

Nano One Materials Corp. Modern Slavery Report (2023)

I. Introduction

This report (“**Report**”) is made and filed by Nano One® Materials Corp. (the “**Company**” or “**Nano One**”), a Canadian corporation listed on the Toronto Stock Exchange (the “**TSX**”). This Report is filed pursuant to and in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) in respect of the financial year ending December 31, 2023, and includes information pertaining to the Company’s commitment to preventing the use of human trafficking, forced and child labour (referred to herein as “**Modern Slavery**”) in its supply chain and operations.

As required by the Act, this Report will also be posted publicly on the Company’s website.

II. Structure, Activities and Supply Chain

A. Structure

Corporate Overview

Nano One is a clean technology company with patented processes for the production of lithium-ion battery cathode active materials (“**CAM**”) that enables secure and resilient supply chains by driving down cost, complexity, energy intensity, and environmental footprint. Nano One, including its subsidiaries, currently employs approximately 140 employees throughout the corporation.

Headquartered in Burnaby, British Columbia, Canada, Nano One is publicly traded on the TSX under the ticker “NANO”. The Company’s head office is located at Unit 101B, 8575 Government Street, Burnaby, British Columbia V3N 4V1 and its registered and records office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

Subsidiaries

On November 1, 2022, the Company closed the acquisition of Johnson Matthey Battery Materials Ltd. (“**JMBM Canada**”) from Johnson Matthey, PLC via Nano One’s subsidiary located in Québec, Nano One Materials Québec Inc. (“**Nano One Québec**”). Following closing of the acquisition, JMBM Canada was renamed Nano One Materials Candiatic Inc. (“**Nano One Candiatic**”).

Nano One’s Candiatic plant is located in Candiatic, Montreal, which, in 2023 was being repurposed for the use of the Company’s patented One-Pot process for the pilot production of LFP CAM lithium iron phosphate (“**LFP**”) CAM. The Candiatic facility and team in Montreal are the base for the expansion and acceleration of Nano One’s commercialization strategy to complement Nano One’s technology innovation hub and team in Burnaby, British Columbia.

Neither Nano One Québec nor Nano One Candiatic meet the criteria as a “Reporting Entity” under the Act. However, each entity follows the same policies and procedures under the Nano One umbrella to ensure consistency in operations, appropriate risk management, and commitment to social responsibility.

An overview of the Nano One corporate organizational structure is provided below for reference:



Information regarding Nano One’s Executives, Leadership Team, and Board of Directors can be found in the "about us" section on the Company website:

<https://nanoone.ca/our-company/our-team/Activities>

B. Activities

In 2023, Nano One concentrated on advancing its technology and facilities through further research and development. This effort emphasized the growth of strategic business relationships, including the distribution of samples for testing and approval by an automotive OEM. Aiming to transition to more extensive commercial development in 2024, Nano One plans to continue building on its robust foundational policies and procedures, with a focus on continuous improvement.

Nano One has received support from organizations like Sustainable Development Technology Canada (SDTC) and the governments of Canada and British Columbia, which aids in funding and fostering innovation, sustainability and quality ethical standards within its operations. The Company is addressing the call for increased security of supply, environmental stewardship, and responsible raw material sourcing. Its objective is to capture a meaningful portion of large emerging CAM markets starting in North America, then to expand in Europe and the Indo-Pacific region, all looking for cleaner and more cost-competitive cathode production solutions.

Further information regarding Nano One’s activities can be found in its Annual Information Form published on the Company website:

<https://nanoone.ca/wp-content/uploads/2024/03/Nano-One-AIF-2024-YE-2023-Final-1.pdf>

C. Supply Chain

Nano One’s supply chain is intricately structured around the production of high-performance lithium-ion battery cathode materials (CAM) and focuses on reducing environmental impact and enhancing supply chain resilience through its technology offerings. As 2023 was focused primarily

on research and development, Nano One's supply chain demands were able to be satisfied by utilizing a limited number of vendors, with an emphasis on primary vendors with whom Nano One has formed strategic partnerships.

Throughout the course of the year, Nano One continued to improve its existing business relationships, which will aid Nano One in continuing to maximize sourcing from extremely reputable vendors with responsible practices in place (including those dedicated to preventing Modern Slavery).

