

HEADQUARTERS

421 Manitou Dr

Kitchener, ON

N2C 1L5

Forced Labor in Canadian Supply Chains

Updated May 28, 2024

Krug Inc.

Table of Contents

Introduction.....	3
Section 1: Structure, Activities and Supply Chain	3
Business Overview.....	3
Supply Chain Overview	4
Environmental Commitment	4
Section 2: Policies and Processes in Relation to Forced and Child Labour.....	5
Social Responsibility Policy	6
Energy and Environmental Policy	6
Quality Management.....	7
Vendor Selection and Performance.....	7
Section 3: Identification of Risks	8
Section 5: Remediation of Loss of Income.....	8
Section 6: Employee Training.....	9
Training related to Forced and Child Labour.....	9
Policy and Functional Training	9
Section 7: Assessing Effectiveness.....	9
ISO and Policy Compliance	9
Section 8: Approval and Attestation of the Report.....	10



Introduction

This report is Krug Inc.'s response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act ("the Act") for the financial year ending December 31, 2023. The reporting entity covered by this statement is Krug Inc. (business number: 878328426).

For the purposes of the Act, Krug Inc. meets the Entity definition as it has a place of business in Canada, does business in Canada and has assets in Canada and meets the thresholds for assets, employees and revenue. Krug Inc. also meets the definition of Reporting Entity as it produces goods inside and outside of Canada, sells goods inside and outside of Canada, distributes goods inside and outside of Canada and imports into Canada goods produced outside of Canada.

Krug Inc. ("Krug") is a provincial corporation incorporated under the Business Corporations Act and is obligated to submit a report to the Minister of Public Safety in response the Act by May 31, 2024. In accordance with the Act, this report outlines the measures taken by Krug Inc. over the previous financial year to mitigate risks associated with forced and child labour in its supply chain and operations.

Section 1: Structure, Activities and Supply Chain

Business Overview

Founded in 1880, Krug is an Ontario-based, leading designer and manufacturer of office, healthcare, higher education, and hospitality furnishings. With approximately 400 employees, we collaborate with architects, designers, and other furniture professionals to create beautiful spaces the world over. Known for our innovation in solving the challenges others can't, we craft products of the highest quality and aesthetic appeal, bringing value to every one of our customers. For over 140 years, Krug's reputation has been built on the principles of integrity and dignity in its relations with its staff, customers, suppliers, and the communities in which it operates.

At present, Krug produces a complete product line of quality wood, wood and metal and laminated office furniture. Our extensive use of carefully chosen materials, finishes and hardware has all contributed to the quality of our products. We recognize that integrating sound environmental practices into all aspects of our business will enable us to preserve resources for future generations. As part of the comprehensive management of our environmental processes, we ensure that materials used to assemble our product or integrated into them do not contribute or in any way present undue health or safety hazards to staff or the environment.

The North American Industry Classification System (NAICS) Canada 2022 Version 1.0 was used to classify the sectors applicable to Krug's operations, supply chain and related activities. Krug operates in the following sectors, sub-sectors, and related industry groups:

- (31-33) Manufacturing
 - (337) Furniture and related product manufacturing
 - (3372) Office furniture (including fixtures) manufacturing
 - (3371) Household and institutional furniture and kitchen cabinet manufacturing
 - (332) Fabricated metal manufacturing
 - (3325) Hardware manufacturing

