



Canadian Kraft Paper Industries Ltd.

Forced Labour and Child Labour in Supply Chains Company
Assessment



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Background Information

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

The measures introduced through Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity. There are seven mandatory reporting areas that must be investigated and reported on which include:

- Its structure, activities, and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.



Introduction

This report is Canadian Kraft Paper Industries Ltd. (“CKP”) response to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

The entities covered by this report include CKP and Canadian Kraft Sales & Marketing Ltd. (“CKS”).

CKP and CKS, collectively the Entities, satisfy the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting all three size-related thresholds (revenue, assets and employees).

The financial reporting year of the entities covered by this report is for the year ended December 30, 2023.

Structure, Activities & Supply Chain

Structure

CKP operates as a corporation (business number 748799699) at PO Box 1590, The Pas, MB R9A 1L4. CKS operates as a corporation (business number 741934400), under the control of CKP. CKS is headquartered at 206 – 2365 Gordon Drive, Kelowna BC, V1W 3C2.

CKP employs 330 individuals across various departments, and CKS employs 12 individuals.

A partnership with CKP and Nekoté Limited Partnership (owned by seven Swampy Cree First Nations) began in July 2018, forming Nisokapawino Forestry Management Corporation (NFMC). This company is responsible for CKP’s forest services including planning, forest renewal, and certifications.

The Entities prioritize environmental protection at all levels, aiming to benefit current and future generations. An environmental policy is adhered to which identifies compliance exercises of internal monitoring, adherence to standards, pollution and waste minimization, sustainable forest management practices, transparent communication of environmental performance, and recognition of employee contributions to environmental improvement. NFMC’s Sustainable Forest Management Policy provides participation opportunities for Aboriginal Peoples with rights to and interests in sustainable forest management within the Defined Forest Area.

Community involvement is emphasized through built-in communication channels in NFMC’s forestry planning processes. Also, three voluntary certifications standards have been obtained (ISO 14001: EMS and PEFC Chain of Custody), enhancing the partnership’s confidence in responsible resource management.

By applying these same principles, the Entities prioritize environmental protection through strict adherence to policies and certifications, involving both communities and employees. This commitment



ensures responsible resource management and paves the way for a sustainable future.

The mission of both Entities is “[to] produce world-class, high-performance paper that creates growth and opportunities for our employees and communities, value for our customers and eco-friendly solutions for the world”.

While working to achieve this mission, both Entities operate under the values of safety, people, community, sustainability, collaboration and integrity.

Activities

CKP is a producer of high performance unbleached kraft paper which is primarily sold to converters throughout the world for applications such as cement bags and food grade applications. There are seven product types offered to customers which all utilize growing fibre from Canada’s northern boreal forests. These include, SPK®, SPX®, SPFX™, SPX-Velocity™, SPX-Velocity Premier™, SPX-Vector™ and SWS™. CKP distributes these products throughout North America and around the world, serving industries such as agriculture, food service, construction and ecommerce.

Assisting with this global reach, CKS collaborates with CKP to connect with customers, grasp their needs, and incorporate optimal features into the paper to surpass their expectations.

Supply Chain

To support the production and sales activities described above, CKP procures the following types of goods: raw materials (fibre), parts (fuel including diesel and gas, machine parts, starches for production), and chemicals. See Figure 1 for a summary of CKP’s procured goods.

For the purposes of describing and evaluating the Entities supply chains, both reviewed suppliers who account for at least 1% or more of the total procurement spend over the 2023 fiscal year. The Entities do not have visibility into their supply chain beyond first-tier suppliers and are continuing to evaluate and fully understand the origination of goods procured.

The majority of the Entities’ suppliers are from Canada (95%) and the United States (5%). Less than 1% of procurement spending comes from outside of Canada and the United States. CKS has one supplier – CKP. Due to this relationship, the supply chain risk assessment will focus solely on CKP.

