



**NEO PERFORMANCE MATERIALS INC.**

***2023 Report on the *Fighting Against Forced Labour and  
Child Labour in Supply Chains Act (Canada)****

**May 8, 2024**

## NEO PERFORMANCE MATERIALS INC.

### Report for year ended December 31, 2023 under *Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)* (the "Act")

#### A. Introduction

This report (the "**Report**") pursuant to Section 11(1) of the Act is being made on behalf of Neo Performance Materials Inc. ("**NPM**", the "**Company**", "**we**", "**us**" or "**our**") and its subsidiaries that are reporting entities as defined in the Act. The Report sets out the activities taken by the Reporting Entities during the financial year ended December 31, 2023 to prevent forced and child labour from occurring in its supply chains and business.

NPM, through its operating subsidiaries, manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. NPM's advanced industrial materials – magnetic powders and magnets, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. The Neo Group seeks to be a responsible and ethical group of companies and community partners.

The "**Neo Group**" includes the global affiliates of, and all companies directly or indirectly owned or controlled by NPM.

#### B. Structure, Activities and Supply Chains

This Report is collectively submitted by NPM and Neo Performance Materials ULC ("**Neo ULC**" and, together with NPM, the "**Reporting Entities**").

NPM is a corporation organized under the *Business Corporations Act* (Ontario) and is listed on the Toronto Stock Exchange [TSX: NEO]. NPM is a holding company for the Neo Group and operates the corporate segment of the Neo Group. NPM's business is organized into three operating business segments (Chemicals and Oxides, Magnequen and Rare Metals) as well as a corporate segment. Neo ULC is an indirect wholly-owned subsidiary of NPM which operates in the Rare Metals segment of NPM. Globally, the Neo Group employs an aggregate of 1,912 employees, 59 of whom are employed in Canada.

Neo ULC is an unlimited liability company organized under the *Business Corporations Act* (British Columbia). Neo ULC, located in Peterborough, Ontario, approximately 140 kilometres northeast of Toronto, consists of one building on approximately 1.7 acres. Neo ULC is a global leader in the recovery of gallium metal from secondary material sources. These secondary material sources include recyclable materials generated from the manufacturing of semi-conductor devices, photovoltaic devices, and others. Neo further refines the gallium metal to supply our customers with products of 4N purity up to an ultra-high pure form of 8N or 99.999999% purity.

#### C. Policies and Due Diligence

##### *Oversight*

Our corporate responsibility approach is informed by a set of guiding principles that support our corporate strategy and policies through the organization. We prioritize and set objectives relating to environmental,

social and governance ("**ESG**") risks across the Neo Group and disclose our performance in our annual Sustainability Report available on our website. NPM is a signatory to the United Nations Global Compact, which is a principle-based framework for business, stating ten principles in the areas of human rights, labour, the environment, and anti-corruption. Different subsidiary members of the Neo Group are also signatories to and/or members of other ESG initiatives including, the Responsible Minerals Initiative, the Tantalum and Niobium International Study Center, Canadian Critical Minerals Alliance and the Rare Earth Industry Association. The Neo Group has held annual conflict-free certifications from the Electronic Industry Citizenship Coalition since 2014.

### ***Board of Directors***

The Board of Directors of NPM (the "**Board**"), directly and through its committees, oversees management and is responsible for the stewardship of the Neo Group, including with respect to human rights and sustainability. The Health, Environmental, Safety and Sustainability Committee of the Board (the "**HESS Committee**") is tasked with assisting the Board in fulfilling its oversight responsibilities in regards to social responsibility and compliance with respect to regulatory and other legal requirements relating to the elimination of forced and child labour in supply chains. The Board of NPM has adopted a number of policies to support its guiding principles, including the Code of Conduct, the Human Rights Policy and the Procurement Policy, each of which is described below.

### ***HESS Committee***

The primary function of the HESS Committee is to assist the Board in fulfilling its oversight responsibilities relating the Neo Group's policies, standards, goals and objectives, and compliance systems regarding HESS matters. The HESS Committee shall provide oversight on work relative to: (i) the protection of the health and safety of employees, contractors, customers, and the public; (ii) the protection of Company property; (iii) the protection of the environment; and (iv) the promotion of sustainable business practices.