A general breakdown of Nano One's supply chain and related information is as follows:

- **Material, Sourcing and Inputs:** Nano One has formed strategic collaborations with significant and reputable industry players with respect to both sourcing of input raw materials (including LFP) and further development of Nano One's facilities and patented technologies. Although Nano One's is primarily technology based, it utilizes a variety of raw materials for its testing of its products with respect to the production of lithium-ion battery cathode materials. Key inputs include sourcing from vendors for lithium, iron, and phosphate for lithium ferro phosphate (LFP) batteries, as well as nickel, manganese, and cobalt for nickel manganese cobalt (NMC) cathodes.
- **Production Process:** Nano One provides its customers with its patented technology, including the "One-Pot" process, which simplifies the cathode material production by mixing lithium and other raw materials in a single reactor. This process is significant for its ability to reduce costs, simplify the production process, and eliminate the use of sulfates, making it environmentally friendly, while also providing purchasers with an alternative source in Canada, which will release the stranglehold raw material providers have in other jurisdictions (including those in areas of higher risk for Modern Slavery use).
- **End-Use and Commercialization:** Nano One aims to shift focus on the end-use of their products in electric vehicles and renewable energy storage systems, aiming to align with global efforts to transition to zero-emission energy solutions. The Company is actively working on commercialization of its operations, leveraging its innovative technology to meet growing market demands, especially in North America and the Indo-Pacific regions.

By collaborating with industry partners at both ends of the value chain, Nano One aims to create demand for its cathode materials through OEM partnerships and their battery innovation efforts, while partnering with leading materials manufacturers to adopt Nano One technology for the commercial scale production of cathode materials.

III. 2023 Measures Taken to Prevent Modern Slavery

In general, the measures taken by Nano One to prevent Modern Slavery in 2023 included:

- Monitoring Legislative and regulatory developments with respect to the Act.
- Continuing to build on existing and collaborative business relationships with industry partners who hold robust Modern Slavery policies and protections of their own (discussed further in detail in this report).

- Fostering new business relationships and growing existing relationships with reputable vendors, several of which maintain strict and robust Modern Slavery prevention practices.
- Ensuring adherence to existing company policies and procedures, which include mechanisms to prevent risks, including those associated with Modern Slavery.
- Working with cross-functional teams to strategize on improvements to existing and/or draft policies and procedures, including a robust Code of Ethics (currently in draft form).
- Conducting screening through our procurement process, which includes ethical supply screening of vendors, with specific questions pertaining to the prevention of Modern Slavery through the vendor onboarding process.

In addition to the above, Nano One proudly notes that once commercialized, its technology will also contribute to reducing Modern Slavery risks on an industry-wide level. Nano One's technology significantly disrupts the traditional dependencies on high-risk regions for raw material sourcing and production. By enhancing operational efficiencies and cost-effectiveness, it facilitates a shift towards more localized sourcing alternatives, releasing some of the stranglehold historically held by companies in regions at higher risk for the use of Modern Slavery. Consequently, Nano One's innovations are poised to drive industry-wide changes across North America, fostering more ethical and sustainable practices.

IV. Policies and Due Diligence Processes

Nano One is committed to maintaining high standards of corporate governance, environmental stewardship, and social responsibility. The Company's policies and practices are designed to ensure compliance with applicable laws and regulations, including those related to human rights and labor practices. This commitment extends throughout its supply chain, where Nano One implements effective due diligence to prevent and mitigate risks, including those of Modern Slavery. A summary of the relevant Nano One policies and procedures is as follows:

