

**2024 Report under Bill S-211 *the Fighting
Against Forced Labour and Child Labour in
Supply Chains***

May 15, 2024

2024 Report – Introduction

This report has been prepared jointly by Nicholson and Cates Limited and its subsidiaries, including those portrayed below in the organization chart (collectively, “N&C”) in response to the reporting requirements under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for our financial year ending December 31, 2024.

N&C recognizes that the lumber and building material industry plays an important role in preventing and assessing the risk of forced labour and child labour in Canada’s supply chain. We acknowledge the risks of forced labour and child labour in the sourcing of wood fiber and in value added manufacturing of the goods we source. We are committed to continuous improvement in our due diligence, risk assessment, remediation, and training processes.

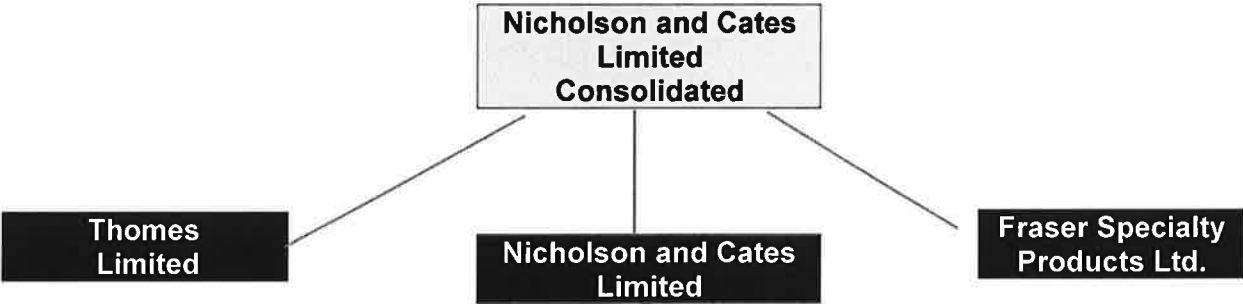
N&C is committed to respecting the human rights of people impacted by our operations and supply chain, consistent with the requirements under Bill S-211 and the standards of FSC certification.

Organizational structure, activities, and supply chain

Structure

N&C is a diversified building material organization with both manufacturing and distribution operations in Canada and the United States. N&C has approximately 200 employees, with headquarters located in Burlington, Ontario, Canada.

N&C is a privately owned corporation registered in Ontario, Canada.



Activities

The Act requires N&C to report on our activities in relation to the production, sale, and distribution of goods, both in and outside of Canada, and the importation of goods into Canada. Our organizational unit sales platform information is set out below by organization.

Nicholson and Cates Limited (Consolidated) offer a complete suite of lumber and building products, serving the home improvement retailers, lumber retailers, OEMs, and other commercial and industrial markets. The organization is comprised of an operating parent company and two subsidiaries that offer unique products. A list of the companies, along with their respective descriptions is provided below:

Nicholson And Cates Limited

Burlington, Ontario, Canada

Nicholson and Cates Limited is in Burlington, Ontario and is the parent company of the group. Nicholson and Cates Limited operates as a wholesale distributor of lumber and building products, with three primary business segments: Lumber Trading; Industrial Products; and Specialty Building Materials. Nicholson and Cates Limited also provides custom services such as remanufacturing, grading, reload, and trucking for its customers.

Additional N&C locations include:

- Caledonia, Ontario- FSC certified.
- Peel, New Brunswick
- Oshweken, Ontario

Fraser Specialty Products Ltd.

Edmundston, New Brunswick

("Fraser Wood Siding")

Fraser Wood Siding provides its customers with the highest quality, Canadian-made siding and shingles. Its craftsmen bring decades of experience ensuring the best quality wood and manufacturing expertise. Products are natural, versatile, and highly customizable. Fraser's siding is made from Canadian softwood, sustainably harvested from 100% Program for the Endorsement of Forest Certification (PEFC) certified forests in British Columbia as well as MLB certified lumber.

Thomes Limited

Bowmanville, Ontario

("Thomes")

Thomes is Canada's largest importer of Baltic Birch Plywood and maintains strong relations with mills in Russia, Latvia, and the Baltic Region. Customers in North America include wholesale distributors and OEM manufacturers of many types of products, including acoustic speaker boxes, laminate flooring, sports equipment, non-slip stage and display flooring. Increasingly, Thomes has become a leading supplier of components to Tier 1 automotive suppliers.

