

## **PURPOSE**

The purpose of this Annual Report is to report on the steps the Reporting Entities described below have taken during their previous financial year to prevent and reduce the risk that forced labour and child labour is used at any step of the production of goods in Canada or elsewhere by the named Reporting Entity, or of goods imported into Canada by the Reporting Entity, if any.

## **REPORTING ENTITIES**

This report pertains to the activities of the Arkema entities listed below, who are parties filing this report jointly in accordance with subsection 11(2) of the FCLA, and any reference to “Reporting Entities” in this report shall be taken to be a reference to each of them:

1. Arkema Inc.
2. Arkema Canada Inc.
3. Bostik Canada Ltd.

(hereafter, the “Reporting Entities”).

## **REPORTING PERIOD**

The reporting period relevant for purposes of this report is the previous financial year of the Reporting Entities, which is common to each of the Reporting Entities, and which is the year ended December 31, 2023 (the “Reporting Period”).

## **REPORTABLE ACTIVITIES**

### **A. Structure, Activities & Supply Chains**

The Reporting Entities are each controlled subsidiaries of Arkema (France) as societe anonyme (“Arkema France”) and fall within the umbrella of what will be referred to in this Annual Report as the “Arkema Group”.<sup>i</sup>

The Arkema Group has over 21,100 employees worldwide and 148 industrial sites in 55 countries.

In the U.S., Arkema Affiliates operate 43 sites, including 37 manufacturing facilities and employ over 3600 people.<sup>ii</sup> In Canada, Arkema has over 60 employees and two

facilities.<sup>iii</sup> Between the U.S. and Canada, the Arkema Group produces and markets a wide range of chemical products, including acrylic monomers, adhesives, emulsion systems, fluorochemicals, fluoropolymers, functional additives, hydrogen peroxide, specialty polyamides and thiochemicals.

The three Reporting Entities have established a global network of suppliers, which consists of over 570 suppliers across many countries, including Canada, the United States, Mexico, and France. Through that network, the Reporting Entities procure a wide range of materials essential for their operations, including propylene, butanol, methanol, and methacrylic acid.

## **B. Policies & Due Diligence Processes in relation to Forced Labour & Child Labour**

The Arkema Group has established comprehensive policies and due diligence processes aimed at addressing the issue of forced labour and child labour, and which apply to not only all Arkema Affiliates and their employees, including the Reporting Entities, but also to all third-party suppliers.

Some of these policies and processes are discussed below.

### *1. Internal Policies & Standards*

#### *a. Code of Conduct & Ethics / Compliance Program*

The Arkema Group and each of the Reporting Entities is fully committed to integrity in their respective supply chains, and otherwise. More specifically, all Arkema Affiliates strive to continuously strengthen our ethics and compliance culture, using the guiding principles and prescriptions laid out in the Arkema Group's [Code of Conduct](#).

The Code of Conduct is the cornerstone of the Arkema Group's [Ethics & Compliance Program](#), which sets out the general requirements that every Arkema Affiliate must meet with respect to its stakeholders and describes the principles and rules of conduct that each Arkema Group employee must comply with.

Our values are both specific, as they have been chosen by us, and universal, as they are inspired by principles derived from fundamental rights treaties including the [Universal Declaration of Human Rights of 1948](#), the [Principles of the International Labour Organization](#), the [Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development \(OECD\)](#) and the [Principles of the United Nations Global Compact](#).

Within the [Code of Conduct](#), we also explicitly express our commitment to respect human rights and fundamental freedoms as defined in the [United Nations' Universal Declaration of Human Rights](#).

The Arkema Group is therefore fully committed to preventing human rights violations, including forced labour and/or child labour, that could be caused to or by our employees and others, including any participants in our various supply chains.

Specifically, we oppose any forms of human trafficking, forced labour and child labour, regardless of the country in which we operate.

We also oppose all forms of exploitation, abuse, violence and sexual or moral harassment, as defined by the legislation of each country where Arkema operates. We strive to ensure that no employee feels threatened or intimidated by any inappropriate conduct, and no form of violation or sexual or moral harassment in the workplace is tolerated.

These commitments are also underpinned by our [Human Rights Policy](#) and our [Social Commitment Charter](#).

*b. Human Rights Policy*

The Arkema Group is also committed to the respect of human rights and fundamental freedoms as set out in the [United Nations' Universal Declaration of Human Rights](#), and places them at the heart of our business activity. The Arkema Group thus strives, within the framework of its business activities, to prevent and, if necessary, to remedy human rights violations that could be experienced by its employees, those of its suppliers, subcontractors or other stakeholders.

In 2006, Arkema signed the [Responsible Care Global Charter](#), a voluntary commitment by the chemical industry to improve the protection of people in terms of safety, health and environment across the entire value chain.

