

# Compliance

---

## Forced/Child Labour in Supply Chains



**CANUSA WOOD**  
GLOBAL PROCESS · GLOBAL REACH

## Table of Contents

<b>1. Forced Labour in Canadian Supply Chains</b> .....	<b>4</b>
<b>2. Canusa’s Labour Policy Statement</b> .....	<b>4</b>
<b>3. Compliance Objectives</b> .....	<b>4</b>
<b>4. Due Diligence at Canusa</b> .....	<b>5</b>
<b>5. Compliance Team</b> .....	<b>5</b>
<b>6. Precautions to Evaluate the Risk of Forced or Child Labour in the Supply Chain</b> .....	<b>6</b>
<b>6.1. Identify Risk Levels by Region</b> .....	<b>6</b>
<b>6.2. Onboarding New Vendors</b> .....	<b>7</b>
<b>6.3. Periodic Mill Visits and Reviews</b> .....	<b>8</b>
<b>7. Training</b> .....	<b>9</b>
<b>8. Board Approval</b> .....	<b>9</b>
<b>9. Definitions</b> .....	<b>10</b>

## 1. Forced Labour in Canadian Supply Chains

In January 2024 the Government of Canada enacted Bill S-211, *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. As an importer of Composite Wood Products from global sources for sale in Canada and the United States, Canusa Wood Products is an entity that is required to report on the measures taken to prevent and reduce the risk that forced labour or child labour is used in our supply chains.

The Act requires entities to identify parts of their activities and supply chains that carry a risk that forced labour or child labour is being used either in the entity's own activities, or in the activities of any entities it controls or those of its direct or indirect suppliers. Identifying parts of an entity's activities and supply chains that carry a risk does not require indicating that forced labour or child labour was or is being used. Rather, entities are asked to show that they have considered the ways in which their activities and supply chains could potentially cause, contribute to, or be directly or indirectly linked to actual or potential risk that forced labour or child labour is used by them or in their supply chains.

No sectors or industries involving the production or importation of goods are assumed to be entirely free of forced labour and child labour risks. The purpose of reporting is not to certify that an entity is "risk-free," but rather to demonstrate that the entity has taken reasonable steps to identify and address risks. The reporting exercise is intended to encourage transparency, not to penalize entities for having identified risks in their activities and supply chains.

## 2. Canusa's Labour Policy Statement

Canusa maintains a **Labour Policy Statement** (copy attached) that includes our policy on Child Labour, Forced Labour, Discrimination and Rights to Collective Bargaining.

## 3. Compliance Objectives

Canusa Wood Products Ltd. ("Canusa" or the "Company") is committed to be a good "corporate citizen" and abide by the applicable laws, rules, and regulations and the support of basic human rights wherever we do business. As part of our efforts to continuously improve processes and procedures, the Company, in consultation with third-party subject matter experts, updates and revises relevant Company compliance policies to meet this commitment.

At Canusa we have a long history of due diligence activities related importation of goods from overseas as we are subject to the Lacey Act for all our imports to the United States and of formaldehyde emissions compliance and standards for import of wood products to both the US (CARB + EPA/TSCA) and Canada (CANFER). In addition, we maintain the FSC Chain Of Custody certification for the import and sales/distribution of FSC certified wood product and that certification requires a level of due diligence to conform product comes from FSC certified sources.

Canusa's labour policy statement specifically forbids the use of Child Labour or Forced Labour and encourages recognition of basic human rights throughout our supply chain. We make best efforts to identify child or forced labour in our supply chain and refuse to do business with any entity where we suspect child or forced labour.

The objective of this document is to set forth a framework that will help ensure the Company demonstrates reasonable prudent precaution in evaluating our suppliers for fair employment practices and recognition of basic human rights. We have other documents that outline our programs with respect to product emission compliance, and due care in evaluating our supply chain for legal wood sourcing, accurate reporting, and accurate labeling. This document represents only the minimum standards that will be met by Canusa, as opposed to the specific procedures that the Canusa will utilize to meet the standards herein.

