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Canada Labor Law Legislation Bill S-211

Annual Report Arauco Canada Limited and Arauco North America Inc, Fighting Against Forced Labor and Child Labor in Supply Chains Act

General information in respect of the entities subject to the report:

Arauco Canada Limited: is the shareholder of Arauco North America, Inc. Additionally, Arauco Canada Limited owns two (2) mills located in: St. Stephen, New Brunswick and Sault Saint Marie, Ontario.

Arauco North America, Inc: located in the United States with headquarters in Atlanta, Georgia. Arauco North America, Inc., owns five (5) mills: Malvern, Arkansas; Duraflake, Oregon; Bennettsville, South Carolina; Moncure, North Carolina; and Grayling, Michigan.[1]

I. Steps taken during the previous financial year to prevent risk of forced labor or child labor at any step of the production of goods in Canada.

Arauco North America, Inc and Arauco Canada Limited (hereinafter, when together, "Arauco") respect Human Rights and acknowledge rights and obligations as set forth in the United Nations Universal Declaration of Human Rights, which applies in all its operations and activities.

To prevent the risk of force and child labor, Arauco has policies and due diligence processes in place, such as a Code of Ethics, Supplier Code of Business Conduct, Third Party due diligence, Human Rights Policy, and FSC Certifications.

The steps taken during the previous financial year are as follows:

(a) Mapping activities

Arauco has implemented some measures to mitigate risk regarding the production of goods by including certain language and provisions under their supplier's contract, as well as a screening process before setting up third parties in addition to the company´s policies.

Specific Provisions in Supplier Contracts: Supplier-executed contracts include appropriate language regarding following all applicable federal, state, provincial, local laws.

Third Party Due Diligence: The Compliance Department performs due diligence on third parties (vendors, suppliers, customers, beneficiaries and any third parties) prior to engaging in business with Arauco.

(b) Developing and implementing due diligence policies and processes for identifying, addressing, and prohibiting the use of forced labor and/or child labor in the organization's activities and supply chains

[1] For more information visit our website https://na.arauco.com/.

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Arauco has policies addressing the prohibition of the use of forced and/or child labor. For this report's purpose, the policies are as follows:

Code of Ethics[2]: The Code of Ethics describes the basic and essential principles and values that employees must comply with in their professional performance. One of the fundamental principles established under the Code is Respect for Human Rights.

Human Rights Policy[3]: This policy is a guiding light for Arauco's ensuring compliance with its duty to respect Human Rights. It's not just a policy, it's a global mandate that all directors and employees of Arauco must observe, regardless of their location. The policy rejects child labor in all its forms, in accordance with local legislation and Convention No. 138 of the International Labor Organization and rejects all forms of forced and compulsory labor.

Supplier Code of Business Conduct[4]: Arauco has a Supplier Code of Business Conduct that prohibits child labor or forced labor. Suppliers shall adhere to the minimum employment age limit defined by national law or regulation and comply with relevant International Labor Organization (ILO) standards. In no instance shall a supplier permit children to perform work that exposes them to undue physical risks that can harm physical, mental, or emotional development of a child or improperly interfere with their schooling needs. Supplier shall not support or engage in slavery or human trafficking in any part of its supply chain.

Third Party Due Diligence: Arauco implements a screening of all new vendors, suppliers, customers, organizations, and any third party. Due diligence allows the Company to assess the reputation and risks of any third-party prior to engaging in business with Arauco.

Forest Stewardship Council (FSC) Certification: This certification guarantees customers that timber from forestry operations meets the world's most stringent environmental, economic, and social standards for responsible forest management. Arauco's sites are third-party certified under one FSC multi-site certificate. Import distribution activities also fall under the scope of this certification.

The FSC Chain of Custody Standard requires certificate holders to maintain records that demonstrate compliance with the International Labor Organization (ILO) Core Labour Requirements, which are also subject to audit by the registrar.

