



Annual Report

Fighting Against Child and Forced Labor In the Supply Chain



...s
...g Issues Related to the List of
... with Child Labor or Forced Labor
...ded **54** active projects & initiatives within **48** countries in 2023



- Improving Child Labor Monitoring and Forced Labor**
- Improving the Capacity of Labor and Agriculture Stakeholders to Address Child Labor in Agricultural Supply Chains**
- Mate Masie, Ghana**—Improving child labor monitoring among cocoa cooperatives and child labor law enforcement among government partners; building
- COTECCO, the Democratic Republic of the Congo**—Established a formal partnership among large-scale mining companies and artisanal miners; and equipped 28
- The Bridge Project, Nepal**—Supported Nepal's National Labor Survey and a forced labor module for Nepal's National Labor Force Survey; D
- Safeguarding against and Addressing Fishers' Exploitation and Sea**





Annual Report

Fighting Against Forced Labour and Child Labour in Supply Chains Act.

1. Identifying Information.

Name of the Entity: Advanced Fresh Concepts Franchise Corp. (AFCFC)

Entity Business Number: 85213 4469 RC0001

Financial Reporting Year: April 1st, 2023 - March 31st, 2024.

2. Steps taken to prevent and reduce the risk of forced or child labor.

List the steps Advanced Fresh Concepts Franchise Corp. took during the previous financial year to prevent and reduce the risk that forced labor or child labor is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.

We have taken several actions:

- A. Conducted a Risk Assessment.** We researched and hired an external company, FRDM (please spell out the name of the company, if any), that developed a supply chain risk management

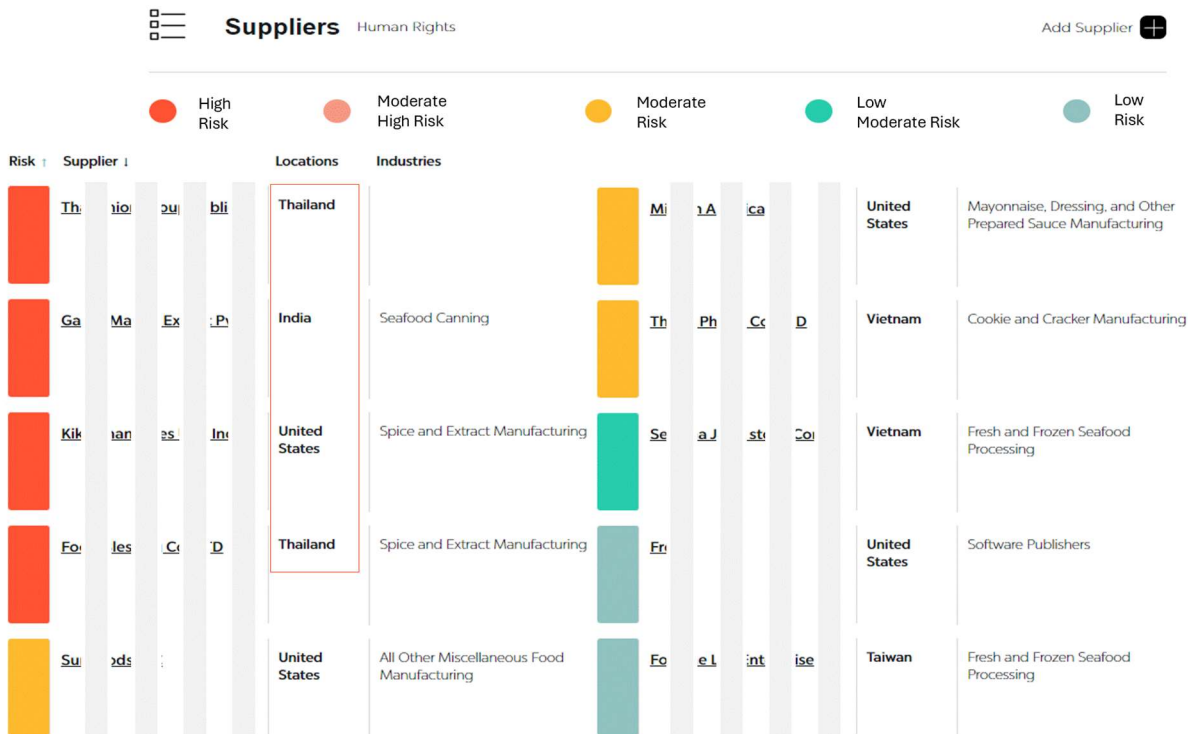


Figure 1. Level of Risk per supplier analyzed, location identification and industry.

system and use information obtained from our suppliers and distributors to analyze and identify our supply chain risk management. This company has developed software that helps us mapping our supply chain and relations with other vendors or trading partners, determining the level of risk, either higher, moderate, low, or no risk, and monitoring changes in the risk over time.