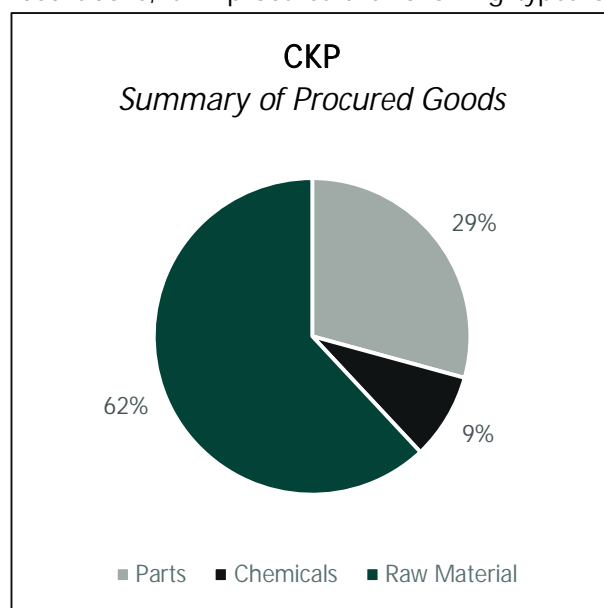


Figure 1: CKP - Summary of Procured Goods



Policies & Due Diligence Processes

The Entities have the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and their supply chain (note - CKS abides by CKP policies and due diligence processes):

Internal Policies

Employee Code of Conduct

This code explicitly states that employees are expected to maintain high standards of ethical conduct and integrity, and to conduct business as reflected in CKP's Corporate Values – safety (care for others), people (value individuals and diversities), community (value and respect partnerships), sustainability (making responsible business decisions), collaboration (work together) and integrity (acting respectful, ethical, trustworthy, and accountable).

The Code of Conduct requires that every employee acts in compliance with applicable Canadian federal, provincial, and municipal laws and regulations, or those of any other country where CKP conducts business.

The Code of Conduct contains whistleblower principles. The Entities encourage all employees to disclose any breach, or suspected breach of the Code of Conduct to their immediate supervisor or department manager. Reports of breaches are kept confidential and the Entities's Internal Audit Manager will document and report all instances of breaches to the President, resulting in an investigation being initiated.

In instances where ethical conduct might appear uncertain, the Code of Conduct promotes employees to seek guidance and clarification to uphold the integrity of all employees and the Entities when addressing ethical concerns.

To reflect acknowledgement and agreement, employees are required to sign off on the Code of Conduct at time of onboarding or when an update is made.

Respectful Workplace Policy

The Respectful Workplace Policy states that bullying, harassment, discrimination, and workplace violence are not acceptable or tolerated in the workplace. The policy identifies and defines bullying, harassment and discrimination, and requires employees to report any instances observed or experienced using the Respectful Workplace Complaint Form or, by seeking guidance from the Human Resources department. Employees and contractors who violate the policy or misuse the reporting, investigative or resolution processes may be subject to corrective action up to and including termination. To reflect acknowledgement and agreement, employees are required to sign off on the Respectful Workplace Policy at time of onboarding.



Incident Reporting Guidelines

All accidents as defined by the guidelines must be immediately reported to the Supervisor responsible or the employee(s) involved. Serious incidents must be reported to emergency lines and remedial action recommendations are made upon the accident reporting. The Guidelines clearly define accidents and serious incidents. Employees also have access to job hazard assessment cards which are tools to be used in the identification of safe work practices. Supervisors also have access to accident investigation report forms which are to be completed when accidents occur.

Made Safe Certification

CKP is Made Safe certified. Made Safe is a non-profit safety association dedicated to the prevention of injuries in the manufacturing sector. As the manufacturing sector certifying partner for SAFE Work Certified, Made Safe is supported by SAFE Work Manitoba, a division of the Workers Compensation Board of Manitoba. Made Safe certification is voluntary. To achieve and maintain the Made Safe certification, CKP is required to complete Made Safe training courses, develop a safety program based on the course learnings, complete a gap analysis, refine a safety program, and complete a certifying audit.

Due Diligence

Supplier Selection and Disqualification Policy

CKP has outlined specific supplier selection criteria as well as instances that could lead to disqualification. Upon working with a supplier, CKP requires this due diligence process to be exercised.

