

Capital Brands Distribution, LLC

REPORT ON Forced Labor in Canadian Supply Chains

An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act)

Reporting Entity Identification

Reporting entity's legal name: Capital Brands Distribution, LLC

Financial reporting year: 2023

Business numbers: 709796114 / CRA Acct RT0001

Identification of a joint report: NO

Identification of reporting obligations in other jurisdictions: NO

Entity categorization according to the Act: Does business in Canada/ Has assets in Canada

Sector/industry: Retail trade

Location: USA

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Structure, activities and supply chains

Capital Brands Distribution, LLC(CBD) is a subsidiary within the family of companies collectively referred to as the De'Longhi Group (DLG) that are all within the corporate structure of De'Longhi S.p.A, one of the world's leading players in small domestic appliances associated with the world of coffee, the kitchen, air conditioning, and home care. CBD is responsible for servicing all of DeLonghi's US and Canada businesses for the Nutribullet and Magic Bullet brands. CBD has direct factory / manufacturing relationships, which are managed by DLG. DLG manages all of the upstream relationships with Tier 1 suppliers, who together with CBD, are held to the standards of the DLG code of conduct and audit standards.

CBD imports to Canada are sourced from factories located in China. CBD distributes through most of Canada's major retailers as well as direct-to-consumer through online channels from its distribution facility located in Milton (Ontario).

Business and organizational model Supply chain management is carried out by the DLG Supply Chain Division, together with DLG Quality and Purchasing, with a view to ensuring business continuity, compliance with the highest quality standards and environmental, as well as social, requirements.

The Quality Division periodically audits and investigates the quality of the finished products and also conducts audits in order to ensure protection of human rights and compliance, beginning in 2019, with the main environmental regulations, as well as the values and principles included in the Group's Code of Ethics which, as of 2022, is applicable to all suppliers and not only the suppliers of finished goods.

Steps taken to prevent and reduce risks of forced labour and child labour

The De'Longhi Group (DLG) audits its suppliers periodically to assess different social aspects, like the child or forced labor, freedom of association and collective bargaining, hours and work conditions, health and safety, discrimination, and training of personnel.

Our DLG's Code of Conduct (Code) applies to all employees, Tier 1 suppliers, and strictly prohibits any form of mental and physical coercion, slavery, human trafficking and requires suppliers to comply with all laws and regulations regarding the minimum age of workers and in accordance with the International Labor Standards (ILS).

DLG also conducts social and environmental audits on Tier 1 suppliers in accordance with the international standard SA 8000 (Social Accountability).

The audits help to provide insight into practices within the DLG supply chain, including with respect to freedom of association and collective bargaining, work hours, work conditions, health and safety, child labor, forced labor, discrimination and training of personnel. These audits are typically carried out every two years with respect to both the initial and subsequent monitoring phases.

The information gathered from these audits, any corrective measures and the relative follow-ups are logged into a specific system which monitors supplier updates and obligations. This assessment process

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is formalized and monitored based on a specific process which, beginning in 2019, established officially that all new suppliers are subject to the SCOC (Social Accountability Code of Conduct).

Policies and due diligence processes

DLG is committed to guaranteeing ethical business practices which comply with the applicable regulations in all the countries in which it operates, carrying out its activities in accordance with the principles of the Group's Code of Ethics which is applicable also to its suppliers.

The Code of Ethics prohibits undocumented working relationships, any form of exploitation (including child labor) and any undue advantage over workers.

DLG ensures that, in addition to transparency and compliance, models of conduct have been defined and implemented with a view to minimizing the risk associated with illicit behavior, subject to sanctions under the law and regulations. Toward this end, all the Group companies received "Corporate Governance Guidelines", since 2018.

The administrative directors of the different branches are responsible for the application of these guidelines which call for adherence to the Group's Code of Ethics and define a system for the delegation of spending authority.

The De' Longhi Group's Code of Ethics defines the ethical standards that must be adhered to by employees and in the course of all the relationships between the company and third parties, which aspire to legality, transparency, fairness, integrity and professionalism, as well as protection of privacy. In order to allow new hires to familiarize themselves with these standards, as of 2020 induction sessions are held during which the highlights of the Code of Ethics and the 231 Model are illustrated.

