

FPI Fireplace Products International Ltd.

Fighting Against Forced Labour and Child Labour in Supply Chains

Table of Contents

Background.....2

Introduction3

Structure, Activities & Supply Chain.....3

Policies & Due Diligence Processes.....4

Supply Chain Risk Assessment.....7

Remediation Forced & Child Labour.....8

Remediation of Loss of Income.....8

Awareness Training8

Assessing Effectiveness9

Steps Taken to Prevent and Reduce Risk of Child or Forced Labour.....9

Attestation.....11

Background

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.

The measures introduced through Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps 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. 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.

Introduction

This report is FPI Fireplace Products International Ltd.'s response to Bill S-211, an Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 6(1) and 6(2).

The entities covered within this report include FPI Fireplace Products International Ltd., Fireplace Products U.S. Inc., and Fireplace Products Australia Pty Ltd. Together these three entities will be referred to as "FPI Group" throughout this report. FPI Group satisfies the definition of an entity within the Act by having a business in Canada, doing business in Canada, having assets in Canada, and meeting at least two of the three size and scale criteria.

The financial reporting year of the FPI Group covered by this report is for the year ending December 31st, 2023.

Structure, Activities & Supply Chain

Structure

FPI Fireplace Products International Ltd. ("FPI") is a British Columbia, Canada corporation (business number 122048358) that was incorporated in 1977. FPI solely owns Fireplace Products U.S. Inc. and Fireplace Products Australia Pty Ltd. FPI Group is owned by the NIBE Group, a public group headquartered in Sweden. The NIBE Group is a global organization operating in three business areas: Climate Solutions, Element and Stoves.

FPI Group employs individuals in areas of executive management, finance, research & development, purchasing, manufacturing, sales, marketing, technical services, information technology, human resources, and administration to meet the business needs of its markets.

Activities

FPI Group designs, develops, manufactures, and distributes a wide variety of high quality, eco-friendly, energy-efficient hearth products, and accessories under its own brand name. These products range in design types (fireplaces, stoves, and inserts), fuel types (gas, wood, pellet, and electric) and for indoor or outdoor use.

FPI Group primarily focuses on markets in Canada, United States and Australia and distributes its hearth products and accessories to dealers and distributors from its branch warehouses within those markets.

FPI Group sources raw materials and finished goods from various Countries around the world.

Supply Chain

To support the diverse needs of FPI Group's products manufacturing, the company sources a range of goods within the categories of:

1. Units and Accessories: Pellet stoves & inserts, electric fireplaces & inserts, venting products, gas burners, etc.
2. Manufacturing Material: Steel, ceramic glass and fibre log sets, electronic control systems and transmitters, valves, motors, etc.
3. Packaging: Boxes, lumber, etc.

See Figure 1 for a breakdown of these categories, during the fiscal year.

For the purposes of this assessment, FPI Group has focused on suppliers who account for more than 80% of FPI Group's total procurement activity during the fiscal year.

FPI Group sources these goods from both domestic and international suppliers. During the 2023 fiscal year, more than 90% of purchases were made from domestic suppliers, while less than 10% of purchases were made from international suppliers. This includes purchases of certain units and accessories from China. China has been identified as a country with an inherent risk exposure to child labour and/or forced labour. See Figure 1 for a summary of procurement for the FPI Group by country.

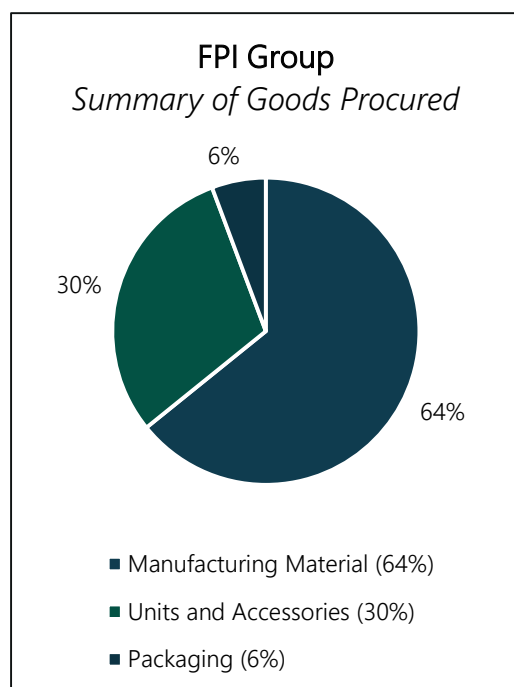


Figure 1: Summary of Goods Procured

Policies & Due Diligence Processes

FPI Group has the following policies and due diligence procedures to mitigate the risk of child labour and forced labour:

Current Policies

Respectful Workplace Policy

FPI Group is committed to providing a safe, healthy, and supportive work environment as well as treating our employees, contractors, and clients with respect, dignity, and equality. The policy outlines individual accountability and responsibility to administer and comply with this policy in detail. This includes definitions of various types of harassment and discrimination, along with detailed procedures to effectively investigate and resolve complaints under this policy. It embodies FPI Group's dedication to upholding the highest ethical standards across every facet of our operations. Within this document, FPI Group underscores the unwavering resolve to cultivate a workplace characterized by safety, respect, and integrity, not only for the employees but for every individual associated with FPI Group.

Employee Handbooks

Employee Handbooks are reviewed and updated annually, there are specific sections that address our proactive measures in creating a work environment that prioritizes the well-being and dignity of all stakeholders. Employee attendance and work hour expectations are communicated in the handbook. There is a handbook acknowledgement form that employees are required to sign when they are initially hired.

This policy also indicates that there is a People & Culture department that is responsible for company and personnel needs such as employee procedures, policies, recruitment and selection, training and development, employee recognition and retention, labour relations, compensation, and benefits.

Workplace Bullying and Harassment Policy

This policy explicitly states that bullying and harassment is not acceptable or tolerated in this workplace. All employees, including workers, supervisors and managers, will be treated in a fair and respectful manner. This policy applies to all employees, including permanent, temporary, casual and contract, and to students. It also applies to interpersonal and electronic communications, such as email.

Health, Safety & Environment Policy

This policy states that FPI Group is committed to fostering an inclusive culture of care through effective HSE measures appropriate for the prevention of hazards, injuries, and illness within our workplace. Everyone is responsible for the health and safety of one another by fostering an inclusive culture of care where everyone is treated with respect, care, and consideration.

Health and Safety Committee

FPI Group has a Joint Occupational Health and Safety Committee which oversees workers' safety and incident reporting. This committee meets monthly to review any safety concerns or reported incidents.

NIBE - Whistleblowing

Under this policy, employees are encouraged to report matters without any risk of subsequent victimization, discrimination or disadvantage, and to ensure appropriate handling of the investigation. This policy aims to ensure that serious concerns are properly raised and addressed within the company.

Whistleblowing provides a means for all employees to report suspicions of misconduct, that is, actions not in line with the company values and policies, that may harm individuals, the company or the environment.

This policy is reviewed periodically by the whistleblowing team. A report is made to the board on the outcome of each review.

Due Diligence Processes

NIBE - Business Code for Suppliers

This policy includes clauses in relation to compliance with local laws and UN Global Compacts, and respect human rights. There is a Forced and Compulsory Labor clause stating:

- All work must be voluntary, and all workers must be free to leave upon reasonable notice.
- Employees should not be forced to deposit money, passports, education certificates or similar documentation as a condition for employment.

There is a clause regarding the prohibition of child labour stating:

- No person younger than the age for completing compulsory education or younger than 15 may be employed.
- The minimum age for hazardous work is 18 years.

Other clauses include Discrimination of All Kind is Prohibited, Employees' Health and safety a Priority at All Times, Freedom of Association and the Right to Collective Bargaining, A Precautionary Attitude to Environmental Issues and Anti-Corruption.

Suppliers are asked to sign off on the Business Code and to company with all clauses. NIBE also encourages the suppliers to evaluate their sub-suppliers.

FPI Group has implemented the due diligence measures of NIBE.

Supplier Quality Requirements

In addition to NIBE's Business Code for Suppliers, FPI Group provides a Supplier Quality Requirements document to all new suppliers. This is to ensure that the suppliers can meet the volume, capacity, and other similar requirements. Additionally, this may include an onsite visit, where supplier evaluation and monitoring take place to assess whether they follow environmental regulations.

