



Fighting Forced Labour and Child Labour

**Steps Taken by
NFI Group Inc. and
Certain Subsidiaries in
2023**

INTRODUCTION

In accordance with the requirements of *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Canadian Act”), this report describes the steps undertaken by NFI Group Inc. and certain of its subsidiaries, in the financial year ended December 31, 2023, to prevent and reduce the risk that Forced Labour or Child Labour¹ is used in our operations and supply chains, within Canada and abroad. This report covers NFI Group Inc. and all its subsidiaries, except for Alexander Dennis Limited and its subsidiaries and operating affiliates (collectively, “ADL”), which files separate annual reports under the UK Modern Slavery Act 2015 requirements. Hereafter, “NFI Group” will refer to NFI Group Inc. and its subsidiaries operating in North America (which excludes ADL).

NFI Group is committed to respecting the human rights and dignity of individuals within our operations, supply chain, and communities in which we do business. NFI Group acknowledges that the global nature of our supply chain poses potential heightened risks of Forced Labour and Child Labour. We are committed to risk-based due diligence and taking proactive actions to reduce risk, and if identified, remove or otherwise address Forced Labour or Child Labour in our supply chains.

In accordance with the requirements of the Canadian Act, I confirm that the board of directors of NFI Group Inc. (the “Board”) has reviewed and approved this report, pursuant to subparagraph 11(4)(b)(ii) of the Canadian Act.



“Wendy Kei”

Wendy Kei, FCPA, FCA, F.ICD, GCB.D
Chair of the Board of Directors
NFI Group Inc.

May 30, 2024

¹ In this report, such terms are defined as they are in the Canadian Act.

STEPS TAKEN TO PREVENT AND REDUCE RISKS OF FORCED LABOUR AND CHILD LABOUR

NFI Group took the following steps to prevent and reduce risks of Forced Labour and Child Labour in our operations and supply chain in 2023.

Supplier Code of Conduct

NFI Group published a revised Supplier Code of Conduct with more robust sections on Human Rights, Forced Labour, and Child Labour. The revised Supplier Code of Conduct was disseminated to our suppliers with the requirement that they sign the document, agreeing to conduct their business within the requirements of the code, and to flow down our Supplier Code of Conduct or equivalent requirements to their suppliers. Responses were and continue to be tracked. Employees responsible for sourcing and purchasing decisions were required to review the revised Supplier Code of Conduct in 2023.

Conflict and Critical Minerals Policy

NFI Group identified high-voltage batteries used in our electric vehicles as a potential heightened risk of Forced Labour and/or Child Labour. We published an enhanced Conflict and Critical Minerals Policy to address the risks in the mining and production of these minerals. In signing our new Supplier Code of Conduct, suppliers also agree to act in accordance with our Conflict and Critical Minerals Policy. Employees responsible for sourcing and purchasing decisions were required to review the policy in 2023.

Geographical Risks

NFI Group identified products in our supply chain sourced from our direct suppliers (hereafter referred to as Tier 1 Suppliers) who operate in countries with the highest risk of Forced Labour and Child Labour, as identified by the Global Modern Slavery Index. We surveyed impacted suppliers to assess potential risks, and responses were tracked.

NFI Group identified products produced in China as a potential heightened risk for Forced Labour and/or Child Labour. Following the Uyghur Forced Labour Prevention Act (US Public Law 117-78) (the "UFLPA"), which notes the vulnerability of the Uyghur people for indentured labour, we surveyed our Tier 1 suppliers to understand the steps they have taken to verify that their supply chain does not use Forced Labour.

Training

Three members of NFI Group's Strategic Sourcing team attended training sessions on the Canadian Act and UFLA. This training helped NFI Group to better understand risks and reporting requirements, as well as to assist in planning next steps pertaining to compliance with these laws, including the implementation of due diligence measures. NFI Group provided mandatory training to all employees, except for direct and indirect labour employees who receive the training at time of hire and periodically thereafter, on its Code of Business Conduct and Ethics which addresses the risk of Child Labour.

