



Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”)

2024 Annual Report

K-Bro Linen Inc. joint report with Fishers Services Limited and Fishers Topco Limited
May 21, 2024

Introduction

Pursuant to Canada’s new Act, this report (the “Report”) is K-Bro Linen Inc’s (“K-Bro” or the “Corporation” or “we” or “our”) first annual report describing the steps taken to prevent and reduce the risk of forced labour and/or child labour being used in the production of goods in Canada or elsewhere or within supply chains. This Report is produced for the financial year ended December 31, 2023. K-Bro does not condone the use of modern slavery of any kind and we are taking steps to contribute to Canada’s efforts to combat forced labour and/or child labour within supply chains.

Section 11 (1) Steps Taken in Previous Financial Year

In 2023, K-Bro published our inaugural sustainability report which can be found on our website < <https://www.k-brolinen.com/sustainability>>. K-Bro’s Board of Directors oversees our Environmental, Social and Governance (“ESG”) sustainability program. We have always prioritized being responsible corporate citizens and our report was an important milestone in extending our current best practices into our long-term program. For our inaugural report, we completed an enterprise-wide materiality assessment to obtain insights into which topics were most important to our stakeholders. We engaged a reputable third-party ESG consultant to assist in canvassing internal and external stakeholders and identified twelve tier one & two material topics which were mapped into our three sustainability pillars: People (Social), Partner (Governance) and Planet (Environmental). Over time, our pillars will support objectives and initiatives to achieve our long-term vision. Among the material topics, Modern Slavery Compliance was identified as a priority by our stakeholders. K-Bro’s dedication to our values extends to our supply chains and we endeavor to ensure suppliers have suitable workplace, health & safety and ethical employment standards within their businesses. The standards we expect address a broad spectrum of working conditions including fair remuneration, working hours, respect, non discrimination, and well-being.

Aligned with our sustainability program, K-Bro also launched a current state assessment to evaluate supply chains modern slavery risks. As part of the current state assessment, K-Bro initiated various steps including: mapping of activities and supply chains; assessing potential modern slavery risks within activities and supply chains; assessing risk-based due diligence practices and reviewing the Organization for Economic Co-operation and Development (“OECD”) guidance on responsible business conduct; developing and implementing modern slavery awareness and training; and, developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery.



Pursuant to the United Kingdom’s Modern Slavery Act 2015, Fishers, a K-Bro company, publishes an annual Slavery and Human Trafficking Statement. Among other topics, the statement discusses activities, supply chain, policies, due diligence, supplier adherence to values and training. Fishers’ Slavery and Human Trafficking Statement can be found on their website <<https://www.fisherslaundry.co.uk/our-company>> under ‘Modern Slavery Statement’.

Section 11 (3) Supplementary Information

Section 11 (3) (a) Our structure, activities and supply chains.

We mapped our activities and significant supply chains to assist in evaluating categories that are ‘at-risk’ of modern slavery. The assessment covered the journey of goods across raw materials, inputs, components, manufacturing and distribution.

K-Bro Linen Inc., a TSX listed corporation, is the largest owner and operator of laundry and linen processing facilities in Canada, Scotland and the North of England. K-Bro was founded in 1954 and employs approximately 2,200 in Canada. Fishers, acquired by K-Bro in 2017, was established in 1900 and employs approximately 620 in the UK. K-Bro’s circular business model provides an essential service while prioritizing environmental stewardship and reducing pressure on natural resources. Our circular model keeps high-quality products in use for longer, while reducing natural resource consumption, and offers sustainable alternatives to single-use or disposable products. K-Bro’s activities include: linen management & purchasing; collection & transportation; sorting; washing; drying; ironing & folding; cart make-up; and, delivery & pick-up.

In assessing supply chains, we grouped purchases into significant supply chains categories, incorporating, among other factors, importance to operating activities, quantum of purchases, assessment of supply chain geography. K-Bro’s significant supply chains include: linens; equipment & vehicles; delivery; utilities; electronics; and, other inputs. Supply chain categories were evaluated based on simplified goods journeys across raw materials, inputs & sub-components, manufacturing & assembly, distribution and buyers. Indirect supply chains were considered out of scope and examples include uniforms or electronics used by other suppliers. Categories with identified direct situations ‘at-risk’ of modern slavery were assessed across the various stages of the supply chain.



Section 11 (3) (b) Our policies and due diligence processes in relation to forced labour and child labour.

K-Bro does not condone the use of modern slavery of any kind. We promote our vision and values throughout our business and supply chains, including: embracing responsibilities to society; being good corporate citizens; and, supporting local communities.

Strong corporate governance is an important element of K-Bro's sustainability program. Our corporate governance practices were developed to ensure K-Bro's business is effectively managed in support of strong stakeholder relationships and enhanced shareholder value. Our corporate policies and procedures include the Code of Business Conduct and Ethics (the "Code") and Whistleblower Policy. K-Bro's Code covers a wide range of business practices and sets out basic principles to guide all directors, officers and employees. Among other topics, the Code includes: compliance with laws, rules and regulations and reporting of illegal or unethical behaviour.