Suppliers are monitored mainly on the Quality and OTD. Suppliers are required to ensure that the material shall be inspected prior to processing, shall retain product inspection and shall have qualified people to undergo operations.

The suppliers must also be required to eliminate any sustainable procurement by reducing hazardous materials which can affect the environment.

NIBE - Maplecroft

FPI Group utilizes Maplecroft Verisk's software to assess many facets of risks in supplier relationships. Maplecroft is a global risk intelligence company providing unparalleled insights into sustainability, resilience and ESG issues, underpinned by best-in-class geospatial data analytics. To support the risk identification process, the geospatial risk data enables users to quickly and accurately pinpoint, prioritize, and respond to over 190+ risk issues for any location worldwide.

FPI Group conducts a risk assessment utilizing Maplecroft Verisk for all group suppliers involved in the manufacturing of products or procurement for direct resale. This assessment ensures an evaluation of potential risks associated with these suppliers, encompassing factors such as child labour, discrimination in the workplace, forced labour, indigenous peoples' rights, and other similar factors. By leveraging Maplecroft Verisk's expertise in mapping the global risk landscape and developing specialized geospatial datasets and predictive models, FPI Group gains valuable insights to inform strategic decision-making and mitigate potential risks across its supply chain.

NIBE - WorldFavor

NIBE encourages FPI Group to use WorldFavor as this platform facilitates routine checks on suppliers using questionnaires. The system is built based on the different legislations which have come into effect. The basis of the system is to ensure that FPI Group identifies which activities are needed to perform with each supplier based on the questionnaire's results, to minimize risks related to Human Rights, Labor Rights, Environment and Corruption.

Supply Chain Risk Assessment

A risk assessment over FPI Group's industry of operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are the largest suppliers (in dollars of purchases) who cumulatively account for more than 80% of FPI Group's total procurement activities during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour as it relates to FPI Group's activities and supply chain. The two indices are Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor.

Industry of Operations

FPI Group operates within the manufacturing industry. Based on the two indices referenced above, the manufacturing industry has an inherent risk exposure to child labour and forced labour.

Countries Goods are Procured From

FPI Group has limited visibility beyond its direct suppliers and therefore, this risk assessment is based on the countries where direct suppliers are located.

Material direct suppliers for FPI Group are based out of Canada, United States and China. Based on the findings of the two indices, China has been identified as a country with a risk exposure to child labour and forced labour.

Both Canada and the United States were identified in the indices as having a lower inherent risk exposure to child labour and/or forced labour.

Goods Procured

The goods procured within FPI Group's supply chain are divided into three main categories –Units and Accessories, Manufacturing Material, and Packaging. A risk assessment over goods within each category has been conducted and identified an initial inherent risk of forced and/or child labour within the following:

1. Manufacturing Material: ceramics (glass and fibre log sets) and electronics (electronic control systems and transmitters)
2. Packaging: timber

All other remaining goods were not identified within the two indices, therefore concluding a low-inherent risk exists.

Remediation Forced & Child Labour

To mitigate the risk of child labour and forced labour within FPI Group activities and supply chains, the following mechanisms in assessing supplier due diligence have been identified:

NIBE – Business Code for Suppliers

The suppliers are asked to sign off on the Business Code for Suppliers and to comply with all clauses. Suppliers are also encouraged to evaluate their sub-suppliers. This Business Code includes clauses that forbid any form of forced and child labour.

NIBE - Maplecroft

Maplecroft is used by NIBE and by the FPI Group to manage the supply chain. FPI Group uses Maplecroft to conduct risk assessments for all suppliers involved in the manufacturing of products. Risks identified include factors such as child labour, forced labour, discrimination in the workplace, etc. FPI Group gains valuable insights to inform strategic decision-making and mitigate potential risks across its supply chain.

NIBE – WorldFavor

NIBE encourages FPI Group to use WorldFavor, which is a platform that facilitates routine checks on suppliers using questionnaires. The basis of the system is to ensure that entities identify which activities are needed to perform with each supplier to minimize risks in the topics of Human Rights, Labor Rights, Environment and Corruption.

Supplier Quality Requirements

The FPI Group performs a review of supplier quality as well as conducts onsite visits.