With this assessment, we identified four of the ten leading suppliers we do business with who represent a higher risk with human rights policies and procedures, as some of their trading partners are sourcing from high-risk countries. In our case, we identified the three main countries with higher risk: **Thailand, India, and the United States** (Figure 1).

The first analysis of information obtained from the assessment sets up our steps to make our child/forced labor analysis during the last and this coming fiscal year. Even though we have many of our current suppliers, as well as our tier 2 and 3 suppliers, *Global Sustainable Seafood Initiative (GSSI)* certified, which, among other practices, ensures that certified companies comply with social responsibility standards, including slavery, child and forced labor, we are still inquiring further data on our supplies to increase the transparency on the steps they are taking to ensure compliance on the fight against child/ forced labor. For our investigation process, we have focused first on the suppliers who represent a higher risk in our supply chain, and have sourced products from Thailand and India.



Figure 2. Countries Risk.

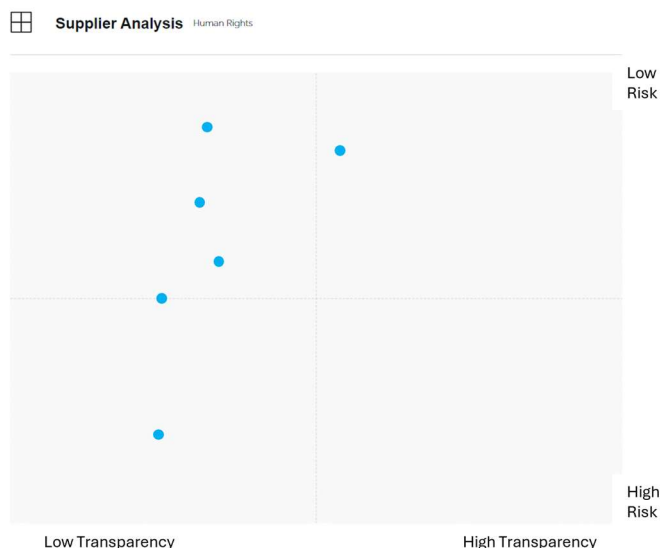


Figure 3. Supplier Analysis.

B. Identified risk among suppliers in our supply chain.

We had also identified that the *Spice and Extract Manufacturing and Seafood Canning* industries represent a higher risk of child/forced labor practices in our current supply chain; for this, our distribution team is working in partnership with our suppliers to prepare (provide) more data for the FRDM tool we are using to continue our analysis to minimize the



level of impact and risk. We want our suppliers to increase transparency by providing more data to reduce the risk. (Figure 3).

We are looking forward to this coming fiscal year when we will include in the assessment the type of products we are sourcing per supplier, so we can have a more robust analysis and determine the level of impact according to the level of spending we have on those products in our system. Additionally, we also want to learn on all the current initiatives our supplying partners are taking against child/forced Labor.

C. Reinforced processes in Corporate Training and Company & Franchised Operations Compliance at the stores.

All prospective franchisees interested in joining our system are provided a copy of the Disclosure Document for their review. If they choose a franchise agreement, they would sign before starting their franchised operations. Prospect Franchisees must attend training at AFC's Headquarters, where they learn all aspects of the franchised operation, *including, without limitation, compliance with laws and ordering food and supplies only from approved sources.*

At the store level, our franchisees must adhere to supermarket codes of conduct and government, estate, and local regulations. The Canadian franchisees' locations are inside a client's premises, usually at a national chain supermarket or pharmacy. These supermarkets or venues include in their codes of conduct and procedures employment standards, anti-harassment, shoplifting, adherence to labor laws, *including discrimination, and non-adherence to Forced or Child Labor, among other things*, that our Franchisees must adhere to while operating under their premises.