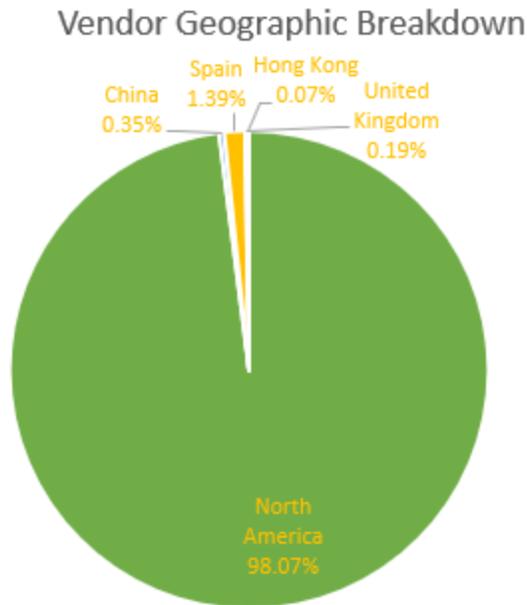
- **Procurement Procedure:** This procedure aims to ensure the best value for money, minimize risks in the supply chain, and protect the Company's reputation from unreliable suppliers or deviations from approved processes. It serves as a comprehensive guide for all employees not directly within the Procurement function, detailing their roles and responsibilities throughout the procurement process, including contract negotiation. The procedure emphasizes early engagement with the Procurement team to leverage their expertise and existing contracts, thereby optimizing outcomes.
- **Ethical Supply Screening & Supplier Contractual Obligations:** Included as part of the vendor onboarding process, Nano One's Ethical Supply Form requires vendors to answer questions directly relating to their practices, policies, and procedures in place to ensure the use of Modern Slavery is not present in their supply chains. Further procurement and contractual protections are also included in the Company's standard terms and conditions, which not only require compliance with all laws and regulations, but specifically call for compliance with the International Labor Organization's Fundamental Principles & Rights at Work and associated Conventions, which include measures dedicated to abolishing Modern Slavery.

- Delegation of Authority Policy:** This policy applies to all employees, officers, directors, agents, consultants, and contractors of the Company and is applicable for all Company transactions with third parties. This policy works in conjunction with the Procurement Procedure and Capital Expenditure Policy to ensure appropriate review (including contractual reviews), risk assessment, and approvals are obtained prior to entering into any transactions. In addition to review by the appropriate authority, Nano One also imposes a legal review obligation, which may include the use of legal counsel, for various contracts and transactions, especially those that involve high risk. This policy specifies that endeavors requiring legal review be provided early, and specifically mentions consideration of appropriate timing to ensure negotiation (which provides each contracting party time to ensure compliance with law and appropriate contractual obligations, including those related to Modern Slavery are included).
- Audit Committee Charter:** This charter delineates the mandated roles and responsibilities of the Audit Committee, composed of independent board members with the requisite education and experience to fulfill their duties. These responsibilities include advising and assisting the Board of Nano One in its oversight tasks. The Audit Committee ensures compliance with relevant legal and regulatory requirements and company policies and procedures, promoting continuous improvement and adherence to these standards as appropriate.
- Nomination and Governance Committee Charter:** This charter establishes the "N&CG" Committee and outlines its oversight responsibilities concerning the effectiveness of the Company's corporate governance policies and procedures. The Governance committee's responsibilities include monitoring, reviewing, and assessing the adequacy of the Company's corporate governance policies and committee mandates, and making recommendations to the Board accordingly.
- Board Mandate:** The Board is responsible for adopting, supervising, and providing guidance on the strategic planning process, including the approval of a strategic plan that considers the opportunities and risks of the Company's business. The Board maintains a comprehensive understanding of the principal risks associated with the business, primarily through ongoing communication with management. Additionally, the Board ensures the implementation of appropriate systems to effectively manage these risks.
- Whistleblower Policy:** In conjunction with the mandates of the Audit Committee, the Company maintains a whistleblower policy which provides for the method of reporting of any inappropriate activity by any Nano One employee or director, which includes reporting on potential violations of law, non-compliance with Company policies, and other ethical considerations.

V. Risk Management & Assessment

Nano One is well-equipped to Assess and Manage Risk. A general overview of the measures it takes to prevent and reduce risks of Modern Slavery are as stated below:

Review of Financial Transactions: The Company has conducted a risk review of financial transactions with vendors, with a specific emphasis on identifying transfers in jurisdictions outside of North America based on its review, the Company notes the following:



Policies, Procedures, and Contractual Measures: The policies and procedures detailed in Article IV are instrumental in helping Nano One identify, manage, and mitigate risks, including those related to ethics and Modern Slavery. Additional safeguards are provided by mandatory reviews by various committees, including audit and legal reviews related to contractual and procurement matters. These reviews ensure appropriate language to capture compliance with laws, audit rights, effective issue resolution, and ongoing risk management.

Relationship Management and Screening: Nano One employs effective practices in managing its vendor processes and business relationships. The Company mitigates risk through pre-screening during the procurement process and maintains an engagement with a third-party risk management company. This company conducts due diligence and provides comprehensive risk reports based on multiple factors, ensuring robust oversight and informed decision-making.