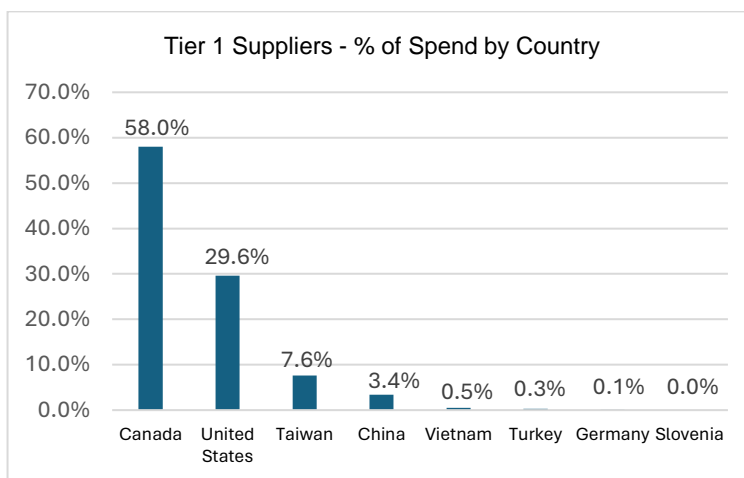
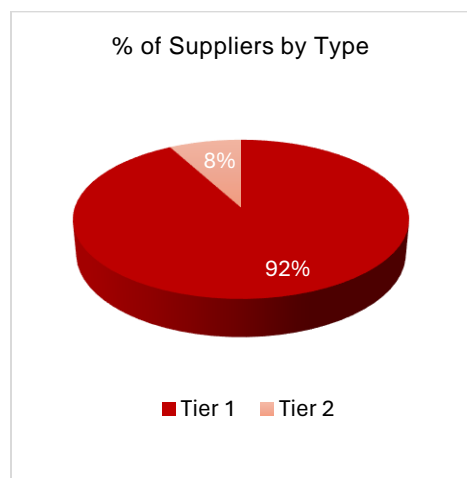
- (44-45) Retail trade
 - (449) Furniture, home furnishing, electronics and appliances retailers
 - (4491) Furniture, floor covering, window treatment and other home furnishings retailers

Supply Chain Overview

Krug maintains a comprehensive list of suppliers, both domestic and offshore, from which parts are purchased for the intent of manufacturing and production in one of our Kitchener, Ontario locations. Manufacturing activities include cutting, pressing, machining, upholstering, gluing/finishing, assembling, packaging. Our Tier 1 suppliers are those we directly procure goods from to support our manufacturing activities and Tier 2 suppliers are those that procure and supply goods to our Tier 1 suppliers. Some Tier 2 suppliers will have manufacturing facilities in a different location than their defined headquarters.

For the reporting period, our supply chain was comprised of 260 Tier 1 and Tier 2 suppliers spanning 18 countries. This included the following jurisdictions:

- North America: Canada, United States
- South America: Mexico
- EMEA: Croatia, France, Germany, Italy, Latvia, Lithuania, Poland, Romania, Slovenia, Turkey
- Asia Pacific: China, India, South Korea, Taiwan, Vietnam



Environmental Commitment

At Krug we strive to reduce our environmental footprint and are FSC, GREENGUARD, Level® and LEED certified. Incorporating environmental sustainability into all our business practices and manufacturing processes, we provide well-designed furniture in the most environmentally responsible way possible. We strive to minimize the use of energy in our operations and move towards the use of renewable energy to reduce greenhouse gas emissions. Our goal is to become climate neutral in our energy-use. Many products are also made with recyclable materials.

FSC Certification

Krug manufacturing facilities have received Forestry Stewardship Council (FSC) Chain-of-Custody Certification, signifying that the growth, harvesting and productions of goods are achieved through responsible forestry. Any non-certified wood used in an FSC-certified product must come from controlled sources in accordance to FSC requirements.

GREENGUARD Certification

All our seating productions have received GREENGUARD certification. They have met UL Environment's rigorous testing requirements and standards for low-emitting products, which contributes to improved indoor air quality.

Level® Certification by Business Institutional Furniture Manufacturers Association (BIFMA)

Krug has achieved Level® - a comprehensive multi-attribute sustainability standard focused on the environmental and social impacts of the life cycle of furniture – on all our products. The Level® mark demonstrates that the product, manufacturing facility and company responsible for the product brand, have achieved the necessary requirements for certification.

Level® was created to deliver a transparent means of evaluating and communicating the environmental and social impacts of furniture products in the build environment. The certification is based on the sustainability requirements for office and non-domestic furniture for indoor use that were developed by FEMB, the European Federation of Office Furniture, using as a basis, the American standard ANSI/BIFMA e3 together with the European criteria for Green Public Procurement and the specifications of several voluntary ecolabels.

To receive a Level® certification, a manufacturer must contract with a certification body accredited according to ISO 17065 for a product to be evaluated and certified in accordance with the existing certification scheme and the ANSI/BIFMA e3 standard.