Complaints Channel[5]: Arauco has a complaints channel administered by an independent third party that guarantees both complaints' confidentiality and the complaints' anonymity if the complainant prefers to submit the complaint anonymously. Any conduct that may be considered a violation of the Policies, including those related to human rights, should be reported.

(c) Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labor and/or child labor in their activities and supply chains

[2] Code of Ethics may be found on our website under the Corporate Compliance section: https://arauco.com/este_es_arauco/informacion-corporativa-y-politicas/compliance-na/?lang=en.
[3] Human Rights Policy may be found on our website under the Corporate Compliance section: https://arauco.com/wp-content/uploads/2024/12/hhrr-na-arauco.pdf.
[4] Supplier Code of Business Conduct may be found on our website under the Corporate Compliance section: https://arauco.com/este_es_arauco/informacion-corporativa-y-politicas/compliance-na/?lang=en.
[5] Arauco´s Complaints Channel may be accessed through our website under the Corporate Compliance section and is available at: https://ethicspeakup.com.br/arauco/index_en.html.

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Arauco expects its suppliers, service providers, agents, subcontractors, and customers to share and adopt the same standards of ethics, integrity, and compliance. The company utilizes the "Supplier Code of Business Conduct" to ensure that suppliers adhere to certain standards of ethics when engaging in business with Arauco.

Supplier Code of Business Conduct: Arauco has a Supplier Code of Business Conduct that prohibits child or forced labor. Acknowledgement of this Code is a standard clause in all contracts with suppliers. At the moment of entering into a commercial relationship, suppliers fully acknowledge compliance with this Code, and the latest version is always available on the company's website.

(d) Developing and implementing anti-forced labor and/or child labor standards, codes of conduct and/or compliance checklists

Arauco implements and develops policies and procedures that strictly address the rejection of any type of forced and child labor. The prohibited conduct is mentioned under the Code of Ethics, Human Rights Policy, and Supplier Code of Business Conduct.

(e) Monitoring suppliers

Arauco´s Compliance Department performs due diligence on third parties (vendors, suppliers, customers, beneficiaries, and any third parties) prior to engaging in business with Arauco. This is done using risk management software creating a "Full Reputational Screen" of both the legal entity and its legal representatives.

Once a third party has been set up, the software conducts daily continuous monitoring that provides alerts in case the profile risk changes and/or a new issue is reported. This allows the Compliance Department to take proactive measures to prevent and detect violations.

(f) Developing and implementing training and awareness materials on forced labor and/or child labor

While there is no direct training on forced and/or child labor, employees are trained on the principles of the Code of Ethics, which mentions Human Rights general principles.

Communication and Awareness: Reminders and dissemination of information are sent by email to all Arauco's employees, with topics related to Third-Party Due Diligence, Code of Ethics, and the relationship with suppliers and customers.

Activities: Employees are trained in our Code of Ethics principles, and this e-learning is a mandatory step during the onboarding process.

II. Structure, activities and supply chains.

Structure:

Arauco Canada Limited is the owner of 76% of Arauco North America, Inc. Arauco Canada Limited, is incorporated under the laws of New Brunswick and operates in Canada; Arauco North America, Inc., is incorporated under the laws of Delaware, and operates in the United States.

Organizational Structure of Arauco North America, Inc and Arauco Canada Limited:

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President: Russell Jordan; VP. Operations: Matthew Swinnie; VP. of Sales: John Atkinson; HR Director & EHS: Michelle Payne; Distribution Director: Kevin Chunn; Transportation Director: Christopher Strauss; Procurement Director: Paulo Vidal; Legal & Compliance Officer: Bernardita Sanchez; Finance and Accounting Director North America: Alvaro Ortiz; Wood Business IT Director: Diego Tuleski; Marketing Director: Joaquin Rojas.

Activities and Headcount of Arauco:

Arauco manufactures the industry's most comprehensive selection of composite panels, premium plywood, millwork, and lumber. It serves North America with excellence in the manufacturing and distribution of wood products. Arauco brings more than a half-century of manufacturing and supply chain excellence to the North American market.

