



**Novolex<sup>®</sup> Report Pursuant to the Canada**

***Fighting Against Forced Labour and Child Labour in Supply Chains Act***

**(S.C. 2023, c. 9)**

**Publication date: May 2024**



# CANADA SUPPLY CHAINS ACT REPORT

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## ■ INTRODUCTION

This report (the “Report”) has been prepared by Novolex Holdings, LLC (“Novolex”) in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”)<sup>1</sup>. This inaugural Report encompasses our Canadian entities and operations as well as select Novolex U.S. entities that “carry on business” in Canada as set out in the table below (collectively, the “Novolex Reporting Entities” or “Novolex in Canada”), for the reporting year January 1 to December 31, 2023 (the “Reporting Period”).

While Novolex in Canada does not report under any other similar laws in other jurisdictions, Novolex reports under the *California Transparency in Supply Chains Act* and the *UK Modern Slavery Act*. The most recent disclosure under those Acts can be found [here](#).

Novolex Reporting Entities	Principal Activities
Polarpak Company (formerly Polar Plastic and Par-Pak) (“Polar Pak®”)	Polar Pak has offices and manufacturing facilities in Montréal, Québec and Toronto, Ontario and serves the foodservice, bakery, deli, produce, and confectionary markets with a variety of rigid plastic packaging. In addition to products manufactured in Canada, Polar Pak also markets products produced by other Novolex manufacturing brands including molded fiber products made with sugarcane pulp (bagasse).
DeLuxe Produits de Papier Inc. (“DeLuxe®”)	DeLuxe has offices and manufacturing facilities in Montréal, Québec and Toronto, Ontario. DeLuxe supplies a range of foodservice, dairy, confectionary, industrial, and medical paper and non-paper packaging products and converting capabilities. DeLuxe also offers advanced paper-conversion capabilities that include waxing, foil, lamination, pinch bottom bags, and industrial packaging, and specializes in non-paper manufacturing and converting capabilities including multi-layer laminations, composite coating, lamination, and unsupported aluminum foil processing.
Duro Hilex Poly, LLC (“Duro®”)	Duro is one of the leading manufacturers of paper bags and sacks in North America for the grocery, retail, pharmacy, and foodservice industries. Duro products include paper bags and sacks, specialty bags for direct-food contact, bags with convenient handles, compostable bags and bags made with recycled content.
Hilex Poly Co. LLC (“Hilex®”)	Hilex is a manufacturer of polyethylene packaging solutions including retail, produce, delivery, takeout bags and other customer-focused systems. Hilex manufactures bags from prime-grade materials, with options of virgin or recycled resin, optimized for strength, aesthetics and performance.
Novolex Bagcraft, Inc. (“Bagcraft®”)	Bagcraft is a paper-based, flexible foodservice packaging manufacturer in North America, with six manufacturing plants spread across the United States. Bagcraft provides a broad range of paper-based specialty food-packaging products for restaurants, supermarkets, convenience stores, bakeries, and food processors. Products manufactured by Bagcraft include specialty bags, sandwich wraps, and other specialty sheet and roll products which may include paper backed aluminum.

This Report describes the efforts being taken to enhance the transparency in our supply chains by outlining the steps taken during the Reporting Period to prevent and reduce the risk that forced labour or child labour are used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. This has been done in accordance with the mandatory reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

Novolex has implemented a global multi-layered approach to preventing and reducing the risk of forced and child labour throughout our business and supply chains. This includes policies and procedures, risk assessments, supplier due diligence, grievance mechanisms, training and capacity building, monitoring, and independent reviews, all of which apply to and benefit Novolex in Canada.