All new employees must provide signed confirmation of having received and read the Code of Ethics.

In addition to the Group's Code of Ethics, the Group has also published the "Responsible Sourcing Guidelines" which define the criteria to be used when assessing and monitoring new supplier risks over time.

Labor and Human Rights: Child labor

As part of the Code of Conduct, Suppliers must comply with laws and regulations regarding the minimum age of workers in accordance with International Labor Standards (ILS).

Suppliers must comply with all legal requirements for the work of authorized young workers, which must not be exposed to physical risks that could adversely affect physical, mental or emotional development. In case no regulations for the protection of young workers exist, or in case such regulations are not in accordance with the internationally recognized principles and requirements, such as the International Labor Organization (ILO) dispositions, Suppliers shall observe SA8000 requirements.

As part of our mandatory requirements, all suppliers are to comply with local laws regarding the minimum age of workers.

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No person shall be employed under the age of 15 or under the age for completion of compulsory education, as requested by local laws.

Suppliers must require formal identification and age documentation of workers in recruitment process, maintain all age documents and must comply with all legal restrictions placed on authorized minors which include maximum number of overtime hours, hazardous work, night work or mandatory medical examinations.

DLG's Code of conduct recommends as part of its good management practices to implement policies and documented procedures for prevention of child labor and management of child labor cases are in place, which have to be maintained and effectively communicated.

Appropriate training should be provided to all relevant supervisors to respect the provisions for young workers, especially with respect to hours of work, night shift and heavy or dangerous work, and a system for monitoring the effectiveness of Supplier's system is in place to prevent the hiring of under-age workers and to assure the protection of authorized young workers.

Forced or compulsory labor

Any form of mental and physical coercion, slavery and human trafficking are strictly prohibited by the Code. Labor is a free opportunity and a free choice. DLG does not tolerate any form of forced, involuntary, or trafficked labor or whichever form of bonded labor. DLG consents to any re-educational labor opportunity aimed at social reintegration, as long as in line with applicable local Law provisions.

Employees shall not be subject to rules of any kind, which might limit their rightful freedom. DLG's Code mandates that all workers must be voluntarily employed without using forced, bonded, indentured or trafficked labor or any other form of involuntarily labor. Suppliers must not retain employees' original identification document or any kind of document which might limit the workers' status/compliance, freedom to travel or ability to leave the workplace or the job and must not require workers to pay any fee or deposit in connection with their employment, including migrant workers and workers supplied through labor agencies.

The foreign or migrant workers shall be employed in compliance with applicable law, including immigration regulations, and they must not be subjected to any threat of termination or deportation.

The Code recommends that policies and documented procedures against forced labor are in place, maintained and effectively communicated. Appropriate training should be provided to the person responsible to the hiring process, managers and supervisors. Policies, procedures and training should be regularly reviewed to ensure they are effective in preventing forced labor and a monitoring system and controls should be in place to prevent unlawful behaviors and practices.

Forced labour and child labour risks

DLG's Internal Audit and the Financial Reporting Officer supervise the Enterprise Risk Management (ERM) system, implemented and updated over the years, which focuses on the assessment and monitoring of company risks. As part of this project, a number of activities were carried out over the last

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few years in order to integrate the ERM matrix with the risks perceived in each area by local and international management. These include the development of a dynamic Risk Management platform, which was rolled out over the first few months of 2021 and today is in place at a majority of the Group's companies.

In the last year the risks linked to sustainability included on the platform, along with the climate change risks identified already in 2021, were updated to include, among other areas, health and safety measures, human rights, and the impact on the stakeholders' sustainability interests.

DLG's Risk Management platform is dynamic and allows the personnel involved to update the selection of risks in a timely and independent manner, under the strict supervision of Internal Audit and the Financial Reporting Officer, as well as make changes to the risk map based on the user profile in order to guarantee the utmost control and separation of roles.

In the latter part of 2022 the "Responsible sourcing guidelines", which define the criteria to be used when assessing the risk associated with all the Group's new vendors, were published on the vendor portal.

