



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

Annual Report

April 1, 2023-March 31, 2024

AV Terrace Bay Inc.

# Annual Report FY2024

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## 1. Introduction

Pursuant to measures introduced through Fighting Against Forced Labour and Child Labour in Supply Chains Act, SOC 2023, c.9, and as required based on Sections 2 and 9 of the Act, AV Terrace Bay Inc. ("the Company") provides this report which covers the reporting period of April 1, 2023-March 31, 2024. As of January 1, 2024 the mill has been in an idled state and ceased production.

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, as described in Section 3, to prevent and reduce aspects of operational activities which could expose vulnerable segments of society to forced labor risks.

Other, non legislated, measures implemented by the Company 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. There have been no new measures implemented in this past reporting period.

## 3. Structure, activity and supply chains

### 3.1.1. Structure

AV Terrace Bay Inc. is a manufacturer of Northern Bleached Softwood Kraft Pulp used primarily in the manufacture of tissue products.

The Company is wholly owned by Grasim Industries Limited and Thai Rayon Limited and is part of the Aditya Birla Group of companies, a global conglomerate located in Mumbai, India. AV Terrace Bay 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.

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AV Terrace Bay 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

Fiber procurement, and pulp manufacturing constitute the two main activities of AV Terrace Bay Inc.

Wood procurement occurs in several provincially regulated units designated as management zones by the Ontario Ministry of Natural Resources and Forestry. The Company's Woodlands Division is responsible for engaging third party contractors to supply wood fiber to the pulp facility.

Pulping activities are conducted at the mill located in the Municipality of Terrace Bay, Ontario. Wood fiber is converted into bleached softwood kraft (NBSK) pulp which is then shipped to various customers primarily in the United States as input for tissue manufacturing. As of December 31, 2023, the mill employed approximately 350 unionized workers and non-unionized staff. The mill typically undergoes 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 Terrace Bay.

## 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 Terrace Bay 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 the province of Ontario 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 Ontario and Quebec.

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 Terrace Bay Inc. procurement policy and are by and large domiciled in Canada and United States.

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## 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.
- Purchase Order standard language includes acknowledgment and agreement by vendors to adhere to Company Values.
- 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.
- [Forest Stewardship Council® \(FSC-C112947\)](#) Chain of Custody Certification
- [Sustainable Forestry Initiative® \(SFI\)](#) Chain of Custody Certification
- [Programme for Endorsement of Forest Certification® \(PEFC\)](#) Chain of Custody Certification

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.

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## 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-C112947) 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>1</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>2</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.

## 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 fiber sourcing certifications.

<sup>1</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>2</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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## 4.1.6. Providing for or cooperating in remediation

Not applicable to date.

## 5. Forced labour and child labour risks

None identified to date.

## 6. Remediation measures

Not applicable to date.

## 7. Remediation of loss of income

Not applicable to date.

## 8. Training

None applied to date.

## 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://avterracebay.com/>.

This report was approved by AV Terrace Inc. Board of Directors.

This report has been prepared in accordance with Part 2, section 11 of the Act for the 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 Terrace Bay 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 Terrace Bay Inc.  
May 30, 2024