



FELIX SCHOELLER

Felix Schoeller Inc.

Company assessment of forced labor and child labor in supply chains.

May 31, 2024

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Introduction

As a responsible company, Felix Schoeller Inc. takes seriously its obligation to respect and promote the laws and standards in force, both at the provincial and federal levels. Felix Schoeller Inc. is already committed to respecting Quebec and Canadian legislation in terms of labor law, safety, and other regulatory areas. This commitment is at the heart of Felix Schoeller Inc.'s corporate culture, illustrating its responsibility towards its employees, customers and partners.

In addition to this strong legal commitment, Felix Schoeller Inc. proactively integrates sustainable development (ESG) principles into its operations. The company holds FSC certification, demonstrating its commitment to responsible forest management.

Felix Schoeller Inc.'s commitment to sustainable development does not stop at certifications. The company invests in initiatives to reduce its carbon footprint, optimize the use of natural resources, and strengthen its social responsibility. Felix Schoeller Inc. develops awareness policies for its employees to strengthen a corporate culture focused on sustainability and responsible innovation.

In the following sections of this report, we will highlight concrete actions and ongoing projects that demonstrate Felix Schoeller Inc.'s commitment to social and economic development, while respecting applicable laws and regulations.

Context

Felix Schoeller Inc. meets the conditions defined by the *Law on Combating Forced Labor and Child Labor in Supply Chains* (the Act), because it has an establishment in Canada and carries out manufacturing, marketing and sales of specialty papers there.

Structure

Felix Schoeller Inc. is the entity that is the subject of this report (Quebec business number: 1149906753).

Felix Schoeller Inc. is headquartered in the municipality of Drummondville in the Centre-du-Québec region. This report covers the 2023 fiscal year, from 1^{er} January 2023 to December 31, 2023.

Felix Schoeller Inc. is a corporation incorporated under the Quebec constitutive regime of the Companies Act Part 1A, CQLR, c. C-38 and the current Quebec regime, Business Corporations Act (CQLR, C. S-31.1). Felix Schoeller Inc. is not listed on the stock exchange. As of May 31, 2024, Felix Schoeller Inc. is managed by the Vice President and Chief Financial Officer, Roland Bélanger, as well as by the Vice President of Operations, Dominic Bourassa and had 136 employees.

Activities

Felix Schoeller Inc. is active in the production and trade of high-quality specialty papers, specifically decorative paper products. The entity is part of the Felix Schoeller Group, which sells several types of products and product components worldwide.

These types of products and components include:

<ul style="list-style-type: none">- Decor papers- Papers for photo and digital printing- Non-stick liner- Sublimation papers- Paper complexes and flexible packaging- Non-woven paper	<ul style="list-style-type: none">- Printed electronics- Paper machines- Extruder- Power plants or coating machines- Winder
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Supply chain

Felix Schoeller Inc. purchases products and services from six countries from over 506 suppliers. Of these, 446 are present in Canada, while 60 are international suppliers. International suppliers (i.e. outside Canada) are located in the United States (35), Germany (22), the Czech Republic (1), Portugal (1) and Chile (1).

Policy and Due Diligence

Current policies and documentation

Felix Schoeller Inc. has relevant policies and documentation relating to the Act:

Policies and documentations	Description	Support for the fight against forced labour and child labour
Collective bargaining agreement	The collective agreement is the result of negotiations that aim to provide Felix Schoeller Inc. employees with a framework to ensure good working conditions and describes the employer's obligations towards its employees. It describes, among other things, elements related to discrimination and harassment, health and safety, compensation, leave, benefits and well-being.	By providing clear guidelines on the rights and obligations of employees and the employer in relation to labour standards, the collective agreement establishes a framework for work and ethics for the organization. By making employees and the employer aware of their rights and obligations, obligations and by encouraging transparency and accountability within Felix Schoeller Inc., it helps prevent illegal practices and protect workers.
Code of Conduct	The Employee Code of Conduct emphasizes environmental protection and social responsibility, measuring and improving the company's practices in line with the UN's 17 Sustainable Development Goals. It also stipulates that health and safety must be prioritized at all sites, with strict compliance with local laws and regulations. In addition, the code guarantees the right to dignity by creating a work environment based on mutual respect and trust, while prohibiting any form of discrimination based on race, ethnicity, nationality, religion, gender, ideology, disability and age.	This Code of Conduct supports the fight against forced and child labour by promoting responsible practices aligned with the UN Sustainable Development Goals, including the Human Rights Goal. By emphasizing compliance with local laws and health and safety regulations, it ensures that working conditions meet legal and ethical standards. In addition, by creating an environment of mutual respect and prohibiting any form of discrimination, the Code promotes dignified and fair working conditions, which are essential to prevent the exploitation of workers, including children.
Whistleblower Policy	The Whistleblower Policy allows relevant stakeholders to identify and confidentially report human rights or environmental violations, such as child labor, forced labor, and slavery. It describes reporting procedures, whistleblower protections, and the investigation and remediation process. Whistleblowers are granted confidentiality and protection from retaliation, while	This policy supports the fight against forced labor and child labor by allowing employees to safely and confidentially report these violations. By ensuring protection from retaliation and conducting rigorous investigations followed by corrective action, Felix Schoeller Inc. reinforces its commitment to eradicating these unacceptable practices and promoting a