Similarly, in 2014, Arkema undertook to respect the [Ten Principles of the UN Global Compact](#), a commitment that it renews every year through its [Communication on Progress](#).

Arkema Group's commitment is also reflected in:

- Our compliance with relevant international regulations, national laws and standards in force in the countries in which we operate;
- The regular assessment of the risks in this area that may be generated by our business activity;
- The access to a whistleblowing system for both internal and external stakeholders;
- The implementation of corrective actions when necessary;
- A policy for continuous improvement of the company's practices through training initiatives and processes;
- An assessment and dialogue program with our suppliers and subcontractors aimed at promoting the respect of Human Rights;

- Transparent communication on our efforts in this area.

More information on the Arkema Group's approach to human rights can be found in our [Human Rights Policy](#).

### *c. Social Commitment Charter*

In a world facing multiple economic, environmental and social challenges, Arkema Group strives to offer its customers sustainable and innovative solutions contributing to the [Sustainable Development Goals \(SDGs\) of the United Nations](#).

The [Social Commitment Charter](#) underscores our dedication to responsible business practices, prioritizing safety, health, and human rights. We aim to reduce environmental impacts through sustainable practices and innovations. We advocate for diversity, equity, and inclusion, promoting fair treatment and opportunities for employees. Transparency and dialogue with customers, suppliers and other partners are valued, with a goal to build a responsible value chain that creates shared value. We support communities through philanthropy and volunteering efforts, aiming to create positive social impacts globally.

## *2. Due Diligence Processes*

The Arkema Group has undertaken the following due diligence processes over the Reporting Period.

### *a. Supplier Code of Conduct*

Arkema promotes the responsible conduct of our suppliers through a [Code of Conduct for Arkema Suppliers](#), which, among other things, outlines the minimum standards of conduct expected from suppliers and sub-contractors working with the Arkema Affiliates, including the Reporting Entities.

Suppliers are required to (i) respect and ensure that their own suppliers and sub-contractors respect the principles outlined in the Code of Conduct, and (ii) accept being assessed and/or audited in the scope of the Together for Sustainability program.

With respect to Human Rights and Labour Standards, Arkema requires suppliers to comply with the labour laws of the countries in which they operate. Suppliers specifically undertake not to use child, forced, bonded or involuntary prison labour, as well as not to withhold their employees' personal documents. Suppliers must certify that the products supplied have not been mined, produced or manufactured, in whole or in part, using any form of forced labour or child labour.

### *b. Supply Chain Risk Assessment & Due Diligence Processes*

As part of the Arkema Group's commitment to upholding human rights and combatting forced labour and child labour, and as part of our due diligence activities with regard to

forced labour and child labour, all Arkema Affiliates conduct risk assessments throughout our supply chains.

These assessments involve examination of various factors, including supplier practices and geographical considerations. Through continuous monitoring and evaluation, we strive to ensure that our supply chain is aligned with our core values of ethical conduct and respect for human rights.

For Arkema's Affiliates in the U.S. and Canada, including the Reporting Entities, we conduct risk assessments based on four categories of suppliers, and these due diligence processes were specifically undertaken during the Reporting Period:

1. **Direct Suppliers from China:** For direct suppliers from China and in cases where an Arkema Affiliate acts as the Importer of Record to Canada or to the U.S., the suppliers must undergo a thorough review process before they are approved to conduct business with us, to ensure compliance with applicable forced labour laws and regulations. All new suppliers are vetted through this process, as well as any supplier who has not done business with the Arkema Group in two years or more and renews a business relationship with the Arkema Group.
2. **Direct Suppliers Outside of the U.S., other than from China:** For direct suppliers not from the U.S. or China, and in cases where an Arkema Affiliate acts as the Importer of Record to Canada or the U.S., the suppliers must undergo a thorough review process before they are approved to conduct business with us to ensure compliance with applicable forced labour laws and regulations. This applies even if the suppliers supply materials/products not directly from China (but were manufactured in China in whole or in part). All new suppliers are vetted through this process, as well as any supplier who has not done business with the Arkema Group in two years or more and renews a business relationship with the Arkema Group.
3. **Indirect suppliers of Chinese goods (suppliers outside of China, Chinese domestic suppliers, distributor's suppliers of Chinese products):** When dealing with materials/products manufactured in China, where an Arkema Affiliate does not act as the Importer of Record, we will conduct a review to ensure that the supplier complies with relevant forced labour and child labour laws either upon a customer request or when the supplier serves as a sole source to the Arkema Group.
4. **U.S. or Canadian Domestic Suppliers:** U.S. or Canadian domestic suppliers who supply materials/products manufactured in the U.S. or Canada, and which are acquired within the U.S. or Canada are considered low risk for use of forced labour or child labour. Accordingly, Arkema Affiliates sourcing these types of domestic goods will typically send the US or Canadian domestic suppliers a notification letter with our Code of Conduct, Supplier Code of Conduct, Terms and Conditions of Purchase and *Uyghur Forced Labour Prevention Act* ("UFLPA") training slides. At the same time, the Arkema Affiliate will typically request certificates of origin and a letter of assurance regarding compliance with forced labour and child labour laws. We will conduct a review to ensure that the supplier complies with relevant forced labour and child labour laws either upon a customer request or when the supplier serves as a sole source to the Arkema Group.