The scope of the standard includes organizational initiatives, product attributes and facility performance. Prerequisites require an energy and environmental policy in addition to a design for an environment program. The standard recognizes a variety of sustainability attributes including Environmental Impacts (e.g. embodied energy, greenhouse gasses, recycled content, efficacy of material usage, lifecycle assessments and more), Health and Wellness Impacts (e.g. use of persistent, bio accumulative reproductive toxicants, carcinogens and endocrine disruptors, use of greenscreen® and other health concerns) and Social Impacts (e.g. accounting for labour and human rights within the standard).

LEED Certification

The LEED Green Building Rating System is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings. Krug products are LEED certified in a variety of categories.

Section 2: Policies and Processes in Relation to Forced and Child Labour

For the reporting period, Krug had policies and practices related to the prohibition of forced and child labour in its operations. As part of our Social Responsibility Policy, we do not condone or participate in any form of forced and/or compulsory labour, including child labour and our policy language states this. As part of maintaining our compliance with ISO, we have practices and procedures related to procurement and vendor / supplier management. We expect our suppliers to adhere to our respective policies and practices.

Social Responsibility Policy

Our Social Responsibility Policy is comprehensive and applies to all Krug employees. This policy covers: health and safety, inclusiveness, employment equity and human rights, community outreach and involvement, corporate ethics, and education of staff.

Health and Safety: The health and safety of our employees is one of the highest priorities at Krug. Our high standards are established in policies, procedures, and training. We measure, monitor, and aim to continually reduce the number of incidents requiring medical aid. The health and well-being of staff is crucial to their productive contribution to the company's success, and we provide employees with a comprehensive benefit plan including an Employee Assistance Program (EAP) to support staff and their families.

Inclusiveness, Employment Equity and Human Rights: We do not tolerate discrimination of any kind that are prohibited and outlined in the Ontario Human Rights Code. This is reflected in our hiring practices. This includes but is not limited to, prohibiting discrimination based on age, creed, colour, race, ethnic origin, disability, citizenship, family status, marital status, gender identity, gender expression, sex, sexual orientation, receipt of public assistance and/or persons with disabilities or Aboriginal Peoples.

We have an Employment Equity program that aims to eliminate any barriers to employment for the following designated groups: women, Aboriginal Peoples, visible minorities, and persons with disabilities. Additionally, we have established policies in accordance with the Accessibility for Ontarians Disability Act (AODA). We strive to ensure our hiring practices result in a fair, objective, and accessible process from job posting to interview. Employee Rights are also further guarded by other legislation including the Canadian Charter of Rights and Freedoms, the Occupational Health and Safety Act, Privacy legislation, the Employment Standards Act as well as the Labour Relations Act. We recognize that employees have the freedom of association and the right to join a union and collective bargaining and will not discriminate or punish workers for exercising these rights. Additionally, Krug has a process and open-door policy, for employees to bring concerns forward if they feel they are not being treated fairly, discriminated against and/or treated with dignity and respect.

Corporate Ethics: Krug demands the highest level of ethical behaviour in all of our dealings. We expect all employees to follow all company policies and align their behaviour to our Mission ("Delight our Customers") and Core Values ("Integrity without Compromise", "Do Right By All Our Customers", and "It's Our People"). We also have a gift policy that prevents individuals directly involved with customers or vendors from being influenced in their decision-making.

Energy and Environmental Policy

We operate in compliance with all environmental emission legislation, hazardous waste management and legal requirements and maintain current Certificates of Approval for air and noise emissions for all emitting plants. As an organization we are open and responsive to the environmental expectations and concerns of customers, staff, and government agencies by providing clear and candid information about the environmental impact of our product and operations.

As an organization we are committed to:

- Conducting our business in a socially acceptable and responsible manner,
- Incorporating sustainable and environmentally responsible practices in all business activities,

- Ensuring our management team supports and promotes all environmental objectives and procedures set forth in this policy,
- Using, recycling, reducing, and eliminating waste materials wherever possible throughout the company,
- Allocating and sustaining adequate resources for the effective management of all necessary current and future environmental program requirements,
- Pollution prevention to land, air, and water by ensuring all legal compliance with all legislation and good business practices and pursuing end of life for all products to reduce waste destined to landfill.

