process:** Such a process will be investigated to assess the possibility of incorporating key performance indicators (KPI) metrics, internal audits and quality assessment programs to ensure the implementation of the child and forced labour safeguards are operating as intended.

Recommendations Related to Suppliers:

Short Term

1. **Consider Additions to Purchase Orders:** A Terms and Conditions clause should be added into Purchase Orders that includes the requirement to conduct audits at supplier sites deemed to be of a higher risk and outlines our requirement that suppliers do not engage in child and or forced labour. These clauses would explicitly state a zero-tolerance for the use of child labour and/or forced labour within the supplier's operations and supply chain. This clause will include the result if an issue of non-compliance arises.

Long Term

1. **Look Into Introducing a Procurement Policy:** This policy could incorporate due diligence steps to onboard suppliers, including evaluating their quality, reliability, sustainability practices, and adherence to ethical standards. Ethical sourcing guidelines should be clearly outlined to prohibit child labor, forced labor, and other exploitative practices throughout the supply chain. Standardized contractual agreements should detail terms such as delivery schedules, quality standards, and compliance clauses to ensure alignment with the Group's expectations. Additionally, establishing a systematic supplier management process, including ongoing performance evaluations and feedback mechanisms, may help monitor key indicators and identify areas for improvement.
2. **Consider Introducing a Supplier Code of Conduct:** We will consider introducing a supplier code of conduct and creating a documented check sheet for site inspections as a proactive step for those suppliers who do not have such documents. The introduction of a Code of Conduct will enforce awareness, making it the suppliers' responsibility to train their own staff. Not only would this mitigate risks associated with unethical labour practices, but it also would help ensure compliance with legal and ethical standards.
3. **Look Into Supplier Risk Management and Monitoring:** We will consider formalizing a periodic risk assessment process for evaluating the supply chain and industry to identify potential risks of child and forced labour. In addition to current onsite visits, this would provide an opportunity to conduct supplier audits and monitoring activities over risks related to this Act. For suppliers that the Group does not visit, we would administer supplier surveys to confirm their activities.

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.

Full Name

Signature

Title

Date

I have the authority to bind *The Precast Group* and this report covers financial year *December 31, 2023*, and applies to *The Precast Group* and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *The Precast Group* if they apply.