

REPORT ON FORCED AND CHILD LABOUR IN CANADIAN SUPPLY CHAINS

**KAP CORPORATION
REPORTING YEAR: 2024**



About this Report

This report constitutes the initial report prepared by Kap Corporation (“**Kap**” or “**the Company**”) pursuant to and in accordance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”).

This report is a joint report (“**Report**”) made by Kap Corporation on a consolidated basis, including its wholly owned subsidiary Kap Paper Inc. Kap Corporation recognizes the human rights risks associated with complex global supply chains and acknowledges its responsibility to promote transparency and ethical practices in its operations and sourcing. The purpose of this report is to provide stakeholders—including customers, investors, and regulatory bodies—with a clear and accurate overview of the company’s efforts to identify, address, and prevent forced and child labour across all levels of its supply chain for the financial year ended December 31, 2024 (the “**Reporting Period**”).

The Report will be published annually and reviewed each year as we enhance our processes and procedures in response to the Act.

Our Business Structure

Kap Corporation is the sole parent Company to Kap Paper Inc. and is headquartered in Kapuskasing Ontario. The Company is a Canadian manufacturer specializing in the production, sale and marketing of various paper products, employing approximately 310 individuals who live in Kapuskasing or neighbouring townships.

Supply Chain Structure and Activities

The Company’s supply chain encompasses various stages including the sourcing of raw materials in the form of wood residuals from our local Sawmills, which are supplied by forests in northeastern Ontario.

Company personnel work alongside local contractors to create the pulp, produce the paper and service all equipment used in the paper making process. Procurement personnel are tasked with acquiring parts, equipment and securing contract services to maintain and repair our facility.



Kap's logistics group are responsible for the transportation and distribution of our finished product by way of rail or truck. We utilize the Ontario Northland rail network to ship our products to distribution centers in Montreal and Toronto, and for deliveries not accessible by rail, truck services facilitate transportation to the paper's destination.

Policies and Due Diligence Processes to Prevent and Reduce Risk

Kap Corporation has conducted a comprehensive risk assessment to identify areas within its supply chain where forced or child labour may be present. This assessment includes: (i) conducting an internal assessment of risk and forced labour and/or child labour in the Company's activities and supply chains; (ii) conducting regular audits of its suppliers to assess their compliance with labour standards; (ii) providing training to its procurement and compliance teams on identifying and addressing issues related to forced and child labour. Additionally, suppliers are encouraged to participate in awareness programs to promote ethical labour practices and (iv) Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the Company's activities and supply chains.

Policies and Standards

The Company has implemented a confidential reporting mechanism for employees and suppliers to report concerns related to forced or child labour in the form of a Confidence line with is available 24 hours per day via phone. The company investigates all reports promptly and takes corrective actions as necessary. Additionally, the Company plans to implement a supplier Code of Conduct and provide training to its procurement team on identifying and addressing issues related to forced and child labour.

Addressing and Mitigating Risks and Remediation Measured

Currently, the Company has not identified any forced labour or child labour in its activities or supply chains for the Reporting Period. On a go forward basis Kap plans to adopt new policies, and/or add language to applicable policies reinforcing our commitment to not condoning nor participating in any aspect of child labour within our business operations and will implement a screening process to assess any risk factors. Upon determination of any evidence of forced labour or child labour, the Company will work to remediate the situation.



Approval and Attestation

The Report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the Board of Directors.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this joint Report for the entity specified below. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the joint Report is true, accurate and complete in all material respects, for the purposes of the Act, for the reporting period listed above.

Terry Skiffington

Chief Executive Officer

May 31st, 2025

I have authority to bind Kap Corporation.