The Headcount of Arauco Canada Limited approximately 296 employees, and Arauco North America Inc has 1145 employees.

Arauco has two types of business activities: (1) Domestic Manufacturing and (2) Imports Business. The total sales revenue of Arauco North America, Inc and Arauco Canada Limited during 2024 was US$1,558,073,640

Arauco Canada Limited	Domestic Manufacturing
Arauco North America, Inc	Domestic Manufacturing & Imports Business
Total Sales Revenue 2024[6]	US$1,558,073,640

Manufacturing Facilities:

- Arauco Canada Limited: Sault Ste. Marie, Ontario (1); St. Stephen, New Brunswick (1).
- Arauco North America, Inc: Oregon (1); Arkansas (1); South Carolina (1); North Carolina (2); Michigan (1).

Arauco North America, Inc manufacturing products-Domestic Manufacturing

Particleboard (PB): material made in rigid sheets or panels from compressed wood chips and resin, often coated or veneered, used in furniture, buildings, etc.

Medium Density Fiberboard (MDF): is a wood product made by breaking down hardwood or softwood residuals into wood fibers, often in a refiner, combining them with wax and a resin binder, and forming them into panels by applying high temperature and pressure.

Millwork: is an interior decorative trim product made of pine or MDF.

Thermally Fused Laminate (TFL): is a decorative panel manufactured with enhanced visual and performance characteristics.

Arauco North America, Inc. produces, sells, and distributes the above-described goods in the United States domestic and Canadian markets. The products distributed and sold in Canada were Medium Density Fiberboard (MDF), Millwork, and Thermally Fused Laminate (TFL) to the Canadian market.

Arauco Canada Limited manufacturing products-Domestic Manufacturing

[6] Combined Arauco North America, Inc and Arauco Canada Limited.

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Medium Density Fiberboard (MDF): is a wood product made by breaking down hardwood or softwood residuals into wood fibers, often in a refiner, combining them with wax and a resin binder, and forming them into panels by applying high temperature and pressure.

High Density Fiberboard (HDF): is a thin MDF produced on a 5-foot continuous press.

Thermally Fused Laminate (TFL): is a decorative panel manufactured with enhanced visual and performance characteristics.

Arauco Canada Limited produces, sells and distributes the described products within the Canadian market and in a small percentage, to the United States market.

Supply Chain:

Sourcing the Wood Raw Material: 100% of the wood raw material that Arauco purchases to make products comes from either the U.S. or Canada. U.S. mills consume 100% U.S- produced fiber, and the Canadian mills purchase the majority of it from Canadian sources, but also import a small percentage from the U.S..

The number of wood suppliers per mill in Arauco North America, Inc during 2024 are described as follows:

- Malvern, AR: Total of 14 Suppliers.
- Duraflake, OR: Total of 28 Suppliers.
- Bennettsville, SC: Total of 22 Suppliers.
- Moncure, NC: Total of 47 Suppliers
- Grayling, MI: Total of 79 Suppliers.

The number of wood suppliers per mills in Arauco Canada Limited during 2024 are described as follows:

- Saint Stephen, New Brunswick: Total of 12 Suppliers.
- Sault Saint Marie, Ontario: Total of 20 Suppliers.

Other Suppliers related to chemicals, resin, and others for Canada mills: A total of 19 Suppliers.

To minimize the risk of forced labor at this stage of the supply chain, Arauco requires suppliers to sign contracts in which they certify and fully acknowledge the terms contained in the Supplier Code of Business Conduct, which strictly prohibits forced labor. Additionally, suppliers undergo a review by our third-party risk software at the time of onboarding.

Arauco North America, Inc Imports Business

Arauco North America, Inc imports: Plywood, MDF, Moulding MDF, Pine Moulding, Lumber and Pulp.

Distribution - Destination Port Ops and Warehouse:

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In the United States, Arauco North America, Inc has a network of approximately 14 port warehouses owned and operated by third party logistics (3PL) service providers.