### ***Policies***

#### ***Code of Conduct –***

The Board has adopted a written Code of Conduct (the "**Code of Conduct**") that applies to all of its directors, officers and employees, as well as its direct and indirect subsidiaries. The Code of Conduct does not replace obligations under law and cannot answer every question. The objective of the Code of Conduct is; however, to provide guidelines for demonstrating the highest standard of business conduct and enhancing its reputation for honesty, integrity and the faithful performance of undertakings. As part of its Code of Conduct, any person subject to the Code of Conduct is required to avoid any activity, interest (financial or otherwise) or relationship that would create or appear to create a conflict of interest or contravene any applicable laws.

Specifically, the Code of Conduct requires all Neo Group personnel to:

- understand and adhere to the applicable laws, rules and regulations;
- create honest and accurate records and reporting of information in order to make responsible business decisions;
- whenever violations of laws, regulations or corporate policies of the risk of such an occurrence is noticed, report to or consult with their supervisors or the legal department; and
- respect the diversity and human rights of others and not treat any person in an unjust way.

In order to support the Code of Conduct, we have adopted the Whistleblower and Non-Retaliation Policy. The Whistleblower and Non-Retaliation Policy addresses the commitment of the Neo Group to integrity and ethical behaviour by helping to foster and maintain an environment where employees and others can report concerns about wrongdoing or suspected wrongdoing without fear of retaliation or harassment. The purpose of the Whistleblower and Non-Retaliation Policy is to report in good faith concerns regarding the business practices of the Neo Group.

### ***Human Rights Policy –***

The Neo Group has long held a strong policy in support of human rights. Historically, under- aged or forced labour was not tolerated and was verified by plant visits from corporate personnel. To clearly document this commitment, the Board adopted a written human rights policy that is applicable to all subsidiaries controlled by NPM. The Human Rights Policy outlines that:

- the Neo Group fully supports the United Nations Universal Declaration of Human Rights and is committed to respecting all International Labour Organization (ILO) core human rights standards. The Neo Group endorses the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nation’s Guiding Principles on business and human rights and the ILO Declaration on Multinational Enterprises;
- the Neo Group does not employ children, in compliance with Convention 138 of the ILO. With the only exception being summer internships and vocational training programs organized in cooperation with schools or competent authorities, the Neo Group will apply ILO C138 Framework for minimum age requirements;
- in accordance with ILO Conventions 29 and 105, the Neo Group will under no circumstances make use of forced or bonded labour;
- in accordance with ILO Conventions 87, 98 135 and Recommendation 143, the Neo Group recognizes and respects the freedom of its employees to choose if they want to participate in the establishment or association of an employee organization of their own choosing, such as a labour union and collective bargaining units, without prior authorization.
- In accordance with ILO Conventions 100 and 111, Neo is committed to an inclusive work culture and recognizes that all employees are to be respected for their individual abilities. Neo does not tolerate any form of harassment or discrimination on the basis of gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion.

### ***Procurement Policy –***

In order to support the principles of the Human Rights Policy, the Board adopted the Procurement Policy that is applicable to all facilities that are controlled by NPM. The Procurement Policy provides that:

- the Neo Group's suppliers must comply with applicable environmental laws and regulations in the jurisdictions in which they operate and must possess all necessary environmental permits, licenses and registrations;
- the Neo Group will not engage in commercial agreements with suppliers that are found to be complicit in human rights abuses. Purchasing decisions will be made in support of:
  - abolition of child labour;
  - elimination of forced labour and compulsory labour;
  - freedom of association and the right to collective bargaining;

- elimination of discrimination in the workplace;
- fair treatment; and
- compliance with applicable laws on compensation and work hours.
- the Neo Group is committed to treating suppliers honestly, fairly and with respect and will select suppliers based on objective criteria such as technical specifications, quality, price, service and technology, environmental and social impact.
- the Neo Group expects contractors working at their sites to comply with the Neo Group's health and safety requirements.

To support compliance with applicable procurement and human rights policies (as well as other corporate policies), NPM has adopted the Whistleblower and Non-Retaliation Policy and implemented an anonymous reporting system that allows employees to report suspected wrongdoing. To date, no reports of wrongdoing have been made in respect of forced or child labour regarding the Reporting Entities or with their respective suppliers.

### ***Due Diligence***

While recognizing limitations in fully investigating all supplier activities, the Reporting Entities actively seek ways to mitigate the risk of forced and child labour practices in our supply chains. NPM is committed to complying with the measures and the intent of the Act, in order to prevent and reduce the risk that forced and child labour be used at any step in the procurement of goods or those imported into Canada.

We have implemented the following elements of due diligence with regard to forced and child labour in our processes:

- Embedding responsible business conduct into policies and management systems, including providing for non-retaliation policies for reporting of violations;
- Identifying and assessing adverse impacts in operations, supply chains and business relationships.

