



Modern Slavery Report

May 31, 2024

About this Report

Report Introduction

Modern slavery refers to forms of contemporary slavery such as forced or compulsory labour, child labour, human trafficking or any other internationally recognized exploitative labour practices. It is a significant global issue impacting different industries, sectors and geographic locations. The Canadian government has committed to preventing and reducing these risks and has established legislation to require certain entities to report on the measures taken in this regard.

Tolko Industries Limited (“Tolko”, “the Company” or “it”) recognizes that modern slavery, including forced labour and child labour is a complex issue that can exist in a variety of forms through global supply chains. As a Company that has been in operation for nearly 68 years, Tolko is committed to the delivery of exceptional products and services without compromising its core values.

Tolko recognizes it has an important role to play in safeguarding the rights of its workers, advancing its supply chain transparency, and mitigating risks of modern slavery.

Report Scope, Definitions and Boundaries

This joint Modern Slavery Report is provided in relation to Tolko’s obligations and the requirements of Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) and related guidance from Public Safety Canada, for the reporting period of January 1, 2023, to December 31, 2023. The Report outlines Tolko’s actions for the reporting period related to the prevention and detection of modern slavery within its business and identifies areas where Tolko intends to refine its reporting and risk management practices in the near term.

This Report has been prepared on behalf of **Tolko Industries Ltd.** as the main reporting entity and its direct and indirect subsidiaries as noted below:

- *Tolko Marketing and Sales Ltd.*

For the purpose of this Report, the terms “Tolko Industries Ltd.” “Tolko” “the Company”, or “it” may be used interchangeably to refer to the business.

Steps Taken to Prevent and Reduce the Risks of Forced Labour and Child Labour

While Tolko conducts a large portion of its business in North America where the risk of modern slavery occurring within supply chains is low, the Company does acknowledge its elevated risk associated with its direct suppliers located in countries such as China and India, where there is a higher likelihood of forced and child labour in existing supply chains. In response to this risk, the Company has started to take steps to better understand the modern slavery risks within its operations and supply chains. For the remainder of this fiscal year, the Company intends to strengthen its policies related to supplier due diligence to better address modern slavery risk and to enhance prioritized policies to reflect its obligations and those of its suppliers under the Act. This Report details the steps that Tolko has taken to date and its intended actions for the coming year.

Our Structures, Activities and Supply Chains

Business

Tolko Industries is a leading manufacturer and marketer of a broad range of forest products within the lumber and sustainable wood products sectors. With approximately 2700 direct employees spread across North America, the privately owned Canadian Company offers a diverse range of products, all designed to meet the needs of the construction and manufacturing industries, to customers around the world. The Company also provides significant financial support to the local economies of British Columbia (BC), Alberta and Saskatchewan in the forms of wages, taxes and timber fees.

Company History

Tolko's history spans a total of 68 years, with roots developed by Harold Thorlakson in 1956 through the establishment of Lavington Planer Mill Ltd., a sawmill in Lavington, BC.

In 1971, after acquiring Hoover Sawmills Ltd., Lavington Planer Mill Ltd. completed its first significant acquisition and doubled in size. Later in 1973, the Company was renamed to Tolko Industries Ltd. as "Tolko" is derived from every other letter in the Thorlakson name. In 1998, Tolko launched its first Sustainability Report describing its Environmental and Aboriginal Policies and formally stating its Forest Management Principles.

Today the Company continues to be dedicated to the well-being of future generations through its responsible environmental performance and is led by the third generation of the Thorlakson family.

Corporate Organizational Structure

Tolko's headquarters in BC is home to its corporate functions and the executive team, including the following: Marketing and Sales, Logistics, Transportation, Finance, Human Resources, Communications, Corporate Woodlands, Office Administration, Procurement, and Information Technology.

While Tolko's divisions and subsidiaries in Canada operate as separate business units, they are each subject to the Company's corporate standards and processes.

