



FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT

2023 Compliance Report

May 31, 2024



Irving Shipbuilding Inc.



Introduction and Scope of the Report

Irving Shipbuilding Inc. (**ISI**) is committed to delivering quality products and services to both the Royal Canadian Navy and the Canadian Coast Guard, and in doing so we strive to maintain, improve, and continue to adapt our procurement processes and safeguards to reduce the risk of forced labour and child labour within our supply chain.

This report is made pursuant to the Government of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the **Act**) for the 2023 reporting period. The report outlines ISI's commitment to compliance with the Act and describes the steps ISI has taken to prevent and reduce the risk of forced labor and child labor within its supply chain.

Business Overview

ISI is within the umbrella of the J.D. Irving, Limited (**JDI**) group of companies, and as so complies with all applicable policies of the JDI group inclusive of its Code of Business Conduct. ISI responds separately under the Act for the purposes of this report given the nature of the work performed in furtherance of Canada's National Shipbuilding Strategy, and the distinct supply chain required in order to perform that work.

Founded in 1882, JDI is a privately held and industry diverse group of companies and businesses with headquarters in Saint John and Moncton, New Brunswick. JDI operates primarily in Canada and the United States, employing over 19,000 employees. Mr. James K. Irving is Chairman, and Mr. James D. Irving and Mr. Robert K. Irving are the Co-Chief Executive Officers of all JDI companies subject to the Act, inclusive of ISI.

JDI's mandate is to provide excellent products and superior services to its customers. This is accomplished by "The Irving Way." The Irving Way is the foundation of JDI's identity and operations.

The following core values shape JDI's approach to business:

- Customer Focus;
- People and Teamwork;
- Quality Products and Services;
- Results Driven;
- Continuous Improvement and Innovation;
- Integrity;
- Fast and Flexible; and
- Health, Safety, and Environment.

The Work We Do

The Halifax Shipyard has been at the forefront of Canadian shipbuilding for more than 130 years and is the modern home to ISI. Having built over 80% of Canada's current fleet of surface vessels,

ISI continues to serve as the foundation of Canada's shipbuilding industrial base through our continued role delivering the combat package of the National Shipbuilding Strategy (the **NSS**). Our work to deliver eight Arctic and Offshore Patrol Ships and 15 future Canadian Surface Combatant ships strives to provide the very best for the sailors of the Royal Canadian Navy and the Canadian Coast Guard.

We are not only engaged in the manufacture of Canada's surface fleet; we also maintain it. Canada's core requirement of naval readiness is at the heart of what our Ship Repair team delivers every day through the refit of the Halifax-class frigates. The first of the Halifax-class frigates was launched by Irving Shipbuilding in Saint John, NB in 1988 and remains in service to this day. Our Ship Repair team's efforts throughout the docking work periods of these vessels is a true representation of Irving Shipbuilding's legacy in shipbuilding, maintenance, and repair.

Our Supply Chain Activities

ISI engages with a wide variety of key suppliers in order to accomplish our shipbuilding, maintenance, and repair activities, ranging from small-medium enterprises to industry leading corporations. Regardless of size, all suppliers we do business with are expected to share our commitment to social, ethical, and environmental responsibility.

Our supply chain predominantly consists of suppliers of complex equipment, mechanical and electrical systems, raw materials, components, and related services. We engage in long-term contracts and continuously monitor the performance of our suppliers in order to support the success of our shipbuilding and repair programs.

Assessment of ISI's Supply Chain and the Risk of Forced Labour or Child Labour

We are committed to supporting our Canadian supply chain, ensuring that the benefits of the National Shipbuilding Strategy remain in Canada pursuant to Canada's Industrial and Technological Benefits policy. Our trusted relationship with the Government of Canada creates real economic impact across the country, reaching over \$6.664 billion in spending commitments with more than 325 organizations in Canada. This figure is expected to grow to almost \$10 billion through 2025 as we continue deliver AOPS vessels to the Royal Canadian Navy and Canadian Coast Guard, and strongly progress the Canadian Surface Combatant program. Canada is assessed as a low risk for child labour and forced labour according to the [2023 Global Slavery Index](#) and we are proud to continue to support our domestic supply base.

We have not identified any instances of forced labour or child labour within our supply chain and expect adherence to our contracted requirements by all suppliers throughout their purchase of raw materials and commodities to be used in the manufacture of articles supplied to ISI.

Supply Chain Governance and Management Activities

ISI's commitment to delivering quality ships to the Royal Canadian Navy and the Canadian Coast Guard equally includes our commitment to ensure we are minimizing the risk of child labour and

forced labour throughout our supply chain. We expect our employees, partners, suppliers, and all organizations we do business with to maintain the highest ethical standards as we work to deliver ships for Canada, including sharing in our supply chain principles of:

- Building positive relationships that meet performance expectations and contractual obligations;
- A shared focus on the needs of the customer;
- Openness and transparency in operations;
- Shared and stretching improvement goals; and
- Mutual respect of the business objectives of ISI and the supplier.

We support these principles through, among other things, supplier management and governance activities beginning with a rigorous supplier selection processes, standard terms and conditions, supplier certifications, continuous monitoring, and employee training.

Pre-Contract Due Diligence

Our supply chain governance activities begin well before contract award and continue throughout the lifecycle of our supplier relationship. We engage the supplier community once a required product or service has been identified, subsequently requiring enrolment within our supplier database. This enrolment requires a supplier to provide organizational ownership and policy information among other things, forming the basis of our risk-based due diligence prior to contract award. Potential suppliers are assessed for both financial and non-financial risk, and where a security requirement is identified a supplier must further obtain relevant clearances to perform the work.