<sup>1</sup> Source [Fighting Against Forced Labour and Child Labour in Supply Chains Act \(justice.gc.ca\)](https://www.justice.gc.ca)

# ■ OUR STRUCTURE, ACTIVITIES, AND SUPPLY CHAINS

## OUR STRUCTURE AND ACTIVITIES

Novolex is a privately held company headquartered in Charlotte, North Carolina, USA. Novolex is an industry-leading provider of sustainable, high-volume consumer-focused packaging applications across a broad range of substrates and end markets. Novolex manufactures products with paper, plastic, and recycled and renewable materials for food packaging, delivery and carry-out, food processing, and industrial markets. Novolex is comprised of industry-leading manufacturing brands including Bagcraft<sup>®</sup>, Duro<sup>®</sup> Bag, Eco-Products<sup>®</sup>, Heritage<sup>®</sup> Bag, Shields<sup>®</sup> and Waddington<sup>®</sup> North America.

Novolex is the ultimate parent company of the Novolex Reporting Entities, but it does not carry on business in Canada.

Polar Pak is a direct, wholly-owned subsidiary of Novolex incorporated under the Nova Scotia Companies Act, and is principally headquartered in Toronto, Ontario.

De Luxe is an indirect, wholly-owned subsidiary of Novolex incorporated under the laws of Quebec and is principally headquartered in Toronto, Ontario.

Duro, Hilex, and Bagcraft are direct, wholly-owned subsidiaries of Novolex and are organized under the laws of the U.S.

## OUR SUPPLY CHAINS

Novolex in Canada benefits from Novolex's broad, trusted supplier relationships consisting of more than 3,000 direct and indirect global suppliers of goods and services. Novolex in Canada only imports, distributes, or sells a subset of all goods or services that were procured by Novolex from its global supplier base. With respect to the Canadian manufacturing facilities at Polar Pak and De Luxe, the manufactured goods are made solely with inputs from Novolex's global supply chain.

The vast majority of Novolex in Canada's suppliers are based in North America and Western Europe and supply Novolex with resin, paper, and other materials such as glues and inks used to produce finished goods in our own manufacturing facilities. Indirect suppliers provide a range of services including logistics, legal, marketing, maintenance repairs and operations (MRO), and IT.

# ■ POLICIES AND DUE DILIGENCE PROCESSES

Novolex takes a global, company-wide approach to its modern slavery compliance, which includes Novolex in Canada. Globally, Novolex does not use and is committed to preventing and reducing the risk that child or forced labour is used in its operations and supply chains.

Novolex has adopted an array of policies, programs, and due diligence initiatives that put our commitment into practice in collaboration with our supply chain partners and other stakeholders. Further, the policies and procedures discussed in this report, including the Human Rights Policy, Supplier Code of Conduct, Employee Code of Conduct, Forced Labor Prevention Program, and the Ethics and Compliance Hotline, apply to all entities in the Novolex organization, including Novolex in Canada. Accordingly, Novolex in Canada relies on the supply chain processes used by Novolex globally that assess suppliers.

## POLICIES

The [Human Rights Policy](#) is the cornerstone of Novolex's global commitment to prevent and reduce the risk of child and forced labour. As part of this policy, we expressly prohibit child labour, forced labour, human trafficking or any form of modern slavery in our operations and in our supply chains.

The [Supplier Code of Conduct](#) outlines specific requirements for suppliers relating to child and forced labour. Specifically, child labour and forced labour are not to be used in any stage of manufacturing of any Novolex products, including those of Novolex in Canada, and suppliers are expected to implement an appropriate mechanism to verify the age of its workers.

As part of the supplier on-boarding process, the Supplier Code of Conduct directs that all supplier employees are to be provided with a written employment agreement in their native language and strictly prohibits the retention of employee documents, the charging of recruitment fees, or any unreasonable restrictions on employees' freedoms.

In 2023, 99% of all suppliers that on-boarded through Novolex's global procurement platform positively affirmed their agreement to abide by the Supplier Code of Conduct. The remaining 1% demonstrated compliance by adhering to their own codes, which were deemed to be equivalent to the Supplier Code of Conduct.

Pursuant to the [Employee Code of Conduct](#), Novolex on a global basis expects its directors, officers, and employees to conduct themselves according to the highest ethical standards. We recognize that we all are responsible for promoting, monitoring, and implementing the Novolex Employee Code of Conduct on a global basis.

