



Castle Building Centres Group Ltd.

Forced Labour and Child Labour Supply Chain 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.

The measures introduced through former 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 seven mandatory reporting areas that must be investigated and reported on which include:

- 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.



[Beginning of Report Content]

Introduction

Castle Building Centres Group Ltd. ("Castle") is committed to the protection of human rights in all our business practices and operations. This includes the prevention of modern slavery, forced labour and child labour in both our internal business practices and supply chain operations. Castle abides by Canadian regulations established under the governing occupational health and safety legislation and employment standards regarding the minimum age of work. We have incorporated practices to fight against forced labour and child labour through the adoption of principles identified in the *Worst Forms of Child Labour Convention 1999* and *Forced Labour Convention 1930*. Castle's stance on modern slavery is outlined in the **Castle Building Centres Group Ltd. Employee Handbook**.

With over 300 locations nationwide, our focus and commitment are on the continued success of our independent Members. Castle's Building Centres Group employed 40 people in 2024 (this figure does not include Member's and their employees). Since its formation, Castle continues to develop a community of like-minded people, who share a commitment to corporate social responsibility. Honesty and integrity are the cornerstone of Castle's relationship with its Members. Castle's culture is built to ensure every Member receives the best possible service that can be provided.

Structure, Activities & Supply Chain

Castle operates as a private limited company (business number: #100840677) at 100 Milverton Drive — Suite 400, Mississauga, ON L3S 3J1. Our organization's financial reporting year covered in this report is January 1st, 2024, to December 31st, 2024. Castle satisfies the definition of an Entity within the Act by having a place of business in Canada, conducting business in Canada, having assets in Canada, and meeting both asset and revenue thresholds.

Structure

Castle is a member-owned group, operating since 1963. We are the largest national buying group for lumber, building materials, and hardware in Canada.

There are no other reporting requirements in other jurisdictions. Commercial Builders Supplies Inc. ("CBS") is a wholly owned subsidiary of Castle. CBS is the commercial division of Canada's premier national buying group. CBS delivers strong buying solutions for independent owners across Canada, offering competitive pricing, access to new supply sources, and day-to-day business support.



Activities

Castle operates within the lumber, building materials, and hardware industry, purchasing good associated with the building and construction sector for Members within Canada. We are responsible for the procurement, payment, and aspects of distribution of goods for our Members. Castle’s buying power benefits our Members, who in turn retail our products in locations across Canada.

There are 25 categories of goods in Castle’s portfolio. Product categories include:

Appliances, furniture, electronics	Flooring	Paint
Automotive	Hardware	Pet Care
Ceiling	Housewares	Plumbing and Bath
Concrete	Insulation	Roofing
Custodial	Kitchens	Siding
Doors	Lumber, Plywood and OSB	Tools
Drywall	Metal Products	Windows
Electrical and Lighting	Mouldings	
Farm	Outdoors	

Supply Chain

Castle directly procures goods from companies operating out of North America. It is possible that some of the vendors have parent companies residing outside of Canada and the United States. We have analyzed the office addresses of all our vendors and found that they are mostly Canadian (see figure 1). Castle currently has limited visibility on the full geographical reach of its suppliers’ locations and limited knowledge of the origination of where suppliers source their goods.

Figure 1 represents the breakdown of our suppliers by country. Of Castle’s many suppliers, 96 percent of them are operating from Canada. In fiscal year 2024, Castle procured goods directly from entities exclusively in Canada or the United States. Castle has not yet performed an analysis of indirect suppliers, for the purposes of reporting under the Act.