All employees are expected to foster and encourage the promotion of community care activities in their daily work by disposing of personal food and tobacco refuse in the provided containers to avoid contamination of commercial property and neighbouring facilities. Where appropriate, we also consider pollution prevention programs to reduce waste and emissions. Waste and environmental management is viewed not only as a social and legal responsibility but also an opportunity to contribute to the financial success of Krug.

Quality Management

In compliance with ISO 9001, we have developed a quality management manual that defines requirements for an appropriate work environment to achieve product conformity including consideration for social, psychological, and physical conditions. Internal Krug employees who have responsibilities that impact product quality (e.g. Engineering, Quality Assurance, Purchasing, Receiving) are provided with the appropriate training to ensure compliance with current certifications, ISO, and health and safety requirements as it applies to their role.

In alignment with ISO policies and social responsibilities, Krug requires all suppliers, and subcontracted suppliers (Tier 1, Tier 2) to follow all laws with respect to hiring practices (no child labor, no forced labor, age limitations).

In the event a supplier fails to comply with ISO procedures and our defined requirements, we have a documented process which outlines procedures for addressing and mitigating this risk. Failure to comply would be subject to a review of an exist strategy of that portfolio or applicable supplier, in accordance with ISO. In compliance with ISO procedures, Krug ensures vendor agreements, when purchasing, are bound by our terms and conditions.

To also meet our other environmental certifications, internal to our practices, we have established procedures and processes to ensure chain-of-custody has been established and is documented for all raw materials from sourcing to processing, manufacturing, distribution and printing until the final product is ready to sell to our customers. This ensures all materials procured come from certified sources.

Vendor Selection and Performance

In compliance with ISO: 9001, Krug clearly defines vendor selection and performance rating procedures. The Krug performance rating (or Vendor Evaluation system) is designed to identify quality and delivery deficiencies, to initiate corrective action with Krug vendors and to identify vendors who best meet or exceed Krug requirements.

During the selection, evaluation and onboarding of new suppliers, the Purchasing team, will take the reasonable steps to ensure vendors are set up as an approved vendor. Vendor Information Forms and Vendor Qualification Surveys, are supporting documents to help determine which business is to be awarded. The Purchasing team is responsible for overall maintenance and vendor relationship management, as outlined within our ISO procedures.

Section 3: Identification of Risks

For the reporting period and to identify the risk associated with forced or child labour in our supply chain, we distributed a revised vendor qualification survey where a formal attestation from each supplier and their suppliers was required. This attestation requires acknowledgment and confirmation that they do not operate with known or forced labour in their supply chain.

11.0 Social Responsibility & Accountability		
1.	Does the supplier follow all provincial and federal laws with respect to hiring practices? (no child labor, no forced labor, age limits)	Yes No
2.	Does the supplier have a documented Health and Safety Program?	Yes No
3.	Is there visible evidence that Health and Safety is promoted within the facility?(posted policies, posters, statistics etc.)	Yes No
4.	Does the supplier have a policy on non-discrimination in the workplace?	Yes No
5.	Does the supplier have a policy that addresses discipline and harassment and steps staff are to take if this is suspected?	Yes No
6.	Is the policy publicly posted in the workplace?	Yes No
7.	Does the supplier meet provincial / federal guidelines with respect to working hours and compensation?	Yes No
8.	Is there a designated Health and Safety Representative?	Yes No
9.	Is there a designated Human Resources Supervisor / Manager?	Yes No
10.	Are your suppliers and subcontracted suppliers required to follow all provincial and federal laws with respect to hiring practices? (no child labor, no forced labor, age limits)	Yes No

Excerpt: Section 11.0 – Vendor Qualification Survey

In addition to this, in terms of assessing risk, outside child labour, formal corrective actions must be documented and kept on the supplier's file, for any non-conforming suppliers. To date we have had no incidence of a non-conforming supplier.

