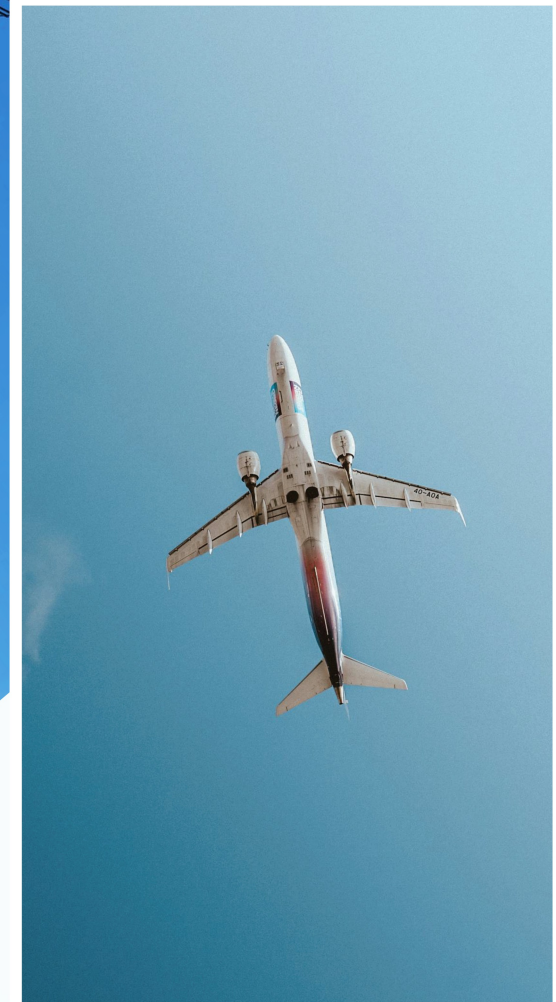









2024 Sustainability Report



At a Glance

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CEO's Message

At Shimco, sustainability is more than just a strategic priority – it is a fundamental aspect of who we are as a company. As we continue to grow and innovate in the aerospace, defense, and industrial sectors, we recognize the growing urgency to address environmental challenges and take meaningful steps to create a more sustainable future.

This report represents our ongoing commitment to transparency and accountability, reflecting not only our progress in reducing our environmental footprint but also our ambition to lead by example in our industry. Over the past year, we have made significant strides in mapping our greenhouse gas emissions, improving energy efficiency, and enhancing our supply chain sustainability efforts. These achievements would not have been possible without the dedication of our employees and the strong partnerships we've cultivated with our stakeholders.

At Shimco, we view sustainability as a long-term journey, one that requires continuous learning, adaptation, and innovation. We are proud to have completed our first comprehensive GHG inventory and are committed to aligning with science-based targets that align with global standards. In the coming years, we will deepen our focus on reducing emissions across our value chain, increasing our use of renewable energy, and further embedding sustainability into the very fabric of our operations.

Our responsibility extends beyond our environmental impact. We are equally committed to supporting the well-being of our employees, fostering a culture of diversity and inclusion, and contributing positively to the communities in which we operate. We believe that sustainable success can only be achieved when we balance the needs of our business with the needs of society and the planet.

I invite you to explore this report to learn more about our sustainability initiatives, progress, and the challenges we face. Together with our partners, customers, and employees, we will continue to lead the way in driving positive change for our industry and beyond.

Thank you for your ongoing support.

Sincerely,
Peter Voss
CEO, Shimco



Peter Voss, CEO

"At Shimco, we view sustainability as a long-term journey, one that requires continuous learning, adaptation, and innovation."

Executive Summary

At Shimco, sustainability is not just a strategic priority; it is deeply embedded in our company's DNA. As a global leader in the aerospace, defense, and industrial sectors, we understand the responsibility we have to minimize our environmental impact and drive positive social and economic outcomes. This report marks an important milestone in our sustainability journey, reflecting our commitment to transparency, innovation, and continuous improvement.

Key Achievements:

Completion of First Comprehensive GHG Inventory: In collaboration with Climeverse, Shimco has successfully mapped its Scope 1, 2, and 3 emissions, providing a clear baseline for future reduction efforts.

Energy Efficiency and Resource Management: We have implemented energy-saving technologies across our manufacturing facilities, reducing our operational energy consumption and waste generation.