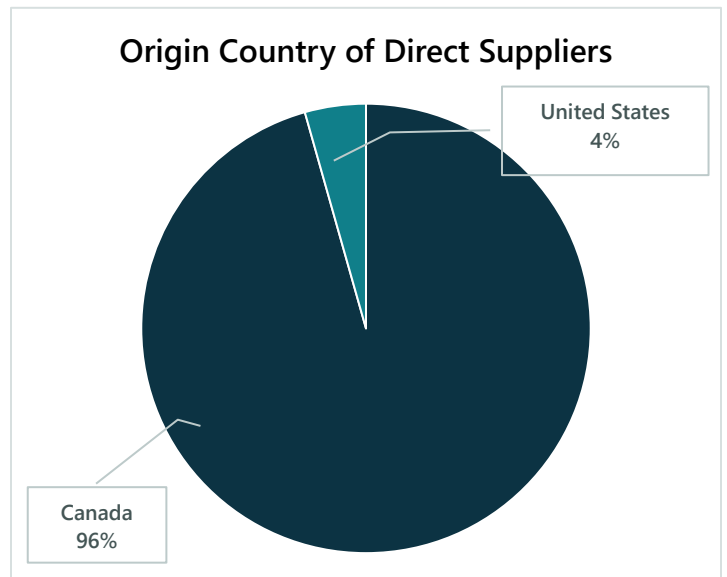


Figure 1



Policies & Due Diligence

Castle has the following internal policies in place relevant to this Act:

Policy	Description	Support in Mitigating Forced and Child Labour
Modern Slavery	Serves as a guiding framework in Castle's efforts to identify and prevent instances of forced labour and child labour.	Supports Castle in identifying and addressing forced labour and child labour in our operations and supply chains. It outlines Castle's commitment to combat modern slavery and human trafficking in all aspects of the organization. By implementing robust policies and procedures, companies can mitigate the effects of forced labour and contribute to the global effort to eradicate modern slavery.
Equal Pay for Equal Work	Establishes principles and guidelines to ensure fairness and equality/equity in compensation practices. It aims to eliminate gender, racial, or other forms of discrimination in pay by ensuring that Castle's employees receive equitable compensation for work of equal value.	Inequalities continue to make discriminated groups more vulnerable to exploitative work. Ensuring all groups have equal rights in work opportunities, hiring processes, and pay is the first step in addressing system workplace discrimination. Equal pay is part of broader efforts to address systemic inequalities and injustices. By addressing causes of inequality, including unequal pay, Castle plays a role in creating environments where forced labour and child labour conditions are less prevalent.
Workplace Harassment and Violence	Outlines Castle's stance against harassment and violence and establishes procedures and guidelines for reporting incidents of violence, intimidation, harassment, sexual harassment and bullying on company premises, at company events or while conducting company business.	A clear harassment policy establishes a safe and respectful work environment. The policy outlines the method for reporting any issues employees encounter, including instances of violence that could be attributed to conditions that create forced or unsafe labour in Castle's internal operations.



Policy	Description	Support in Mitigating Forced and Child Labour
Open-Door Policy	Fosters a culture of transparency and trust at Castle, where employees feel empowered to voice their concerns, ideas, and feedback directly to their colleagues, supervisors, or company management.	An open-door policy creates a culture where employees feel capable of reporting instances such as forced labour or child labour or any other form of suspected exploitation. Employees may be more likely to come forward with concerns knowing they are encouraged to discuss them openly with management at any time.
Code of Business Conduct	Principles that define desired behaviour and ethical standards for Castle’s employees and staff. The code promotes integrity, professionalism, and ethical decision-making, and good judgement.	A code of conduct sets cultural standards and a dedication to be accountable for doing what is right. Employees are required to speak up if they identify any injustices in Castle’s operations or code of ethics. It is part of our duty to Members and stakeholders.

Due Diligence with the Suppliers

Castle’s suppliers are bound by contracts. Within the terms of the agreement, our organization maintains the right to terminate an agreement immediately should we have grounds to believe a vendor engaged in acts of moral turpitude.

On an annual basis, Castle performs reviews and hosts discussions with key suppliers, focusing on aspects related to overall performance. This provides Castle the opportunity to discuss issues related to this Act with suppliers. The top thirty of our largest vendors are brought in annually for in-person reviews, discussion on overall performance, and evaluation of the relationship. The review may address any other concerns brought from key members or stakeholders. Though these reviews have not historically assessed supplier compliance in relation to the Act, doing so in the future will allow us to identify emerging supply chain risks and raise awareness of forced labour and child labour with our vendors.

Castle incorporates occasional on-site visits of supplier operations in the annual review processes of vendor performance. These visits aim to strengthen supplier relationships, increase visibility into vendor operations and establish open lines of communication.