The Employee Code of Conduct is designed to be a practical reference that can help guide our employees in making good decisions. We expect that our employees will read it carefully, make sure they understand its contents, and exercise good judgment consistent with the Employee Code of Conduct in their daily work. Among other expectations, the Employee Code of Conduct unequivocally states our expectations regarding human rights and clearly states that we have zero tolerance for human trafficking and child, illegal, abusive, and forced labour anywhere in our operations or within the activities of our suppliers.

# ■ POLICIES AND DUE DILIGENCE PROCESSES CONTINUED

## DUE DILIGENCE

Novolex has also established a dedicated **Office of International Trade Compliance** (“ITC”) within its procurement team to manage all trade-related activities, including those of Novolex in Canada. This department of eight includes five licensed customs brokers and oversees compliance related to the Forced Labor Prevention Program and Trade Sanctions Policy, as discussed further below. As part of these processes, suppliers complete a third-party self-assessment questionnaire, which includes human rights-related topics, and assess these against the company’s Country Risk Guide.

## ■ POTENTIAL RISKS OF FORCED LABOUR OR CHILD LABOUR

In 2023, Novolex took the following steps to prevent and reduce the risk of child and forced labour in its operations and supply chains, including those of Novolex in Canada:

- Conducted a preliminary screening of Novolex’s global, multi-tier supply chains to detect potential connections or links to child labour or forced labour. The tool utilizes international trade data to detect shipments made from one party to another and is designed to map out potential connections in a multi-tiered analysis on a supplier-by-supplier basis. The tool not only detects direct connections to key locations of concern, such as the Xinjiang region of China, but is also able to detect forced labour risk factors among our sub-tier suppliers. As an additional risk control, the tool also provides visibility into suppliers whose goods have been stopped by Customs at the port of entry due to suspicion of forced labour.
- Conducted daily restricted party screening of customer and vendor master data worldwide using a third-party screening tool that consolidates 29 governmental watch lists. The consolidated lists include the official UFLPA Entity List.
- Using geocoding technology, mapped Novolex’s Chinese suppliers to confirm that we are not sourcing directly from any entities within the Xinjiang region.

## OPERATIONS

Novolex in Canada considers the risk of modern slavery occurring within our operations to be low. Not only does our workforce exist only within Canada and the United States, both of which have comprehensive and strict labour, employment, and human rights laws, but parts of our workforce are also represented by strong prominent labour unions.

## GEOGRAPHIC RISKS - SUPPLY CHAINS

Novolex’s global due diligence efforts take into account nine indicators of modern slavery to determine overall risks in the 23 countries in which Novolex or its direct and indirect suppliers operate. The analysis looks at information from international organizations that are reputable, publicly available, and annually updated, with an emphasis on risk factors or criteria related to “modern slavery.”

With respect to Novolex in Canada:

- **Eight of the 23 countries we procure from are considered low risk** across several modern slavery indicators.
- **Six of the 23 countries we procure from are considered medium risk** due to a combination of factors. Child labour indicators include the prevalence of child labour, a lack of prohibition on hazardous work for children, and the compulsory age of schooling not aligning with the minimum age of employment ([UNICEF](#)). Forced labour indicators include the risk of human trafficking ([U.S. Department of State](#)), the proportion of employees working over 49 hours a week ([ILOSTAT](#)), and the prevalence of modern slavery (Walk Free’s [Global Slavery index](#)). Additional risk factors include poverty rates ([World Bank](#)) and potential infringement on personal autonomy and individual rights ([Freedom House](#)).
- **The nine remaining countries we procure from are considered high risk** due to a combination of the factors above, as well as the effectiveness of the rule of law ([World Justice Project](#)).