#### 4. Due Diligence at Canusa

Due diligence is a process to identify and respond to the real and potential adverse impacts of activities throughout the supply chain. The due diligence process and its support measures involve the following steps:

- Embedding responsible business conduct (RBC) into policies and management systems.
- Identifying and assessing adverse impacts in operations, supply chains and business relationships.
- Ceasing, preventing, or mitigating adverse impacts.
- Tracking implementation and results.
- Communicating how impacts are addressed.
- Providing for or cooperating in remediation when appropriate.

Beginning in 2019 we started to ask all our wood suppliers to make an ***Environmental and Business Responsibility Pledge*** to Canusa that confirms their commitment to legal supply sources and acceptable business practices (copy attached). That pledge includes recognition of a safe working environment for workers and expressed consent that they will not use forced or child labour. In 2023 we expanded our due diligence activities related to forced/child labour by adding specific questions to our onboarding procedures with mills and instructing our partners and staff to observe the employment practices on all mill visits. Section 6 of this document provides more detail.

#### 5. Compliance Team

Canusa's Compliance team is responsible for the activities associated with evaluating the risk of Forced or Child Labour in the supply chain, mapping our supply chains and of ensuring that we've taken reasonable and prudent precautions to mitigate the risk of forced or child labour in our supply chains.

The Team is composed of:

- VP Finance & Operations leads all compliance activities.
- Purchasing & Compliance Manager: Implements and monitors all compliance activities.
- President: Sits on the Compliance Committee along with the VP Finance & Operations and the Compliance Manager to rule on any escalated compliance matters as required.
- Operations Team: The logistics group that collects documents associated with all transactions including Lacey/FER and FSC monitoring.

- Purchasing: Buyers who must get approval of Compliance prior to the purchase of any material from a new mill. They are also required to observe mill practices related to compliance (legal sourcing, emissions, employment standards, etc.) as part of their periodic mill visits.
- Quality Control (QC) Team: Canusa engages two groups in Asia that visit our mills on a regular basis to verify the quality of the plywood produced; these teams are instructed to observe employment and other processes at the mills to validate claims made by the mills in our due diligence documents.

## 6. Precautions to Evaluate the Risk of Forced or Child Labour in the Supply Chain

The VP Finance & Operations and the Compliance Manager are responsible for implementing procedures designed to ensure that Canusa does not conduct business with suppliers and other vendors whose products or activities may be in violation of Lacey Act requirements, who may be using, or have supply chains that use Forced and/or Child Labour, and to ensure that all products imported to the US and Canada are compliant with CARB and EPA requirements.

### 6.1. Identify Risk Levels by Region

Prior to 2023 we kept track of our mill information using a SharePoint file system with folders and excel sheets for each of our mills organized by region. On those sheets we kept track of our web searches for any accusations of human rights violations and periodically update them as we review each mill from time to time. We maintain copies of these sheets in our compliance folders and all staff have access.

In 2023 we purchased software to use as a database of our Suppliers, Products, Species and Jurisdictions in which they operate. That software, Command Center™, was developed by compliance professionals in the forest products industry. It provides a solution for fulfilling the requirements of timber trade legislation such as EUTR and the Lacey Act, as well as the requirements of voluntary forest certifications. A component of the system allows us to map regions of the world and assign risk ratings to the regions based on various factors including the risk of forced or child labour. Starting in 2024 we are evaluating the regions in which our mills operate and assigning ratings to those regions. The software has a feature that allows us to map the supply chain for each of our vendors and cross-reference that map with the regions we've risk rated. We are in the early stages of implementing this system and will have it completed sometime in 2024 or 2025.

We are specific with all vendors that we will not do business with vendors that operate in, or source materials from the regions identified as high risk unless they can prove to our satisfaction that their employment practices meet our standards and do not include forced or child labour.

We are investigating tools that will help us to further evaluate the risks such as: ILAB Sweat and Toil, Altana AI and [www.dol.gov/agencies/lab/reports/child-labor/listofgoods](http://www.dol.gov/agencies/lab/reports/child-labor/listofgoods) and will implement one or more of these tools in the coming year.

We have identified the following countries in which we have mill relationships as high-risk for the use of forced or prison labour in the timber sector: Brazil, Cambodia, China, Russia and Vietnam.

## 6.2. Onboarding New Vendors

A critical element for avoiding business activities with non-compliant third parties is to establish a third-party due diligence process aimed at not engaging such vendors in the first place.