Policies and documentations	Description	Support for the fight against forced labour and child labour
	that any alert triggers an investigation, risk analysis and appropriate corrective actions.	ethical and human rights-respecting working environment.
Forest Stewardship Council (FSC) certification	Felix Schoeller Inc. is FSC certified and is required to adhere to a strict set of standards for responsible forest management. Its obligations include conserving biodiversity, respecting the rights of forest workers, and committing to local and indigenous communities, the protection of sensitive habitats, the sustainable management of timber resources, and the promotion of environmentally, socially and economically responsible forestry practices. Felix Schoeller Inc. must also follow regular monitoring and verification procedures to ensure continued compliance with these standards.	FSC certification plays a crucial role in combating forced and child labor by setting high standards for responsible forest management. In September 2021, FSC expanded its labor requirements in its Chain of Custody Standard, strengthening protection of workers' rights in all FSC-certified operations. These new requirements require FSC certificate holders such as Felix Schoeller Inc. to actively support the fight against child labor, the elimination of forced labor, non-discrimination in employment, freedom of association, and the right to collective bargaining.
Workplace Harassment Prevention Policy	The purpose of this policy is to establish a monitoring framework regarding violence and harassment in the workplace. It includes definitions, examples and a process to follow in relation to these problematic.	By providing a clear harassment policy, Felix Schoeller Inc. supports the creation of a safe and respectful work environment for all its employees.
Report on the sustainable development at Felix Schoeller Inc.	This sustainability report describes Felix Schoeller Inc.'s alignment with UN priorities, including decent work and economic growth. Felix Schoeller Inc. has established sustainability targets ambitious internal sustainability plan, aiming to achieve CO2-neutral production by 2045. In 2023, the Felix Schoeller Group received the EcoVadis Gold Star for its outstanding sustainability performance. This ranking takes into account various indicators, including labor and human rights, the environment, sustainable sourcing and ethics. The report also demonstrates Felix Schoeller Inc.'s social commitment through initiatives in the areas of culture, sports and community.	Felix Schoeller Inc.'s efforts to align its practices with UN priorities and its commitment to meeting sustainable development standards contribute directly to the fight against child labor and forced labor. By obtaining the EcoVadis Gold Star, Felix Schoeller Group demonstrates its commitment to labor and human rights, including strict policies prohibiting these practices. In addition, its sustainable approach to the supply chain paves the way for its partners to respect the same ethical standards, thus ensuring decent working conditions throughout its value chain.

Due diligence

An FSC certificate is valid for a maximum of five years. The initial audit of the FSC standards consists of verifying that all requirements are met. Felix Schoeller Inc. holds the certification controlled and issued by FSC.

This certification requires the completion of an internal self-assessment of labor standards, including those concerning child labor and forced labor.

Additionally, during this five-year cycle, maintenance audits are conducted annually to ensure continued compliance with FSC requirements.

Risk identification and management

Risks are identified and assessed according to two criteria:

1. Industry: Is the industry in which the reporting entity operates considered to be at risk with respect to forced labor and child labor?
2. Merchandise:
 - a. Is the country from which the goods acquired by the reporting entity originate considered to be at risk with respect to forced labor and child labor?
 - b. Is the merchandise acquired by the reporting entity deemed to be at risk with respect to forced labor and child labor?

The risk assessment uses two separate indices to conclude on the inherent risks of forced labor and child labor associated with industries, goods, and countries: (1) the Global Slavery Index of *Walk Free* (industry and country) and (2) the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor (Commodity) [*US Department of Labor's List of Goods Produced by Child Labor or Forced Labor*].

Thus, an assessment of the risks related to the industry, to the goods purchased by Felix Schoeller Inc. and to the countries from which the goods were acquired was carried out in connection with Law S-211.

In order to make this assessment, Felix Schoeller Inc. assessed product groups representing at least 1% of total procurement spend for fiscal year 2023. Any product group representing less than 1% of total purchases is considered immaterial for this assessment and excluded from the analysis.

