



**ALBERTA
PACIFIC**
FOREST INDUSTRIES INC.

Fighting Modern Slavery

2023 Report

May 31, 2024

About this Report

Alberta-Pacific Forest Industries Inc. (“Al-Pac” or the “Company”) has prepared this Fighting Modern Slavery Report for the period of January 1, 2023 to December 31, 2023 (“2023 fiscal year”) in relation to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“the Act”), and related guidance from Public Safety Canada.

Al-Pac recognizes that modern slavery, including forced labour and child labour (“Modern Slavery”), is a complex issue that can exist in a variety of forms throughout global supply chains, and the Company has a responsibility to safeguard the rights of its team members, advance transparency and responsibility in its supply chain, and mitigate the risks of Modern Slavery in its activities.

As a company that has been in operation since 1993, Al-Pac is committed to delivering exceptional products without compromising its values, ethics and responsible business practices, including those related to labour and human rights. To that end, Al-Pac is committed to complying with all applicable labour and human rights laws and regulations, and the Company conforms with the International Labour Organization (ILO) Core Labour Requirements.

This Report has been prepared by Al-Pac as the reporting entity in accordance with the requirements set out in the Act. The Company does not have subsidiaries or affiliates; it is owned by Japan-based Hokuetsu Corporation and is its own distinct entity.

The Report describes the steps taken by Al-Pac to prevent and mitigate Modern Slavery risks in its operations and supply chains for the 2023 fiscal year, and it identifies activities the Company intends to action to address Modern Slavery risks in 2024 and the near term.

Al-Pac’s Structure, Activities & Supply Chains

Structure & Activities

Al-Pac is the largest single-line kraft pulp producer in North America. The Company’s mill is located near the communities of Athabasca, Boyle and Lac La Biche, Alberta with a corporate office in St. Albert, Alberta. For over 30 years, Al-Pac has been a leader in the pulp manufacturing industry, including in its quality products, mill operations, responsible forest management practices and support for local communities. The Company continuously explores innovative ideas while delivering premium products with a commitment to



strong environmental stewardship, corporate social responsibility and ethical business practices.

Al-Pac directly employs approximately 430 team members throughout its operations, as well as approximately 100 additional team members annually for seasonal and casual work.

Al-Pac sustainably manages 6.4 million hectares of Alberta's forests and has held a Forest Management Agreement (FMA) with the Government of Alberta since 1991. An FMA is a long-term, renewable form of forest tenure that gives the Company certain rights, including the rights to establish, grow and harvest Crown timber. These rights are granted in exchange for various responsibilities and obligations, such as forest management planning that considers a broad range of forest, economic, environmental, social and cultural values. This includes compliance with laws and regulations that govern public lands and forest management in Alberta.

Al-Pac's products include kraft pulp, bio-methanol and green energy. Annually, the Company produces approximately 620,000 air-dried metric tonnes of high-quality, elemental-chlorine-free bleached kraft pulp, approximately 2000 tonnes of bio-methanol from hardwood trees, and it exports between 15 and 25 megawatt hours of energy from biomass, enough to power an average of 15,000 homes. Al-Pac's pulp is used to produce tissue and toweling materials (e.g., paper towels, facial tissue and toilet paper), printing and writing materials, and specialty materials for industrial, medical and packaging items. The Company's bio-methanol is used to manufacture items such as dyes, glues and solvents.

Supply Chain

As part of the Company's Sales & Supply Chain division, the Procurement & Contracts department has primary responsibility for the management of Al-Pac's supply chain, including supplier selection, due diligence, onboarding and monitoring. The Woodlands department oversees suppliers for forest management activities. Al-Pac uses enterprise resource planning and supply chain compliance platforms to ensure the procurement of goods and services occurs in accordance with the Company's policies, procedures and processes.