Risk Assessment

As a company operating as a distributor, our industry is deemed as having low inherent risk of forced labour of child labour by Walk Free’s Global Slavery index.

A risk assessment of the goods procured by Castle and countries from which the goods are procured from has been performed in relation to the Act. This risk assessment used two separate indices to conclude on inherent risk of forced labour and child labour related to goods and countries — Walk Free’s Global Slavery Index and the US Department of Labor’s List of Goods Produced by Child Labour or Forced Labour.

While we know that some of our vendors purchase goods from foreign countries, we do not know the full extent to where our vendors purchase their goods from. We are also aware that we purchase highly finished good built with multiple materials and that each material may contain a different risk profile for supply chain risks.

Goods Procured

Castle offers 25 categories of products which have been procured from various vendors. For the purposes of assessing risk associated with goods in Castle’s supply chain, we evaluated product categories making up at least 1 percent of total procurement spend for fiscal year 2023. This has not materially changed during the 2024 calendar year, so we have elected to maintain this analysis. Any product categories below 1 percent of total procurement are deemed immaterial for this assessment and excluded from the analysis.

As a result of determining the scope of the assessment, the categories of goods evaluated for forced labour and child labour risks are Lumber, Drywall, Hardware, Insulation, Roofing, Siding, Metal Products, Paint, Plumbing and Bath, Appliances, Tools, Flooring, Concrete, and Outdoors.

A risk assessment has been conducted of Castle’s material product categories and identified inherent risks of forced and/or child labour within certain goods or materials from which products are made.

They include:

• Timber	• Copper	• Ceramics
• Gypsum (mineral)	• Zinc	• Carpets
• Iron	• Sand	• Silver
• Cement	• Stones	• Brassware
• Glass	• Gravel (crushed stones)	• Cobalt (in batteries)

Castle does not procure all the listed goods directly. For example, when procuring cordless power tools, the batteries may contain cobalt. Therefore, Castle has identified risks associated with certain materials that are used in the production of finished goods that our company purchases and redistributes.



Castle procures most of its timber products from vendors in North America, mitigating the associated risk of forced labour and child labour. Additionally, due to the material's inability to travel well over long distances, gravel, stone and sand products procured for roofing are manufactured in North America. This mitigates some of the far-reaching supply chain risk associated with these materials.

Other high-volume goods procured by Castle include laminate, vinyl, cellulose, fiberglass, aluminum, plastic polymers, nickel. These remaining goods were not directly identified within the two noted indices; therefore, they carry low inherent risk of forced labour and child labour.

Countries of Procured Goods

For assessing country associated risks of forced labour or child labour, Castle evaluated all vendors we purchased goods from in fiscal year 2023. Our analysis found that all our vendors are from North America. According to both global benchmarks, there is low inherent risk exposure or force labour and child labour identified since Castle's vendors are from Canada and United States. This does not mean that forced labour or child labour does not exist in the supply chains our vendors.

Castle is aware that some its vendors have headquarters in foreign countries and that these vendors may procure their goods from other regions or other vendors, but at this time, Castle does not know the full extent of where all vendors' goods are sourced from.

Mitigating Activities

To mitigate the risk of forced labour and child labour within supply chains, Castle incorporates the following mechanisms for supplier onboarding and supplier monitoring:

1. Supplier onboarding
 - a. Vendor Buying Agreement: All suppliers are required to sign **Castle's Vendor Buying Agreement**. These contracts contain a clause allowing Castle to terminate vendor relationships if there are reasonable grounds to believe that the vendor has engaged in unethical acts or displayed immoral behaviour. There is an opportunity for Castle to add that vendors must comply with their domestic laws or Castle can reserve the right to terminate the vendor's agreement.
2. Supplier monitoring
 - a. Annual Reviews: Our top suppliers have annual reviews assessing overall performance. Though this review does not incorporate aspects related to this Act, Castle is considering implementing a component of the review which evaluates a vendor's commitment to addressing forced labour or child labour risk in their respective operations and supply chains.
 - b. Onsite Visits: Castle is looking to introduce more consistency of onsite visits to key suppliers. Currently annual meetings are conducted to maintain relationships and address any vendor concerns. These onsite visits intend to give Castle visibility into supplier operations and verify whether suppliers are adhering to labour laws and



regulations, specifically in relation to forced labour and child labour. By directly observing working conditions and interviewing workers, Castle can also assess whether the supplier's practices align with ethical standards.