Code of Business Conduct

As mentioned above, JDI maintains a corporate Code of Business Conduct that is applicable to all JDI companies and is made available to all employees. The two guiding general business principles of the Code of Business Conduct are “Integrity and Honesty” and “Compliance with Laws.” In particular, the Code of Business Conduct requires that:

- Employees must comply with all laws, rules, and regulations.
- Employees must adhere to the spirit as well as the letter of the law.
- Employees must not participate in activities that could involve JDI in any unlawful or improper practice.
- Employees are expected to conduct themselves with honesty and high ethical standards, as well as abide by all anti-corruption laws.

The Code of Business Conduct states that a violation of the code may result in disciplinary action, including termination of employment. If the breach also constitutes a violation of law, then civil or criminal proceedings may result. The Code of Business Conduct undergoes regular reviews and updates as deemed necessary by JDI.

Contracting Standards and Supplier Certifications

ISI's standard terms and conditions require suppliers to comply with all applicable laws in the performance of their work, inclusive of all legislation regarding human rights, environmental, and occupational health and safety matters. We continue to review our standard terms and conditions on an ongoing basis to ensure emergent concerns addressed throughout all engagements with our suppliers.

Training

ISI maintains a suite of in-house training and development resources, inclusive of resources currently relevant to issues of forced labour and child labour, including:

- Supply chain risk management;
- Organizational ethics, ethical challenges, and ethical responsibility;
- Labour law, employment law, and employment legislation; and
- Corporate governance and corporate ESG.

ISI's future training plan is to leverage its in-house training and development resources to offer internal training for ISI supply chain employees specifically related to forced labour and child labour risk.

Whistleblowing

Consistent with the values of the JDI group companies, ISI encourages all employees who witness any unethical behaviour and code of conduct violations to report directly to our anonymous whistleblower program. JDI's Whistle Blower policy is embedded within the Code of Business Conduct, which is available to all employees. The JDI Tips Line, "See Something – Say Something", is staffed 24-hours a day, seven days a week by trained security officers. All anonymous tips are reviewed and actioned by an independent investigator. The JDI Tips Line is included in the Code of Business Conduct and advertised throughout the organization on posters and through presentations by our security staff.

Opportunities

ISI maintains business practices aimed at preventing any engagement with suppliers that present security, environmental, social, and governance risks. We have identified the following opportunities to improve our practices with respect of forced labour and child labour throughout the upcoming 2024 reporting period:

Supplier Code of Conduct

In the coming reporting period we will look to further our efforts to minimize the risk of forced labour and child labour within our supply chain through the formal adoption of a Supplier Code of Conduct, including requirements specifically addressing these issues:

Forced Labor

Suppliers must not use forced labor or involuntary prison labor, which means any work or service performed involuntarily under threat of physical or other penalty. Suppliers shall respect the freedom of movement of its workers and not restrict their movement by controlling identity papers, holding money deposits, or taking any other action to prevent workers from terminating their employment. If workers enter into employment agreements with suppliers, workers should do so voluntarily.

Child Labor

Suppliers must not directly (or indirectly through the use of its subcontractors) employ underage individuals as defined by applicable child labor laws.

Third Party Risk Assessment and Monitoring

We have engaged in discussions with a variety of third-party, industry leading risk-based information management providers in order to support our pre-contract due diligence and continuous monitoring activities. During the coming reporting period we expect to implement a solution, resulting in improved continuous supplier monitoring practices highlighting risks of forced labour or child labour throughout our supply chain.

Identification of Risks of Forced Labour and Child Labour, Effectiveness in Preventing Forced Labour and Child Labour, and Associated Remediation Activities

No instances of forced labour or child labour have been identified within ISI's supply chain, and therefore no remediation activities have taken place. Likewise, no measures have been taken to remediate loss of income to vulnerable persons because no vulnerable families have experienced any loss of income as a result of steps taken to address forced labour or child labour.

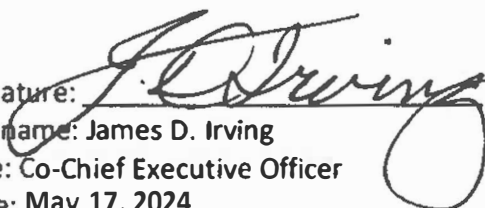
To date, no specific action has been taken to assess effectiveness in preventing and reducing risks of forced labour and child labour in ISI activities and supply chains because no instances of forced labour or child labour have been identified.

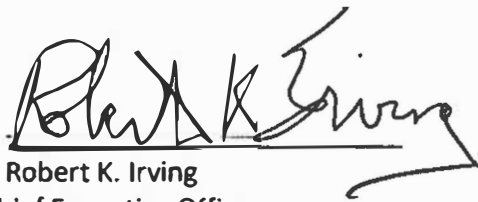
[Attestation Follows]

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, we attest that we have reviewed the information contained in the report for Irving Shipbuilding Inc. Based on our knowledge, and having exercised reasonable diligence, we 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.

Signature: 
Full name: James K. Irving
Title: Chairman
Date: May 27, 2024

Signature: 
Full name: James D. Irving
Title: Co-Chief Executive Officer
Date: May 17, 2024

Signature: 
Full name: Robert K. Irving
Title: Co-Chief Executive Officer
Date: May 27, 2024

We have the authority to bind Irving Shipbuilding Inc.