

2023 MODERN SLAVERY REPORT



Derby Building Products Inc.

Table of contents

Table of contents	i
1. STRUCTURE AND ACTIVITIES	2
Derby Building Products	2
2. PREVENTION AND RISK REDUCTION MEASURES	2
3. RISK ASSESSMENT AND MANAGEMENT	3
Methodology	3
Supply Chain Analysis	4
Analysis Summary	4
Assessment of suppliers in 2023-2024	4
Temporary foreign workers	4
4. POLICIES AND GOVERNANCE	5
Modern Slavery Policy	5
Supplier Code of Conduct	5
5. DUE DILIGENCE PROCESS	6
6. REMEDIATION	6
7. TRAINING	6
8. ASSESSMENT OF EFFECTIVENESS	6
9. APPROVAL AND ATTESTATION	7

1. STRUCTURE AND ACTIVITIES

INCREASE OUR LEVEL OF PREVENTION AND COMMITMENT.

This report concerns **Derby Building Products Inc.**, registered under the Quebec business corporations Act, during the reference period from January 1, 2023 to December 31, 2023.

This report sets out the measures taken and that will be taken by our company to mitigate risks relating to modern slavery, including forced and child labour in its operations and supply chains, in accordance with the Canadian Act to fight against Forced and Child Labour in Supply Chains.

Derby Building Products Inc. has retained the services of a third party, **Groupe Conseil C-TPAT Inc. (GCC)**, specialized in supply chain risk assessment which, with the help of a diagnosis, supports us in the various analyzes, improvement of our processes and raising our general awareness related to modern slavery in supply chains.

TO KNOW MORE

All our reports and initiatives on the Canadian Act on Forced Labour and Child Labour in Supply Chains are available on our website at <https://www.derbybp.com/>.

Derby Building Products

Derby Building Products, manufacturer of exterior composite stone and shake cladding, redefines these categories with unmatched color technologies and unrivaled realism for the new construction, replacement, and remodeling markets.

A dual-brand strategy supplies Tando® and Novik® brands through distinct channels – Tando is marketed through 2-step distribution to the builder and pro contractor markets, while Novik is more DIY-focused in home improvement retail as well as siding manufacturer distribution. Both brands feature products that are impervious to moisture, easy to install and perfect for mixed material style trends. **Derby Building Products** manufacturing facility at 160, Grands-Lacs street, St-Augustin-de-Desmaures (Quebec) Canada G3A 2K1 and have over **200** employees.

2. PREVENTION AND RISK REDUCTION MEASURES

Derby Building Products is certified in the voluntary public-private partnership program, Customs Trade Partnership Against Terrorism (CTPAT) led by the United States Customs and Border Protection Agency, focused on improving border security in supply chains. CTPAT certified entities therefore collaborate with US Customs to protect, implement a set of preventive measures to reduce the risks of all forms of illegal trafficking throughout the cross-border supply chains.

Among the criteria to be respected, there are also obligations to carry out checks on **Derby Building Products** business partners, to reduce the risk of the use of modern slavery in our activities and supply chains.

Following the diagnosis carried out by our team with the assistance of Groupe Conseil C-TPAT Inc (GCC), we developed an action plan and identified new mitigation measures to improve our practices with a view to prevent and reduce the risk of modern slavery in our operations, as well as in its supply chains, such as:

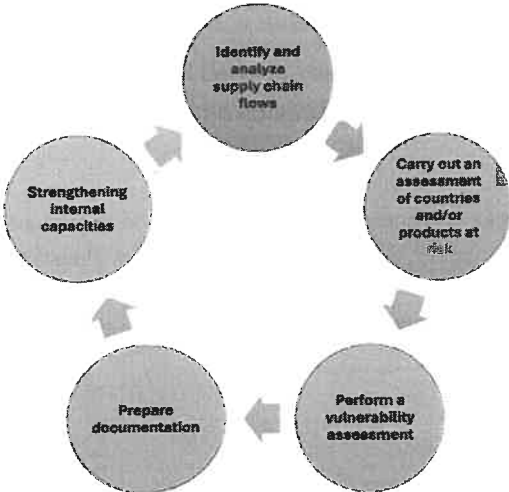
- Creation of a steering committee whose mission is to evaluate the effectiveness of the governance structure, policies and procedures to counter risks and determine the impact of forced labour or child labour.
- Conducting due diligence-based assessments across the entire supply chain to proactively identify, address and mitigate risks. This includes an annual census and ongoing assessment of our most important Tier 1 suppliers.
- Establish a supplier code of conduct and questionnaires sent to suppliers deemed critical under our CTPAT program. This will allow us to better identify vulnerabilities in our operations and supply chains linked to modern slavery.
- Establishment of a clause on purchase orders with suppliers, aimed at raising awareness among our partners and reinforcing our strict stance against any form of modern slavery in our supply chains.
- Review of internal recruitment policies and procedures to ensure that our company recruits' staff on a voluntary basis.

3. RISK ASSESSMENT AND MANAGEMENT

Methodology

Groupe Conseil C-TPAT's 5-step risk analysis is based on the proven method of the CTPAT program and adapted to assess the risks of use of forced labour and child labour in operations and supply chains. Here are the 5 steps of this assessment;

- *Identify and analyze the flow and trading partners of various supply chains.*
- *Carry out an assessment of countries and/or products at risk and conduct research using open sources.*
- *Perform a vulnerability assessment.*
- *Prepare documentation, action plan, risk assessment and procedures.*
- *Strengthening internal capacities.*



Supply Chain Analysis

We carry out an in-depth diagnosis of direct international procurement, starting by analyzing customs entry in Canada as well as the authenticity of certificates of origin. This analysis is supplemented by an evaluation of purchases, both local and international, made via distributors involved in our supply chains. Based on this, we develop strategic recommendations and deploy targeted action plans to mitigate modern slavery across all our operations and supply chains. Our goal is to ensure ethical and legal compliance across all our **Derby Building Products** activities, reinforcing our commitment to rigorous corporate social responsibility.