D. Increased forced/child labor awareness among the Supply Chain and Corporate Team.

While AFCFC's Human Resources Department ensures that all employees are constantly trained in diverse areas like leadership, harassment, managing ethics, code of conduct, and conflict resolution, among others, we have included and made available the prevention and identification of Human trafficking and Child/Forced Labor in our training provided to Managers, Supervisors, and team members from AFCFC and Distribution Company. Hence, they are aware of these issues.

We also distributed among the Management and Supervisors team the following documents:

- **2022 List of Goods Produced by Child Labor or Forced Labor**, *Provided by the Department of Labor – United States of America.*
- **California Child Labor Laws 2013**, *distributed by the Department of Industrial Relations from the Division of Labor Standards Enforcement*

3. Supplementary information.

Advanced Fresh Concepts Franchise Corp. structure, activity, and supply chains.



Advanced Fresh Concepts Franchise Corp. (**AFCFC**) is a California corporation globally recognized as the supermarket's pioneer and biggest sushi counter franchisor. Through its franchises, which operate licensed food service counters in department stores, retail supermarkets, or institutions like a college campus or an arena, AFCFC provides fresh, restaurant-quality sushi and Asian meal solutions at affordable prices using the highest-quality ingredients.

AFCFC's principal business address is 19700 Mariner Avenue, Torrance, California 90503. At the end of the Fiscal Year ending on March 31, 2024, AFCFC had over 4,800 food service counters in the United States, Australia, and Canada.

In Canada, AFCFC's locations are broken down as follows: three corporate-owned locations in Ontario and 81 franchised-operated locations distributed in Alberta, British Columbia, and Ontario, respectively.

AFCFC's immediate parent company is Advanced Fresh Concepts Corp. (**AFCC**). This California corporation granted AFCFC a license to use certain trademarks to grant its franchisees the use of them. AFCFC has no other predecessor.

AFCC is also the parent of Advanced Fresh Concepts Distribution Corp. (**AFDCD**), which fulfills and ships supplies and food product orders to franchisees in the USA. AFDCD supplies products to our approved distributor, Wismettac Asian Foods, Inc. Canada. Wismettac arranges the logistics to provide our products, source some products, and schedule the orders to sell to our franchisees in Canada.

The principal business address for AFCC and AFDCD is 19205 South Laurel Park Road, Rancho Dominguez, California 90220. Our phone number is 310-604-3200.

Please note that this report collectively refers to AFCC and its controlled entities AFCFC and AFDCD as '**AFC**.'

Policies and due diligence processes regarding forced and child labour.

Identifying the areas where we are more vulnerable to the impact of Child/Forced labor in our Supply Chain, Operation, and Business relations helps us reinforce compliance with company policies and procedures:

1. Related to Corporate Operations.

- I. While AFCFC and AFDCD already provide employees with training that is monitored by our Human Resources Department. Child/Forced Labor and Human Trafficking training awareness modules have been added to our training catalog, and they are to be taken by employees with responsibilities linked to the supply chain.



- II. Our HR Department also follows its procedures regarding hiring employees, including an extensive background check to ensure the candidates are introduced legally and adequately and join our company.
- III. Every employee in our system also receives and signs a copy of the Employee Handbook, which lists employees' behavioral standards and conduct while working at AFCFC/AFDCD.

2. Related to Franchised Operations.

- I. The AFCFC's Field Operations Department and third-party auditors continually reinforce compliance by performing monthly/quarterly store inspections, during which the AFCFC's Compliance Department can promptly identify non-compliance practices.
- II. Owners or Lessees of Supermarkets, institutional campuses, military bases, or other locations who contractually grant AFCFC a license to operate at their premises also perform internal audits on our operating franchisees.
- III. Non-compliance franchisees are either provided necessary training/re-trainings or given notices of breach and statutorily allowed to cure the violation cited, including but not limited to labor issues. If a franchise operator continues the violation, s/he may more likely jeopardize his/her franchise.