Industry

As a manufacturer, Felix Schoeller Inc. engages in the manufacturing, marketing and sale of specialty papers, which is an industry considered at risk according to the report. *Global Estimates of Modern Slavery: Forced Labor and Forced Marriage*.

Country

Among the countries from which Felix Schoeller Inc. sources and representing more than 1% of the value

The total purchases are from Canada, the United States, Germany, Portugal and Chile. All of these countries are considered low risk for forced labor and child labor.

Purchased goods

Felix Schoeller Inc. offers a range of stationery products requiring specialized production equipment, which has been purchased from various suppliers.

The company does not directly purchase all of the materials required for the construction of the equipment. For example, a purchased paper press contains steel, which is composed of iron. Therefore, the company has identified risks associated with certain materials used in the production of finished products that the entity purchases and uses in the manufacture of its specialized equipment.

Among the purchased parts, materials with a moderate to high inherent risk of forced labor and child labor are as follows:

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- Rubber
 - Textiles
 - Electronic products
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Other materials, such as titanium, have been identified in goods purchased by Felix Schoeller Inc., but are not included in the indices mentioned above. These materials therefore present a low risk of forced labour and child labour.

Forced labor and child labor risk mitigation activity

Felix Schoeller Inc. is FSC certified, and has therefore gone through a rigorous certification process. FSC certification is among the central pillars of Felix Schoeller Inc.'s commitment to ethical business practices, securing its supply chain while supporting workers' rights and contributing to the preservation of the environment.

Supplier management

Although Felix Schoeller Inc. is FSC certified, Felix Schoeller Inc. is further committed to reducing the risk of forced labor and child labor in supply chains by implementing the following mechanisms for supplier integration and monitoring:

1. Supplier Integration: Felix Schoeller Inc. will incorporate, in its terms and conditions to suppliers, a paragraph mentioning the supplier's obligation to respect the international labor standards of the International Labor Organization (ILO) regarding forced labor and child labor.
2. Supplier Monitoring: Felix Schoeller Inc. plans to distribute to its new major suppliers a self-assessment form on their forced labor and child labor practices.

Awareness training

Felix Schoeller Inc. has not implemented any specific training regarding forced labor or child labor. However, Felix Schoeller Inc. asks its employees to read the collective agreement when they are integrated.

Felix Schoeller Inc. recognizes the opportunity to incorporate, in relation to the Act, an awareness section on forced labour and child labour in the collective agreement. This content may be brought to the attention of employees by management and supervisors. Felix Schoeller Inc. will evaluate the applicable content in the near future.

Corrective measures to counter forced and child labour and mitigate income loss of vulnerable families

As of May 31, 2024, Felix Schoeller Inc. has not identified or detected, and has no reason to suspect, any instances of forced labor or child labor within its operations or those of its direct suppliers. Accordingly, no corrective action was required during fiscal year 2023, whether with respect to forced labor or child labor, or with respect to any instances resulting in loss of income for vulnerable families.

Self-assessment process in relation to forced labour and child labour

Felix Schoeller Inc. has carried out the following actions to prevent and reduce the risk of forced labor and child labor:

1. Conduct an internal self-assessment of the risks of forced labour and/or child labour in the organisation's operations and supply chains. Felix Schoeller Inc. has identified in this report the goods and countries in the supply chain that present inherent risks of forced labour and/or child labour.
2. Implementation of policies and documentation that create a culture in which employees feel safe and help prevent illegal practices and protect workers. Felix Schoeller Inc. also identified the opportunity to add a section on the theme of the Act in its collective agreement.
3. Integration and control measures related to risk mitigation activities have been identified to reduce the risk of forced labour and/or child labour within the supply chain, such as sending a self-assessment form on the subject of the Act to all its new significant suppliers. Felix Schoeller Inc. has also identified the opportunity to integrate provisions in its supplier terms and conditions regarding forced labour and child labour.
4. Implementing FSC certification not only supports responsible forest management, but is also essential to mitigate risks related to violations of laws against forced and child labor. By adhering to the rigorous standards of FSC certification, the organization aims to ensure that its products come from verified and socially responsible sources.

Certificate

In accordance with the requirements of Act S-211, and in particular section 11 thereof, I certify that I have reviewed the information contained in the report for the entity or entities referred to above. To the best of my knowledge, and having exercised due diligence, I certify that the information contained in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year indicated above.

Name, first name

Belanger, Roland

Signature



Vice President and Chief Financial Officer

I am authorized to bind Felix Schoeller Inc., and this report covers the 2023 financial year and applies to Felix Schoeller Inc. as well as all entities considered reporting entities within the meaning of the law and all subsidiaries controlled by Felix Schoeller Inc., if applicable.