Derby Building Products source 99% of most of its procurement of goods and raw materials from North American and less than 1% comes from Europe and Asia-Pacific regions, under its direct importation into Canada.



Analysis Summary

We assess that the direct inputs of our supply chain for the manufacturing of our products come largely from North America, as low risk and that no form of modern slavery is identified in our Tier1 supply chains.

We will further analyze our supply chain of certain countries of origin of our Tier2 suppliers which require improvements to better target risks on an ongoing basis and remain vigilant in our verification process.

Assessment of suppliers in 2023-2024

We evaluate our suppliers deemed critical during our risk analyzes with our CTPAT certification focused on the security of supply chains. Our comprehensive modern slavery questionnaire will need to be completed by our critical suppliers which will allow us to better identify risks in our supply chain following our internal review.

Temporary foreign workers

In Canada, **Derby Building Products**, hires foreign labour and reduces these risks by having a rigorous hiring process in place. We use a law firm to support us with the candidate working permit and we hire them internally according to our high standards and their desire to settle long-term in Canada. Working conditions respect the human rights of all employees, including temporary foreign workers.

Our company is committed to respecting the human rights that protect all workers, including temporary foreign workers who have the same rights and protections as Canadians and permanent residents.

Our company is committed to respecting Canadian law which protects all workers, including temporary foreign workers who have the same rights and protections as Canadians and permanent residents.

4. POLICIES AND GOVERNANCE

We will establish a governance structure and enhance the enforcement of our policies aimed at protecting human rights and preventing the use of modern slavery in our operations and supply chains.

Our Modern Slavery Steering Committee will monitor these practices, ensuring rigorous risk management. These efforts will be integrated into all **Derby Building Products** activities with continuous monitoring to ensure the effectiveness of the measures taken aligned with the high standards of governance of our company and the regulations relating to the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act.

Modern Slavery Policy

Derby Building Products has zero tolerance in relation to any form of modern slavery. We are resolutely committed to preserving human dignity and attaches great importance to promoting equality and the protection of human rights in all its activities, supply chains and commercial relationships. This commitment will be reflected in our Modern Slavery Policy, which draws on international best practices and standards.

Supplier Code of Conduct

Derby Building Products is working to develop a clear and operational process to identify at-risk suppliers in our supply chain and provide them with a modern slavery assessment questionnaire. Our code of conduct for our suppliers will require them to comply with all applicable laws and regulations in all locations where they operate and prohibit the use of modern slavery in all its forms.

Our supplier code of conduct will be made available on our website and a clause will be added to our purchase orders with the web link to the code imposing suppliers' commitments by accepting our terms on the purchase order.

Derby Building Products values productive collaboration with all stakeholders, including suppliers, government authorities, and clients, to enhance the effectiveness of its modern slavery risk mitigation efforts. We remain committed to upholding the highest standards of ethics and integrity in its operations and relationships, continually adapting to maintain these principles.

Our employees interacting with suppliers are required to report any potentially illegal or unethical behaviour that may come to their attention, including the presence of modern slavery in the supply chain.

5. DUE DILIGENCE PROCESS

Derby Building Products leverage its well-established leadership and governance, strict compliance standards, and developing supplier code of conduct to ensure the rights of its customers, employees, and workers in its supply chain are protected. This commitment to human rights stems from a deep belief in the importance of integrity and ethics, aimed at creating a safe and inclusive work environment for all stakeholders.

Derby Building Products is firmly committed to tackling modern slavery in its supply chains by conducting rigorous due diligence-based assessments to identify, address, and mitigate risks related to modern slavery and rights violations of the person. Our approach will include periodic audits, ongoing training, and robust reporting mechanisms to ensure constant monitoring and continuous improvement of our ethical practices.

6. REMEDIATION

So far, we have not identified any forms of modern slavery in our operations and supply chains which, in turn, has allowed us to determine no loss of income among vulnerable families.

7. TRAINING

Currently, modern slavery training is partially covered as part of U.S. Customs CTPAT compliance training. From 2024, training will be offered to familiarize our employees with our policies and practices to combat modern slavery.

The aim is to prepare our employees to fulfill our collective responsibility to respect and protect human rights, thereby contributing to the global effort to eradicate all forms of modern slavery.

8. ASSESSMENT OF EFFECTIVENESS

For this period of reference, **Derby Building Products** has implemented mitigation measures in response to the requirements of the US Customs CTPAT program by focusing on direct suppliers in its supply chain.

To minimize and prevent the risks of modern slavery more widely across all our activities and our supply chains, a continuous improvement process will be put in place within our program, dedicated to the fight against modern slavery.

This process will allow us to evaluate the effectiveness of our initiatives, such as the supervision by our steering committee, the conduct of periodic audits, the annual review of our risk assessment, and the monitoring of performance indicators for the corrective measures identified. Additionally, integrating modern slavery concepts into our supplier selection and evaluation process will also provide us with indicators that can be evaluated and improved.

9. APPROVAL AND 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.

I have the authority to bind **Derby Building Products Inc.**



Clarke Coccarri

Chief Financial Officer

May 28, 2024