Whistleblowers Policy

FPI Group adheres to a whistleblowing policy that encourages employees to report matters without any risk of subsequent victimization, discrimination or disadvantage, and to ensure appropriate handling of the investigation.

Remediation of Loss of Income

To date, FPI Group has not identified instances of the use of child labour or forced labour within their operations or those of suppliers.

Awareness Training

FPI Group does not currently have any formal training specific to the topic of child labour or forced labour; however, there are several policies – and informal training thereon – relevant to the Act which have been identified.

There are various informal training steps that take place to ensure that employees understand our policies and expectations. All employees are required to attend training sessions as part of the onboarding

process. Employees are required to complete sessions on Human Rights and Anti-Corruption every two years, and a session on our Respectful Workplace Policy every year. The training information is readily accessible for employees to review at any time through resources such as the employee handbook and NIBE Learning.

Assessing Effectiveness

To track FPI Group's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

Internal Activities

1. Policy review: FPI Group has committed to reviewing and updating policies on a frequent basis to ensure relevance and accuracy based on the current operating conditions in accordance with this Act. Policies must also be signed off on. The Employee Handbook has an acknowledgement document where employees must sign off and agree to the terms and conditions outlined in the Employee Handbook.
2. Employee Training: Employees must complete certain training every two years. The People & Culture department oversees employees' completion of these courses. This process enhances employees' understanding and adherence to Human Rights and Anti-Corruption policies, as well as their ability to apply this knowledge in their roles.
3. Human Resources: People & Culture at FPI Group report on supplier compliance with the NIBE - Business Code for Suppliers annually.
4. Health and Safety Committee: This committee meets monthly to review reported incidents and matters pertaining to employee health and safety to address associated risks and impacts effectively.

Supplier Activities

1. Supplier Agreements: FPI Group asks all suppliers to sign off and agree to the clauses outlined in NIBE – Business Code for Suppliers. Within the terms and conditions of this code, clauses include the prevention against forced and compulsory labour and the prohibition against child labour.
2. Maplecroft: FPI Group will continue assessing the risks related to this Act using the Maplecroft tool provided by NIBE.
3. Supplier Quality Requirements: FPI Group will continue supplier monitoring using quality reviews and onsite visits. FPI Group is considering the enhancement of these reviews in accordance with this Act.

Steps Taken to Prevent and Reduce Risk of Child or Forced Labour

FPI Group has taken the following steps to prevent and reduce the risk of child labour or forced labour:


1. Mapping supply chains: As part of this report, the FPI Group have mapped their supply chain to complete a risk assessment to align with the Act.
2. Conducting an internal assessment of risks of forced labour and/or child labour in the organization's

activities and supply chains: As part of this report, the FPI Group have identified risks within their activities and supply chain that have inherent risks of child labour and/or forced labour.

3. Developing and implementing due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains: See policies and due diligence processes section for those identified as relevant to this Act.
4. Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour: Remediation efforts relating to due diligence mechanisms in place have been identified, to reduce the risk of child labour and/or forced labour within the supply chain. Additionally, FPI Group adheres to the whistleblowing policy of NIBE to ensure that staff are able to report any misconduct without fear of retaliation. According to the NIBE Business Code for Suppliers, there is a clause indicating forced labour and child labour is prohibited which the suppliers are asked to approve and sign.
5. Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains: According NIBE Business Code for Suppliers, there is a clause indicating forced labour and child labour is prohibited which the suppliers are asked to approve and sign.
6. Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists: FPI Group has clauses within NIBE Business Code for Suppliers, related to anti-forced labour and/or child labour.
7. Developing and implementing procedures to track performance in addressing forced labour and/or child labour: FPI Group has identified mechanisms in place and to be developed relating to assessing the effectiveness of reducing the risk of child labour and forced labour through WorldFavor and Maplecroft.
8. Monitoring suppliers: The FPI Group does a review of supplier quality as well as perform onsite visits.

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 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.

Sudhir Lamba Full Name	 Signature
President Title	May 31, 2024 Date

I have the authority to bind FPI Fireplace Products International Ltd., Fireplace Products U.S. Inc., and Fireplace Products Australia Pty Ltd.