Supply Chain Sustainability: We have enhanced engagement with our suppliers, promoting responsible sourcing and increasing transparency throughout our value chain.

Social Responsibility: Our people are our greatest asset. We have continued to foster a culture of diversity, equity, and inclusion (DEI) while prioritizing employee health, safety, and well-being.

Innovation and Sustainable Product Design: As a forward-thinking industry leader, we are incorporating sustainability into our product design, focusing on reducing environmental impacts through innovation and enhanced efficiency.

Looking Ahead:

Shimco is committed to setting ambitious science-based targets (SBTs) to reduce emissions in alignment with global climate goals. Our future sustainability strategy is built on three fundamental pillars:

Environmental Stewardship: We aim to further reduce our carbon footprint by optimizing energy usage, minimizing waste, and transitioning to renewable energy sources.

Social Responsibility: We will continue to strengthen our DEI initiatives and contribute positively to the communities we operate in, supporting education, environmental conservation, and workforce development.

Economic Resilience: Through responsible resource management and sustainable innovation, we will ensure long-term business resilience and growth while advancing our commitment to sustainability.

Shimco recognizes that sustainability is an ongoing journey. As we navigate challenges and seize opportunities, we will remain committed to transparently reporting our progress and engaging stakeholders in meaningful dialogue. Together, we can lead the way in creating a more sustainable and prosperous future.

About Shimco

Our story

Founded in 1985, Shimco is a leading manufacturer of precision parts, shims, and components serving the aerospace, defense, and industrial sectors. Headquartered in Ontario, Canada, Shimco has established itself as a trusted partner to some of the world's largest original equipment manufacturers (OEMs) and Tier 1 suppliers, offering unparalleled expertise in the production of metallic and non-metallic shims, laminated shims, spacers, and washers.

At Shimco, our mission is to deliver high-quality, innovative solutions that meet the exacting standards of our clients while ensuring operational excellence and sustainability. With a focus on precision and customization, we leverage advanced manufacturing techniques and state-of-the-art technology to deliver products that are critical to the safety, performance, and reliability of aircraft, defense systems, and industrial machinery.

Introduction

At Shimco, sustainability is more than just a commitment – it's embedded in every aspect of our business, driving the way we think, operate, and innovate. As a trusted provider of precision parts and manufacturing solutions to the aerospace, defense, and industrial sectors, we understand the role we play in creating a more sustainable and responsible future. This report outlines our ongoing efforts to embed environmental, social, and governance (ESG) principles into our operations, ensuring that our growth is aligned with global environmental goals and societal expectations.



As the world faces unprecedented challenges in addressing climate change, resource scarcity, and social inequities, we recognize that businesses must take a leadership role. We have made it our mission to minimize the environmental impact of our operations, invest in innovative solutions that enhance efficiency, and support initiatives that contribute to a more equitable and resilient future. This sustainability report is a testament to our commitment, providing a transparent and detailed account of our journey over the past year and setting the stage for the ambitious goals we have for the future.



Our Sustainability Vision

Our vision for sustainability is rooted in three fundamental pillars: environmental stewardship, social responsibility, and economic resilience. We believe that achieving success in these areas requires a holistic approach, where sustainability is not an afterthought but an essential component of our decision-making process. Through responsible resource management, reduction of greenhouse gas (GHG) emissions, and a focus on the well-being of our employees and communities, we are taking actionable steps to align our operations with the demands of a low-carbon, equitable economy.

We are proud of the strides we have made to date, including the completion of our first comprehensive GHG inventory, which highlights the areas of greatest impact across our supply chain, production processes, and operational activities. This inventory forms the foundation of our sustainability strategy, allowing us to identify key areas for improvement and set measurable, science-based targets for reducing our carbon footprint. In addition, we have implemented energy efficiency measures across our manufacturing facilities, expanded our recycling and waste reduction programs, and enhanced our supplier engagement to drive sustainability throughout our value chain.