Sustainability Council

In 2023, NFI Group established a Sustainability Council to provide strategic leadership to NFI Group's sustainability and ESG programs (including with respect to Forced Labour and Child Labour), with a focus on strategic alignment and risk management. The Sustainability Council is comprised of NFI Group's Executive Leadership Team, and other functional experts, who conduct advisory activities and complete assessments or make recommendations related to sustainability and ESG.

STRUCTURE & ACTIVITIES

NFI Group Inc. is a publicly traded holding company, which, together with its subsidiaries, is a leading independent bus and coach manufacturer and a leader in electric mass mobility solutions. NFI Group's offerings include zero-emission vehicles, vehicles with conventional propulsion systems, charging infrastructure and installation, telematics, vehicle financing, and full parts and service aftermarket support. As at the end of 2023, NFI Group employed almost 6,500 people in North America (approximately 45% in Canada and 55% in the United States).

Principal operating subsidiaries of NFI Group included in this report are described below:²



New Flyer Industries Canada ULC
New Flyer of America Inc.

New Flyer is North America's heavy-duty transit bus leader. Its offerings include manufacturing new Xcelsior® and Xcelsior CHARGE® buses in Canada and the United States; infrastructure development in North America through NFI Infrastructure Solutions™; and workforce development through NFI Group's Vehicle Innovation Center.



Motor Coach Industries International, Inc.
Motor Coach Industries, Inc.
MCI Sales and Service, Inc.
Motor Coach Industries Limited

Motor Coach Industries (MCI) is North America's public and private market motor coach leader. Products include the luxury J Series and commuter D Series. MCI also provides maintenance, repair, 24-hour roadside assistance, parts, and technician training through the industry's only Automotive Service Excellence ("ASE") accredited and award-winning MCI Academy.



ARBOC Specialty Vehicles, LLC

ARBOC is North America's low-floor, body-on-chassis ("cutaway") bus leader, manufacturing cutaway and medium-duty buses.



KMG Fabrication, Inc.

KMG is NFI Group's wholly owned part fabrication facility located in Shepherdsville, Kentucky. KMG produces parts for the manufacture of New Flyer and MCI vehicles, and for NFI Parts' aftermarket business.

² In addition to the subsidiaries mentioned above, the NFI Group includes the following holding subsidiaries: New Flyer Holdings, Inc.; Transit Holdings, Inc.; 1176846 Alberta ULC; New MCI Holdings, Inc.; MCII Holdings, Inc.; MCIL Holdings, Ltd.; Frank Fair Industries Ltd.; New Flyer Holdings Canada Inc.; NFI Holdings Canada Inc.; NFI International Limited.



Carfair Composites USA, Inc.
Carfair Composites Inc.

Carfair is NFI Group's wholly owned fibreglass part manufacturing company. It produces engineered composite parts for the manufacture of New Flyer and MCI vehicles, and for NFI Parts' aftermarket business.



The Aftermarket Parts Company, LLC

NFI Parts™ is North America's most comprehensive parts organization providing parts, technical publications, training, and support for buses and motor coaches. It sells replacement parts for New Flyer, MCI, Alexander Dennis, ARBOC, NABI and Orion vehicles.

The Reliable Insurance Company Limited

The Reliable Insurance Company Limited

The Reliable Insurance Company Limited is NFI Group's wholly owned captive insurance company. It underwrites certain insurance policies for NFI Group companies.

SUPPLY CHAINS

Overview

NFI Group has a global supply chain which consists of third-party raw material and component suppliers, as well as service providers who support our operations. Additionally, NFI Group has two wholly owned parts fabrication facilities which supply our manufacturing and aftermarket businesses.

