

CANADIAN BANK NOTE COMPANY
LIMITED

**REPORT ON FIGHTING AGAINST
FORCED LABOUR
AND CHILD LABOUR IN SUPPLY
CHAINS ACT**

OTTAWA, MAY 2024

CANADIAN BANK NOTE COMPANY, LIMITED

OVERVIEW

In an era marked by global interconnectedness and economic integration, the issue of forced labour, child labour and human trafficking (all forms of modern slavery) within supply chains has emerged as a pressing concern for governments, businesses, and civil society alike. Recognizing the urgent need to address this complex challenge, Canada has taken a decisive step forward with the enactment of the Canadian Fighting Against Forced Labour in Supply Chains Act (the “Act”). This landmark legislation reflects Canada's commitment to upholding human rights, promoting ethical business practices, and combating modern slavery in all its forms. As part of Canada's efforts in this regard, the Act imposes reporting obligations on entities involved in manufacturing goods in Canada or elsewhere or in importing goods manufactured, produced, grown, extracted or processed outside Canada. Canadian Bank Note Company, Limited (“CBN”) is one such entity.





OUR COMMITMENT

CBN stands firm in its dedication to ethical sourcing, corporate responsibility, and the protection of human rights, having developed and updated its compliance program over the years to ensure these goals are met. CBN recognizes the critical role that businesses play in shaping supply chain dynamics and driving positive social impact. In alignment with the objectives of the Act, CBN has proactively implemented and updated a range of measures within its compliance program to prevent and mitigate the risk of modern slavery within its operations and supply chains.

This report serves as a comprehensive overview of the actions taken by CBN to comply with the requirements of the Act and to uphold the highest standards of ethical conduct. By sharing our experiences, best practices, and lessons learned, we aim to contribute to a broader dialogue on responsible business practices and the collective effort to eradicate modern slavery from global supply chains.

Reporting required by the Act

This is the first report issued by CBN pursuant to the Act for the reporting period of January 1, 2023 to December 31, 2023. This report provides an overview of the actions taken to assess and address the risks of modern slavery within CBN's operations and supply chains.

Structure and Business Activities

CBN is a privately held company, headquartered in Ottawa with over 2,000 employees worldwide. Since its founding in 1897, CBN has carried out business in Canada as a security printer for the manufacture of banknotes and has expanded into the manufacture of excise stamps, vital statistics documents, and identification documents, such as passports and driver's licenses. CBN is also an information technology provider of identification issuing systems, lottery and gaming systems, charitable gaming systems, and border management systems. As a global leader, we set the highest standards in secure technology for governments and businesses worldwide. Our customers trust us for fraud prevention, ensuring security and critical infrastructure. CBN takes pride in deploying advanced solutions that secure borders, empower citizens, protect national currencies, and support government social initiatives.





Supply Chain

CBN's commitments to ethical business practices includes doing business with suppliers that align with our values. CBN works with approximately 1800 suppliers and contractors, mainly from Canada, followed by the United States and Europe.

CBN's procurements of goods, materials and services are managed centrally from its offices in Ottawa, where the bulk of its manufacturing operations exist, with the exception of the procurement by local offices of certain non-strategic goods and services.

DUE DILIGENCE PROCESS

Any due diligence process concerning forced and child labour in the supply chain must start with a risk assessment. In 2023, CBN reviewed at the corporate level the overall risk of CBN's operations for forced and child labour. A risk assessment questionnaire to assess the risk of modern slavery in each business unit was developed and delivered to all business units with the results received in Q1 of 2024. This risk assessment method and questionnaire will be provided to each business unit within CBN on an annual basis and the results will be recorded for any changes in risk. The risk assessment questionnaires submitted to each of the CBN business units did not reveal any areas of concern.

CBN has a number of Standard Operating Procedures (SOPs) that involve procurement due diligence practice. One such process is the Supplier Qualification and Approval process. This process vets all suppliers and ranks them according to risk categories. The screening process includes vetting for integrity issues. A questionnaire is required to be completed by Tier 1 suppliers and it includes an extensive ethics and social accountability section including specific questions related to supply chain and modern slavery risks, and to identify high risk products and raw materials. Suppliers identified as high risk or providing high risk items require further due diligence to ensure procedures are in place to prevent modern slavery.

In the past few years, we have increased due diligence efforts on the CBN supply chain to specifically identify the risks of child and forced labour. Apart from the supply of cotton and cotton pulp used in CBN paper products, and promotional clothing, we have not identified any items of concern from the US Department of Labor list for forced labour at risk items and locations. Our efforts continue with our global supply chain and training that will be introduced in the next few months. We will keep vigilant and dig deeper if we uncover any possibilities of child and forced labour.

CBN will conduct regular reviews of its due diligence processes and assessments to monitor compliance with our standards and identify areas for improvement.



Policies

CBN has a well-developed suite of Ethics Policies to which the 2023 Forced Labour Policy is part of. The other Ethics Policies such as the Anti-Bribery Policy, Anti-Money Laundering Policy and the Whistleblower Policy, are complementary policies that confirm CBN's commitment to integrity and honesty and that also provides a process on how to deal with any reported instances of actual or suspected violations of any of the ethical policies.