In 2023, Al-Pac's supply chain included third-party contractors and service providers, as well as forestry, construction, fuel, chemical, and warehouse and logistics companies. Al-Pac's vendor base included approximately 580 active direct (Tier 1) suppliers, all of which were based in Canada and the United States (US). Approximately 40 suppliers comprised over 70% of the Company's 2023 total spend.

Al-Pac's 2023 primary procurement activities are categorized as follows:

- **Services required to support Al-Pac's operations:** purchases included timber harvesting, hauling, forest operations and management services, warehouse and logistics services, construction services, and consulting and professional services sourced from North American vendors.
- **Equipment and other products required to support Al-Pac's operations:** purchases included chemicals, tools, materials, and construction machinery and accessories sourced from North American vendors.



- **Fuel and natural gas products to support Al-Pac's operations:** purchases included fossil fuel products sourced from Canadian producers.

Steps Taken to Prevent and Reduce the Risks of Modern Slavery

As all of Al-Pac's active direct (Tier 1) suppliers are based in North America, the risks of Modern Slavery by both country and sector/category are assessed as low.

The Company has initiated further assessment to understand Modern Slavery risks within its operations and supply chains. This Report details the steps that Al-Pac has already taken and highlights actions planned for 2024 and the near term.

Al-Pac's Values, Policies & Due Diligence Processes in Relation to Modern Slavery

Values

Al-Pac's operations reflect the Company's purpose¹ and core values of inclusion, collaboration, achievement and growth, all of which set out the behaviours and standards of conduct for the Company and its team members.

The Company is also guided by its Corporate Social Responsibility Framework that identifies six pillars in the areas of environmental and social impacts, as well as strong corporate governance with a focus on ethical business practices.

Policies, Procedures & Programs

Al-Pac's policies and procedures reflect the Company's commitment to acting lawfully, ethically and responsibly in its relationship with its team members, customers, suppliers and the communities in which it operates. This includes the following policies that, while do not all address forced and child labour directly, are relevant to addressing certain Modern Slavery risks:

- **Code of Conduct Policy:** this Policy outlines the legal and ethical practices team members must apply in their daily work. Specifically, the policy addresses Al-Pac's ethical commitments including, but not limited to, compliance with laws and regulations, respect for human rights, prohibition of forced and child labour and harassment in the workplace, environmental conservation, and seeking a harmonious coexistence with society and local communities.
- **Harassment & Workplace Violence Prevention Policy:** this Policy outlines Al-Pac's commitment to maintaining a work environment that is safe, respectful, professional and free from all forms of discrimination, harassment and violence. It provides a process for reporting and investigating complaints of harassment and workplace violence.

¹ Al-Pac's purpose as stated on its [website](#): "As stewards of the resources entrusted to us, we make a positive impact where we work and live."

- **Whistleblower Response & Monitoring Process Policy:** this Policy outlines the obligation for team members to report suspected or known violations of the Company's Code of Conduct. It provides an option to report such violations anonymously through the use of ClearView Connects or FairLinks. The ClearView Connects and FairLinks reporting systems are publicly available on [Al-Pac's website](#) and may be used by third parties to report complaints anonymously.

Al-Pac also has guidelines and programs in place that specify minimum age requirements for general hire to ensure compliance with applicable labour and human rights legislation. These include:

