

## 2024 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

### Introduction

This joint report has been prepared under Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the Act) for the financial year ending December 31, 2023 by TorQuest Partners and its affiliated entities (collectively for purposes of this report, "**TorQuest**").

TorQuest acknowledges the risks of forced labour and child labour in the global supply chain. As a signatory to the Principles for Responsible Investment (PRI), we are committed to respecting, protecting and promoting the human rights of people impacted by our business activities, and to continuously improving how we assess, prevent and mitigate the risks of forced labour and child labour in our operations and supply chains.

### Organizational structure, activities, and supply chain

TorQuest is a Canadian mid-market private equity firm headquartered in Toronto. We manage over \$5.0 billion of capital across 17 active investments. TorQuest employs a team of approximately 55 people.

TorQuest invests in a wide range of companies across a variety of industries, including building products manufacturing and distribution, business services, chemicals, consumer products, financial institutions and services, and industrial products and services. We take a controlling interest through ownership and/or governance in most of our portfolio companies. Nearly all of TorQuest's portfolio companies today are headquartered in or have a significant nexus to Canada.

TorQuest's activities involve raising capital, performing due diligence to identify high-value investments, completing investment transactions and working with our portfolio companies to create value during our ownership through improved governance, strategic change, operational enhancements, growth capital investment and risk management. Our approach to due diligence, governance, growth and risk management includes consideration of social impact, sustainability and human rights.

To support our day-to-day investment activities, TorQuest procures a range of goods to support our employees and office-based environment in Toronto, including information technology, catering, marketing merchandise, office equipment and supplies. TorQuest has longstanding relationships with our vendors and suppliers. Most of our suppliers are located in Canada, with a small percentage of suppliers located in the United States and elsewhere.

## Steps to prevent and reduce the risks of forced labour and child labour

During our financial year ending December 31, 2023, TorQuest took the following steps, among others, to prevent and reduce the risks of forced labour and child labour in our business activities and supply chains:

- Continuing to implement our ESG Policy to integrate responsible business conduct into our investment activities, business operations and engagement with portfolio companies;
- Working with third parties to identify and assess ESG-related risks, including human rights risks, during our investment due diligence;
- Conducting third party reviews, where necessary, to assess and mitigate ESG-related risks;
- Engaging with our portfolio companies to develop strategies to identify, assess and mitigate ESG-related risks, tailored to each portfolio company's industry, activities, and geography; and
- Developing and measuring key performance indicators (KPIs) to track our portfolio companies' performance related to identified ESG-related risks.

## Policies and due diligence processes

TorQuest has embedded sustainable investing and responsible business conduct into our governance structure, policies, and risk management systems, including the processes used to vet our investments and engage with our portfolio companies.

### Governance

TorQuest is committed to strong corporate governance over business ethics, human rights and other ESG-related risks. Our Chief Legal Officer, Chief Financial Officer, and Management Committee have formal executive oversight over and accountability for responsible investment and our ESG strategy.

Our Director of Portfolio Management is responsible for ongoing engagement with our portfolio companies and their management teams with respect to ESG performance, which includes the human rights impacts of their operations. Our investment professionals are responsible for pre-investment due diligence and for monitoring portfolio company performance against defined ESG-related KPIs.

### Policies

Our **ESG Policy** governs our approach to integrating environmental, social and governance considerations into our investment activities, asset management and company operations. The ESG Policy informs how TorQuest assesses opportunities, manages operations, engages investment partners, and interacts with our portfolio companies. It sets the expectation that our leaders, management and employees will act with integrity and hold ourselves accountable to the highest standards of ethical conduct and business practice. The ESG Policy applies to all TorQuest leadership, management, and employees, who are responsible for familiarizing themselves with the ESG Policy and adhering to its objectives in their work. Employees are notified in writing when revisions are made to this policy.

The ESG Policy states that, for each investment, TorQuest assesses the human rights impact of those affected by our investment activities. These considerations extend to monitoring and oversight of supply chain and contractors, and taking steps to assess the risks relating to the use of forced labour or child labour in the investment company's activities or supply chains.

Our **Compliance Manual and Code of Ethics together with our Human Resources Policies & Procedures Manual** describe the operational policies and guidelines that embed responsible business conduct into our workplace, operations and investment activities. These policies codify our expectations of ethical business behaviour for all employees, including principles of sustainability and responsible investment. The Compliance Manual and Code of Ethics includes our Whistleblower Policy, which allows potential violations of TorQuest's policies to be brought forward by our employees without retaliation.