- c. Conduct training for key Castle personnel to educate on the potential risks and warning signs for child and forced labour. This training will be completed in fiscal 2025.

Remediation Forced and Child Labour & Vulnerable Family Income Loss

Castle is in the process of discovering the full depth of our supply chain and is continuing to review procurement practices to enhance the rigor of our due diligence processes, including raising awareness with suppliers. To date, Castle has not identified or detected, nor has Castle had any reason to suspect instances of forced labour or child labour within our operations or those of suppliers. Consequently, no remediation measures were required in fiscal 2024, either in respect of any forced labour or child labour, as well as addressing any resulting in the loss of income to vulnerable families.

Awareness Training

As of the 2025 fiscal year, Castle has implemented a requirement for key personnel to undergo training with respect to mitigating against the threat of child and forced labour within the Castle supply chain. Castle also requires new employees to review Castle's Employee Handbook. All Castle employees are required to acknowledge their obligation to read and understand the contents of the employee handbook.

When onboarding new employees, part of this process includes reviewing the handbook to ensure the individual understands the company's standards, expectations, and code of ethics. Sections of the handbook address modern slavery, pay equity, workplace harassment and violence, employee code of conduct and an open-door policy.

Castle recognizes the opportunity to enhance employee training relevant to this Act, by incorporating training on forced labour and child labour. Castle will evaluate applicable trainings for staff in the foreseeable future.

Assessing Effectiveness

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

Castle Activities:



1. Total harassment incidents: Castle has a zero-tolerance for workplace violence and harassment. All claims made regarding harassment will be reported to and reviewed by the VP of Finance.
2. Conduct and behaviour incidents: Full compliance with Castle's Code of Business Conduct is expected of all employees. All claims made regarding inappropriate conduct and behaviour will be subject to investigation. Castle also commits to implementing annual attestations by employees on the employee handbook, which includes expected conduct and behavior. Annual sign-off reflects employee compliance with expected behaviour.
3. Employee training: Castle has identified the opportunity to implement employee training on the topic of forced labour and child labour. Content will include how to identify, assess, and evaluate/report perceived or actual instances.
4. Governance: Castle intends to continue monitoring and assessing compliance with company policies and will review the policies on an as-needed basis.

Supplier Activities:

1. Supplier contracts: Castle has identified the opportunity to implement a clause within our Vendor Buying Agreement regarding zero-tolerance for forced labour and child labour within vendor operations. The clause aims to identify the outcome or disciplinary actions should any instances of forced labour or child labour be report or discovered by Castle.
2. Supplier visits: When performing onsite supplier visits, Castle has identified the opportunity to conduct interviews and provide questionnaires for workers at various levels of the supply chain, integrating questions that are directly related to forced labour and child labour. Castle intends to keep all questionnaires on a secure, anonymous, and centralized system where responses can be updated after each visit. Castle intends to track responses to understand what suppliers are doing to mitigate the risk of forced labour and child labour.
3. Supplier performance reviews: Key suppliers of Castle are reviewed on an annual basis to ensure compliance with contract terms and conditions. These reviews can serve as an opportunity to review findings from site visits and supplier questionnaires. Record keeping for frequency of reviews and date of last review is kept on a centralized data base to ensure these reviews are being performed.

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

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

1. Conducting an internal risk assessment of forced labour and/or child labour in the organization's activities and supply chains. Castle has identified goods and countries within the supply chain that have inherent risks of forced labour and/or child labour in this report.
2. Implementing reporting policies and procedures that create a culture where employees feel




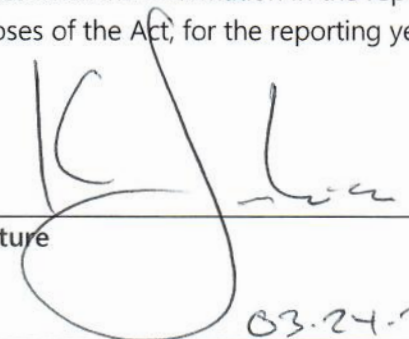
safe and capable of reporting instances of forced labour and/or child labour or any other form of suspected exploitation.

