1. Introduction

This report is prepared on behalf of Nicholson Manufacturing Ltd. ("**Nicholson**", or the "**Company**"), and describes the actions taken by Nicholson during the financial year from December 29, 2024 to January 3, 2026 (the "**Reporting Period**") to assess, prevent, and reduce the risk that forced labour or child labour is used at any step in its operations and supply chains pursuant to the requirements of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**"). The term "**Forced Labour**" is used to encompass both forced labour and child labour as defined in the Act.

Nicholson understands the importance of conducting business in a fair, ethical and responsible manner. Nicholson, as well as its related group of global companies, collectively apply various sustainability programs and human rights policies in order to reduce, mitigate, and remediate human rights violations, including the use of Forced Labour, in any of their global supply chains. We recognize the role we play and the example we set for our employees, customers, and suppliers. Nicholson expects full compliance with all areas of supply chain and human rights law and encourages its employees, suppliers, and subcontractors to work with the Company in the fight against Forced Labour in all their business dealings.

This report outlines the approach and initiatives by Nicholson to identify and address the risk of Forced Labour in its business operations and supply chains within the Reporting Period.

2. Corporate Structure, Activities, and Supply Chains

Nicholson is a Canadian Corporation. Nicholson's head office is located in Sidney, British Columbia, Canada. Nicholson's manufacturing operations are situated in Sidney, British Columbia. Nicholson also operates several distribution centres located in Canada (British Columbia and Quebec), the United States (Washington and Alabama), Belgium, and New Zealand. Nicholson employs over 150 employees worldwide with over 100 employees in its Canadian operations.

The Nicholson Supply Chain team is based in its Sidney, British Columbia headquarter office and reports to the Director of Supply Chain who in turn reports to the President of Nicholson. The Supply Chain team, in collaboration with Design Engineering and Manufacturing Operations, identifies, approves and manages all of Nicholson's suppliers.

Nicholson has a wide range of debarking products to suit any application, across a broad spectrum of wood processing applications. Nicholson is an Original Equipment Manufacturer of major capital equipment and provides support for these sales through world class aftermarket parts and technical support.

Nicholson is wholly owned by Kadant Canada Corp., a subsidiary of Kadant Inc., which is a world leader in high-value technology and engineered systems for sustainable industrial processing. Kadant Inc.'s activities span three strategic segments: flow control, industrial processing, and material handling, offering products and services to diverse industries from the global forest industry to waste management. Kadant Inc. is based in Westford, Massachusetts, with approximately 3,900

employees in 22 countries worldwide. Kadant Inc.'s stock trades on the New York Stock Exchange under the symbol KAI.

Kadant Inc. and its subsidiaries, including Nicholson, are jointly referred to as the "**Kadant Group**" in this report.

Nicholson sources the majority of its parts from the domestic Canadian market. In fact, Nicholson's top 60 key suppliers are based in Canada and the United States, and they represent over 80% of Nicholson's annual expenditure. Direct imports from outside of North America account for less than 5% of Nicholson's annual expenditure.

3. Policies, Governance, and Due Diligence

Nicholson is committed to conducting its business in an ethical and responsible manner. As a wholly owned indirect subsidiary of Kadant Inc., Nicholson is subject to various environmental, social, and governance ("**ESG**") frameworks that apply to the Kadant Group's global operations. The Kadant Group has a special focus on sustainability in commercial and corporate practices, which includes human rights considerations. Among such policies are the *Code of Business Conduct and Ethics*, the *Ethics and Compliance Hotline*, the *Human Rights Policy*, the *Supplier Code of Conduct*, and various other broad ESG policies.

Code of Business Conduct and Ethics

Kadant Inc.'s Code of Business Conduct and Ethics (the "**Code**") underscores the Kadant Group's commitment to high ethical standards, emphasizing the importance of human rights, workplace safety, and the prohibition of human trafficking and slavery. The Code applies to all Kadant Inc.'s subsidiaries and divisions, including Nicholson, and is mandatory for all of its employees and directors. Failure to comply with the standards outlined in the Code will result in appropriate disciplinary action, up to and including termination of employment.

The Code mandates a safe, respectful work environment, free from harassment and discrimination. The Code explicitly prohibits any form of Forced Labour within its operations and supply chain. To uphold these standards, Kadant Inc. provides an Ethics Hotline, allowing employees and stakeholders to report unethical behaviour confidentially and without fear of retaliation.

