



Canadian Kraft Paper Industries Ltd.

Forced Labour and Child Labour in Supply Chains Company
Assessment



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Executive Summary

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.

Canadian Kraft Paper Industries Ltd. ("CKP") is committed to upholding the highest standards of ethical business practices. As part of this commitment, CKP has implemented stringent controls to further emphasize its dedication to eradicating forced and child labour from its supply chains. These measures include updated policies that specifically highlight a zero-tolerance stance toward forced labour and child labour, the addition of extra terms and conditions to supplier purchase orders to ensure compliance and promote ethical practices, and comprehensive employee training programs on the identification and prevention of forced and child labour. These additions are designed to strengthen CKP's efforts to create a transparent and responsible business environment that respects human rights and fosters a culture of integrity.

Background Information

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”) first submission for 2025 in response to the Act. The entities covered by this report include CKP and Canadian Kraft Sales & Marketing Ltd. (“CKS”). CKP and CKS, collectively, 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 ending December 28, 2024.

Structure, Activities & Supply Chain

Structure

CKP operates as a corporation operating out of two locations at PO Box 1590, The Pas, MB R9A 1L4 and 206 – 2365 Gordon Drive, Kelowna BC, V1W 3C2. CKP employs 330 individuals across various departments, and CKS employs 10 individuals. Additionally there is a partnership with CKP and Nekoté Limited Partnership (owned by seven Swampy Cree First Nations) forming Nisokapawino Forestry Management Corporation (NFMC). This company is responsible for CKP’s forest services including planning, forest renewal, and certifications.

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 2024 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 (88%) and the United States (12%). 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.

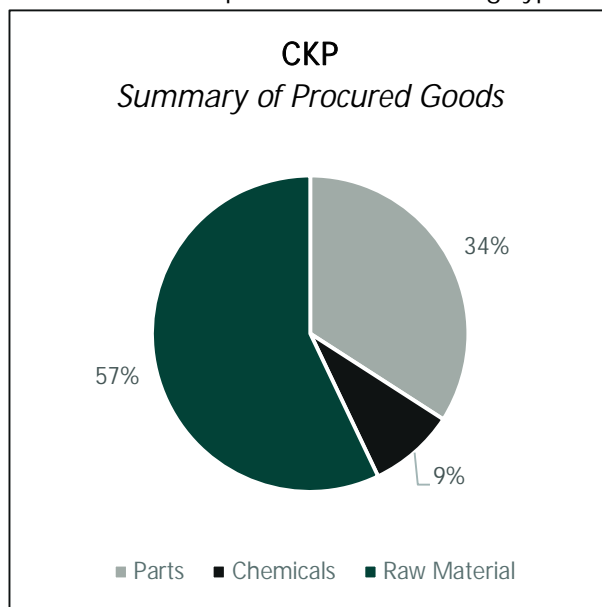


Figure 1: CKP - Summary of Procured Goods

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

The 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 specifically includes a section on commitment to upholding the highest ethical standards and strictly prohibits the use of forced labour or child labour in all its operations and the operations of its subsidiaries.



Additionally, the Code of Conduct contains whistleblower principles. Employees are encouraged 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 are thoroughly investigated and reported on.

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 Policy during onboarding or when a revision to the policy 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 policy during 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 criteria for selecting suppliers as well as circumstances that could lead to their disqualification. This comprehensive due diligence process ensures that each supplier meets CKP's high



standards for ethical conduct, quality, and compliance. Suppliers must demonstrate their adherence to legal requirements, ethical standards, and best practices in their operations. This rigorous approach is designed to maintain the integrity and reliability of CKP's supply chain, fostering a partnership based on mutual respect and high performance standards.

Terms and Conditions of Purchaser Agreements

CKP's Terms and Conditions included in purchase orders require suppliers to comply with several key regulations and ethical standards. These include:

- Compliance with all applicable laws, including the laws of Canada and relevant international regulations.
- Adherence to the Fighting Against Forced Labour and Child Labour in Supply Chains Act.
- Compliance with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding the use of conflict minerals.
- Adherence to CKP's code of conduct and ethical standards.

These key terms and conditions require that suppliers ensure no forced or child labour is utilised in their operations and supply chains. They are also encouraged to be conflict-free and source from validated smelters, providing CKP with their smelter names. Suppliers are expected to conduct business fairly, impartially, and ethically, and report any improper or unethical behavior.

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 2025 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 Labour, Child Labour and Vulnerable Family Income Loss

CKP is committed to identifying human rights incidents and violations that occur within our operations and communities. As there were no incidents related to forced or child labour reported to or noted within CKP, there has not been any need for us to report, correct or remediate any incidents of forced or child labour. CKP recognizes the significant impact forced and child labour can have on individuals and their families and thus will actively seek to strengthen our processes to reduce the risk of forced labour and child labour within our supply chain.

Awareness Training

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 relate to child labour and forced labour. Additionally, as part of the onboarding process, employees are required to take training on Violence & Harassment which also include sections on ethical behaviour.

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.

Assessing Effectiveness

CKP is committed to continuously enhancing our self-assessment processes. This commitment involves a thorough evaluation of our supply chain practices to identify areas for improvement and ensure that forced and child labour are not being utilised. As part of these self-assessment processes, CKP is making significant improvements:



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 including a specific clause relating to the Fight Against Labour and Child Labour in the Supply Chain act (Canada) (the "Forced Labour Act") and other similar laws relation to the prevention of the same.
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.

Conclusion

CKP is unwavering in its dedication to promoting ethical business practices and ensuring a safe and respectful workplace for all employees. The company has implemented rigorous policy reviews, mandatory employee code of conduct acknowledgements, and strict reporting procedures for any instances of bullying, harassment, discrimination, and workplace violence. CKP's commitment to these principles is further evidenced by obtaining and maintaining Made Safe Service Certification.



In terms of supplier activities, CKP conducts thorough due diligence during supplier selection, integrates compliance requirements into terms and conditions, and periodically evaluates high-risk suppliers to ensure adherence to relevant laws and regulations, including the Fight Against Labour and Child Labour in the Supply Chain Act (Canada).

By embedding these practices into its operations, CKP underscores its commitment to continuous improvement and vigilance in preventing child and forced labour within its company and supply chain. This steadfast approach not only aligns with legal requirements but also reflects the company's core values and dedication to fostering a fair and ethical business environment.



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
President

Signature

Title

May 27, 2025
Date

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