*c. Terms and Conditions of Purchase*

The Arkema Group recently updated its [Terms and Conditions of Purchase](#) (which are standard and used by each of the Reporting Entities) with a provision addressing forced labour and child labour, which stimulates, among other things, that vendors warrant that no materials incorporated into the supplied goods have been manufactured by forced labour or child labour. Vendors found in violation of this provision risk contract termination without penalty.

On top of that, when we identify a vendor with forced labour, we block it on our internal systems. Once blocked on the systems, no individual at any Arkema Affiliate is able to purchase any material from that specific vendor. We also block all vendors that have not done any business with the Arkema Group within 24 months. This ensures that they will need to restart our process as if they were a new supplier and go through our vetting process again.

*d. Forced Labour and Child Labour Committee*

In June 2022, the Arkema Group created a Forced Labour Committee to support the overall efforts to combat forced and child labour. The Committee includes participants from different businesses and countries, including Supply Chain, Supply Chain Procurement, Legal, Trade Compliance, Product Safety & Regulatory Affairs, Security and Data Management.

## **C. Specific Risks**

This portion of this Annual Report addresses parts of the Arkema Group and its supply chains that could carry a risk of forced labour or child labour, and the steps the Arkema Group (including the Reporting Entities) has taken to assess and manage that risk.

The Arkema Group has identified and acknowledged the supply risks associated with materials/products from China, and specifically the Uyghur region of China. Consequently, the Arkema Group is taking comprehensive measures to address these risks, including conducting thorough assessments and implementing due diligence processes as described above.

The continued aim is to ensure that all Arkema Group's supply chain remains free from any human rights abuses, including any possible forced labour or child labour practices. Transparency, accountability, and collaboration with suppliers are central themes in this approach.

In 2022, Arkema engaged a leading supply chain risk mapping and analysis service to support the mapping and tracing of our suppliers and materials, and this work continued through the Reporting Period. This service enables the mapping of businesses based on records of movement of products and associated trade data within their ecosystem. Supply chain risk mapping and analysis was also part of the Arkema Group's day-to-day activities during the Reporting Period.

Among other things, this greatly supports identifying potential inputs from China, and specifically the Xinjiang Uyghur Autonomous Region (“XUAR”) across various tiers of the supply chain.

Through this process, the Arkema Group, and the Reporting Entities, have mapped all possible business partners in China, revealing direct or indirect connections to entities and facilities involved in the trade of goods produced with forced labour in XUAR, or exhibiting other selected risk characteristics. This process has resulted in the Arkema Group refusing to do business with a small number of companies.

New suppliers with materials made in China and existing suppliers who are providing new materials that are sourced from China must be reviewed to identify any Uyghur forced labour risks.

#### **D. Remediation Measures re Forced or Child Labour Findings**

When the Arkema Group becomes aware of instances of forced labour or child labour within its supply chains, we make that information available, upon request, to our U.S. Customs and Border Protection (“CBP”) National Account Manager or any other CBP party, or to Public Safety Canada (“PSC”) when that supply chain involves the Reporting Entities or Canadian destined goods or goods imported to Canada.

Additionally, Arkema Affiliates will internally block any affected supplier in our system and our Master Data platform, effectively halting any further purchases from that supplier.

In the event that a shipment is detained, Arkema will conduct a review of our internal processes, utilizing our forced labour and child labour software tools and EcoVadis, and will also question the supplier whose goods are being detained. In any circumstance, we will provide information to our CBP National Account Manager, the Canada Border Services Agency (“CBSA”) or PSC upon request.

During the Reporting Period, a small number of suppliers were identified as having either unacceptable forced labour and child labour risks, or as using forced labour or child labour in the production of their goods or in their supply chains, and were consequently removed as suppliers within the Arkema Group’s supply chains.

#### **E. Remediation Measures re Vulnerable Families & Lost Income**

This section of the Annual Report reports on measures taken by the Reporting Entities during the Reporting Period to remediate the loss of income to the most vulnerable families that resulted from any measure taken to eliminate the use of forced labour or child labour in their activities and supply chains.

During the Reporting Period, we have not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our supply chains and consequently, no measures have been taken in this area.

