



# Fighting Against Forced Labor and Child Labor in Supply Chains Act

Annual Report

April 1, 2023-March 31, 2024

AV Group NB Inc.

# Annual Report FY2024

Fighting Against Forced Labor and Child Labor in Supply Chains Act



## 1. Introduction

Pursuant to measures introduced through Fighting Against Forced Labour and Child Labour in Supply Chains Act, SOC 2023, c.9, ("the Act") and as required based on Sections 2 and 9 of the Act, AV Group NB Inc. ("the Company") provides this report which covers the reporting period of April 1, 2023-March 31, 2024.

This report has been approved by the directors of the Company.

## 2. Steps to prevent and reduce risks of forced labour and child labour

In the most recent fiscal year 2023-2024, in addition to its obligations under the relevant pieces of Federal and Provincial legislation, the Company has continued to institute measures to prevent and reduce aspects of operational activities which could expose vulnerable segments of society to risks detrimental to their respective well being.

Other, non legislated, measures implemented by the Corporation consider the stringent government regulatory framework existent in our jurisdiction and that of our supply chain, as it applies to labor standards. This suggests to the Company a "low risk" for occurrences of forced labour and child labour. Notwithstanding this, AV Group has implemented the following measures in FY 24 which are informed by the OECD Due Diligence Guidance for Responsible Business Conduct<sup>1</sup> :

- To align with existing supplier code of conduct policy, a similar code for mill related supply contracts was created and put into effect.
- HR department assigned an immigration and foreign worker subject matter expert to manage foreign worker applications and provide assurances of regulatory compliance.

## 3. Structure, activity and supply chains

### 3.1.1. Structure

AV Group NB Inc. is a manufacturer of dissolving grade pulp used in the manufacture of viscose staple fibre. The company is incorporated in the Province of New Brunswick and operates two facilities: one in the Rural Municipality of Nackawic-Millville and a second in the Municipality of Campbellton, both located in New Brunswick, Canada. The corporate office is located in Fredericton.

The Company is wholly owned by Grasim Industries Limited, Thai Rayon Limited and P.T. Indo Bharat Rayon Limited, and is part of the Aditya Birla Group of companies, a global conglomerate located in

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<sup>1</sup> OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct

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Mumbai. AV Group NB Inc. and affiliated Pulp and Fiber companies are further grouped as Birla Cellulose which is an umbrella brand for Grasim Industries Pulp and Fiber entities.

Daily management of the Company is led by a senior management team which reports to the board of directors. The board is independent of any of the Aditya Birla Group of companies.

AV Group NB Inc Board of Directors are:

- Dr. Tom Connelly, Chairman
- Mr. John Loudermilk
- Mr. H. K. Agarwal
- Mr. Giancarlo Maroto
- Mr. Sushil Agarwal

### 3.1.2. Activity

Forest land management and fiber procurement, and pulp manufacturing constitute the two main activities of AV Group NB Inc.

Regarding land management, the Company oversees approximately seven hundred thousand hectares of forest, the majority of this is public forest located in the province of New Brunswick. Activities include management planning, harvesting and silviculture. The woodland department is responsible for this operation and employs approximately twenty staff. There are an additional three hundred other workers engaged by contractors to conduct harvesting, trucking and silviculture work. This latter group is not considered directly employed by AV Group but are a critical part of the fiber supply chain.

Pulping activities are conducted at two mills processing wood into dissolving grade pulp which is then shipped to viscose fiber facilities in Asia and progresses downstream into the textile supply chain. The mills employ a combined five hundred unionized workers and non-unionized staff. The mills typically undergo annual scheduled maintenance shutdowns requiring the procurement of external contractors to provide specialized maintenance related services. These workers are not considered direct employees of AV Group NB Inc.

### 3.1.3. Supply chains

Woodland supply chains are mainly characterized by service providers filling needs in harvesting, silviculture and trucking activities. These are represented by independent contractors who provide a single service for fee under contractual agreement with AV Group or in some instances the services are consolidated by a single contractor but individual services sub-contacted out. These suppliers are based primarily out of New Brunswick with occasionally some suppliers originating from Quebec. Wood fiber is sourced from both private and public forested lands as well as from residual wood fiber producers, mainly sawmills, located in the provinces of New Brunswick, Quebec and the State of Maine.