Activities

Tolko Industries has 15 operations located across Western Canada, and the states of, Louisiana, Mississippi, and Alabama, in the United States (US). The Company exports its products to approximately 14 countries worldwide.

Tolko prioritizes safety and consistency across all of its operations and has brought numerous products to market, including lumber, plywood and veneers, engineered wood panel (OSB), laminated strand lumber (LSL) and wood chips.

Supply Chain

Tolko's Corporate Procurement function oversees the Company's key suppliers across each of its Canadian divisions. Its Supply Chain includes third party contractors, service providers, consultants, raw material providers, operations equipment suppliers and providers of fuel, diesel and natural gas.

The Procurement function within Tolko is responsible for several aspects of supply chain management, including strategic sourcing, contract management and commercial risk management (e.g., critical raw material risks). All divisions use JD Edwards, a centralized Enterprise Resource System and Coupa, a centralized Procurement-to-Pay System, which enable the implementation of standardized procedures and the consistent application of supplier terms and conditions across divisions.

In 2023, Tolko procured goods and services from a network of suppliers and contractors primarily located in Canada and the US. It also procured some specialized products from other jurisdictions, including China, Europe and India. The Company's primary procurement activities can be categorized as follows:

1. **Raw materials**, including wood logs harvested in Canada and some resin purchased from China. The majority of the Company's raw materials are sourced from Canada.
2. **Equipment and products required to support Tolko's operations**. These purchases include equipment that is mainly sourced from suppliers located in Canada and the US; yet in some instances may include inputs produced or sourced from other jurisdictions. The Company also sources some of its packaging from suppliers located in India and China and machinery equipment from suppliers in Europe.
3. **Fuel, diesel and natural gas** products that are sourced from Canada.

Our Values, Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour

Values

Tolko's values of **Safety, Respect, Integrity, Progressiveness and Open Communication** provide the foundation of its culture and the way the Company expects to conduct its business. These values are evident in the way Tolko interacts with its people, its customers, its suppliers and through the many decisions it makes. By living out its value of *Respect* in particular, the Company provides an environment where people feel welcome and safe from harassment and discrimination. Tolko endeavors to apply each of its values to maintain the highest standards of conduct and behaviour in its operations both in Canada and abroad when managing its supply chain.

Policies

Tolko is committed to maintaining the highest standards of ethical conduct in all its dealings with employees, customers, suppliers and the communities it serves. While the Company does not address human rights or modern slavery considerations specifically in its present Code of Conduct and has not yet developed a Supplier Code of Conduct, there are a few internal policies as highlighted below which demonstrate the Company's commitment to align with applicable laws to foster safe work practices and an ethical and respectful working environment. Tolko intends to revisit prioritized existing policies in

2024 to determine how/if elements of the new Modern Slavery Act can be incorporated moving forward.

- **Respectful Workplace Policy:** Tolko is committed to ensuring that every reasonable precaution is taken to provide its employees with a safe, healthy and respectful work environment. This Policy applies to all employees and contractors.
- **Risk Management Policy:** Tolko has formalized its risk management practices through an enterprise-wide Risks and Opportunities Policy that sets a systematic approach for identifying and managing risks across the Company.
- **Whistleblowing Policy:** Tolko demonstrates its commitment to the highest standards of openness, honesty, integrity and accountability through its Whistleblowing Policy. This Policy provides an avenue for employees, contractors, customers, and other third parties to report any illegal, unethical, or unsafe acts observed.

All Tolko employees are expected to review these policies to ensure that they understand, and support Tolko's commitments.