- **Hiring Guidelines:** these Guidelines set out requirements for hiring, including compliance with labour and human rights legislation, and setting the minimum age for employment at 16 for regular business hours and 18 for shift work opportunities, in accordance with applicable labour and human rights legislation.
- **Registered Apprenticeship Program (RAP):** this Program allows high school students in Alberta to learn side-by-side with trades professionals, providing them with experience in their field of interest. The Program is a part of Alberta Apprenticeship and Industry Training (AAIT) through CAREERS: the Next Generation, in partnership with school divisions. Participating students earn wages, up to 40 high school credits and apprenticeship hours towards a journeyman certificate. Upon completion of the program, students are automatically registered with AAIT as a regular apprentice. Al-Pac is a partner in the RAP, employing students 16 years or older in accordance with program guidelines, and applicable labour and human rights legislation. In 2024, Al-Pac introduced the Green Hand Program for RAP students with a focus on health and safety training, including the right to refuse unsafe work, which all employees hold pursuant to Alberta occupational health and safety legislation.
- **Summer Student Program:** Al-Pac's Summer Student Program employs post-secondary students between the months of May and August each year. The Program provides students with an opportunity to gain knowledge and experience in their chosen field within a supportive learning environment. The Program complies with the Company's Hiring Guidelines, as well as applicable labour and human rights legislation. In 2024, Al-Pac introduced the aforementioned Green Hand Program for summer students.

The Company also has policies in place that address fair labour practices, including:

- **Pay and Promotions Policy:** this Policy outlines the requirement for fair and equitable pay for Al-Pac team members.
- **Overtime Policy:** this Policy outlines overtime pay requirements for Al-Pac team members in compliance with Alberta labour legislation.

While, as noted, not all of Al-Pac's applicable policies, procedures and programs currently address Modern Slavery specifically, the Company initiated a review in 2024 of said policies, procedures



and programs to incorporate Modern Slavery risks and legislative requirements within its operations.

Due Diligence Processes

Al-Pac is committed to responsible supply chain practices, including requiring vendors to comply with all laws within their jurisdiction. In 2024, Al-Pac initiated the development of a **Supplier Code of Conduct**, demonstrating the Company's commitment to enhancing its responsible supply chain management. The Supplier Code of Conduct will apply to all Al-Pac vendors, and outline requirements for compliance with laws and ethical practices, including those related to labour and human rights, as well as the prohibition of the use of Modern Slavery. Once finalized, the Code will be included in vendor contracts with non-compliance constituting grounds for termination.

In addition, the Company has in place the following due diligence processes to ensure the procurement of goods and services adhere to Al-Pac's values, policies and procedures:

- **Procurement Policy:** this Policy outlines the requirements for the procurement of goods and services. In alignment with this Policy, Al-Pac has developed key performance indicators (KPI) to maximize strategic sourcing, and effectively manage risk and compliance activities within its supply chain. In 2024, Al-Pac will initiate a review of this Policy to address requirements in relation to Modern Slavery risks within its supply chain.
- **Supply Chain Compliance Platform:** Al-Pac uses a supply chain compliance platform to onboard, monitor and evaluate its vendors, including collecting and tracking basic vendor details. The platform allows the Company to confirm contractual requirements, including those related to health and safety. It also helps Al-Pac to ensure vendors are qualified and meet business, regulatory and legal requirements. While the Company does not currently use the platform to specifically address Modern Slavery risks, it is exploring the ability to expand its use for that purpose.
- **Procurement Form:** in 2024, the Company will update its Procurement Form to include considerations specific to Modern Slavery risks, including complying with the aforementioned Supplier Code of Conduct.

In addition, Al-Pac will develop a **Pre-qualification Questionnaire** in 2024 that will address Modern Slavery risks.

Al-Pac holds third-party certifications and ratings that assess the Company's labour and human rights policies and practices, including:

- **Forest Stewardship Council® (FSC®) Forest Management Certification (FSC® C022642):** Al-Pac takes pride in maintaining responsible environmental, social and economic approaches to its forest management practices. The Company's efforts were validated in 2005 when it achieved third-party FSC® forest management certification. This certification requires the Company to confirm its commitment to complying with all applicable laws,



regulations and nationally ratified international treaties, conventions and agreements, as well as conforming to the ILO Core Labour Requirements.

- **Ecovadis:** in 2023, Al-Pac achieved a Silver medal from Ecovadis, a third-party sustainability assessment platform. The platform assesses companies in four categories, including environment, ethics, sustainable procurement, and labour and human rights.