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Mill supply chains are dominated by entities supplying chemicals, energy, pulp manufacturing equipment, engineering and other technical services and trades. These suppliers are subject to AV Group NB inc. procurement policy and are by and large domiciled in Canada, the United States and Europe.

## Atholville mill Supply Chain Data

Type of material procured (major categories)	Countries where material is sourced from	Number of suppliers	Type of suppliers
Wood	Canada	50	Contractors
Sulphur	Canada and USA	1	Broker
Chemicals (caustic, sulphuric acid, lime and others)	Canada, USA and Europe	15	Manufacturers
Packaging material	Canada and USA	2	Manufacturers
Fuels (diesel, FO, coal, etc.)	Canada and USA	2	Manufacturers

## Nackawic mill Supply Chain Data

Type of material procured (major categories)	Countries where material is sourced from	Number of suppliers	Type of suppliers
Wood	Canada, USA	60	Contractors
Chemicals (caustic, sulphuric acid, lime, etc.)	Canada, USA, Europe	10	Manufacturers
Packaging material	Canada, USA	2	Manufacturers
Fuels (diesel, FO, coal, etc.)	Canada, USA	4	Manufacturers

## 4. Policies and due diligence process

### 4.1.1. Embedding responsible business conduct (RBC)

The Company has in effect a policy and management framework including third-party certifications that demonstrate Responsible Business Conduct with the intention of minimizing unfair or unjust labor practices including forced and child labor as provided forthwith:

- Dually and legally entered collective agreements with certified trade unions for mill labor requirements are in effect and subject to federal and provincial labor codes and standards.
- HR standard recruitment and hiring procedures for unionized and non-unionized employees.

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- [Forest Management Policy](#) which states compliance with social laws, anti-discriminatory, anti-harassment, and the International Labor Organization (ILO) core conventions not covered by Canadian Law.
- [Fiber Sourcing Policy](#) which states the company shall implement its best efforts to avoid trading and sourcing wood or wood fiber (herein referred to as wood) from Illegally harvested wood and wood harvested in violation of traditional and civil rights.
- [Anti-Bribery Policy](#) which establishes zero tolerance for bribery and corruption and the expectation of ethical business conduct.
- [Gender Equality Policy](#) which reduces risk of exploitation of under-represented genders in our workforce by levelling work opportunities and conditions of employment.
- [Respectful Workplace Policy](#) which promotes responsibility, respect, civility and professional excellence in a safe work-environment
- [Workplace Violence Policy](#) which provides for investigation and resolution of incidents.
- [Health and Safety Policy](#) which provides for compliance with legislated obligations and implements a safety culture.
- [Complaint and Dispute Resolution Process](#) addressing management of complaints or disputes related to but not limited to statutory or customary law and work conditions.
- [International Standards Organization \(ISO\) 14001](#) Environmental Management System Certification which requires consistency of outsourcing arrangements with legal requirements.
- [International Standards Organization \(ISO\) 45001](#) Certified Health and Safety Management System which requires consistency of outsourcing arrangements with legal requirements.
- [Forest Stewardship Council® \(FSC-C135798\)](#) Forest Management, Controlled Wood, and Chain of Custody Certification
- [Sustainable Forestry Initiative® \(SFI\)](#) Forest Management and Chain of Custody Certification
- [Programme for Endorsement of Forest Certification® \(PEFC\)](#) Chain of Custody Certification
- AV Group Supplier Code of Conduct implemented in supplier contracts to explicitly address supplier obligations regarding labor practices including forced and child labor.

These policies and certifications are subject to periodic review and contain provisions for internal and external audit of performance measures. The policy framework further supports downstream reporting to the parent company Grasim Industries and Birla Cellulose in support of their ESG reporting and third-party certifications. Birla Cellulose has partnered with leading global brands on initiatives to trace the source of the raw materials and to help them trace their complicated supply chains. 'Forest to Fashion' is the first supply chain mapping project of its kind in the apparel industry.<sup>2,3</sup> As part of Birla Cellulose, AV

<sup>2</sup> <https://www.grasim.com/Upload/PDF/grasim-industries-esg-data-book-fy-2022-23.pdf>

<sup>3</sup> <https://www.grasim.com/Upload/PDF/grasim-sustainability-data-book-fy-2021-22.pdf>

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Group NB is subject to Birla Celluloses' sustainability framework.<sup>4</sup> This includes supply chain traceability and sustainability and regulatory compliance assessment.<sup>5</sup>

### 4.1.2. Identifying and assessing adverse impacts

The Company has two primary operations: pulp production and fiber procurement. Supply sources for these two operations are well described and understood. The geographic location of supply is documented in billing and logistics documents permitting identification of product sourcing from questionable areas. Woodland sourcing is further identified through government regulated transportation certification scheme.