As stated in Section 1: Structure, Activities and Supply Chain (p.3), as Krug's supply chain is broad in terms of domestic and offshore, there are layers of risk associated with each supplier, commodity, and structure. As part of our internal ISO procedures, and practices for measuring supplier performance, we have various internal key performance indicators that we monitor. 74% of responses have been turned in with regards to Tier 1 and Tier 2 qualification surveys This included questions related to forced and child labour as outlined in the above *Excerpt: Section 11.0 – Vendor Qualification Survey*. At this time, no risks of forced or child labour have been identified. We will continue to obtain written attestation from 100% of our Tier 1 and Tier 2 suppliers.

Section 4: Remediation of Forced and Child Labour

For the reporting period, no incidence of forced or child labour was identified in our supply chain or operations, therefore no remediation of forced or child labour was required.

Should an instance of forced or child labour be identified, we will refer to guidance outlined by the OECD and International Labor Organization (ILO) to address this by taking appropriate action and implement best practice guidance.

Section 5: Remediation of Loss of Income

For the reporting period, no incidence of forced or child labour was identified in our supply chain or operations, therefore no remediation of loss of income was required.

Should an instance of forced or child labour be identified, we will refer to guidance outlined by the OECD and International Labor Organization (ILO) to address this by taking appropriate action and implement best practice guidance.

Section 6: Employee Training

Training related to Forced and Child Labour

The Corporate Purchasing team has been trained on forced and child labour. Corporate-wide training and awareness related to ISO and BIFMA is still an ongoing standard practice. For the reporting period, the Purchasing team has been trained, consisting of 10+ individuals, as part of surveillance auditing on the scope of forced and child labor in the supply chain.

Policy and Functional Training

All employees receive training on inclusiveness, employment equity, AODA and human rights and related policies and Occupation Health and Safety. We also have a fully documented health and safety program available on our intranet and employees also have access to all policies and procedures as required.

Depending on the functional team, some training is more specific. For instance, strategic sourcing employees learn about the need to investigate human rights policies and practices of offshore vendors. In other areas, such as Workplace Violence and Harassment, all employees are trained and provided refresher training, as a minimum every 3 years. Ethical dealings are also taught by example through mentoring, discussion, and review of actual situations.

The methods used and the employees responsible for organizing, performing, and documenting organization training related to the quality program are as described throughout and in compliance with our documented ISO procedures.

Section 7: Assessing Effectiveness

For the reporting period, Krug had mechanisms and procedures to assess the effectiveness of our policies, procedures, and training, which also applies to the issue of forced or child labour. To date our purchasing department(s), as part of ISO requirements and the sustainability of our entire supply chain, have yet to encounter a non-conforming supplier to assess effectiveness for prevention and risk management within our supply chain.

ISO and Policy Compliance

Krug (externally) as part of ISO compliance relative to supplier information and onboarding of suppliers, ensures we (Krug as an Entity) have document controls in place to support any surveillance audit of our supply chain, to safeguard against the use forced and child labor.

Our vendor qualification survey requires Tier 1 and Tier 2 suppliers to follow all provincial and federal laws with respect to hiring practices (no child labour, no forced labour, age limitations).

As part of maintaining our ISO certification status, Quality Assurance is responsible for maintaining an audit journal for audit and reference purposes, maintaining copies of invoices, packing slips for received products and associated sales order numbers, ensuring supplier chain of custody certificates are current and on file, ensuring we have a copy of the certificate prior to purchase of any material, ensuring all required identification information appears on our invoices and for maintain a list of approved vendors.

We strive to continuously improve the processes, policies and procedures with our organization and supply chain and as part of our ISO and our existing supply chain procedures, have regular reviews to ensure we are adopting best practices in our operations while ensuring compliance.

We have established a process to identify environmental concerns and to ensure continuous improvement in our business practices. This that informs departmental meetings and Joint Health and Safety Committees. If issues are identified, escalation of issues identified can brought to the attention of Team Leaders, Managers or the Health and Safety team.

Managers and Team leaders are also expected to ensure that the proper disposal of all waste material complies with company an municipal expectations and legislations and that company policies are adhered to by employees.

Section 8: Approval and Attestation of the Report

In accordance with the requirements of the Act, and in particular Section 11, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable due 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.

Full Name: Cynthia Anderson

Title: Director of Operations

Date: May 30th, 2024

Signature: *Cynthia Anderson*

"I have the authority to bind Krug Inc."