## SECTORAL RISKS - SUPPLY CHAINS

We also recognize that there are general industry-level risks of forced or child labour with respect to Novolex in Canada’s supply chains:

- There are potential upstream modern slavery risks within the **plastic and petroleum products industry**. The industry can often consist of temporary workers who may be at [risk of forced labour](#), excessive working hours, withheld wages, and restricted freedom of movement. Additionally, there are risks of child labour and unsafe or unhealthy working conditions.
- The **pulp and paper products industry** also has potential upstream modern slavery risks. Forestry and logging are linked to violations of Indigenous peoples’ rights. In the U.S., forestry is one of several industries that uses incarcerated labour, [where there have been documented incidents](#) of unfair treatment and unsafe working conditions for inmates. Additionally, bamboo has been linked to [forced and child labour](#) in Burma and Vietnam.

## SECTORAL RISKS - SUPPLY CHAINS (CONTINUED)

- **Sugarcane production (bagasse)** also has risks of being [produced with forced and child labour](#) in several countries including Mexico, China, Thailand, and Vietnam, among others. The [U.S. Department of Labor 2022 report](#) identifies sugarcane as one of the goods with the most child and forced labour listings. The sugar industry is also [linked to human trafficking risks](#), often due to third-party recruitment agencies utilizing deceptive recruitment practices and debt bondage. Workers can face poor working and living conditions, excessive working hours, and restrictions on their freedom of movement.
- The **manufacturing industry** includes a range of skilled and low-skilled positions; low-skilled labour has an [increased risk of human trafficking](#) as many workers lack other employment options. They also lack leverage to negotiate for higher wages and are vulnerable to significant job insecurity. There are also [high risks](#) of child labour in the manufacturing industry.
- The **mining and metal production industry** has high risks of forced and child labour, although this is mainly linked to artisanal and small-scale mining (ASM). Large-scale, commercial mines carry fewer risks, although a reliance on migrant or temporary workers and the presence of contractors and recruiters can introduce additional complexity into the supply chain and increases the risks of modern slavery and human trafficking.
- The **transportation industry**, especially [ocean freight](#), can have [high risks](#) of modern slavery as workers can be deprived of their rights to annual or shore leave and repatriation, and may be forced to continue working beyond the terms in their employment contracts. Similarly, **warehousing services** are increasingly outsourced to third-party logistics companies, and often rely on temporary or subcontracted labour, with [higher risks](#) of exploitation or hazardous work conditions.

Notwithstanding these risks, Novolex in Canada is not aware of any specific instances of child or forced labour in its supply chains. Further, on a global basis, Novolex mitigates these geographic and sector risks through the following actions.

## ■ ASSESSING AND MANAGING RISK

Novolex's **Forced Labor Prevention Program** formalizes and integrates all company controls designed to address international requirements to prevent forced labour, child labour, and other human rights abuses in the company's supply chains.

Novolex's **Trade Sanctions Policy** formalizes the company's global commitment not to conduct business with embargoed countries, restricted parties, or entities of any kind that are subject to sanction controls, without first obtaining a license from the appropriate governmental authority. The default position and policy are not to proceed with such arrangements.

As outlined in these documents, Novolex manages risks, including those for Novolex in Canada, through several steps:

- Suppliers are expected to acknowledge and adhere to the provisions of the Supplier Code of Conduct.
- General Terms and Conditions of Purchase include vendor representations, warranties, and certifications that no part of their supply chains, directly or indirectly, are involved in human trafficking, modern slavery, or child labour.
- The ITC staff uses a software tool to perform supply chain mapping that detects forced labour, including in upstream sub-tiers.
- We expect suppliers domiciled in high inherent risk countries such as China to complete a Self-Assessment Questionnaire that includes human rights. Where concerns are detected, before proceeding with supplier onboarding those concerns must be addressed to Legal and the ITC group's satisfaction.
- The ITC staff regularly conducts restricted party screening of the customer and vendor master data worldwide including against the UFLPA Entity List.
- The ITC staff also oversees all company trade transactions and compliance, including forced labour. This includes written processes and procedures, compliant operations, recordkeeping, monitoring, training, due diligence, risk assessment, communications with internal and external stakeholders, and governance.