In this way, the Group is able to verify the situation of each vendor completely and, by updating the assessment criteria each year, guarantee that the risks are being monitored correctly.

By identifying risks, including those related to human rights, and educating employees on those risks, DLG is actively reviewing and mitigating potential risks of human rights violations including forced child labour.

Remediation measures

DLG requires that all its Tier 1 suppliers sign the De' Longhi Group's Code of Conduct, which makes it possible to stress the importance of crucial topics like condemning child labor and forced labor, pay that does not respect the minimum wage requirements and, in any case, workers' dignity. DLG suppliers are also required to share the Group's Code of Ethics with any sub-contractors working with them.

DLA is not aware of any violations of the Group's Code of Conduct in 2023 in respect of forced or child labour that would require remediation measures to be taken.

Remediation of loss of income

CBD has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.

DLG is providing SA8000 training to our audit teams in China which is the world's leading social certification program allowing companies to demonstrate their dedication to fair treatment of workers. The certification is based on the Universal Declaration of Human Rights and International Labour Organisation (ILO) conventions.

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DLG has also championed good management practices for all of its suppliers, such as: hiring policies and documented procedures against forced labor are in place, which are maintained and effectively communicated; - appropriate training is provided to the person responsible to the hiring process, managers and supervisors; - policies, procedures and training are regularly reviewed to ensure they are effective in preventing forced labor; - monitoring system and controls are in place to prevent not allowed behaviors and practices; - a system for ensuring migrant workers do not pay recruitment costs is in place.

Assessing effectiveness

DLG has a long-standing Social Code of Conduct auditing activity for our Tier 1 suppliers which allows it to control the implementation level of our procedures and standards. DLG auditors are SA8000 certified, which allows them to assure Tier 1 suppliers are compliant with the Code of Conduct, which prohibits child and forced labour.

DLG has also established Responsible Sourcing Guidelines which include a social risk assessment method that was released in 2023. This process is part of DLG's wider Sustainability journey, and results are shared as part of the annual Sustainability report. The results of the audits conducted have shown no zero tolerance violations in 2023.

The relationships between the De' Longhi Group and its vendors are governed by the Group's Code of Ethics which states the criteria that these relationships are subject to; more in detail, based on the Code the relationships with suppliers should be conducted in accordance with the law and applicable regulations, as well as the general principles defined in the Code. The supplier selection process, furthermore, should be done based on an objective comparison of quality, price, execution and assistance while avoiding any and all forms of favoritism or discrimination. Throughout any relationship with the Group, the suppliers are also required to comply fully with the law and the Code. The Group suppliers must ensure that the working conditions of its employees do not violate basic human rights, comply with international agreements and current law. The supplier must provide any of its sub-contractors with a copy of the updated Code of Ethics which has been translated so all the vendors can fully understand its content. Once the new vendors have been selected, the Supply Chain Division and Quality will work to establish long-term relationships, which allow the Group to respond quickly to the needs of the market and production. Toward this end, logistics is focused on building a simplified direct network, which supports direct delivery, consistent with the Group's expectations.

The De' Longhi Group pays great attention to the standards and principles referred to in these documents, particularly with regard to the respect of human rights and avoidance of the risk of forced or child labour. With regard to the latter, the Group is committed to guaranteeing ethical business practices which comply with the applicable regulations in all the countries in which it operates, carrying out its activities in accordance with the principles of the Group's Code of Ethics which, as of 2022, is applicable also to its suppliers. In addition to this document, the Group also published "Responsible Sourcing Guidelines" which define the criteria to be used when assessing and monitoring new supplier

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risks over time. The De' Longhi Group also audits its suppliers periodically in order to assess different social aspects, like the freedom of association and collective bargaining, hours and work conditions, health and safety, child or forced labor, discrimination and training of personnel. There were zero infractions from the 2023 Audits conducted.

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ATTESTATION

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Reporting Entity Identification

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Financial reporting year: 2023

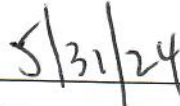
In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above.

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.



Mike Prager

CEO, Capital Brands Distribution, LLC



Date

I have the authority to bind Capital Brands Distribution, LLC