New employees are required to review the contents of the ESG Policy, the Compliance Manual and Code of Ethics and the Human Resources Policies & Procedures Manual during their first week of employment and certify their understanding and acceptance through a signed acknowledgement. TorQuest reviews and updates these policies (where necessary) on, at minimum, an annual basis. Regular formal and informal training is provided to employees with respect to these policies and their application.

## Due diligence processes

TorQuest typically spends several months or more conducting due diligence on our potential investee companies. Our due diligence process incorporates analysis of material ESG-related risks, including risks of forced labour and child labour. To determine a potential investment's ESG risk level, TorQuest considers the company's industry, its activities, and the geographies it operates in. This can also include a direct review of the company's major suppliers. If a potential investment is flagged as higher risk in one or more areas of operations, a more intensive risk evaluation process is carried out. TorQuest works with leading external consultants and advisors as necessary to assess and report on these risks. If an investment is approved, the relevant deal team is responsible for ensuring that any potential ESG-related risks are clearly identified and appropriately monitored post-closing, with oversight from the Investment Committee.

Post-investment, TorQuest engages with our portfolio companies on an ongoing basis to identify and monitor relevant ESG-related risks, including risks relating to human rights. If TorQuest determines that a portfolio company has potentially higher ESG-related risks in its operations or supply chains, we monitor the company's operations more closely, which may include engaging third parties to perform due diligence on that portfolio company's key suppliers and conducting audits where appropriate. TorQuest and the portfolio company typically work together to develop a tailored ESG value creation plan that looks at near term (<6 months), medium term (6-12 months) and long term (12+ months) activities to improve ESG performance. TorQuest tracks the implementation of this plan over time, including through measurement of ESG-related KPI's.

## Assessing forced labour and child labour risk

TorQuest recognizes that certain geographies, sectors and products have a higher incidence of forced labour and child labour. When evaluating the risks of forced labour and child labour in our investments, we consider contextual risk factors, as defined by the UN Business and Human Rights Navigator, such as geographies and sectors that have:

- Inadequate legal framework offering a poor standard of legal protection against forced labour;
- Poor enforcement of domestic labour laws;
- High levels of poverty, inequality and unemployment;
- High levels of migration, particularly of low-skilled and low-paid labour;
- Low understanding of what constitutes forced labour among workers;
- A higher prevalence of recruitment agencies and other labour intermediaries; and
- Unskilled or low-skilled work where the barriers to entry are low and that may lead to a higher risk of exposure to forced labour.

During our investment due diligence, we consider potential indicators of forced labour and child labour, such as health and safety incidents, employee turnover, labour rights and any litigation or adverse media reports relating to adverse health, safety or labour conditions.

Given that our supply chain and investments are primarily located in Canada, the risks of forced labour and child labour in TorQuest's operations and business activities are low. We are committed to continuously monitoring the risks and human rights impact of our investment activities, asset management and company operations through implementation of our ESG Policy and due diligence processes.

## Remediation measures and remediation of loss of income

TorQuest has adopted a Whistleblower Policy that enables our employees to raise concerns about working conditions. Our Policy describes how a report will be handled and the protections TorQuest provides for whistleblowers, including anonymity.

To date, TorQuest has not received any complaints relating to forced labour or child labour in our operations, supply chains or investment companies, and as such has not taken any substantive remediation measures or remediation of loss of income to families as a result of forced labour or child labour.

## Employee training

TorQuest provides regular training to our employees on ESG-related risks, including human rights and labour practices. ESG training is provided during new employee onboarding, during recurring Lunch & Learn sessions, and in periodic workshops. TorQuest has included an overview of the Act and the risks of forced labour and child labour in communications with our employees, as well as the management teams of our portfolio companies, to raise awareness and familiarity with these issues.

## Assessing effectiveness

TorQuest assesses the effectiveness of our approach to ESG-related risks through ongoing engagement with our portfolio companies. When a new portfolio company is onboarded, TorQuest uses industry benchmarking and an ESG maturity assessment to create an ESG roadmap for that portfolio company, which includes short term, medium term, and long term ESG priorities.

All of TorQuest's in-scope portfolio companies have ESG roadmaps. TorQuest tracks KPIs related to ESG factors to progress against the portfolio company's ESG roadmap. TorQuest brings our portfolio companies together at regular intervals to review performance and evaluate their progress on KPIs, which enables TorQuest to validate strategies and assess whether changes are needed to improve performance across the tracked KPIs.

## Approval and 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.

Dated in the City of Toronto, Ontario, this 06 day of May, 2024.



Brent S. Belzberg, C.M., Senior Managing Partner

*I have the authority to bind TorQuest Partners and its affiliated entities*