Supply Chain

Over the history of the Company, Management has established strong working relationships with key suppliers, who manufacture industry leading products. The Company differentiates itself within the marketplace, through its strong relationships, and portfolio of high-quality brands. The Company sources its specialty building materials from a wide range of suppliers, The Company's key suppliers are well-established international building material and product suppliers.

Steps to prevent and reduce the risks of forced labour and child labour in its supply chain

Using voluntary standards and principles, N&C has integrated human rights measures into our business activities, including in social and environmental management, health and safety, procurement, security, and human resources. These measures are described in our standard policies, including Code of Ethics, Forced and Child Labour Policy, and Sustainable Sourcing Policy (as noted below and attached in appendix).

In our financial year ending December 31, 2024, N&C has taken the following steps to prevent and reduce the risks of forced labour and child labour in our operations and supply chain:

- Performed a comprehensive review of our supply chain to identify possible environments we believed to be at risk of using forced labour.
- Developing and implementing due diligence procedures and processes for identifying, addressing, and prohibiting the use of forced labour and child labour in our activities and supply chain.
- Initiated our supply chains vendor questionnaire specifically targeting each vendors procedures and policies against forced labour.
- Developing and implementing an action plan for addressing forced labour and child labour where risks are identified.
- Requiring our direct suppliers and contractors to have in place policies and procedures for identifying and prohibiting the use of forced labour and child labour in their activities and supply chains.
- Developing and implementing anti-forced labour and anti-child labour contractual clauses for our direct suppliers.
- Developing and implementing anti-forced labour and anti-child labour standards and codes of conduct.
- Monitoring and tracking risks of forced labour and child labour relating to our direct suppliers and contractors.
- Using our existing rights-based grievance mechanisms to set expectations regarding remediation and ensure that complaints or concerns relating to forced labour and child labour are heard and adequately addressed.
- Developing and implementing training and awareness materials on forced labour and child labour,

Policies and due diligence processes

Overview

N&C's due diligence processes involve embedding responsible business conduct into our governance structure, policies, and risk management systems.

Governance

N&C is committed to strong corporate governance and has established roles that are responsible for overseeing the prevention and mitigation of forced labour and child labour in our operations and supply chain.

- The CFO and HR manager have been assigned the task of conducting a yearly supply chain audit to ensure compliance with Bill S-211.

Policies

N&C has developed and is implementing policies that specifically address the prevention and mitigation of forced labour and child labour.

- *N&C Code of Ethics* affirms our commitment to uphold high moral and ethical principles and specifies the basic norms of behaviour for those conducting business on N&C's behalf; it includes zero tolerance for exploitation of child labour or other abuses of human rights.
- *N&C Sustainable Sourcing Policy* describes our commitment to responsible ESG performance, including ensuring that no forced labour or child labour occurs in the workplace or our supply chain, and requires that employees and contractors comply with applicable laws and regulations in the countries in which they operate.
- *N&C Forced and Child Labour Policy Bill S-211* explicitly states that N&C does not tolerate the use of forced labour, child labour or human trafficking of any kind in our operations or supply chain. It commits us to avoid infringing - directly or complicitly - on the human rights of our employees, contractors, workers in our supply chain or on the rights of members of communities where we are active. It commits us to communicating our expectations that suppliers have processes that respect human rights, and that they remedy their offending practice or policy if they are in violation of these rights.

Due diligence processes

N&C has implemented risk assessment and due diligence processes to evaluate, prevent and mitigate human rights risks in our operations and with our suppliers.

At our operations, our risk management process includes identifying, classifying, evaluating, and addressing economic, social, and environmental risks and opportunities on a regular basis. The likelihood and impact of individual risks fluctuates based on external factors, such as geopolitical developments, current events, and social and business trends.

In 2024, N&C developed a new approach to assessing human rights risks and impacts at our operations and in our supply chain. Our *Human Rights Due Diligence Procedure* requires our operating sites and corporate teams to develop and implement processes to mitigate human rights risks and impacts throughout the supplier's life cycle. These processes must, at a minimum, include supplier prequalification, yearly attested questionnaires detailing assurance, and corrective actions.

