

Fighting Against Forced Labour and Child Labour

Report 2023

CEPSA CHIMIE BECANCOUR, INC.

About this report

This report is produced by CEPSA CHIMIE BECANCOUR, INC. (hereinafter “CEPSA CHIMIE BECANCOUR”, “the Company”, “our” or “us”) for the fiscal year ending December 31, 2023 (the “Reporting Period”) and sets out the steps taken to prevent and reduce the risk of forced or child labor being used at any stage of the production of goods in Canada or elsewhere, or of goods imported into Canada by the Company.

This report constitutes the first report prepared by the Company in accordance with the new Canada’s Act to Combat Forced Labor and Child Labor in Supply Chains (the “Act”). CEPSA CHIMIE BECANCOUR always seeks to go one step further. Therefore, the Company not only has solid values and acts ethically, but also has relevant policies to ensure that we comply with industry regulations.

CEPSA CHIMIE BECANCOUR is committed to improving its practices to combat slavery and human trafficking. The Cepsa Group in general, and the Company in particular, strive to the utmost not to employ, either directly or through contractors, anyone under the age of 16, and do not tolerate any form of child labor or any type of forced labor or exploitation.

During the Reporting Period, the Company and its parent company have taken a series of measures to reduce the risk of forced labor and child labor internally and in their supply chain, including the following:

- the implementation of policies and procedures to prevent and address forced labor and child labor;
- employee training on these issues; and
- regular audits and controls to ensure compliance.

Our business and structure

CEPSA QUIMICA, our parent company, is the world’s leading producer of LAB (linear alkylbenzene) and the second global producer of phenol/acetate, backed by its technological leadership in both cases. The Company’s products have various uses, including as raw material for detergents, resins, electronic parts, synthetic fibers, and pharmaceutical products, among others.

The Company is part of the Cepsa Group, an integrated company that operates throughout the oil and gas value chain. Cepsa has two main shareholders: Cepsa

Holding, LLC, with a 61.36% interest, which is wholly owned by Mubadala Investment Company, and Matador Bidco, S.A.R.L., which owns 38.41%, and is wholly owned by The Carlyle Group. The Cepsa Group comprises nearly 10,000 employees from around the world who share our values of safety, sustainability, continuous improvement, leadership, and solidarity. The Cepsa Group is working on progressive internalization and is present in 21 countries in Europe, North America, Latin America, Africa, and Asia. CEPESA QUIMICA is a solid and transparent company with annual revenues of € 25,159 million in 2023 (Cepsa Group).

CEPSA QUIMICA's chemical facilities (direct or indirect ownership) are located in Spain, Canada, Brazil, Nigeria, and China, and the oleochemical facilities are located in Indonesia and Germany.

CEPSA QUIMICA, the parent company, is committed to research, development, and innovation to ensure the sustainability of the industry and the quality of its products. It is present in the daily lives of millions of people and in the value chain of virtually all industrial sectors. It is strategically committed to the criteria of the circular economy to rationalize the use of inputs in order to build a more sustainable, efficient, and fair world.

CEPSA QUIMICA and its wholly owned subsidiary, CEPESA CHIMIE BÉCANCOUR, sell basic and derivative chemical products in the Canadian market. The plant began its activity in 1995 and was the first to use the Detal technology developed jointly by UOP and Cepsa. Located in the Bécancour industrial and port park, our petrochemical company uses an advanced process that constitutes an advance in the elimination of environmental impact. Recognized for its respect for environmental standards, CEPESA CHIMIE BÉCANCOUR is the only manufacturer of LAB in Canada.

Thanks to an efficient distribution network, we distribute our products throughout North America, where the company holds 22% of the LAB market and has built a solid reputation as a reliable supplier of quality products. With an annual production capacity of 120,000 tons, our plant covers 3% of world demand in a highly competitive market. The abilities of the staff, the quality of the raw materials, state-of-the-art technology, and attentive customer service guarantee a promising future.