Our Commitment to Sustainability

As a company with a global footprint, Shimco is deeply committed to minimizing our environmental impact and contributing to the long-term sustainability of the industries we serve. We believe that sustainability is essential to the future of manufacturing, and we are continuously investing in technologies, processes, and partnerships that drive efficiency, reduce waste, and lower our carbon footprint. Our sustainability initiatives focus on three core areas:

- 1. **Environmental Responsibility:** We aim to reduce our greenhouse gas (GHG) emissions, optimize energy use, and implement responsible waste management practices across all our operations. Our GHG inventory has been a critical first step in measuring and managing our environmental impact, and we are committed to setting science-based targets to guide our efforts moving forward.
- 2. **Social Impact:** We take pride in fostering a diverse, inclusive, and safe work environment for our employees. Our people are our greatest asset, and we are dedicated to supporting their development, well-being, and engagement. Additionally, we actively contribute to the communities in which we operate, supporting local initiatives and partnerships that promote education, health, and environmental stewardship.



Innovation and Excellence: Shimco's success is built on a foundation of precision, innovation, and a relentless commitment to quality. As we continue to develop new products and solutions, we are incorporating sustainable design principles that enhance performance while reducing environmental impact. This focus on innovation not only supports our clients' sustainability goals but also positions Shimco as a forward-thinking leader in our industry.

In addition to our environmental initiatives, we are committed to social responsibility by fostering a culture of inclusion, equity, and diversity within our workforce. We believe that a strong and diverse team is essential to driving innovation and delivering long-term value to our stakeholders. Through our community engagement programs, we are also actively contributing to local initiatives that promote education, environmental conservation, and social well-being.



Looking Ahead

While we are proud of the steps we have taken so far, we are acutely aware that there is much more work to be done. The road ahead presents both challenges and opportunities, and we are committed to addressing both with the same level of determination and innovation that has defined Shimco for decades. As we look to the future, we will continue to prioritize sustainability in our strategic planning, invest in technologies that help us achieve our goals, and collaborate with our partners, customers, and communities to create meaningful change.

This report not only reflects our progress but also serves as a call to action – a reminder that the journey to sustainability is ongoing. We are committed to adopting science-based targets for reducing our environmental impact, enhancing our resilience to climate-related risks, and continuing to create shared value for all our stakeholders. Through collaboration, transparency, and accountability, we are confident that Shimco can contribute to a sustainable, prosperous future for generations to come.

Materiality Assessment

At Shimco, we believe that understanding and addressing the most significant ESG topics is critical to the long-term success of our business and our stakeholders. We develop and refine this understanding through a continuous process of evaluating topics that are material to our operations, our customers, and the broader society and environment. A materiality assessment allows us to prioritize how we deploy resources towards improving our ESG goals.

How Our Materiality Assessment Was Conducted

In 2024, Shimco sought the support of Climeverse, a sustainability consultancy, to evaluate material topics. This collaboration allowed us to leverage Climeverse's expertise in sustainability frameworks, stakeholder engagement and technology driven sustainability metric measurement, enabled us to efficiently assess our sustainability current state. Together, we followed a structured and inclusive process that engaged internal and aligned our priorities with global best practices.

1. Identifying Relevant Sustainability Topics

We began the assessment by conducting a review of global sustainability trends, industry-specific risks, and emerging regulatory requirements applicable to Shimco's North American operations.

This included:

- Analyzing the applicability of key sustainability frameworks such as the Greenhouse Gas Protocol, the Global Reporting Initiative (GRI), International Sustainability Standards Board standard (ISSB S1, S2), and the Task Force on Climate-related Financial Disclosures (TCFD) framework.
- Evaluated our products and business operations with reference to our sector, products, materials, energy use, buyers, partners and suppliers, and geographical and jurisdictional applicability of sustainability regulations.

Through this process, we identified Green house gas GHG emissions measurement as a key area of development in our sustainability strategy, and enlisted Climeverse to perform a GHG inventory.