N&C is developing anti-forced labour and anti-child labour contractual clauses for our direct suppliers, to contractually agree to uphold N&C's standards with respect to human rights, allow N&C to perform audits of the supplier's operations if necessary to verify more directly whether our standards are being met, and report human rights issues related to the supplier's activities with N&C.

Forced labour and child labour risk

N&C's operations are in relatively low-risk jurisdictions, based on an assessment process that applies a Conflict-Affected and High-Risk Area (CAHRA) tool that uses country-level data indicators spanning multiple topics, including forced labour and child labour. However, N&C acknowledges that the nature of lumber fiber and decking accessories sources and related supply chains can create potential human rights risks.

To date, our approach to identifying the risks of forced labour and child labour has focused on the sector we operate in, as well as the location of our activities and operations, and on employees, contractors, and direct suppliers at our operating sites.

Our policies and procedures include the following risk identification factors:

- Known Countries and or conflict related areas where red flags associated with forced labour and child labour have been documented publicly before.
- The location of the contractor or supplier and the strength of rule of law in those jurisdictions.
- Contractor history of known human rights violations or complaints.
- N&C's level of influence and relationship with the supplier and its workers.

Remediation measures upheld in our supply chain.

N&C has established policies and processes to set expectations regarding remediation and ensure that complaints or concerns relating to forced labour and/or child labour are heard and adequately addressed.

N&C's Expectations for Suppliers and Contractors requires all suppliers to provide a sufficient and appropriate remedy to any aggrieved person and to take action to eliminate the cause of the incident.

Our Approach to Value Chain Management describes N&C's process for addressing human rights issues at our operating sites, as set out in our Human Rights Policy. This process provides that, if human rights issues are identified, work is stopped for an investigation to be conducted. Based on the results of the investigation, N&C will formulate a corrective action plan for the supplier. If the corrective action plan is implemented by the supplier, work can resume. If not, the contract may be terminated by N&C, as appropriate.

To date, N&C has not received any complaints relating to forced labour or child labour in our operations or supply chain, and as such has not taken any remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

Employee training

In 2024, N&C developed and implemented a Human Rights Training Plan; as part of this, we implemented a specific training module on forced labour and child labour.

The training, developed in consultation with an external human resource advisory firm, aims to provide participants with a deeper understanding of forced labour and child labour, international standards, common indicators of risk, how to identify forced labour and child labour, and what to do if they suspect an issue or violation. Training will be made available for all employees through N&C's Learning Management System. It was mandatory training for employees and contractors in procurement and supply chain roles. We have the ability to track completion and follow up with employees and their supervisors if the training is not completed within the allocated time frame (i.e. by year-end).

Assessing risk and response

N&C conducts several types of assessments of effectiveness related to the management of human rights, including internal audits of operations, external vendor questionnaire reviews and high-risk location visits. N&C collectively has identified materials sourced from the following areas as having a higher level of risk:

1. Eastern European Countries (specifically Russia due to its current conflict induced environment)
2. Chinese sourced accessories

Results and action

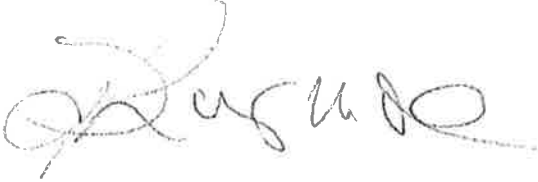
- N&C received 27 of 127 questionnaires sent out as of May 16, 2024.
- All responses sent back attested to being compliant under the act.
- N&C's Caledonia site passed its FSC audit in 2024.
- Members of the governance team specifically visited higher risk fiber supply areas of Eastern Europe in April of 2024. (Latvia, Finland) to have informed compliance.
- Chinese exposure is third party and we have attested statements of compliance pertaining to no forced and or child labour.

N&C discloses our performance regarding human rights in our annual Sustainability Report, in accordance with the Canadian Government. This annual disclosure allows N&C and our stakeholders to monitor our performance over time. Our Sustainability Report is available at www.niccates.com.

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 Nicholson and Cates Limited, Thomes Limited, and Fraser Specialty Products Limited. 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 Nicholson and Cates Limited on behalf of the board of directors "

A handwritten signature in black ink, appearing to read "James Livermore", written in a cursive style.

James Livermore
President
Nicholson and Cates Limited