Specific to labour practices, when onboarding a new supplier, the Compliance team will work with the relevant business functions to complete a series of actions to ensure the vendor can meet the Company's standards. These actions will include, but are not limited to:

- A review of available market information on the supplier (web search) for any indication of forced or child labour:
  - [www.dol.gov/sites/dolgov/files/ILAB/Listofgoods.pdf](http://www.dol.gov/sites/dolgov/files/ILAB/Listofgoods.pdf)
  - [www.responsiblesourcingtool.org](http://www.responsiblesourcingtool.org)
- Asking mills to provide a list of their suppliers and keep that information for building a Supply Chain Map (this is a new process, and we are currently updating our existing mills region by region).
- Requiring each new mill to review and sign Canusa's Environmental and Business Responsibility Pledge (copy attached) which includes confirmation that they are not using Child or Forced Labour by having them sign the following statement: *Treat all our workers as per local labor laws, providing them with a safe working environment. In addition, we will use no prison labor and no child labor. We will follow all anti-corruption laws within our own country and any country we are conducting business.*
- Requiring each mill to answer a series of questions and sign off on their due care procedures as part of our Statement of Due Care. This document includes confirmation of the Mill's employment practices which includes the following questions (this section of the Statement is new in 2024 and we are in the process of updating existing mills):
  - Does your organization have policies and processes in place to identify, investigate, and remedy the risk and any instances of modern slavery (including child labor and forced labor) within your organization? Please describe these measures
  - Do you provide training to your employees specifically on child labor risk and how to recognize signs of forced labor? Ensuring that employees are aware of these issues is crucial for prevention and early detection.
  - Does your organization conduct due diligence on your suppliers regarding their working conditions? Understanding the practices within your supply chain is essential to identifying potential risks.
  - Can you provide information about the transparency of your supply chain? Importers should inquire about the visibility they have into the entire production process, including subcontractors and lower-tier suppliers.
  - What are your specific policies related to child labor and forced labor? Importers should seek clarity on how suppliers address these issues and whether they have robust policies in place.
  - How do you assess and mitigate child labor and forced labor risks in your supply chain? Understanding the steps taken to prevent and address these risks is crucial.
  - How do you monitor and report on labor practice within your supply chain?
  - Do the working conditions for employees meet the local standards?
  - Do you import workers from other regions / countries? If so, please comment.
  - Are employees able to come and go as they please? (subject to regular work hours)?
  - Do you source any materials from regions known to use forced labour (e.g. Xinjiang region of China)
  - Can you produce employment records that show all staff are compensated according to local standards?

- When reasonable, an in-person audit/visit by a member of the Compliance team, appropriate third-party certification body, or third-party auditor with specialized industry experience is conducted.
- Acknowledging that it is not always possible to visit a mill prior to placing the first order. If not, then we try to arrange for a visit by a member of our purchasing team or our Quality Control (QC) teams in Asia prior to the first shipment from the vendor. If we are not able to visit prior to the first shipment, we do arrange for a visit within one year of the first shipment. At these visits we equip the team with a series of observation objectives that includes the following with respect to Forced and Child Labour:
  - Did you observe children in the factory?
  - Do the working conditions for employees appear to meet local standards?
  - Does the mill import workers from other regions/countries? If so, please comment.
  - Are employees free to come and go as they please (subject to regular work hours)?
  - Does the mill source any materials from regions known to use forced labour (e.g. Xinjiang region of China)?
  - Does the mill have any procedures to ensure their suppliers do not use forced or child labour?
  - Can the mill produce employment records that show all staff are compensated according to local standards?

The Compliance team will be responsible for ensuring the above steps are followed for each new supplier. *The VP Finance & Operations must provide written authorization to conduct business with a new supplier before the Company may engage in any transactions with that new supplier.* The authorization must include consideration of the factors listed above.

### 6.3. Periodic Mill Visits and Reviews

We follow up the onboarding process with Mill visits every one to two years (as possible). Note that visits were interrupted by the Pandemic, and we are currently working to catch up with visits to all of our suppliers.