Despite evaluating forced and child labour in our supply chains as low risk, prevention measures are in place, including requiring officers, directors and employees to comply with the Code of Conduct, Human Rights Policy and Procurement Policy, among others.

Compliance with the Procurement Policy and standards has been incorporated into the HESS audits of the Neo Group subsidiaries. In addition, as part of its operational overview, NPM ULC's facility in Peterborough, Ontario is regularly visited by executive management of the Neo Group.

Although each supplier has its own approach and responsibility towards running its business ethically, the Reporting Entities will not tolerate forced or child labour in their business or supply chain. The Reporting Entities endeavour to ensure their respective suppliers are equally committed to preventing forced and child labour as the Reporting Entities are and encourages them to have suitable measures in place to prevent and detect such situations.

### **D. Supply Chain Risks**

We consider there to be a limited risk of forced and child labour occurring in the Reporting Entities' businesses. Both NPM and Neo ULC operate in Canada, which has robust regulatory frameworks in place to eliminate forced and child labour. As part of the ESG audit procedures, NPM ULC's facility in Peterborough, Ontario is regularly visited by executive management of the Neo Group and the ESG team.

NPM operates the corporate segment of the Neo Group and as such its suppliers based in North America. Neo ULC sources its input materials and other packaging supplies from North America and Southeast Asia.

## **E. Remediation Measures**

As noted above, NPM has adopted the Human Rights Policy that prohibits the use of forced and underaged labour at our facilities. The businesses operated by the Reporting Entities exist in Canada, which has a robust regulatory framework that prohibits these practices. Based on management's frequent visits to the facilities and the values of site management, NPM is confident that the internal risk is minimized.

The NPM procurement policy includes purchasing standards designed to remediate the risk of forced and under-aged labour in the supply chain. NPM is actively implementing these standards and has incorporated these standards into its HESS audits.

The Whistleblower and Non-Retaliation Policy allows employees to express their concerns with the assurance that they will be protected from retaliation for making a report in good faith. If an employee is aware of or suspects another party is acting unethically or illegally, he or she will make a report using any of the reporting channels, including via anonymous submission.

While no reports or complaints have been made to date regarding forced or child labour, should such circumstances arise, we are dedicated to upholding our commitments to combat these issues while actively working to mitigate any resulting adverse impacts, including financial, on NPM and its operations.

Neo has not received any reports of incidents that contravene Neo's policies regarding its procurement and supply chains. We believe this is indicative of the effectiveness of our initiatives in safeguarding against such risks and the processes in place to monitor suppliers operating in countries where the risk of forced labour or child labour is higher.

## **F. Training**

As part of NPM's corporate training program there are eleven different ESG topics that are covered throughout the course of the year. NPM has engaged a third-party company to train its employees (and others) on multiple subject matters that NPM's governance policies address, including, but not limited to forced labour, human rights, code of business conduct and whistleblowing. In 2023, compliance with the training requirement was at 97%. The training program provides a level of penetration that goes beyond the management and supervisory level.

## **G. Assessing Effectiveness**

The Neo Group is committed to addressing the risks of forced and child labour in our business and supply chains. As described in this Report, the Neo Group has introduced a number of measures to prevent and reduce these risks. Compliance with the Procurement Policy and vendors reviews have been added to the HESS audits of Neo Group facilities. We continue to review the existing policies and are committed to evaluating the effectiveness of the varied measures implemented to mitigate the risk of forced and child labour within our operations and supply chains.

The due diligence processes described above provide a method of managing the risks; however, we continue to look at ways to enhance our ability to identify indicators of risk and our capability to investigate and address any concerns.

Current and next steps:

- Continue to monitor and develop internal training around corporate policies relating to human rights and forced and child labour;
- Continue to develop and improve internal systems to ensure that all suppliers have signed off on our procurement and human rights policies;
- Add human rights and procurement policies to the periodic board review of corporate and board policies and mandates;
- Continue to monitor and assess risks related to forced and child labour in supply chains.

The Neo Group will continue to work towards improving its internal processes to identify and manage the risks of forced and child labour in our supply chains.

#### **H. Approval and Attestation**

This Report was approved on May 8, 2024 by the Board of Directors of NPM pursuant to subparagraph 11(4)(b)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest, on behalf of the Entities, 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 this Report is true, accurate and complete in all material respects for the purposes of the Act, for the specified reporting year listed above.

Per: /s/ "Rahim Suleman"

Name: Rahim Suleman

Title: President & Chief Executive Officer

Date: May 8, 2024

*I have the authority to bind the Reporting Entities*