Terms and Conditions of Purchaser Agreements

Within CKP's Terms and Conditions, issued with each purchase order, the following items have been identified relevant to this Act:

- A. **Conflict Minerals:** The Entities' terms and conditions require compliance with requirements of Section 1502 of *Dodd-Frank Wall Street Reform and Consumer Protection Act* and US SEC around the use of conflict minerals. CKP strongly encourages its supply chain to develop a policy that addresses conflict minerals sourcing. CKP requires its supply chain to be DRC (Democratic Republic of the Congo) conflict-free, to source from validated smelters and to provide CKP with its smelter names.
- B. **Compliance with Laws:** Suppliers are responsible for complying with all applicable legal requirements, including the laws of Canada and where applicable to the Supplier's performance as it relates to the Entities.
- C. **Ethics & Code of Conduct:** The Entities expect suppliers to conduct their business fairly, impartially, and ethically, including having (or developing) and adhering to a code of ethical standards. If suppliers have cause to believe that the Entities or any employee/agent of the Entities have behaved improperly or unethically, they are requested to report such behaviour to the Director of Supply Chain or Human Resource Manager.



Supply Chain Risk Assessment

A risk assessment over the Entities industry of operation, goods procured and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% of CKP's total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on inherent risk of child and/or forced labour related to goods and countries - Walk Free's Global Slavery Index and the US Department of Labour's List of Goods Produced by Child Labour or Forced Labour.

Industry of Operation

CKP operates within the industry of paper products as a manufacturer. Manufacturing operations are associated globally with an inherent risk of child labour or forced labour according to the two indices.

Countries Goods are Procured From

For the purposes of this assessment, a review of the countries where goods are procured from focused on the location of CKP's direct supplier's operations. Each direct material supplier is located within Canada and the United States which based on the two indices, have a lower risk of child labour and forced labour. This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is a low inherent risk and continued due diligence is required.

Goods Procured

The goods procured within CKP's supply chain are divided into three main categories – raw materials, parts, chemicals. A risk assessment over goods within these categories has been conducted and identified an initial inherent risk of forced and/or child labour within the following:

1. Raw materials: timber (fibre)
2. Chemicals: lime stone

All other remaining goods were not identified within the two indices, therefore concluding a low-inherent risk exists.

Remediation of Forced & Child Labour

To mitigate the risk of child labour and forced labour within supply chains, the Entities incorporate the following mechanisms for supplier due diligence:

Supplier Terms and Conditions

CKP requires each supplier to adhere to local laws of Canada, and those binding the Province of Manitoba, for each purchase order made, including those relating to labour standards. These terms and conditions do not contain specific clauses identifying expectations regarding child labour and/or forced labour however, CKP is considering the addition of this matter.

CKP also expects their suppliers to conduct their business fairly, impartially, and ethically, including having



(or developing) and adhering to a code of ethical standards. While CKP isn't actively obtaining these codes from their suppliers, they are considering incorporating that as a step in their supplier selection and ongoing supplier evaluation processes.

Supplier Selection Process

When considering suppliers, CKP currently performs a review of their business to determine the appropriateness of the relationship. CKP is considering the addition of reviewing the risk of child labour or forced labour as it relates to the prospective supplier.

Supplier Evaluation Forms

CKP encourages feedback on their suppliers through the use of supplier evaluation forms. These forms focus on supplier safety (including compliance with laws and standards) and other quality assurance factors.

Through the use of these mechanisms, both Entities are continuing their efforts to mitigate the risk of child labour or forced labour through their supply chain. With the use of the evaluation forms specifically, CKP is actively engaged in collecting survey responses to thoroughly evaluate this risk across its supply chain.

Remediation of Vulnerable Family Income Loss

The Entities are in the process of understanding and evaluating their supply chain related to the risk of child labour and forced labour. To date, the Entities have not identified instances of the use of child labour or forced labour within their operations or those of suppliers. The Entities are continuing its review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

The Entities do not have training in place on the topic of child labour or forced labour. However, of the policies identified above relevant to this Act, the Entities do incorporate related training to all employees. When onboarding new employees, part of this process includes reviewing the Employee Code of Conduct to ensure the individual understands the Entities' standards and expectations. Sections within this relevant to child labour and forced labour include the harassment policy, and employee conduct and ethical behaviour. As part of the onboarding process, employees are required to take training on Violence & Harassment.