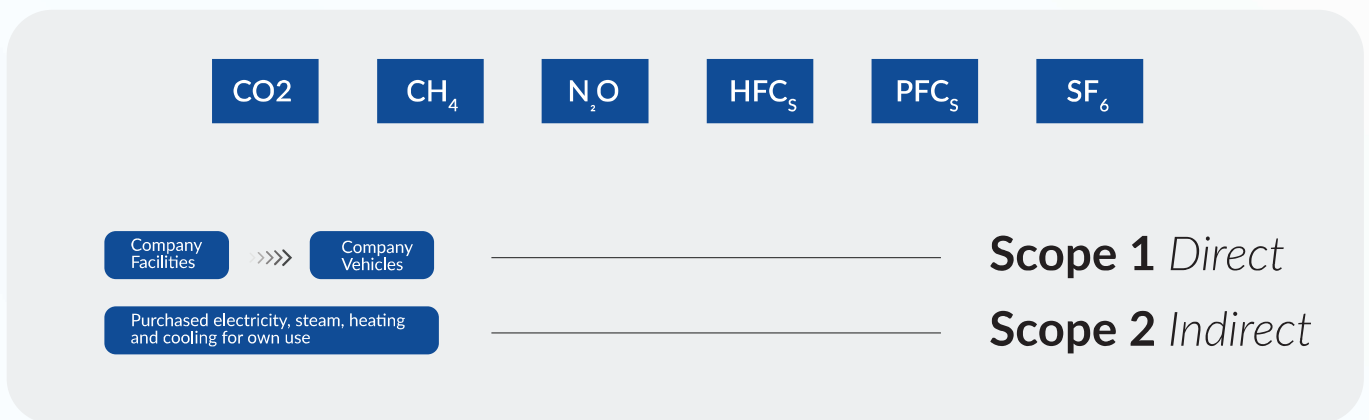


How Our Materiality Assessment Was Conducted

In collaboration with Climeverse, Shimco undertook a detailed and comprehensive Greenhouse Gas (GHG) inventory, marking a significant milestone in our journey toward sustainability. The GHG inventory was conducted using the GHG Protocol, and on laying the groundwork for future emission reduction initiatives. This process allowed us to understand, quantify, and manage our emissions more effectively across Scope 1, Scope 2, and Scope 3 categories.

About the Greenhouse Gas (GHG) Protocol

GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. Building on a 20-year partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), GHG Protocol works with governments, industry associations, NGOs, businesses and other organizations.



The GHG protocol categorizes emissions from corporate activities into three scopes, with each scope containing specific guidance defining corporate boundaries, activities, and calculation methods for quantifying greenhouse gas emissions of internationally recognized substances that contribute to global warming. The aggregate quantification of a company's emissions across the three scopes for a given time period, is its GHG Inventory for that period.

More information can be found at: www.ghgprotocol.org.

Who Uses GHG Protocol?

GHG Protocol supplies the world's most widely used greenhouse gas accounting standards. The Corporate Accounting and Reporting Standard provides the accounting platform for virtually every corporate GHG reporting program in the world.

Climeverse used the GHG protocol methods in its evaluation process of Shimco's activities and calculating the GHG inventory.

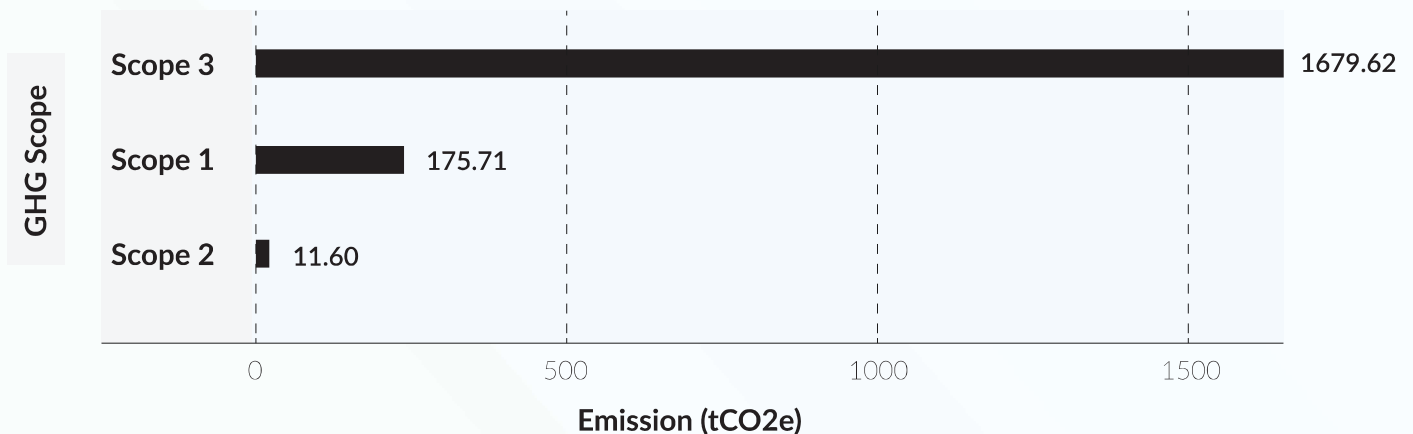
Shimco's GHG Inventory Overview

Shimco's operational emissions are overwhelmingly in its upstream and downstream supply chain activities under Scope 3.