## **F. Training Provided to Employees on Forced Labour and Child Labour**

The Arkema Group and the Reporting Entities recognize the importance of training in combating forced labour and child labour within our collective operations and supply chains. Through training programs, we aim to equip our employees with the knowledge necessary to identify, prevent, and address instances of forced labour and child labour effectively.

In 2022 and during the Reporting Period, the Arkema Group's Trade Compliance team provided employees of the Reporting Entities with training on forced labour and child labour. The training was provided on a virtual platform for many employees involved with import and export, purchasing, R&D and logistics and transportation. The training contained eleven (11) forced labour indicators that can lead to the belief that there is forced labour in the workforce or in the supply chain, which are as follows:

- Abuse of vulnerability – When an employer takes advantage of a worker's vulnerable position, such as lack of knowledge or local language or laws;
- Deception – Failure of an employer to deliver what has been promised to a worker;
- Restriction of movement – Workers are locked up or guarded to prevent escape;
- Isolation – Workers are isolated in remote locations, unable to contact anyone outside the area;
- Physical and sexual violence – Includes forcing workers to take drugs or alcohol or perform tasks not part of the initial agreement;
- Intimidation and threats – Employers may make threats or use psychological coercion techniques to increase a sense of vulnerability;
- Retention of identity documents – Employers keep identity documents such as passports, driver's licences or other valuable personal possessions;
- Withholding of wages – Workers may remain with abusive employers while waiting for owed wages;
- Debt bondage – Workers may be working to pay off a debt, possibly from advances or loans;
- Abusive working and living conditions – Abuse and coercion that prevents workers from leaving the job;
- Excessive overtime - Obligation (or under threat of dismissal) to work excessive hours or days beyond what is allowed by law, denial of breaks or days off, forced to work shifts for absent colleagues or requirement for being on call 24/7;

This training is also done on an annual basis, and forced labour training for all employees in North America is upcoming for the current financial year.



## G Self-Assessment Processes

The Arkema Group acknowledges and understands that self-assessment plays an important role in ensuring the effectiveness of measures implemented to combat forced labour and child labour, providing a framework for evaluating the impact and effectiveness of policies and strategies, and allowing us to identify areas of improvement and make informed decisions.

The Arkema Group employs a Corporate Social Responsibility (“CSR”) approach and that is regularly assessed by extra-financial rating agencies and our clients on Environmental, Social, and Governance (“ESG”) criteria basis.

We discuss some of our sustainability initiatives and ratings below.

### 1. *Together for Sustainability*

The Arkema Group uses the *Together for Sustainability* (“TfS”) tool as a member-driven initiative, raising corporate social responsibility standards throughout the chemical industry. Arkema, as a member company since 2014, is responsible for implementing TfS and has actively reached out to suppliers and conducted a defined number of assessments, audits, and consequent improvements, per year.

TfS performed audits on our suppliers. Audits are usually conducted on-site. Sustainability performance is verified against a defined set of audit criteria on Management, Environment, Health & Safety, Labour & Human Rights, and Governance issues.

The results are shared with the supplier company and all TfS members.

### 2. *EcoVadis*

The Arkema Group also partners with EcoVadis, the world’s largest and most trusted provider of business sustainability ratings. EcoVadis rating is based on the evaluation of the quality of a company's CSR management system through its policies, actions and results. The following four themes are covered:

- Environment
- Labour and human rights
- Business ethics
- Sustainable procurement

EcoVadis also allows us to assess the CSR performance of our suppliers and thus encourage a responsible approach throughout our supply chain. The Arkema Group has ranked among the 4% top performing companies in its sector since 2014, and in the Reporting Period, Arkema continued to rank among the top 4% in its sector.

### *3. Other Extra-financial Ratings*

In addition to our partnerships with TfS and EcoVadis, the Arkema Group works with other sustainability indices and assessments, such as the Standard & Poor's Corporate Sustainability Assessment and the Dow Jones Sustainability Indices, and consistently ranks among the best performing companies in the sector.

More details of our [extra financial ratings](#) can be found here.

## ATTESTATION

In accordance with the requirements of the FCLA, and in particular section 11 thereof, I attest that I have reviewed the information contained in this report for the entities listed below. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the FCLA, for the reporting year ended on December 31, 2023.

I have the authority to bind Arkema Canada, Arkema Inc., and Bostik Canada Ltd.



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Anthony O'Donovan

President and Chief Executive Officer Arkema Canada Inc./ Arkema Inc.

May 28, 2024

## ENDNOTES

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i More specifically, references herein to the “Arkema Group” or to “Arkema Affiliates” shall include each of the Reporting Entities, Arkema France, and all affiliated and/or related entities.

ii <https://www.arkema.com/usa/en/arkema-united-states/at-a-glance/>

iii <https://www.arkema.com/canada/en/>