3. Related to the Supply Chain.

- I. According to applicable provisions of governing Franchise Agreements between AFCFC and its signing franchisees, the franchisees are not allowed to purchase or use any products or supplies not provided by authorized vendors selected/ approved by AFCFC.
- II. While many of our suppliers are well-established companies that constantly work on sustainability, social responsibility, child/forced labor, and human trafficking, AFCFC and AFDCD continue consistently questioning our suppliers to provide us information regarding their companies' initiatives to prevent child/forced labor. We then use this information for our mapping analysis to identify even more risks in our supply chain and increase company transparency.

The parts of its business and supply chains carry a risk of forced or child labour being used and the steps it has taken to assess and manage that risk.

In the Supply Chain:

Based on our supply chain assessment, we are still working with our suppliers to gather more details to determine which areas of their supply chain represent a higher risk of child/forced Labor. We also identify their countries and where their trading partners are doing business and sourcing products. Once we have more transparency, analyzing the sanctions or warnings the supplier's trading partners have received will provide further details for us to change the action plan to follow/pursue with specific suppliers.

While we have identified that some of our suppliers are producing or sourcing some of their products in Thailand and India, which represent a high risk of forced/child labor, we are getting further details from our suppliers as there are still gaps in our assessment.

For example, one of the suppliers we currently do business with has close to 80 trading partners. Per our risk analysis, the following figure (Figure 4) displays the high and moderate trading partners (*company full names have been blurred for privacy*). Now, we are in the phase of requesting more data from our suppliers to continue tracking and learning about the process they are following to mitigate the risk of forced/child labor.

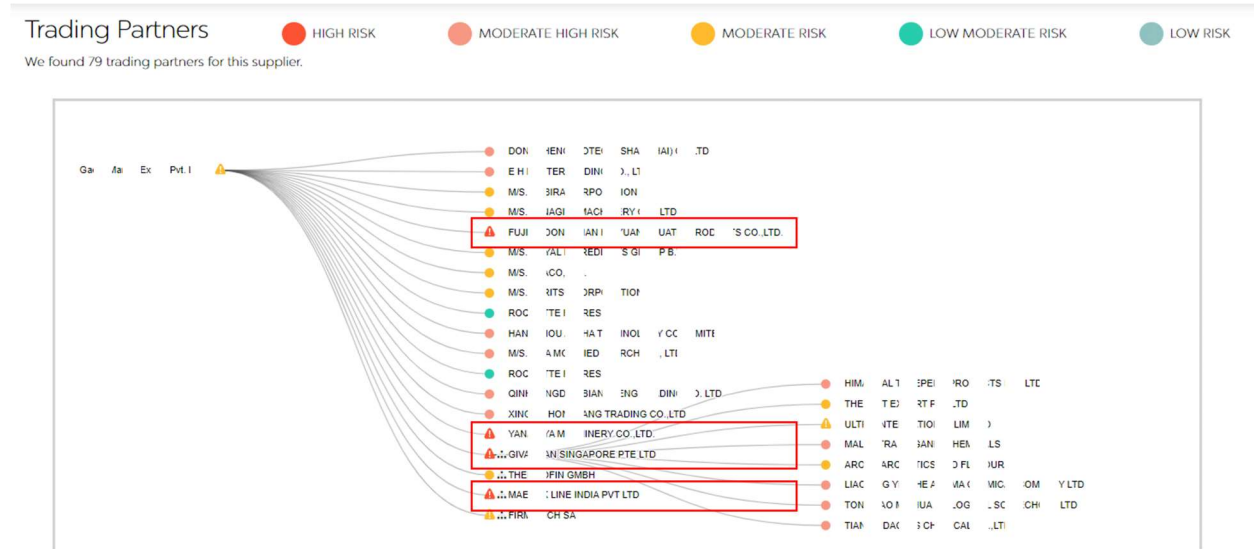


Figure 4. AFC Supplier Trading Partners.

As we have identified the Spice and Extract Manufacturing and Seafood canning industries, and by learning more about ingredient information sourcing, we will be able to narrow down more precisely the areas we will need to work on, like the locations where they source ingredients, places where they are producing some of the components of the final product, etc.