Risks of Modern Slavery in Al-Pac's Operations and Supply Chain

In 2023, Al-Pac did not have a procedure in place to identify Modern Slavery risks in its operations and supply chain. In 2024, the Company initiated a review of its policies, procedures and processes to identify and address Modern Slavery risks, including identifying gaps and opportunities to strengthen its risk management processes in relation to Modern Slavery.

Al-Pac engaged the support of third-party experts to assess and identify potential Modern Slavery risks in its operations and direct (Tier 1) supply chain. The identification of these risks will enable the Company to develop in the near term a risk assessment methodology and a procedure to address known instances of Modern Slavery within its operations and supply chain.

In addition, Al-Pac's **Enterprise Risk Management Framework** and **Risk Management Policy** establish the Company's requirements for risk awareness, identification, monitoring and management at all levels of the organization. In 2024, Al-Pac included Modern Slavery within its risk register.

Components of the Business and Supply Chain that Carry a Risk of Forced Labour and Child Labour

As part of the risk assessment completed by third-party experts in 2024, Al-Pac's active direct (Tier 1) suppliers were evaluated for Modern Slavery risks at the country and sector/category levels. The results of the assessment are outlined below:

Country Risk Profile

The supplier risk assessment by country was informed by:

- The [Walk Free Global Slavery Index](#) specific to forced labour risks; and,
- The [ILO Child Labour Data](#) specific to child labour risks.

In 2023, Al-Pac's vendor base totaled approximately 580 active direct vendors, all of which were based in Canada and the US where human rights, labour and anti-modern slavery legislation are in place. As such, the assessment determined the Company's Modern Slavery risk within its operations and supply chain by country to be low.

Sector/Category Risk Profile

The supplier risk assessment by sector/category was informed by the [United Nations Global Marketplace Sustainability Risk Ratings](#).



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The assessment determined that Al-Pac procures certain goods and services from sectors that have a higher Modern Slavery risk in a global context, including fuels, chemicals, construction services, warehouse and logistics services, and forestry operations services.

Al-Pac acknowledges that Modern Slavery risks may increase further down in its supply chain as the Company has reduced visibility over Tier 2 and Tier 3 suppliers.

Findings

As all of Al-Pac's active direct (Tier 1) suppliers are based in North America, the risks of Modern Slavery by both country and sector/category are assessed as low.

Remediation

Measures Taken to Remediate Modern Slavery & Loss of Income to the Most Vulnerable Families

As of the date of this Report, there have been no identified, known or reported instances of Modern Slavery in Al Pac's operations and supply chain, and the Company has not been subject to any investigation related to Modern Slavery. As such, no remediation of instances of Modern Slavery or loss of income to the most vulnerable families is anticipated.

Training

Al-Pac team members are required to complete mandatory **Code of Conduct Training** annually. As noted above, the Company's Code of Conduct requires compliance with laws and regulations, respect for human rights, and prohibition of forced and child labour and harassment in the workplace. In 2023, 100% of active team members completed this mandatory training.

While Al-Pac did not provide training to team members specific to Modern Slavery in 2023, the Company is exploring the development of training in the near term, including a module specific to the Procurement & Contracts department.

Assessing Effectiveness

Al-Pac did not take any actions in 2023 to assess its effectiveness in preventing and reducing risks of Modern Slavery in its operations and supply chains. However, the Company is exploring measures in the near term to assess the effectiveness of its anti-Modern Slavery activities, including the establishment of KPIs. In addition, Al-Pac will establish a governance framework specific to Modern Slavery risks in the near term.

Approval of 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 reporting entity. 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 has been approved in accordance with section 11(4)(a) of the Act.

I have the authority to bind Alberta-Pacific Forest Industries Inc.



Keiichi Kobayashi
President & Chief Executive Officer, Alberta-Pacific Forest Industries Inc.
Director, Alberta-Pacific Forest Industries Inc. Board of Directors
May 31, 2024