3. Addressing practices in our organization's activities and supply chains that increase the risk of forced labour and child labour: Remediation efforts related to due diligence processes have been identified to reduce the risk of forced labour and/or child labour within the supply chain.
4. Developing 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.
5. Implementing anti-forced labour and/or anti-child labour contractual clauses: Castle has identified the opportunity to integrate contractual clauses within supplier agreements related to forced labour and child labour.
6. Monitoring suppliers: Castle uses supplier reviews and onsite visits for key suppliers to monitor supplier relationships. Both functions have been identified as opportunities to align reviews and onsite visits to verify whether suppliers are adhering to labour laws and regulations, specifically in relation to forced labour and child labour.
7. Enacting measures to provide for, or cooperate in, remediation of forced labour and child labour: Mitigating activities have been identified to reduce the risk of forced labour and child labour within supply chains. See risk assessment section for further explanation.
8. Developing and implementing training and awareness materials on forced labour and child labour: Castle has identified the opportunity to develop employee training relevant to forced labour and child labour.



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
President & CEO	03.24.2025
Title	Date

I have the authority to bind 'Name of Entity' and this report covers financial year XXX and applies to 'Name of Entity' and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of 'Name of Entity' if they apply.



[End of Report Content]

Conclusion

Opportunities for enhancement to further reduce the risk of forced labour and/or child labour have been identified throughout the engagement and the draft report. To recap, these include:

Castle's Internal Process-Related Recommendations

1. **Employee Handbook:** It is recommended that a clear statement declaring Castle's commitment to prohibit any form of forced labor and/or child labor within its operations and supply chain be included in the Employee Handbook. This statement should include Castle's ongoing efforts to comply with all applicable laws and regulations related to forced labour and/or child labor, including international standards.
2. **Employee Handbook Annual Sign-Off:** It is recommended that Castle employees revisit this handbook annually to reflect their adherence to Castle's policies. This will reinforce Castle's stance on forced labour and child labour and the importance of these policies and ensure that they remain top of mind for employees throughout the year.
3. **Employee training:** It is recommended that Castle develop and provide employees with training on recognizing the signs of forced labour and child labour, as well as guidance on reporting practices. employee training on the topic of forced labour and child labour, be implemented into existing employee training programs.

Supplier-Related Recommendations

1. **Supplier Contracts:** Incorporate clauses into supplier contracts that require compliance with Castle's policies on forced labour and child labor. Clearly outline the consequences for non-compliance, including the termination of the contract.
2. **Supplier Code of Conduct:** Develop a comprehensive Supplier Code of Conduct that explicitly prohibits the use of forced labour and child labor in any form. Require all suppliers to adhere to this code as a condition of doing business with your Castle. Outline the repercussions for any supplier that is non-compliant with outlined code of conduct.
3. **Supplier Visits:** Conduct audits of Castle's largest supplier facilities to monitor compliance with labor standards, including the prohibition of forced labour and child labor. Consider both announced and unannounced audits to ensure accuracy and effectiveness. Hold suppliers accountable if any instances of forced labour or child labor are discovered within their operations. Take appropriate action if suppliers fail to address issues of non-compliance, including termination of contracts. Castle may also conduct interviews with supplier staff and provide questionnaires for workers at various levels of the supply chain, integrating questions that are directly related to forced labour and child labour. Castle will keep all questionnaires on a secure,



anonymous, and centralized system where responses can be updated after each visit.

4. **Supplier Monitoring:** When conducting on-site visits, it is recommended that Castle verify the performance and compliance of suppliers as it relates to code of conduct (if implemented) and the supplier agreement. Annual reviews will provide the opportunity to monitor a supplier's compliance with the Act and identify any changes in supplier operations or circumstances that may increase their risk of forced labour and child labour.