In the Franchised Operation:

- I. AFCFC communicates directly with supermarket accounts through its Account Managers (AMs). Additionally, Division Managers, Regional Managers, and Field team members from AFCFC visit the franchised locations frequently and engage with the supermarket directors to check if the operations are running adequately. This communication structure allows us to promptly receive reports or complaints about issues, including, without limitation labor-related ones, observed at the franchised or corporate stores. Once a complaint is received, AFCFC's Compliance Department immediately launches an investigation to gather the facts, analyze the facts gathered and determine a legally appropriate course of action to take in response, and to hold all breaching franchisees accountable.
- II. Compliance Memoranda: AFCFC updates its franchisees frequently once there are changes in laws and regulations. Although Franchisees must comply with laws and regulations in their independently owned businesses, we still send reminders to



franchisees regarding adjustments of pay rates, rules, and any other policies and procedures.

- III. Our company also has an information e-mail address used to receive public feedback. Our Headquarters team gets all information and complaints and addresses all issues with consumers, vendors, and suppliers.

Any measures taken to remediate any forced labour or child labour.

AFCFC is increasing communication with its suppliers to increase transparency and ask them to provide further data so that we can identify the trading partners that increase the risk of child/forced labor in the supply chain. We continue to evaluate and take measures with the suppliers currently listed with higher risk by analyzing sanctions and information to determine with the suppliers how this risk can be eliminated.

Any measures taken to remediate the loss of income to the most vulnerable families that result from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.

To support the loss of income for the most vulnerable families, 5% of the subscription fees AFCFC pays our Supply Chain Risk Management system supplier is proposed and donated to the charitable organization Made in a Free World.

We are developing other remediation measures to continue supporting affected families, such as supplier engagement. This way, when identifying the particular areas of risk, we can, together with our suppliers, find solutions to remediate this loss of income instead of AFC terminating the supplier relationship as a first step, as this will also impact families working with that supplier. Working together, we can prepare a more robust plan of action to support.

The training provided to employees in forced labour and child labour.

Our Human Resources Department hired Kantola Productions, a brand from Traliant, a third-party training company that creates compliance training courses for organizations. We train all personnel working for AFC companies. Employees at all levels receive specific training depending on their roles and responsibilities. AFCDC made training modules, such as Modern Slavery in Supply Chains training, available to their employees. This training is mandatory for the members who work directly in the supply chain roles and are in contact with vendors to raise their awareness of slavery and child labor issues.

In addition to the scheduled training, we had caused available to employee's resources and literature provided by the Departments of Labor and Industrial Relations, such as the California Child Labor Laws and the List of Goods Produced by Child or Forced Labor.



How Advanced Fresh Concepts Franchise Corp. assesses its effectiveness in ensuring that forced and child labour are not used in its business and supply chains.

AFCFC conducts yearly audits to review and update the organization's policies and procedures. Auditors also randomly interview selected personnel from the organization to learn about the current processes followed by multiple areas in the company. While our company is still updating many procedures incorporating Slavery and child/Forced labor to increase awareness among the employees, we are still defining the performance indicators to measure the changes over time.

AFC Distribution Corp. continues to reinforce the supplier selection process by distributing its modern slavery supplier checklist to the suppliers we use to get our products. This checklist supports our organization's efforts to identify transparency between our suppliers.

We are working conjunctively with our suppliers by developing assessment tools based on the guidance of the International Labour Organization (ILO) checklist. These tools can provide further transparency regarding the tier 1 and 2 trading partners our suppliers do business with.

4. Approval and Attestation of the Report.

This Annual Report prepared for Advanced Fresh Concepts Franchise Corp., has been reviewed and approved by AFCFC's body board of Directors by the requirements of the Act, and in particular with 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 Act for the reporting year listed above.

The stakeholders are also aware of AFCFC's obligations under the Act to enact the Fighting Against Forced Labour and Child Labour in supply chains (Bill S-211).

I have the authority to bind Advanced Fresh Concepts Franchise Corp.

A handwritten signature in black ink, appearing to read "J Seiler". The signature is written in a cursive, flowing style with a large loop at the beginning.

Mr. Jeffery Seiler
President and CEO

May 24, 2024, at Torrance, California, USA

JEFF, PLEASE SIGN-->>>2023 2024 AFC CANADA Annual Report (final)

Final Audit Report

2024-05-28

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"JEFF, PLEASE SIGN-->>>2023 2024 AFC CANADA Annual Report (final)" History

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