K-Bro reviewed OECD guidance on responsible business conduct and is adopting a risk-based approach to supply chain modern slavery due diligence. Supplier assessments involve prioritization and the measures taken to conduct due diligence are commensurate with risk. Due diligence inquiries are more extensive in circumstances where the likelihood and severity of adverse impacts are high. In circumstances that warrant more extensive due diligence, we employ a variety of steps to ensure new suppliers meet our criteria. As part of our current state assessment and future roadmap, we are evaluating further actions to strengthen our priorities and practices.

Section 11 (3) (c) the parts of our business and supply chains that carry a risk of forced labour or child labour being used and the steps we have taken to assess and manage that risk.

K-Bro has a large number of suppliers, and we are adopting a risk-based approach to supply chains modern slavery due diligence. We mapped our activities and significant supply chains to assist in evaluating categories that are 'at-risk' of modern slavery. The assessment covered the journey of goods across raw materials, inputs, components, manufacturing and distribution. We did not identify direct activities within our business 'at-risk' of modern slavery. In assessing our supply chains, we grouped suppliers into categories to identify general areas where the risk of adverse impacts were most significant. To identify global imported products 'at-risk' of modern slavery, we reviewed various sources including Walk Free Global Slavery Index <<https://www.walkfree.org/global-slavery-index>>. We assessed our significant supply chains categories and identified garments, textiles and electronics as 'at-risk' categories.

Based on K-Bro's current state assessment, the Linen category (which includes both garments and textiles) was identified as the highest risk of potential supply chains forced or child labour. K-Bro has a long history working with its significant linen suppliers and works closely with

suppliers to confirm ongoing alignment with our criteria. In the normal course, inquiries, periodic on-site visits and other confirmatory audits are conducted. K-Bro has also included corporate social responsibility compliance clauses in contracts with our most significant linen suppliers. K-Bro's top five suppliers account for a majority of our linen purchases and these suppliers have taken various steps to address potential supply chain modern slavery risks. At various stages of their supply chains, products may have been sourced from Bangladesh, China or India, countries which have been identified as 'at-risk' geographies. The suppliers have taken steps to address potential forced and child labour risks, including: adhering to regulatory & compliance policies; modern slavery training; whistleblower resources; and, procedures to identify and resolve potential issues.

Based on K-Bro's current state assessment, the electronics category was identified as mid risk. Electronic purchases are not core to K-Bro's operations and represent approximately 2% of 2023 expenditures. K-Bro's top five suppliers include software, consulting, hardware and managed services. K-Bro purchases minimal hardware which reduces exposure to direct situations 'at-risk' of potential supply chain modern slavery risks. It is possible that some products used or resold originate from either China or Malaysia, countries which have been identified as 'at-risk' geographies. The suppliers have taken steps to address potential forced and child labour risks, including: adhering to regulatory & compliance policies; modern slavery training; whistleblower resources; and, procedures to identify and resolve potential issues.

K-Bro is conducting a current state assessment and developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery. We will share our further progress in subsequent reports.

Section 11 (3) (d) any measures taken to remediate any forced labour or child labour.

K-Bro is conducting a current state assessment and developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery. We will share our further progress in subsequent reports.

Section 11 (3) (e) any 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 labour or child labour in our activities and supply chains.

K-Bro is conducting a current state assessment and developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery. We will share our further progress in subsequent reports.



Section 11 (3) (f) the training provided to employees on forced labour and child labour.

As part of K-Bro's sustainability program, we provide awareness information and training to the ESG working group on various topics, including modern slavery compliance. Our ESG working group includes enterprise-wide local market representation across Canada, Scotland and Northern England. Information is further cascaded to relevant employees based on roles and geographies.

In 2023, the Board, ESG working group and procurement team were briefed on the Fighting Against Forced Labour and Child Labour in Supply Chains Act, modern slavery topics and risks of forced or child labour within supply chains. In addition, preliminary modern slavery awareness, speak-up culture and whistleblower training was provided to the ESG working group. K-Bro's Board oversees our sustainability program and has been briefed on our current state assessment to evaluate supply chains modern slavery risks.

K-Bro is conducting a current state assessment and developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery. We will share our further progress in subsequent reports.

Section 11 (3) (g) how we assess our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains.

K-Bro is conducting a current state assessment and developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery. We will share our further progress in subsequent reports.



Attestation

“The Report was approved pursuant to subparagraph 11 (4) (b) (ii) of the Act by the Board of Directors of K-Bro Linen Inc.

In my capacity as a Director of K-Bro Linen Inc, and not in my personal capacity, I make this attestation in accordance with the requirements of the Act.

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.”

Michael Percy
Chair of the Board
May 21, 2024

Signed “Michael Percy”

“I have the authority to bind K-Bro Linen Inc.”