The Entities also train employees on assessing and evaluating risks impacting their duties including safety and environmental risks. The Entities have a well-defined protocol for employees to adhere to should they recognize a risk affecting themselves or a colleague.



The Entities also offer annual safety training sessions to employees, based on their duties, aimed at protecting themselves and others when performing their duties. Examples of these sessions include Workplace Hazardous Materials Information System, Fall Protection and Violence and Harassment.

CKP recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

Assessing Effectiveness

To track the Entities effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

Internal Activities

1. Policy review: CKP has committed to reviewing policies to ensure the risk of forced or child labour within activities are being adequately addressed.
2. Employee Code of Conduct Acknowledgement: During employee onboarding, signing the code of conduct demonstrates their understanding and commitment. CKP recognizes the importance of providing annual reminders of the Employee Code of Conduct during crew (safety) talks to reinforce employees' understanding of expected conduct and to promptly inform them of any document revisions. This process ensures ongoing adherence to company standards and practices.
3. Reporting on bullying, harassment, discrimination and workplace violence: CKP is committed to ensuring that employees are provided with safe, healthy, harassment-free and respectful workplace. All claims made against the Respectful Workplace Policy will go through the formal complaint process or by seeking guidance from the Human Resources Manager or Human Resources Team Lead.
4. Made Safe Service Certification: CKP has obtained and maintains a Made Safe certification, reflecting that they adhere to standards and compliance with the Workplace Safety and Health Act, and applicable regulations.

Supplier Activities

1. Supplier selection: CKP performs due diligence activities when selecting new suppliers. The opportunity has been identified to incorporate mechanisms relevant to this Act during this process.
2. Terms and conditions: With each purchase order sent to suppliers, CKP attaches their terms and conditions requiring their suppliers to comply with applicable legal requirements and to conduct their business fairly, impartially, and ethically. CKP has identified the opportunity to integrate a clause within these terms and conditions regarding a zero-tolerance for child labour and forced labour. This clause will identify the outcome or disciplinary action should an instance of child or forced labour be reported or discovered by CKP.



3. Supplier evaluation forms: CKP has identified the opportunity to integrate compliance with laws and regulations (including this Act) into these forms as well as to require that supplier evaluation forms be completed for high risk suppliers on a periodic basis.

Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

The Entities have taken the following steps to prevent and reduce the risk of child labour or forced labour:

1. Mapping supply chains: As part of this report, CKP has mapped our supply chain to complete a risk assessment to align with the Act.
2. Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains: As part of this report, CKP has conducted an initial risk assessment of operations and our supply chain, identifying inherent risks to which we are exposed. Further work is required to mature the risk assessment process within and across our supply chain.
3. Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily: CKP has an explicit policy related regarding ethical and fair recruitment, and employees can voluntarily resign at any time.
4. Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour: Remediation efforts relating to due diligence mechanisms in place have been identified, to reduce the risk of child labour and/or forced labour within our supply chain.
5. Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains: CKP has identified the opportunity to integrate contractual clauses within supplier agreements related to anti-forced labour and/or child labour.
6. Developing and implementing anti-forced labour and/or -child labour contractual clauses: CKP has identified the opportunity to integrate contractual clauses within supplier Terms and Conditions related to anti-forced labour and/or child labour.
7. Monitoring suppliers: CKP uses supplier forms to help monitor supplier relationships. CKP has identified the opportunity to incorporate anti-forced labour and/or -child labour considerations in our evaluation forms.
8. Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists: CKP has identified the opportunity to integrate anti-forced labour and/or child labour standards/conduct into internal policies and training.
9. Enacting measures to provide for, or cooperate in, remediation of forced labour and/or child labour: See risk assessment section for further explanation.



10. Developing and implementing training and awareness materials on forced labour and/or child labour: CKP has identified the opportunity to develop employee training relevant to child labour and/or forced labour.
11. Developing and implementing procedures to track performance in addressing forced labour and/or child labour: CKP has identified mechanisms in place and to be developed relating to assessing the effectiveness of reducing the risk of child labour and forced labour.

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 Entities listed above. 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.

Ann Evans

Full Name

Signature

President

Title

May 9, 2024

Date

I have the authority to bind Canadian Kraft Paper Industries Ltd. and Canadian Kraft Sales & Marketing Ltd.