

ADF Group Inc.

# Report

on Forced Labour and Child Labour in Supply Chains

Fiscay Year Ended January 31, 2025

Terrebonne, Quebec, April 9, 2025

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## 1. INTRODUCTION

This report is submitted by ADF Group Inc. (“ADF”, “ADF Group”, the “Corporation”, “our” or “we”) for the fiscal year ended January 31, 2025 (the “Reporting Period”). It outlines the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods by the Corporation in Canada and in the United States, or the import of goods into Canada by the Corporation. This report covers not only the parent company (ADF Group Inc.), but also its wholly owned subsidiaries located in the United States: ADF International Inc. (Florida), ADF Industrial Coating Inc. (Montana) and ADF Structural Steel Inc. (California). All steps mentioned in this report apply to each of these entities.

This report is prepared by the Corporation in accordance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

## 2. STEPS TAKEN TO PREVENT AND REDUCE THE RISKS OF FORCED LABOUR AND CHILD LABOUR

The respect of human rights wherever we operate is of the utmost importance to us, and we request the same from our business partners. This is a core corporate responsibility for us that we strive to integrate into our growth strategy, along with all of our other environmental, social and governance (“ESG”) commitments.

In general, we have taken the following steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in our business and supply chains:

- Our Sustainability Committee has continued to establish and develop our ESG measures, including governance for the ethical management of our supply chains.
- We have finalized and adopted our Supplier Code of Conduct.
- We have prepared and adopted our Environmental Policy, which includes our commitment to comply with the ISO 14001 standard.
- We have updated our Code of Conduct in order to, among other things, specify that directors, officers and employees all have a responsibility to contribute to the creation of a safe and equitable workplace.
- We have prepared and adopted our Human Rights Corporate Policy.
- We have continued assessing our direct and indirect suppliers to identify the main risks, on a preliminary basis.

Steps taken are detailed in this report.

## 3. STRUCTURE AND ACTIVITIES

ADF is incorporated under the *Canada Business Corporations Act*. Our shares are listed on the Toronto Stock Exchange (TSX: DRX). Headquartered in Terrebonne, Quebec, Canada, ADF has become over the years a North American leader in connection design and engineering, and in the fabrication and installation of complex metal structures, heavy steel built-ups, and miscellaneous and architectural metalwork. The Corporation’s products and services are mainly designed for the five following segments of the non-residential construction industry: office towers and high-rises, commercial and recreational complexes, airport facilities, industrial complexes, and transportation infrastructure.

The Corporation has a total of 560 employees working in its head office, manufacturing plant and paint shop in Terrebonne, Quebec, Canada, in its office, manufacturing plant and paint shop in Great Falls, Montana, U.S.A., as well as in its various construction sites in the United States.

Pioneer in the development and application of innovative solutions, ADF Group is recognized for its engineering and project management expertise, its large fabrication capacity and its expertise in two niche markets: the fabrication of steel superstructures with a high level of architectural and geometric complexity, and projects with quick turnarounds. ADF Group’s commitment to deliver every project in accordance with the industry’s highest quality standards constitutes a core aspect of its mission.

ADF Group serves a diversified client base in the non-residential construction market in Canada and the United States, including general contractors, project owners, engineering firms and project architects, steelwork erectors, and other steel structure manufacturers.

## 4. SUPPLY CHAINS

Procurement plays an important role for the Corporation as our business is largely dependent on our steel purchases. Procurement is carried out in a specific way for each project. While most of the Corporation’s steel supply comes from steel mills, we sometimes source from local steel distributors to meet our ad hoc needs.

We have a significant number of American, Canadian and European steel mills among our suppliers, and this diversity of suppliers gives us great flexibility in the choice of our suppliers, particularly allowing us to make choices based on our values and priorities. Our largest steel suppliers are international companies that are generally governed by stringent laws and standards in their respective jurisdictions.

The Corporation also sources complementary products and services such as industrial gas, welding and safety equipment, industrial and construction tools, bolt products and metal fasteners, metal surface treatment services and heavy construction equipment rental services. A significant portion of these purchases are made in Canada and the United States from reputable suppliers with whom we have long-standing relationships. However, some of our suppliers are occasionally located in other countries, including England and Mexico.

In light of the recent changes in customs tariffs and considering that the origin of raw materials used in our manufacturing projects may influence these tariffs, particularly regarding our transactions with American clients, the Corporation is currently reviewing its supply sources to minimize the potential impact of U.S. customs tariffs on our exports to the United States.

## **5. POLICIES, GOVERNANCE AND DUE DILIGENCE PROCESSES**

Business ethics are an intrinsic part of ADF's success as a company and we encourage the respect of human rights in all aspects of our business operations and activities.

As part of our ongoing improvement of our practices, we are currently working to integrate ESG principles into our policies, processes and governance, including human rights considerations. In particular, our Audit Committee and our Compensation, Nominating and Corporate Governance (CNG) Committee of the Board of Directors are called upon to play a greater role in the oversight and monitoring of sustainability issues, including with respect to the implementation of measures and results achieved.

In addition, as part of the implementation of our due diligence process, members of our senior management and of our Board of Directors held discussions on the operational and financial impacts that the identification of a situation of forced labour or child labour in our supply chains could have on ADF Group.

Moreover, ADF is publishing its second Sustainability Report, along with its public disclosure documents for the fiscal year ended January 31, 2025.