Furthermore, as emphasized in this Report, Nano One prioritizes contracting with reputable vendors and stakeholders who meet high standards in supply chain operations and corporate responsibility. Notably, partners like Rio Tinto uphold stringent Modern Slavery practices, which are essential for maintaining low risk levels and promoting ethical practices throughout the supply chain. Nano One also collaborates with other industry leaders who share its commitment to high ethical standards, demonstrating a commitment to preventing Modern Slavery publicly (links included).

- Worley Chemetics: <https://www.worley.com/en/site-services/modern-slavery-statement>
- Sumitomo Metal Mining: https://www.sumitomocorp.com/jp/-/media/Files/hq/sustainability/csr/modernslaveryact/FY2022_en.pdf?sc_lang=ja

- Rio Tinto: <https://www.riotinto.com/en/invest/reports/modern-slavery>

Identified Risks and Areas for Improvement: Despite the low inherent risks, Nano One acknowledges that the primary challenges stem from the nature of the industry, particularly the sourcing of raw materials from higher-risk regions. The Company remains dedicated to considering continuous improvement in several areas, including, potentially:

- Creating a standalone Modern Slavery Policy.
- Establishing a Modern Slavery task force.
- Increasing awareness around Nano One’s ethical commitments.
- Enhancing contractual protections for suppliers.
- Formalizing the current draft of the Code of Ethics.
- Improving risk screening with third-party risk management provider, to include specific Modern Slavery assessments of potential vendors.
- Expanding the Whistleblower policy to facilitate easier public reporting of concerns.

VI. Remediation Measures

No known instances or allegations of Modern Slavery were identified within Nano One’s operations or supply chain for Fiscal Year 2023. However, the Company recently engaged an external consulting firm, LAWst Solutions, to provide Modern Slavery training. In terms of remediation, LAWst advertises that portions of the proceeds received from the sales of its E-Course are donated to non-profits or charitable organizations dedicated to ending Modern Slavery.

Nano One will continue to monitor its supply chain and identify areas for improvement, including consideration of updates to its policies to establish appropriate remediation protocols.

VII. Training

Employees in positions within the Company’s supply chain and business operations possess extensive experience and various training and education in spotting vendor risks, conducting due diligence, and practicing ethical sourcing.

Nano One requires onboarding training and sign off on policy, procedure (including a review of Company procurement procedures), ethics, and compliance for all Nano One employees. Nano One may also tailor training topics, or ‘lunch and learns’ to address areas of higher risk, including targeted training, as required, to enhance understanding of specific functional areas and associated risks.

Looking Forward

With respect to specific training on the subject of Modern Slavery, Nano One has recently engaged a third-party consulting firm, LAWst Solutions, to provide training through its E-Course offering: "*Combating Forced and Child Labour in Supply Chains & Canada’s Regulation of Modern Slavery.*" The course curriculum includes:

- Examination of the prevalence of Modern Slavery in global supply chains;
- Exploration of the interplay between Modern Slavery and the complexities of supply chains;
- Identification of risks, including problematic practices, industries, goods, and regions;
- Overview of global regulations on Modern Slavery;
- Detailed review of the Act; and
- General guidance for businesses on strategies to combat Modern Slavery and meet compliance obligations under the Act.

Subject to the determination of Nano One's leadership, such training may be implemented as mandatory or optional for employees, depending on their role in the Company. The course includes two modules and quizzes, with employees required to achieve an 80% pass rate to receive a Course Completion Certificate from the LAWst Learning Academy. This certificate allows Nano One to assess its training effectiveness and track employee progress.

VIII. Assessing Effectiveness

Based on the measures in place, Nano One believes it is currently effective in combating Modern Slavery. The Company is able to assess its effectiveness in preventing forced and child labor through various channels. Further specifics include:

- Regular review of policies and procedures, with a goal of continuous improvement.
- Utilization of known and reputable vendors and fostering business relationships with these vendors.
- Collaboration with its partners and vendors with respect to ensuring consistency.
- Monitoring of the whistleblower policy.
- Engagement with external advisors.

Nano One remains committed to continuously reviewing its processes and considering areas for improvement.

IX. 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.

This Report was approved by Nano One's governing body pursuant to paragraph 11(4) and subsection 11(5) of the Act, and I have the authority to bind the Company.

/s/ "Dan Blondal"
 Full name: Dan Blondal
 Title: Director, Chief Executive Officer
 Date: May 31, 2024