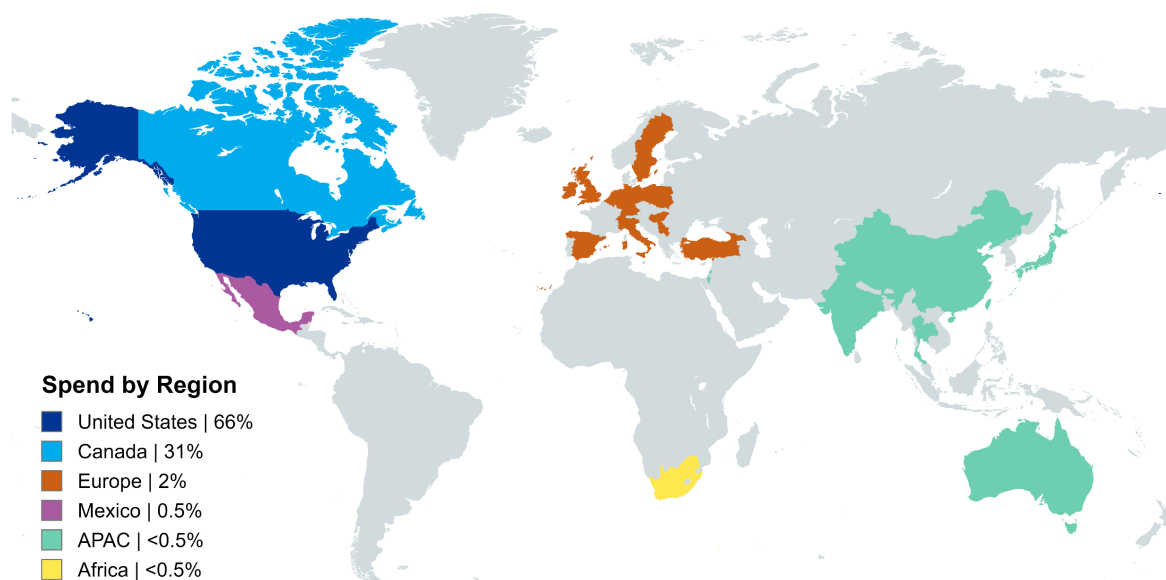
Materials and Components Purchased

Raw materials and components purchased by NFI Group from suppliers include the following:

| Type | Examples | Spend Portion |
|--|--|---------------|
| Drivetrain | Engines, Transmissions, Axles, Articulated Components | 33% |
| Body, Rubber and Composites | Fiberglass parts, Windows, Seats, Doors | 21% |
| Vehicle Systems | HVAC, Telematics, Destination signs, Cameras | 11% |
| Metals | Raw material, Fabricated structural parts, Wheels | 10% |
| Electric Bus and Infrastructure | High voltage batteries, Inverters, Electric motors, Chargers | 9% |
| Electrical | Wire harnesses, High voltage cables, Lighting | 9% |
| Other | | 7% |

Tier 1 Suppliers Spend by Region

In 2023, NFI Group had almost 4,000 Tier 1 Suppliers and service providers with the majority located in Canada and the United States.



POLICIES AND DUE DILIGENCE PROCESSES

NFI Group has embedded responsible business conduct into many of our policies and codes. The following documents demonstrate our commitment to responsible and ethical business practices, our position on human rights, and the standards which we hold our suppliers to.

- Code of Business Conduct and Ethics
- Supplier Code of Conduct
- Human Rights Statement
- Conflict and Critical Minerals Policy
- Our policy with respect to the *California Transparency in Supply Chains Act*
- Anti-Corruption Policy
- Whistleblower Policy

These policies and codes can be found at nfigroup.com/esg/documents-charters.

NFI Group's Supplier Code of Conduct includes specific clauses prohibiting suppliers from using Forced Labour or Child Labour directly or indirectly through their supply chain. In 2023, this updated Supplier Code of Conduct was disseminated to our Tier 1 Suppliers with the requirement that they sign the document, agreeing to conduct their business within the requirements of the code, and to flow down our Supplier Code of Conduct or equivalent requirements to their suppliers.