Our Principles and Values

At CEPESA CHIMIE BÉCANCOUR, we are governed by a set of principles and values that reflect our commitment to ethics and sustainability. We believe in respect for human rights and work to ensure that our operations and supply chains are free from forced and child labor.

Our principles and values are the foundation of our corporate culture and are reflected in our daily policies and practices. These values are:

- **We care about people:** We are committed to the safety, well-being, and development of our teams and communities.
- **We charm our customers:** We work together to go beyond the expected, creating unique solutions to maximize satisfaction and trust in us.
- **We look after the planet:** We work towards a greener future.
- **Together we create more value:** We work together effectively with respect and integrity, connecting people to achieve excellent results.
- **We dare to be entrepreneurial:** We face change head-on and bravely, leading projects that create impact.

As for the Code of Ethics and Conduct of the Cepsa Group¹, it establishes the fundamental principles, norms, and behaviors that allow us to achieve our objectives and promote our values. This Code applies to all employees and stakeholders of the Cepsa Group. Some aspects of the code that are particularly relevant are:

- **Respect for human rights:** The code emphasizes Cepsa's reliance on every employee to ensure the respect for human rights and the prohibition of forced labor and child labor.
- **Compliance with laws and regulations:** The code requires all employees and stakeholders to comply with all applicable laws and regulations, including those related to forced labor and child labor.
- **Commitment to ethics and integrity:** The code establishes a strong commitment to ethics and integrity in all our operations and supply chains.

Our policies

Our policies, including the Human Rights Policy², Sustainable Purchasing Policy³, and Sustainability Policy⁴, as well as our Living Wage Commitment⁵, reflect our commitment to ethics and sustainability. These policies apply to all operations of CEPESA QUIMICA, including CEPESA CHIMIE BECANCOUR. We strive to ensure that our policies are effectively implemented and complied with in all our operations.

¹ <https://www.cepsa.com/stfls/corporativo/FICHEROS/code-of-ethics-and-conduct.pdf>

²

https://www.cepsa.com/stfls/corporativo/FICHEROS/politicas_A4_cepsa_es_human_rights_policy_eng.pdf

³

https://www.cepsa.com/stfls/corporativo/FICHEROS/politicas_A4_cepsa_es_sustainable_procurement_policy.pdf

⁴ https://www.cepsa.com/stfls/corporativo/FICHEROS/politicas_A4_cepsa_es_sustainability_policy.pdf

⁵ <https://chemicals.cepsa.com/stfls/comercial/FICHEROS/OurGlobalPledge-LivingWageCQ-6042024.pdf>

CEPSA QUIMICA is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The Company's Human Rights Policy reflects this commitment, acting ethically and with integrity in all its business relationships and implementing and enforcing effective systems and controls to ensure that slavery and human trafficking do not occur anywhere in its supply chains.

In addition to complying with the laws applicable in each country where it operates, and in line with the Code of Ethics and Conduct, the Human Rights Policy of the Cepsa Group is in line with international laws and practices, such as the United Nations Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), and the OECD Guidelines for Multinational Enterprises. It also considers the provisions of the National Action Plan for Business and Human Rights of the Government of Spain, approved on July 28, 2017.

This policy applies to all the employees of the Cepsa Group, as well as its business partners, in relation to human rights and labor practices in all areas and communities where the Company operates. More specifically, this policy requires the participants in our supply chain to endorse the Cepsa Supplier Code of Ethics, which expressly provides the following:

“Child labor. Suppliers shall avoid and prohibit any form of child labor and shall always respect the minimum employment age as set out in applicable legislation, ensuring that all workers are over 16 years of age (the minimum legal age to be able to work in Spain) or over the applicable statutory minimum age for workers in the relevant country, if higher; likewise, they shall take all reasonable steps to ensure that workers under the age of 16 are not assigned strenuous or dangerous tasks that may interfere with their education, or be detrimental to their health or physical, mental, moral, or social development.