Finally, the **Country Risk Guide** assigns a risk designation for each country in line with the Export Administration Regulations (maintained by the U.S. Department of Commerce's Bureau of Industry and Security), relevant U.S. government Executive Orders, Transparency International's Corruption Perceptions Index, and Intertek's Inherent Country Risk Rating. The Country Risk Guide is available to all Novolex in Canada personnel as a resource to help identify risks as business arrangements are being contemplated. It is also integrated into the supplier onboarding process.

**Based on the actions described in this Report, we consider the risk of modern slavery in Novolex in Canada's supply chains to be low.**

## ■ REMEDIATION

The Novolex global [Ethics and Compliance Hotline](#) provides suppliers and their employees with access to an independent resource that can be used to report potential violations or raise concerns related to the Supplier Code without fear of retaliation. The 24/7 hotline is also available online at [ethics.novolex.com](#) or by telephone using one of the toll-free numbers listed on the last page of the Supplier Code of Conduct. The hotline is also available to Novolex employees.

If child labour or forced labour is identified, we are prepared to offer assistance or remediation for rehabilitation and social integration. **No instances of forced or child labour were identified during the Reporting Period.** Accordingly, no remediation steps were taken, including those to remediate the loss of income to the most vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour.

## ■ TRAINING

We expect that every officer and employee of Novolex, including those at Novolex in Canada, that is involved in international business transactions understands the basic elements of the laws and regulations related to trade compliance and to certify that they will comply with them at all times.

When joining Novolex, new employees are required to review, sign, and comply with the [Employee Code of Conduct](#) which outlines the zero tolerance approach to child, illegal, abusive, and forced labour anywhere in our operations or within the activities of our suppliers. They must also complete a training module on the Employee Code of Conduct during their first 30 days at the company. All employees are required to re-sign and acknowledge the Employee Code of Conduct each year.

Globally, Novolex employees receive annual training on compliance topics and key corporate policies. Training modules are assigned and tracked via the **Novolex Learning Management System**. The mandatory training modules cover the Human Rights Policy, Employee Code of Conduct, Anti-bribery and Anti-corruption Policy, and Trade Compliance Essentials.

In 2023, the ITC team delivered the **Trade Compliance Essentials** training to 1,730 relevant Canadian and U.S. employees. As part of this, employees reviewed and agreed to comply with the Trade Sanctions Policy, which was then documented. Such training is expected to continue indefinitely on an annual basis. ITC staff and other employees have also attended and are expected to continue to participate in formal presentations and training on child and forced labour at attorney-led forums, webinars, and live conferences by professional bodies, such as the International Compliance Professionals Association (ICPA).

## ■ ASSESSING EFFECTIVENESS


Novolex's **Board of Managers** is the highest governing body with oversight of Novolex's global progress and impact on environmental, social, and governance (ESG) issues. Board members have extensive experience in the global packaging industry, finance, global supply chain, and ESG-related disciplines relevant to Novolex's global operations and that are applicable to stakeholders. During quarterly meetings, the Board of Managers receives and evaluates the management of the organization's impacts on the economy, environment, and people, makes recommendations, and receives follow-up on implementation at subsequent meetings.

The **ITC Governance Committee** oversees the work of the ITC and is responsible for assessing risks and addressing resource needs to support the ITC's responsibilities. Committee members monitor and assess trade compliance across Novolex globally, including adherence to the Forced Labor Prevention Program and the Trade Sanctions Policy. The ITC Governance Committee meets quarterly and consists of General Counsel, the Chief Procurement Officer, Chief Financial Officer, Chief Accounting Officer, ITC leadership, and, as needed, applicable business leaders and outside trade counsel.

## ■ APPROVAL AND ATTESTATION

This Report was approved by the Board of Managers of Novolex Holdings, LLC on May 30, 2024 pursuant to section 11(4)(b)(ii) of the Act.

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 reporting year listed above.

  
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Stanley Bikulege

Sole Manager of the Board of Managers

Date May 30, 2024



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