Questionable areas are not explicitly defined but trade and general media sources inform the Company's assessment as do third party certification audits which have provisions for public input.

Additionally, the Company conducts self assessments as part of its fiber procurement policy and to meet its sustainable forestry certification standards.

### 4.1.3. Ceasing, preventing or mitigating adverse impacts

For preventative measure, the Company has added a Supplier Code of Conduct as a term within its mill and woodland supplier contracts. Extending from this, current voluntary certifications held by both Woodland and Mill operations as outlined in Section 4.1.1., hold the Company to explicit standards including the Forest Stewardship Council® (FSC-C135798) Core Labor Requirement which embeds the principles of the International Labour Organization's (ILO) Core Conventions and the ILO Declaration on Fundamental Principles and Rights at work (1998).<sup>6</sup> Similarly, the Sustainable Forestry Initiative® Fiber Sourcing Certifications also obligate the certificate holder to adhere to principles of "Legal Compliance" (Principle 8) and "Avoidance of Sourcing Controversial Wood" (Principle 14).<sup>7</sup>

Additionally, the Company has standard HR procedures related to recruitment and hiring processes. These include verification of personal information including date of birth. All letters of offer clearly state terms and conditions of employment and require the free and informed acceptance of the candidate.

### 4.1.4. Tracking implementation and results

The Company is subject to external annual audits by its Sustainable Forest Management (SFM) approved certifying bodies. Similarly, external audits on its Management Systems Certifications (ISO 14001, 45001) are conducted by approved and accredited audit firms.

<sup>4</sup> <https://www.birlacellulose.com/materiality-assessment.php>

<sup>5</sup> <https://www.birlacellulose.com/sustainability-business-strategy.php>

<sup>6</sup> [https://fsc.org/sites/default/files/2021-10/FSC\\_IC\\_Guidance\\_CLR\\_EN\\_V1-0.pdf](https://fsc.org/sites/default/files/2021-10/FSC_IC_Guidance_CLR_EN_V1-0.pdf)

<sup>7</sup> [https://forests.org/wp-content/uploads/2015\\_2019StandardsandRules\\_FINAL\\_web\\_Section9-July2018-1.pdf](https://forests.org/wp-content/uploads/2015_2019StandardsandRules_FINAL_web_Section9-July2018-1.pdf)

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## 4.1.5. Communicating how impacts are addressed

The Company through its participation in third party sustainable forest managed certifications has audit results made publicly available in summary reports for forest management and fiber sourcing certifications. Furthermore, the Company in an effort to align with the Birla Cellulose sustainability framework is undertaking the preparation of a renewed business unit specific sustainability report including sections pertaining to responsible sourcing and social responsibility.

## 4.1.6. Providing for or cooperating in remediation

Not applicable to date.

## 5. Forced labour and child labour risks

Migrant and Temporary Foreign Workers are presenting themselves more in some segments of the supply chain especially in labor intensive tasks such as silviculture work. Trucking and forestry equipment operator roles are also seeing an influx of foreign workers. The Company does not currently engage this category of employee but it is a known labour component of some of the Company's suppliers. This segment of the workforce is potentially at higher risk of exploitive work conditions.

## 6. Remediation measures

Not applicable to date.

## 7. Remediation of loss of income

Not applicable to date.

## 8. Training

Fiber procurement contractors are provided yearly training sessions on policy awareness. All new employees in pulp and woodland operations are required to familiarize themselves with Company policy as part of on boarding requirements.

## 9. Assessing effectiveness

No effectiveness assessments are currently in place.

## 10. Attestation

In accordance with the Act, this report will be filed with the Minister and published at <https://www.av-group.ca/>.

This report was approved by AV Group NB Inc. Board of Directors.

This report has been prepared in accordance with Part 2, section 11 of the Act for the

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financial year ending March 31, 2024. Pursuant to subparagraph 11(4)(a) of the Act, the report has been approved by the Board of Directors of AV Group NB Inc. In accordance with the requirements of the Act, I attest that I have reviewed the information contained in the report. 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.

  
Giancarlo Maroto  
Chief Operating Officer  
AV Group NB Inc  
May 30, 2024