### **5.1. Code of Ethics (the "Code of Ethics")**

Our Code of Ethics applies to all ADF members, namely the Board of Directors, management and employees at all levels, in all countries and in all legal entities of our Corporation. All of our officers, administrative employees and directors are required to sign our Code of Ethics when they take office, to confirm that they adhere to its principles.

The Code of Ethics addresses ethical conduct in our workplace, our business practices, and our relationships with external stakeholders. The principles outlined in the Code of Ethics reflect ADF's belief that honesty and integrity foster a positive work environment that builds trust among all stakeholders. The Code of Ethics sets out the standards of behaviour expected of all persons to whom it applies in their daily activities and their relations with others. It also sets out the key responsibilities of ADF's executives, who must set an example of high ethical conduct and create a work environment that reflects both the letter and the spirit of the Code of Ethics.

Our Code of Ethics was updated in December 2024 to, among other things, state that directors, officers and employees are all responsible for fostering a safe and equitable workplace. It will be further amended to include our Reporting and Protection Against Retaliation Policy, which will state that any employee or supplier with concerns about forced labour or child labour has a responsibility to report their suspicions. To this end, ADF will provide its employees with several channels to report potential violations, on a confidential or non-confidential basis, as soon detailed in the Code of Ethics.

The updated Code of Ethics will be made available on our website ([www.adfgroup.com](http://www.adfgroup.com)).

### **5.2. Supplier Code of Conduct (the "Supplier Code")**

As mentioned above, ADF has finalized and adopted its Supplier Code, which includes explicit provisions prohibiting the use of forced labour and child labour. We are currently in the process of communicating with our suppliers to share our vision for ethical procurement management.

### **5.3. Environmental Policy and ISO 14001 Standard**

We have adopted our Environmental Policy and have adhered to the ISO 14001 standard, which, among other things, contributes to the United Nations Sustainable Development Goal of decent work and economic growth.

#### 5.4. Human Rights Corporate Policy ("Human Rights Policy")

The Corporation has also adopted a Human Rights Policy. This policy applies not only to all employees of ADF Group, but also to our business partners, and has zero tolerance for any form of forced labour or child labour. The Human Rights Policy also formalizes the Corporation's commitment to conduct due diligence, require certification, and audit partners within its supply chain located in areas with a high risk of forced labour or child labour.

#### 6. ASSESS AND MANAGE OUR RISKS

We continued, during the Reporting Period, a preliminary review of our suppliers to identify potential risks related to forced labour and child labour. While, at the time of writing this report, our assessments still present shortcomings, we have been able to identify some areas of risk in our supply chain.

Risks remain primarily related to the extraction and transportation of raw materials or primary commodities used by our direct or indirect suppliers (Tier 1 and Tier 2) for the production of steel, including iron ore, coal and coke. Because these suppliers have their own supply chains, we do not have complete visibility. We are aware, however, that the minerals used for steel production and the means used to transport products from overseas could pose an increased risk, due to the countries involved and the low-skilled and/or vulnerable labour that can work in these sectors.

The fact that most of our procurement is made in Canada and in the United States from reputable suppliers allows us to minimize the risk of forced labour and child labour in our supply chains. However, the likelihood of forced labour or child labour in relation to our supply chain increases in the case of indirect suppliers, hence the need for increased vigilance and proactive measures to avoid such circumstances.

Our ongoing in-house assessment aimed at identifying the risks of forced labour or child labour in our operations and supply chains will allow us to improve our due diligence process with respect to our suppliers.

Also, with the adoption of the Supplier Code, we have increased our due diligence level and are better equipped to manage potential abuses and implement necessary corrective actions, if required.

#### 7. CORRECTIVE MEASURES

Our Code of Ethics, including our Reporting and Protection Against Retaliation Policy, our Human Rights Policy as well as our Supplier Code, will help us remain vigilant and take action in the event of ethical or legal breach reporting, among other concerns. In the event of a non-compliance situation, ADF undertakes to develop and implement a corrective plan to improve and correct the situation. We are committed to honouring our commitments and addressing these issues, and we will actively work to mitigate any adverse impact they may have on the Corporation, its operations and affected parties.

To date, we have not taken any corrective measures to address the use of forced labour and child labour or the loss of income to vulnerable families, as no specific cases of such abuse have been identified.

#### 8. TRAINING

While ADF does not currently provide specific training on forced labour or child labour to its employees, they do receive regular training on related topics, including, but not limited to, ethics and corporate policies, including our Code of Ethics.

In the fiscal year 2026, ADF intends to provide certain groups of employees with training that will include child labour and forced labour.

#### 9. ASSESSING EFFECTIVENESS

ADF regularly reviews its policies and procedures relating to forced labour and child labour. We continue our analysis to adopt specific measures to assess the effectiveness of all our actions to prevent and reduce the risk of forced labour or child labour in our operations and supply chains. ADF intends to evaluate its effectiveness in preventing and reducing these risks at a later stage.

#### 10. APPROVAL AND ATTESTATION

This report has been approved by ADF Group's Board of Directors, pursuant to subparagraph 11(4)(b)(ii) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I, the undersigned, attest that I have reviewed the information contained in this report on behalf of the entities listed above. Based on my knowledge, and having exercised reasonable due diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the application of the Act, for the above-mentioned reporting year.

I have the authority to bind ADF Group Inc.

**Chairman of the Board of Directors and Chief Executive Officer**

*/ Signed /*

Jean Paschini

Terrebonne, Québec, Canada, April 9, 2025