Forced labor. Suppliers shall ensure that no type of forced or compulsory labor exists within their organization, meaning that no one shall work under duress or any threat of penalty, punishment or retaliation.”

The Cepsa Group expects and encourages its business partners to develop and implement ethical programs and standards that align with those of the Company. In cases where CEPSA QUIMICA believes that such parties have not complied with its policies or their contractual commitments, it reserves the right to take appropriate measures.

CEPSA QUIMICA employees are responsible for ensuring the integrity of the Company. Therefore, if a potential violation of the Code of Ethics and Conduct, related to internal or external rules, is detected, each employee has the obligation to report it as soon as possible through the available channels.

CEPSA QUIMICA will not tolerate any form of retaliation directed at anyone who raises a concern in good faith about a possible violation of the Code of Ethics and Conduct or internal or external rules. Nor will retaliation be allowed against anyone who assists in an investigation into non-compliance.

On the other hand, individuals who do not comply with the Code of Ethics and Conduct and the Company's Policies may be putting the Company at risk and, as a result, may be subject to disciplinary actions or sanctions.

Each violation of the Policies and the Code of Conduct is reviewed on a case-by-case basis and, when necessary, appropriate disciplinary and corrective measures are applied in accordance with corporate policies and procedures and applicable laws.

Due Diligence Processes for Slavery and Human Trafficking

The Compliance and Ethics Committee consists of representatives from the following departments:

- Internal Audit, Compliance and Risk
- Legal
- Communications, Institutional Relations and Brand Marketing
- Health, Safety, Environment and Quality
- Human Resources and Organization
- Finance and Administration

This body periodically reviews the applicable Policies and present recommendations to the Board of Directors regarding any amendment or revision that may be necessary or advisable to ensure their adequacy and effectiveness, taking into account the suggestions and contributions from the Office of Ethics and Compliance and the employees of the Cepsa Group.

CEPSA QUIMICA has a dedicated compliance team, the Office of Ethics and Compliance, to carry out the appropriate Due Diligence processes that will ensure effective supervision, monitoring and control to identify any action or behavior that violates the standards and principles of the Human Rights Policy and the Code of Conduct.

As part of our initiative to identify and mitigate risks, we have systems in place to:

- Identify and assess potential risk areas in our supply chains.
- Mitigate the risk of slavery and human trafficking occurring in our supply chains.
- Monitor potential risk areas in our supply chains.
- Protect whistleblowers.

The Supply Chain of CEPSA

The Cepsa Group supply chain comprises 3,394 suppliers, adding up to a total procurement spending of 1,423 millions of euros.

We encourage sourcing from local suppliers because of its positive impact on the surrounding business landscape, not to mention the advantages this affords (facilitating supply, increasing flexibility and guaranteeing response times, in addition to making it easier to control country risk, etc.).

A key commitment of the Cepsa Group's Sustainable Purchasing Policy is to promote best practices in the purchase and contracting of goods and services through responsible and sustainable management. The Supplier Code of Ethics and Conduct of the Cepsa Group reinforces its commitment to ethics and the transmission of values. The Company's specific procurement requirements are standardized and established in the General Contracting Terms and contractual models and must be accepted by any third-party doing business with the Company during both registration and the various stages of tender awarding.

CEPSA QUIMICA emphasizes to all our suppliers the importance of good ESG performance in their own operations and of requiring similar standards within their own supply chains.

CEPSA QUIMICA uses an analytical process to identify specific areas that require action and help forge partnerships to drive collaborative innovation and incorporate ESG criteria into its decision-making process.

Adherence of Suppliers to Our Values and Ethics

CEPSA CHEMIE BECANCOUR has zero tolerance for slavery and human trafficking. To ensure that all those who are part of our supply chain and contractors comply with our values, CEPSA CHEMIE BECANCOUR requires them to have in place a rigorous supply chain compliance program.