Emissions Summary

Reporting Year ■ FY 2023	1,866.93 Emissions (tCO ₂ e) Total	2956 Count of Emission Activities
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CO₂e by Emission Scope (Metric tonne)



For the fiscal year 2023 (from 01 January to 31 December 2023) Shimco's total emissions were estimated to be 1,864.11 metric tonne of Carbon Dioxide Equivalent CO₂e.

1. Scope 1 & Scope 2 Emissions

Scope 1 (direct) and Scope 2 (indirect from purchased electricity) emissions were calculated based on Shimco's operations in its North American production facility. Climeverse worked with our internal team to gather data on fuel consumption and electricity purchased from external providers.

Key Findings:

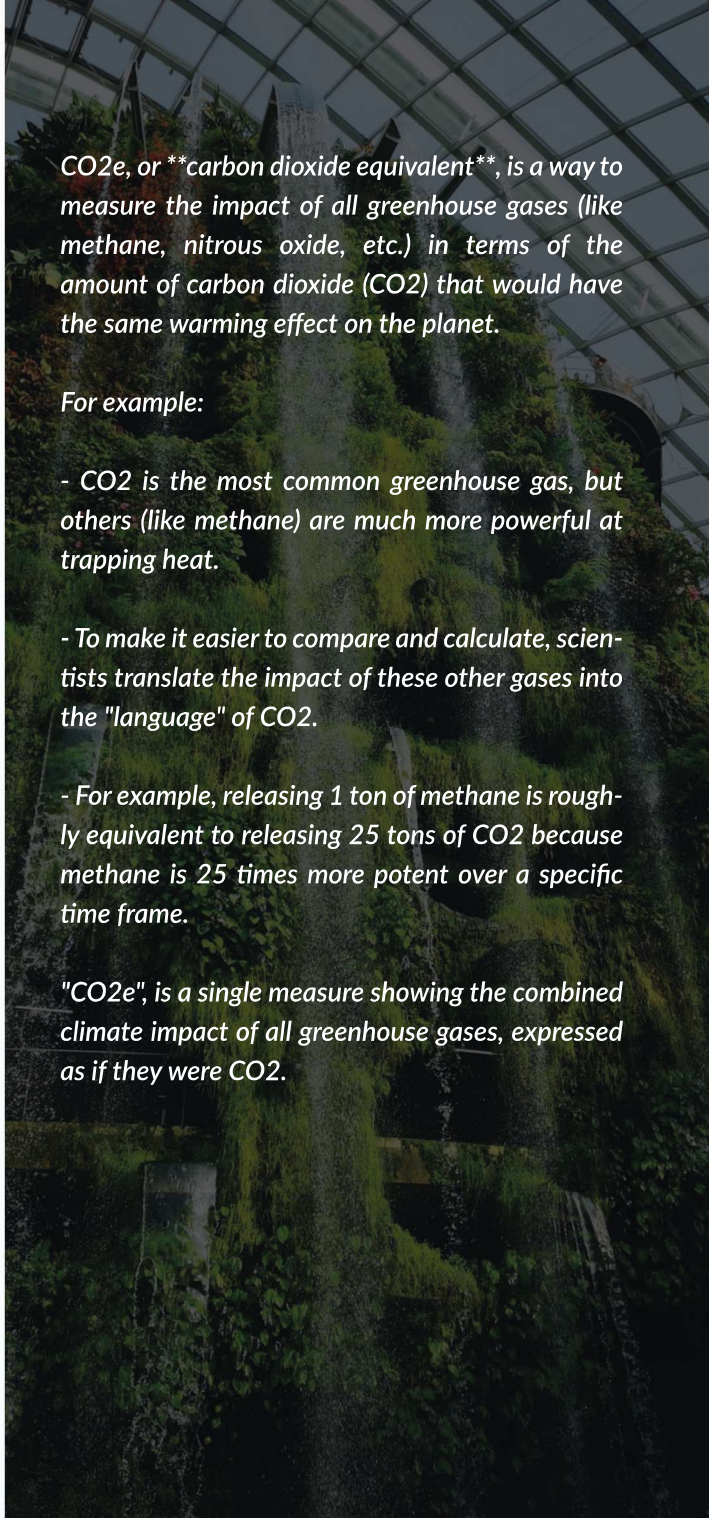
Scope 1 Emissions: Direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the organization. In Shimco's case, these include:

Fuel Combustion: Emissions from stationary sources (e.g., boilers, furnaces) and mobile sources (e.g., company-owned vehicles).

Fugitive Emissions: Unintended emissions from equipment leaks, refrigeration systems, or the release of gases during industrial processes.

Process Emissions: Emissions released during physical or chemical processes, such as cement production, chemical manufacturing, or other industrial activities.

Scope 2 Emissions: Indirect emissions from the generation of purchased energy, such as electricity, steam, or heating.



CO₂e, or **carbon dioxide equivalent**, is a way to measure the impact of all greenhouse gases (like methane, nitrous oxide, etc.) in terms of the amount of carbon dioxide (CO₂) that would have the same warming effect on the planet.

For example:

- CO₂ is the most common greenhouse gas, but others (like methane) are much more powerful at trapping heat.

- To make it easier to compare and calculate, scientists translate the impact of these other gases into the "language" of CO₂.

- For example, releasing 1 ton of methane is roughly equivalent to releasing 25 tons of CO₂ because methane is 25 times more potent over a specific time frame.

"CO₂e", is a single measure showing the combined climate impact of all greenhouse gases, expressed as if they were CO₂.

For FY 2023, Shimco's Scope 1 and 2 emissions were estimated to be:

GHG Scope	Emission Source	CO ₂ e (metric tonne)
Scope 1	Natural Gas	172.89
	Refrigerant Leakage	2.82
Scope 2	Purchased Electricity (location-based)	11.60

2. Scope 3 Emissions

Scope 3 emissions, which include upstream and downstream activities within our value chain, were a major focus of the GHG inventory. Climeverse assessed emissions from categories such as purchased goods and services and waste generated in operations. The effort in this initial phase was limited to scopes below due to data availability.

GHG Scope	Scope 3 Category	CO2e (metric tonne)
Scope 3	1. Purchased Goods & Services	172.89
	5. Waste Generated in Operations	2.82

3. Emission Factors and Calculation Methodology

The emissions were calculated by applying industry-standard emission factors to the activity data collected. These factors were sourced from databases such as the Canadian government, US Environment Protection Agency (EPA), ecoinvent, and other regional authorities to ensure accuracy and relevance. As per the GHG protocol calculation guidance, the most applicable and current values were applied in each scope category, using the lowest uncertainty methods first, and using higher uncertainty methods when the input data was insufficient to support precise calculations.



As per the GHG protocol calculation guidance, the most applicable and current values were applied in each scope category, using the lowest uncertainty methods first, and using higher uncertainty methods when the input data was insufficient to support precise calculations.

Areas where lower uncertainty (better) methods and data were available and used:

- Scope 1, fuel combusted with metered gas volumetric data
- Scope 2, purchased electricity, with metered energy use data

- Medium uncertainty calculations were used to estimate Scope 1 fugitive emissions using facility square footage data, cooling capacity and refrigerant leakage estimates.
- Higher uncertainty estimates were used for the category of Scope 3 purchased goods and services – in recognition of Shimco’s complex supply chain, the difficulty and long time it would take to improve the resolution of emission estimates in this phase. In order to establish a first order baseline in a reasonable timeline, the Extended Environmental Input Output (EEIO) database from the US EPA was used. A first order baseline is:

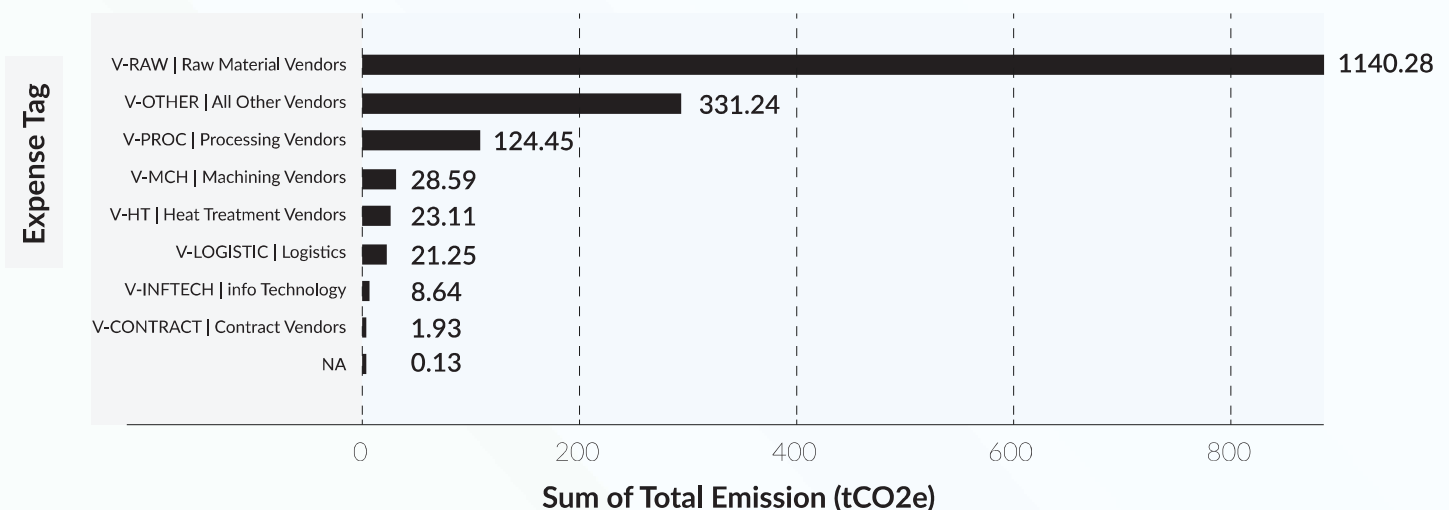
- *Derived using straightforward, initial-level data and assumptions, without incorporating complex feedback loops or secondary effects (which might be included in higher-order baselines).*
- *To establish a starting benchmark against which progress or deviations are assessed*

Shimco’s vendor spend amounts and categories from its procurement system were cross-referenced with the US EEIO spend / activity categories, to establish the emission per US dollar spent value. The values were aggregated by EEIO categories and Shimco’s vendor classification. The resulting emissions estimate enables Shimco to identify hotspots in emissions in its supply chain and prioritize decarbonize actions, as visible in the graphic below.

Emissions Summary Scope 3 – Spend Type

Reporting Year ■ FY 2023 └─ Scope 3	<h1>1,679.62</h1> <p>Emissions (tCO2e) Total</p>	<h1>2953</h1> <p>Count of Emission Activities</p>
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CO2e by Emission Scope (Metric tonne)

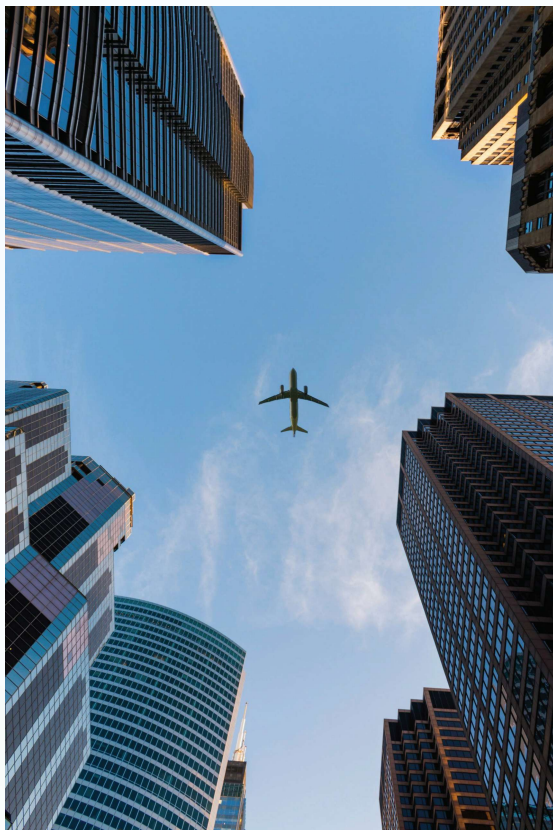


It must be noted that in this initial analysis the matching of Shimco's activities and the EEIO database serves as a starting point, and further steps are necessary to improve the resolution of emission estimates in the Scope 3 category.