3PL warehouse operations are in Philadelphia (PA), Baltimore (MD), Charleston (SC), Jacksonville (FL), Miami (FL), New Orleans (LA), Houston (TX), Los Angeles (CA), Oakland (CA), and Seattle (WA). Services provided by our 3PL warehouses include roundtrip drayage of containers from the port of entry, removing Arauco products from inside the container and receiving the product into the warehouse, managing Arauco products inventory in the warehouse, and loading Arauco products, leaving the warehouse on outbound trucks and vans.

Arauco North America, Inc. works with service providers that are based in the United States or Canada. Prior to engaging in business and setting up a new service provider in Arauco's system, the Compliance Department conducts thorough due diligence.

III. Policies and its due diligence processes in relation to forced labor and child labor.

Embedding responsible business conduct into policies and management systems:

(a) Human Resources Department (HR):

The Human Resources (HR) department is the division of a business that is charged with finding, screening, recruiting, and training job applicants, and administering employee-benefit programs.

Arauco's HR department is tasked with maximizing employee productivity and protecting the company from any issues that may arise within the workforce. Arauco does not hire underage people, we request high school diplomas for all roles. Arauco North America, Inc and Arauco Canada Limited conduct an employment verification to assess and evaluate properly candidates as a pre-employment screening process. Any person hired by Arauco is enlisted into the Human Resources Information System (HRIS) listing, which identifies the birthdates of all employees. In Canada, this is provided on the Social Insurance Number (SIN) and in the US on Employment Eligibility Verification I-9 Forms. The documents for North America Employees are Handbook US Recruiting Module (SAP) Regional Hiring Policies (for example SSM Recruitment Principle, SST Hiring Procedure New Employees).

(b) Code of Ethics:

The Code of Ethics describes the basic and essential principles and values that all employees must comply with for professional performance. The fundamental principles that are relevant to this report are:

1) Respect for Human Rights:

Aligning with our commitment to always act with the highest standard of ethics and regulatory compliance, Arauco respects Human Rights in all its operations and activities. For Arauco, this commitment is essential in its relationships with its Team Members, business relations with customers, suppliers, and contractors, and in the Company's relations with the communities surrounding its operations.

2) Crime Prevention:

Arauco rejects any behavior against the principles under the Code of Ethics and any other behavior against current policies and regulations. Additionally, it categorically prohibits any conduct that could result in criminal charges against the company committed by its owners, controllers, managers,

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executives, representatives, or those with managerial and supervisory roles. This prohibition also includes people under the direct management or supervision of any of the aforementioned persons.

3) Relationship with Suppliers and Customers:

The relationship between Arauco's Team Members and the Company's suppliers and customers must occur under strict independence and in accordance with the Company's interests. The decision and hiring of suppliers will respond to a previous evaluation, based on technical, professional, and ethical criteria as well as the Company's needs.

(c) Human Rights Policy:

This policy guides Arauco's actions in compliance with its duty to respect Human Rights. Compliance with this policy is mandatory and must be observed by all directors and employees of Arauco globally.

(d) Supplier Code of Business Conduct:

Arauco has a Supplier Code of Business Conduct that prohibits the use of child or forced labor. Suppliers certify and fully adhere to these ethical standards when conducting business with Arauco.

(e) Third Party Due Diligence:

The Compliance Department uses software to monitor third parties, including new vendors, customers, entities, and/or private or public organizations that receive contributions, and any third party that may engage in business with Arauco.

(f) Complaints Channel:

Arauco has a complaints channel administered by an independent third party that guarantees both the confidentiality of the complaints and the complainants' anonymity if the complainant prefers to do so. Any conduct that may be considered a violation of the Company Policy should be reported through the Complaints Channel.

IV. Business and supply chains that carry a risk of forced or child labor and the steps being used to assess and manage that risk.