Due Diligence Processes

Tolko is committed to ensuring there is transparency in its own business and its approach to tackling modern slavery through its supply chains. At Tolko, there are due diligence processes and standards in place which ensure that the Company's employees involved with the procurement process and its suppliers display ethical conduct in alignment with Tolko's values. A sample of these processes include:

- **Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Standard:** Tolko's manufacturing plants and forest products are certified to the PEFC standard, a leading global alliance of national forest certification systems that is dedicated to sustainable forest management. This Standard ensures that the raw material used in its products are traceable back to legal and socially acceptable sources. The Standard is audited annually by a third-party and outlines requirements related to minimum age and forced labour. (*Section 4.10 Social, Health and Safety*).
- **Sustainable Forest Initiative (SFI):** Tolko's certification with the SFI for fiber sourcing standards demonstrates the Company's commitment towards ensuring that the fiber it purchases from other sources is produced responsibly by following best management practices and utilizes the services of forest management and harvesting professionals.
- **Assessment of Supplier Performance Metrics:** Tolko tracks supplier performance metrics based on product type and critical raw materials purchased and uses this detail to make its own purchase decisions. As an example, in the instance of a region experiencing a natural disaster, Tolko will assess its own risk tolerance for purchasing products from that region to minimize its risk specific to scarcity should the supplier's business be affected.

Assessing the Risks of Modern Slavery in our Operations and Supply Chain

Tolko does not have an established risk assessment process in place to identify parts of its activities and supply chain that carry a risk of forced and child labour. In 2024, the Company commenced a journey to strengthen its procedures for identifying and addressing supply chain risk and implementing new processes to mitigate its modern slavery risk.

Components of the Business and Supply Chain that Carry a Risk of Forced Labour and Child Labour

Tolko's present supply chain consists of suppliers primarily located in Canada and the US. The Company does on occasion source specialized products from other countries, including China, Europe, and India.

Tolko's overall modern slavery risk by country of operation is deemed to be low as the majority of its supply chain activities occur in North America where labour and anti-modern slavery laws and regulations have already been established.

Tolko has acknowledged the elevated risk associated with its direct suppliers located in countries such as China and India, where there is a higher likelihood of forced and child labour in existing supply chains and is committed to increasing supplier engagement activities to deepen its understanding of company policies and due diligence processes to prevent and detect modern slavery risks within its supply chains. The Company intends to prioritize additional due diligence activities with identified high-risk suppliers in the remainder of 2024, to better assess the risks of modern slavery practices and determine if remediation actions may be required.

As of the date of this Report, there have been no identified instances of forced labour and child labour in Tolko's supply chain, and Tolko has not been subject to any investigation related to these matters.

Measures Taken to Remediate Forced Labour and Child Labour including Remediation of the Loss of Income to the Most Vulnerable Families

Tolko has not identified any instances of forced or child labour in its activities and supply chains within the financial year ended December 31, 2023, and therefore, no remediation measures have been taken in the current year. The Company acknowledges the importance of ongoing monitoring to ensure that modern slavery risks remain mitigated within its operations and supply chains. Tolko is committed to regularly reviewing its risk assessments and implementing any necessary remediation measures should the need arise in the future.

Training

While no training specific to modern slavery was provided by Tolko for the fiscal year 2023, the Executive team was informed and briefed on the Act's requirements. Moving forward, the Company is committed to consolidating aspects of modern slavery within its existing Training Program where appropriate, focusing initially on its procurement and supply chain functions.

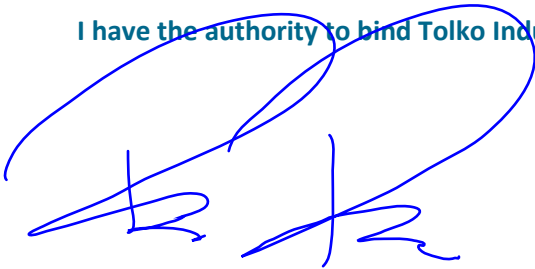
Assessing Effectiveness

As this is Tolko's first Modern Slavery Report, it is too early to assess and report on the effectiveness of the anti-modern slavery measures the Company has planned to implement this year. In future reports, Tolko intends to identify measurable key performance indicators that can be monitored on a year-over-year basis, adjusting as necessary to assess its effectiveness.

Approval of 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.

I have the authority to bind Tolko Industries Ltd.,



Pino Pucci
President and CEO
May 31, 2024