In selecting our suppliers, the Company:

- Gives preference, in its due diligence and selection processes, to suppliers and contractors who have their own human rights policies or, in their absence, those who support the principles of the Cepsa Group's Code of Ethics and Conduct.
- Requires its supply chain to formally adhere to the "Cepsa Group Supplier Code of Ethics", or to have adopted the principles incorporated in the United Nations Global Compact.
- Establishes appropriate communication channels with its suppliers and contractors that allow reporting on possible breaches and violations.
- Demands respect for international principles and norms on the use of force, in particular the "International Code of Conduct for Private Security Service Providers" (www.icocpsp.org), considering that some activities of the Cepsa

Group are carried out in high-risk and challenging environments that require the contracting of state or private security companies.

Risk Assessment in the Supply Chain

According to the Global Slavery index, the vast majority of the Cepsa Group supply chain is located in regions considered with low to medium prevalence of slavery (Canada, Brasil, EU, China). We are aware that a few of our suppliers are located in regions where the prevalence of slavery is higher, making these parts of the supply chain more at risk.

To mitigate these risks, we assess suppliers on an ongoing basis for operational, economic, ESG, human rights, health and safety, country, information security and counterparty (Know Your Counterparty or KYC) risks. We also assess them for risks related to our business, including those associated with services and products.

We performed 3,031 risk assessments on active suppliers in 2023. Additional compliance analysis was conducted on a further 373 suppliers, cross-checking against international lists in accordance with the KYC procedure. We also have a real-time risk-monitoring tool and alert system (RiskMethods), which considers sustainability and human rights issues and is integrated into the procurement area's platform. We did not uncover any supplier with high or very high risk.

Remediation

During the Reporting Period, the Company has not identified any cases of forced labor or child labor in our activities or in our supply chain and we currently do not have a formal policy on how we would remediate any loss related to such activities.

Likewise, the Company has not received any communication through the Integrity Channel or by any other means that reveals a non-compliance regarding to forced labour or child labour.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in the Company's supply chains and businesses, CEPESA QUIMICA provides training to its employees. CEPESA QUIMICA has an ethics and compliance training program, which includes Human Rights topics.

This mandatory training on our Code of Ethics is required of every new employee in the organization. To date, 99% of employees assigned to the Becancour, Quebec site have completed training on the company's Code of Ethics. The

complete Code of Ethics document is also available on our network for employees to consult at any time. The local team also comprises a person who has been certified in ethics and compliance, representing the importance and presence of these elements within the team and in the management of day-to-day activities.

CEPSA QUIMICA also provides a reminder of this training each year to be sure that all employees are aware of how the company wants to manage its business relationships to protect human rights and ensure compliance with local and international regulations.

Results and Next Steps

We have made significant progress in implementing our policies and mitigating the risks of forced and child labor in our operations and supply chains. However, we recognize that there is always room for improvement, and we are committed to continuing our efforts in this area. We plan to take additional measures in the future, including reviewing our policies and procedures, expanding our training initiatives, and improving our audit and control processes to reduce the risks of child and forced labor in our supply chain.

Monitoring Effectiveness

In 2023, Cepsa Química established the ESG Committee. This committee is responsible for facilitating the process of collecting the necessary data from each area and monitoring progress towards ESG objectives and compliance with its plan.

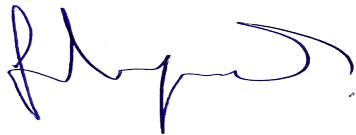
To date, the Company has not taken any steps to evaluate the effectiveness of the measures taken in relation to child labor and forced labor. In the future, the Cepsa Química ESG Committee will periodically receive an update on the risks and progress in relation to the identified recommendations.

Attestation

“In accordance with the requirements of the Act, and in particular section 11 thereof, this report was approved by the Board of Directors of CEPESA CHIMIE BECANCOUR.

In accordance with the Act, I, the undersigned, 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 CEPESA CHIMIE BECANCOUR



José Maria Solana

CEO, Cepsa Quimica

May 26, 2024