Business and Supply Chains that carry a risk:

1. Tier one (direct) suppliers
2. The use of outsourced, contracted or subcontracted labor
3. The use of migrant labor

Steps used to assess and manage that risk:

Supplier Code of Business Conduct: Arauco has a Supplier Code of Business Conduct that prohibits the use of child and/or forced labor, and expressly recognizes, respects and promotes Human Rights and expects that its suppliers do the same, ensuring the dignity and rights of their employees, customers, suppliers and service providers are upheld. Additionally, Arauco expects suppliers to reject and condemn arbitrary discrimination, child labor in all its forms, as well as forced and compulsory labor. Arauco may request information to verify compliance with this Code of Business Conduct and may

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arrange meetings or conduct workplace audits to ensure adherence. Non-compliance with the Supplier Code of Business Conduct is considered a serious matter by Arauco.

Third Party Due Diligence: Arauco implements a screening of all new vendors, suppliers, customers, organizations, and any third party. The screening allows the Company to assess the reputation and risks of any third party prior to engaging in business with Arauco.

Forest Stewardship Council (FSC) Certification: This certification guarantees customers that timber from forestry operations meets the world's most stringent environmental, economic, and social standards for responsible forest management. Our sites are third-party certified under one FSC multi-site certificate. To ensure constant compliance, Arauco periodically provides FSC presentations for the people at Arauco sites that manage this certification.

Immigration Law: Regarding the use of migrant labor by our providers, Arauco agreements have a specific provision stating the obligation of compliance with Immigration Laws. Arauco also requests their candidates to provide all related immigration documentation once a work offer has been provided and the documentation is verified under the respective United States or Canadian laws.

V. Measures taken to remediate any forced or child labor.

Arauco has not identified any forced or child labor in our activities and supply chains, and therefore remediation has not been necessary. Arauco has policies and a third-party due diligence process in place which are explained in detail under Section III of this report.

VI. 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 or child labor in its activities and supply chains.

Arauco has not identified any loss of income to vulnerable families resulting from measures taken to eliminate forced and/or child labor in our activities and supply chains, insofar as neither child nor forced labor has been detected in its supply chains.

VII. The training provided to employees on forced and child labor.

While Arauco does not provide specific training in forced and/or child labor, employees are trained about the principles of the Code of Ethics, and this Code mentions the general principles of Human Rights which proscribe forced labor and child labor.

VIII. Assessment and effectiveness in ensuring that forced and child labor are not being used in business and supply chains.

To prevent the risk of forced and child labor, Arauco has policies and due diligence processes in place, such as: Code of Ethics, Supplier Code of Business Conduct, Third Party due diligence, Human Rights Policy, FSC Certifications. (Explained under Section I and Section III of this report)

Additional Information:

Forest Stewardship Council (FSC) Certification: To date, all Arauco sites are third-party certified under one FSC multi-site certificate. Import distribution activities also fall under the scope of this certification. The certification period is 5 years, and Arauco underwent re-registration in 2023. Each

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site receives an annual internal audit, and a sampling of sites are audited by our registrar.

According to the FSC: "FSC certificate holders must demonstrate conformance to the FSC Core Labor Requirements, which cover the ***abolition of child labor***, elimination of all forms of forced or compulsory labor, elimination of discrimination with respect to employment and occupation, upholding freedom of association, and the effective recognition of the right to collective bargaining."[7]

Arauco maintains this certification in compliance and ensures that FSC certified residuals purchased in its supply chain are sold by compliant companies.

FSC Core Labour Requirements Self-Assessment: Arauco´s 2024 self-assessment was completed in relation to Child Labor and Forced labor and other requested topics under the assessment.

Complaints Results:

As of today, Arauco has not received any complaint related to Child Labor and/or Forced Labor.

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 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."

DocuSigned by:
Russell Jordan
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Russell Jordan
President Arauco North America Inc and Arauco Canada Limited
"I have the authority to bind Arauco Canada Limited and Arauco North America, Inc."
28 May 2025

[7] FSC Core Labor Requirements may be found at: https://us.fsc.org/en-us/certification/chain-of-custody-certification/fsc-core-labor-requirements.