Procedures

CBN has implemented the following procedures that assist in the fight against forced and child labour:

- o Engagement of senior executives and a positive tone from the top;
- o Corporate wide risk assessment completed;
- o Inclusion of prohibition against modern slavery in our ethics clauses in contracts;
- o Risk identification and assessment specifically directed at identifying, assessing and addressing the risks of forced and child labour in the operations and supply chains;
- o Supplier Code of Conduct;
- o Pre-qualification Questionnaires for Strategic and Important Suppliers; and
- o Compliance with local laws, customs and business practices of the countries we operate in (including employment standards, health, safety, anti-bribery; corruption, anti-money laundering and environmental legislation).

Training

CBN administers training to CBN employees and agents, worldwide, which includes training on CBN's ethics policies. All employees are required to complete the training in the dedicated period and acknowledge that they comply and will continue to comply with the policies.

Development of a training program for employees to raise awareness of modern slavery issues and ensure adherence to our policies and procedures began at this time, with implementation of the training program planned for Q2 of 2024.

Parts of the Business that carry a Risk

CBN recognizes that a key concern for supply chains are goods made with forced labour in the Chinese province of Xinjiang. Xinjiang is where human rights organizations say more than a million Uyghurs have been detained, with estimates of hundreds of thousands forced to produce cotton, apparel and electronics for some of the world's largest brands. CBN identified that a strategic item of supply in its secure printing and identification systems is paper, and that the production of paper uses cotton and cotton pulp. CBN examined its supply chain in this area and we continue to monitor sources of cotton or cotton pulp from any at-risk area. Efforts are ongoing in this area as suppliers and sources of supply to Tier 2 and Tier 3 suppliers evolve.

CBN purchases promotional clothing as part of its marketing efforts. While not a significant part of its business, CBN has examined its suppliers of promotional clothing and not identified any areas of concern for forced and child labour. Efforts in this area will continue in 2024 to move further down the supply chain.

Remediation

Currently, CBN has not identified modern slavery in its business activities or its supply chains. Therefore, no remediation measures have been taken at the date of this report. CBN will continue to assess its activities and supply chains and consider appropriate means of remediation for forced or child labour should they arise.

Further, CBN is not aware of any situations where its efforts to prevent and reduce the risk of modern slavery in its activities or supply chains contributed to a loss of income for vulnerable families.

In the event forced labour is identified within our supply chains, CBN will take prompt and appropriate remedial action. CBN has considered what risks are in its supply chain and is prepared to engage with suppliers to address violations and implement corrective measures, such as providing training and support to improve labour practices. Further, CBN will continue to develop a process for providing remedies and support to affected individuals, including access to grievance mechanisms and compensation where appropriate.

Assessing Effectiveness and Continuous Improvement

CBN operations are at low risk for modern slavery due to the nature of our business.

As CBN has not yet identified suppliers at risk for modern slavery in its supply chains, CBN does not yet have a formal process for measuring effectiveness in the mitigation and prevention of modern slavery. CBN will continue to review our activities, suppliers and our supply chain in order to develop this process to ensure that our compliance program addresses and mitigates any risks of modern slavery.

Our due diligence process, policies and procedures are an ongoing effort, and we continually monitor and evaluate our supply chains for potential risks and opportunities for improvement. We will review and update our policies, procedures, and practices based on lessons learned and emerging best practices to strengthen our prevention efforts over time.

Future Action Items

CBN commits to the following activities to ensure that it is meeting and exceeding its responsibilities to combat modern slavery in its supply chain to ensure its protection of human rights:

- **Implement training for CBN employees to enhance awareness of modern slavery risks and CBN's mitigation strategies.**
- **Continue to assess and expand due diligence activities within the supply chain to address risks related to modern slavery.**
- **Enhance our due diligence process by updating as necessary to address new modern slavery risks.**
- **Incorporate modern slavery risks into CBN's business opportunity evaluation process to identify and manage potential events affecting CBN and ensure alignment with objectives and legislation.**
- **Terms and conditions for Suppliers are to be updated in Q1 2024 to include specific reference to forced and child labour and other forms of ethical conduct.**

Conclusion

CBN is committed to complying with the requirements of the Act and upholding the highest standards of ethical conduct. Through our due diligence processes, policies and procedures, transparency efforts, and commitment to remediation and continuous improvement, we strive to mitigate the risk of forced labor throughout our supply chains. We recognize that our responsibilities extend beyond legal compliance and we remain dedicated to driving positive change in the fight to promote human rights.



APPROVAL AND ATTESTATION

In accordance with section 11(4)(b)(ii) of the Act, I, on behalf of CBN's Board of Director's and in my capacity as director of CBN, attest that I reviewed the information in this report. 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 of January 1, 2023 to December 31, 2023.

A handwritten signature in black ink, appearing to read 'Gordon McNechnie', is written over a horizontal line.

Gordon McNechnie
Director,
May 2024

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