Ethics and Compliance Hotline

The Ethics and Compliance Hotline is a crucial tool for identifying and mitigating risks associated with Forced Labour within the Kadant Group's supply chain. It allows employees and stakeholders to confidentially report any suspected unethical behavior that runs contrary to the Kadant Group's policies, including the Code, the Human Rights Policy, and the Global Supplier Code of Conduct, as well as instances of Forced Labour, without fear of retaliation. By providing this anonymous reporting mechanism, the Kadant Group ensures that potential violations can be addressed promptly, enhancing the overall integrity and transparency of its operations and supply chain management.

Human Rights Policy

The Human Rights Policy underscores the Kadant Group's firm stance on upholding human rights and reducing risks of Forced Labour throughout its operations and supply chains. In line with international standards, including those established by the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the United Nations Universal Declaration of Human Rights, and the principles of the United Nations Global Compact, of which the Kadant Group is a signatory, the Kadant Group prohibits the use of Forced Labour, including bonded or indentured labour, as well as child labour.

The Human Rights Policy applies to all Kadant Inc.'s subsidiaries and affiliates, including Nicholson. Suppliers, subcontractors, vendors, and other third parties are integral to Kadant Group's human rights policy implementation. These entities are also required to comply with Kadant Group's strict human rights standards as a condition of their business relationship. The Human Rights Policy mandates all Kadant Group's business partners to treat their employees and to interact with communities in a manner that respects human rights and is consistent with the spirit and intent of the Human Rights Policy, including adherence to the prohibition of Forced Labour.

Any behavior running contrary to the Human Right Policy could be reported through the Ethics and Compliance Hotline.

Global Supplier Code of Conduct

The Global Supplier Code of Conduct (the "**Supplier Code**") outlines the Kadant Group's expectations for the Group's suppliers and subcontractors, emphasizing the prohibition of Forced Labour.

Suppliers and subcontractors must ensure that all work is voluntary and that no one is coerced, threatened, or required to work against their will. More specifically, under the Supplier Code the Kadant Group requests all suppliers and subcontractors to agree to the following:

- to protect the human rights of their employees, treat them with dignity and respect, and to provide their employees with a workplace free of harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment or torture, mental or physical coercion or verbal abuse, or the threat of any such treatment;
- to comply with applicable local child labor laws and to employ only workers who are over the age of 15 and who meet the applicable minimum legal age requirement for their location;
- to engage workers who have a legal right to work in the country in which their work is performed;
- to comply with local laws prohibiting forced or involuntary labor and human trafficking;
- to provide means for their employees to report concerns or potentially unlawful activities in the workplace. Any report should be treated in a confidential manner. Suppliers and subcontractors are expected to investigate such reports and take corrective action, if needed.

Suppliers or subcontractors found in violation of any of the requirements contained in the Supplier Code are required to effect corrective action, failing which Nicholson reserves the right to terminate their contracts to ensure Nicholson's supply chain remains ethical and free from exploitation.

4. Risk Assessment, Management, and Remediation Measures

Nicholson is committed to assessing and addressing potential Forced Labour risks in its supply chain and to using appropriate measures to remediate any adverse effect identified.

Given that the majority of Nicholson's suppliers are North American suppliers, it was determined that the risk of Forced Labour non-compliance is low.

To date, Nicholson has not identified any specific parts of its business and supply chains that carry risks of Forced Labour. However, this process is still ongoing. Further, Nicholson has not identified any instances of Forced Labour in its activities or supply chains, or any instances of loss of income of the vulnerable families as a result of the steps the Company has taken to eliminate risks of Forced Labour. For this reason, no remediation measures have been necessary within the Reporting Period.

5. Training

Within the Reporting period, Nicholson has not provided training on Forced Labour issues as the Company has not yet completed its determination on what, if any, training courses or awareness-raising activities are required or relevant to its employees or key suppliers.

6. Assessing Effectiveness

Within the Reporting Period, Nicholson has not taken any specific action to assess its effectiveness in preventing and reducing risks of Forced Labour in its supply chains.

7. Closing Statement

Nicholson is committed to ethical sourcing and supply chain integrity. Through supplier engagement, Nicholson has implemented measures to minimize the risk of Forced Labor in its supply chain. Nicholson recognizes the importance of transparency and accountability, which is why the Company is sharing its progress and challenges in combating Forced Labor.

8. Approval and Attestation

This report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Nicholson Manufacturing Ltd.

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 Period listed above.

Warwick Green

Signature

I have the authority to bind Nicholson Manufacturing Ltd.

Warwick Green

President – Nicholson Manufacturing Ltd.