In addition to the above policies and codes, in 2023, New Flyer, Motor Coach Industries and KMG³ identified products sourced from Tier 1 Suppliers with a heightened risk for the use of Forced Labour and/or Child Labour, considering the types of products purchased and the locations in which the suppliers operate or source products from. Based on this, we surveyed and collected responses from suppliers as part of due diligence under the Canadian Act and the UFLPA. We are committed to working with our suppliers to address potential areas of risk.

NFI Group has an Ethics and Compliance hotline where our employees and third parties can report situations in which they have a good-faith belief that any circumstances or action has violated our policies, including but not limited to the use of Forced Labour or Child Labour in our operations or supply chain. Reports can be submitted through dedicated internet website nfigroup.ethicspoint.com, by email to: ethics@nfigroup.com or by phone at: 1-800-601-2161.

³ In 2024, NFI Group plans to conduct a similar assessment for the remainder of its operating entities.

FORCED LABOUR AND CHILD LABOUR RISKS

NFI Group has identified two key areas of our supply chain that pose a heightened risk of Forced Labour and/or Child Labour, and has begun to systematically address these areas.

Batteries

As more of our products become electrified, the use of high-voltage batteries is increasing. We know that high-voltage batteries and their inputs come with a heightened risk of Forced Labour and Child Labour, as well as the possibility that certain of the inputs may be sold to finance armed conflict. In 2023, NFI Group published an enhanced Conflict and Critical Minerals Policy to address these risks, requiring the completion by us of due diligence consistent with applicable OECD guidance, disclosures as required by law, and removal of Conflict Minerals from our supply chain. In signing the revised Supplier Code of Conduct, our suppliers are also agreeing to act within our Conflict and Critical Minerals Policy.

Countries with Heightened Risk of Forced Labour and/or Child Labour

NFI Group identified products sourced from our Tier 1 Suppliers who operate in countries with the highest risk of Forced Labour and Child Labour, as identified by the Global Modern Slavery Index in 2023. We surveyed impacted suppliers to assess potential risks, and responses were tracked.

As part of our due diligence under the UFLPA, we identified products produced in China sourced from our Tier 1 Suppliers as a heightened risk for Forced Labour and/or Child Labour. In addition, Tier 1 Suppliers who operate in this area were identified as having a heightened risk of the use of Forced Labour or Child Labour in their supply chains. Such suppliers were surveyed to assess potential risks, and responses were tracked.

No significant areas of concern have been identified at this time.

REMEDATION MEASURES

NFI Group is not aware of any instances of Forced Labour and/or Child Labour in our operations or supply chain thus far. Accordingly, no remediation measures have taken place.

REMEDATION OF LOSS OF INCOME

NFI Group is not aware of any instances of Forced Labour and/or Child Labour in our operations or supply chain thus far. Accordingly, no remediation of loss of income has occurred.

TRAINING

NFI Group provides mandatory training regarding its Code of Business Conduct and Ethics which addresses our position on the employment of children. This training must be completed annually by employees at all levels of the organization, except for direct and indirect labour employees who receive the training at time of hire and periodically thereafter.

In 2023, employees responsible for sourcing and purchasing decisions were required to review NFI Group's revised Supplier Code of Conduct (which includes specific sections on Human Rights, Forced Labour, and Child Labour) and the Conflict & Critical Minerals Policy.

NFI Group is committed to continued learning about best practices to address the risk of Forced Labour and Child Labour in our supply chain and will continue to pursue learning and training opportunities for employees with responsibility in this area.

ASSESSING EFFECTIVENESS

NFI Group ensures that all corporate policies and codes remain current, and address required areas of risk by having the policy or code owner review annually, and if required, update the document. This includes key documents which address Forced Labour and Child Labour.

Except for annual reviews of policies and codes which address Forced Labour and Child Labour, steps were not taken to assess the effectiveness of NFI Group's efforts in reducing risks of Forced Labour and Child Labour in 2023. This area will be assessed and expanded upon in 2024.



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