These visits are conducted by our buying/sales teams who are equipped with a series of questions/observations that they go through to validate mill claims on Supply Chain, legality, emissions, employment practices and product quality. The forced/child labour questions are the same as listed above. This has resulted in a few incidents where we observed practices at mills that required improvement or that give us enough concern that we stopped doing business with the vendor (see escalation process below).

QA teams visit mills on a regular basis related to our individual orders with the specific mill. At these visits they are instructed to observe employees and employment practices utilizing the same question/observation worksheet that we referenced above. This has resulted in at least one mill identified as possibly using prison labour – we elected to stop working with this mill.

Note that the questionnaire is not used on every visit. Its use is left to the discretion of the visitor based on their general observations of activities and practices at the mill.

Any observation that makes the inspector suspicious or uncomfortable is escalated to the Canusa Compliance Manager and the manager will:

- Require a remedy from the mill for minor infractions or ones deemed to be fixable. These might include labeling issues, process flow issues, record keeping issues.
- Escalate to the Compliance committee any concerns that cannot be easily resolved or are considered major. Evidence of Forced or Child Labour would fall into this category. The Compliance Committee will evaluate the observation and will cease business with the vendor if it is valid or likely to be valid.


## 7. Training

Once per year the Compliance Team hosts a training session for everyone in the Company that includes modules updating them on Lacey, Formaldehyde Emissions Standards, FSC, and Forced and Child Labour in supply chains.

All Compliance Team direct staff have completed IWPA (International Wood Products Association) compliance training which includes courses on Lacey, Formaldehyde Emissions regulations, Due Care and Due Diligence standards and the mapping of Supply Chains in the Wood industry.

## 8. Board Approval

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 entity or 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 2024 fiscal reporting year (April 1 2023 to March 31 2024).



---

Jeevan Manhas, CEO

05/30/24

---

Date

I have the authority to bind Canusa Wood Products, Ltd.



## 9. Definitions

- **California Air Resources Board (CARB):** responsible for actions to protect public health from harmful effects of air pollution in communities of California, leader in developing air emission control programs to reduce air emissions from mobile and stationary sources.
- **CANFER:** Formaldehyde Emissions from Composite Wood Products Regulations, reducing the potential exposure to formaldehyde emissions from types of composite wood products typically used indoors.
- **Child Labour:** means labour or services provided or offered to be provided by persons under the age of 18 years and that (a) are provided or offered to be provided in Canada under circumstances that are contrary to the laws applicable in Canada; (b) are provided or offered to be provided under circumstances that are mentally, physically, socially or morally dangerous to them; (c) interfere with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work; or (d) constitute the worst forms of child labour as defined in article 3 of the Worst Forms of Child Labour Convention, 1999, adopted at Geneva on June 17, 1999. (*travail des enfants*)
- **Composite Wood Products (CWP):** panels made from pieces, chips, particles, or fibers of wood bonded together with a resin.
  - Hardwood Plywood (HWPW)
  - Particleboard (PB)
  - Medium Density Fiberboard (MDF)
  - Thin Medium Density Fibreboard (tMDF)
- **Environmental Protection Agency (EPA):** Mission is to protect human and environmental health, regulates manufacturing, processing, distribution, and use of chemicals and other pollutants.
- **Forced Labour:** means labour or service provided or offered to be provided by a person under circumstances that (a) could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they failed to provide or offer to provide the labour or service; or (b) constitute forced or compulsory labour as defined in article 2 of the Forced Labour Convention, 1930, adopted in Geneva on June 28, 1930.
- **Forest Stewardship Council (FSC):** an international, non-governmental organisation dedicated to promoting responsible management of the world's forests.
  - Something labeled as FSC certified has met the gold standard for ethical production.
- **Lacey Act:** Conservation law that prohibits trade in wildlife, fish, and plants that have been illegally taken, possessed transported or sold.
  - Two parts to the act: 1) ban on trading plants and/or plant products harvested in violation of the law & 2) Requires importers of plants and/or plant products to file a declaration identifying the scientific name, value, quantity, and country of harvest for most plant products.
- **Toxic Substances Control Act (TSCA, pronounced *taw-s-ka*):** provides authority to the EPA to provide testing protocols on certain chemicals as well as regulate the manufacturing.