These enhancements include:

- *An inventory of process steps and materials, internally at Shimco and associated with each vendor.*
- *Each material and process has a unique "carbon footprint" and each vendor is likely to have a unique carbon footprint for that material and/or process. It is recommended to collecting emission estimates from each supplier, aggregated per activity, process or material.*
- *Verify the quality of the supplier data by gathering the estimation method used by the supplier and categorizing the method-based uncertainty level of the obtained emission values.*

Further vendor level analysis is provided as an appendix to this report.



4. GHG Reduction Potential and Next Steps

The GHG inventory serves as a baseline for future sustainability initiatives. Based on these findings, Shimco is evaluating decarbonization pathways such as setting science-based targets (SBTi) for emissions reduction across its operations and value chain. Pathways set the ambition and provide a mechanism to measure performance each year.

Key recommendations we are considering are:

1. Proactive steps to optimize its emissions and costs. Examples include:
 - Optimizing energy use could yield lower emissions and lower energy costs, by optimizing demand management using advanced analytics and AI.
 - Working with our suppliers to reduce the carbon footprint in materials and services, such as sourcing lower carbon steel and aluminum.
 - Improving waste and recyclability in the manufacturing process.
2. Keep track of global sustainability initiatives that impact us, such as regulations and taxes related to emissions.

Regulations that currently have potential impact to Shimco are of two types:

- a. Carbon taxes and tariffs on high emission products and materials
- b. Mandatory disclosure of verifiable emissions of products, materials and services.
Shimco's customers include large buyers who are subject to these regulations and in turn will require suppliers like us to participate in carbon emission reduction.
3. Competitively positioning our products to be sustainably superior by iteratively improving our product carbon footprint.

Steps we are considering include:

- a. Continuously measure the carbon emissions of our operations.
- b. Undertake Product Carbon Footprint analysis of key products lines/products that are subject to tariffs and taxes.
- c. Obtain more primary data for our product carbon footprint analysis, in collaboration with our suppliers and partners.
4. Commit to a carbon reduction pathway, and measure performance against targets as our major buyers are required to comply and in turn are asking suppliers like us to participate in their reduction commitments.
5. Comparison of Emissions by Year (Future Integration). As Shimco continues its sustainability journey, this GHG inventory will serve as the foundation for tracking progress over the coming years. Climeverse has recommended that Shimco conduct annual inventories to compare emissions, identify trends, and adjust reduction strategies accordingly.



Conclusion: A Path Toward a Sustainable Future



Shimco's commitment to sustainability is not only a reflection of our responsibility to the planet but also a strategic imperative that drives innovation and operational excellence. This sustainability report demonstrates the significant progress we have made in understanding and reducing our environmental impact, and it outlines our ongoing efforts to align with global best practices, including setting science-based targets for emission reductions.

Our collaboration with Climeverse in completing our first comprehensive GHG inventory is a major milestone, providing us with a solid foundation for future initiatives. However, we understand that the work does not stop here. We are dedicated to continuous improvement, monitoring our progress, and adapting our strategies to meet the evolving challenges posed by climate change and resource scarcity.

In the coming years, we will intensify our focus on emissions reduction, energy efficiency, and sustainable product development. These initiatives will not only reduce our environmental footprint but also enhance the resilience of our business and the value we create for all stakeholders.

As we look to the future, we recognize that collaboration is key. By working closely with our employees, suppliers, customers, and partners, we can drive meaningful change and lead by example within the aerospace, defense, and industrial sectors. Together, we can contribute to a more sustainable, equitable, and prosperous world.

We invite you to join us on this journey. Thank you for your ongoing support, and we look forward to sharing our continued progress in the years to come.

