



Bill S-211 Compliance Report

Company Name: KOTT Inc.

Reporting Period: 2023 Fiscal Year – October 1, 2022, to September 30, 2023

Table of Contents

Introduction and Executive Summary	2
1. Background and Context	3
2. Policy Framework and Commitments	3
3. Supply Chain Mapping	4
4. Risk Assessment	6
5. Remediation of Forced Labour & Child Labour and Vulnerable Family Income Loss	7
6. Awareness Training	7
7. Assessing Effectiveness	8
8. Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour	9
9. Conclusion	9
10. Appendices	9
Attestation	10

Introduction and Executive Summary

This report was made pursuant to Bill S-211, also known as Fighting against Forced Labour and Child Labour in the Supply Chains Act. It outlines KOTT's strategy and actions to identify and mitigate the threats of forced labour and child labour within its business operations and supply chains for the fiscal year starting October 1, 2022, and ending September 30, 2023.

KOTT Inc. is committed to respecting human rights and ensuring its supply chain is free from forced labour and child labour. KOTT's commitment to human rights is part of its corporate culture and KOTT will continue to establish policies and commitments that will foster this type of culture.

In the 2023 fiscal year, this commitment was reflected through existing human rights, hiring, and recruiting processes and informal policies that were formalized, committed to, and established during the 2024 fiscal year.

During KOTT's review of its employment practices and mapping of the supply chain, the risk of forced labour and child labour was assessed as low. In summary, the following are some of the findings:

- Employment and hiring practices:
 - o In 2023, existing policies indirectly addressed child labour and forced labour through various policies and training including: "Minimum Age of Work Policy", "Employee Handbook", "Hiring and Recruitment Policy", "Employee Onboarding Process", and "Subcontractors Qualifications Process."
- Supply chain assessment:
 - o All of KOTT's suppliers are Canadian, mainly lumber traders as tier 1 suppliers and not direct mills or loggers. KOTT has a long-standing relationship with these suppliers and does not know of any previous issues.
 - o The Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor have identified an inherent risk of forced labour and child labour in timber-related products. However, this risk is low for KOTT due to a number of reasons, which will be discussed in detail in this report.

Despite the low risk assessed, KOTT is committed to improvement and is in the process of creating new policies around forced and child labour to mitigate future risks and to establish its commitment to eliminating the risk within its operations and supply chain. New policies being formalized include:

- A Formal Statement of Commitment
- An Illegal Labour Policy
- An Ethical Trading policy

1. Background and Context

KOTT Inc. was incorporated in 2018 in Ontario, Canada, and operates under the laws of the province of Ontario. All locations and its primary customers are located in Ontario, Canada (Ottawa, Carp, Uxbridge, and Cobourg). KOTT Inc. is a supplier of lumber and framing materials, home exterior products and services, custom stair and railing systems, and landscaping products. Its main customer base is part of the home builder's industry, and its main suppliers are lumber wholesale suppliers and traders.

As of the end of the 2023 fiscal year, the headcount per location was 164 in the Ottawa area and 81 in the Toronto area. The company meets the size-related thresholds required under the Bill reporting requirements in terms of assets, revenue, and number of employees. KOTT operates under the Canadian legal framework related to labour laws and is following the existing applicable laws.

2. Policy Framework and Commitments

KOTT has already established labour-related policies that were applicable during the 2023 fiscal year such as:

- **Recruitment Policy:** Emphasizing equal opportunity and fair hiring practices. Within this policy, checks are obtained to ensure individuals can work in Canada legally and are of legal age.
- **Minimum Age of Work Policy:** A minimum age policy in compliance with applicable laws, protecting the rights and well-being of young workers and maintaining a safe and productive work environment.
- **Employee Handbook:** Distributed to all employees to ensure clarity on policies and emphasize KOTT's values, including employee safety and the fundamental principles of employment equity. The handbook also addresses a reporting mechanism for employees to address any concerns they have regarding employment-related issues. Therefore, similar to the function of a whistleblower policy, if an issue were to arise related to forced labour or child labour, this reporting process is a mechanism to identify and alert the management of KOTT. Employees are required to sign off to acknowledge the policy contents of the handbook during the employee onboarding process.
- **Employee Onboarding Process:** This process includes human rights training among other types of workplace training.
- **Subcontractor Qualifications System:** This includes requirements that subcontractors must meet to be able to work with KOTT. It includes criteria related to training, which is only available by the ministry to people over the age of 16. Subcontractors are required to provide a list of their employees, who will be on any of KOTT's work sites, and proof of their training.
- **Additional Training Options:** KOTT has subscribed to an online training platform, which is available to all employees. Some of the training included is related to human rights, workplace diversity and inclusion, and health and safety, among others.

With Canada's adoption of Bill S-211, KOTT is in the process of creating new policies specifically related to fighting forced labour and child labour and establishing new initiatives to identify and address any related risk. Some of the new commitments and initiatives being reviewed and put in place for the 2024 fiscal are:

- **A formal Statement of Commitment:** This is a commitment to uphold the highest standards of ethical conduct in all aspects of operations. Some of this statement’s highlights are:
 - o Condemning any form of forced labour or child labour within our operations and supply chain.
 - o Adhering to all applicable laws and regulations related to forced labour and child labour including Bill S-211.
 - o Creating the appropriate training and policies to comply with all the aspects of the statement.
- **An Illegal Labour Policy:** A policy to protect individuals from the exploitation of illegal labour practices such as child labour, forced labour, slavery, and human trafficking. Some of this policy’s highlights are:
 - o KOTT’s commitment to never knowingly contract with or maintain a business relationship with any organization or employer that does not adhere to the same standards or is in violation of any relevant or applicable labour laws.
 - o KOTT’s process to monitor compliance and reporting of noncompliance.
- **An Ethical Trading Policy:** A policy adopted to outline the guidelines surrounding the ethical trading practices of KOTT. Some of this policy’s highlights are as follows:
 - o Sound and ethical employment and business practices.
 - o Ethical and social responsibility practices related to customers and sales.
 - o Supply chain monitoring.
 - o Community partnering and ethical collaboration.
 - o Environment and health and safety practices.

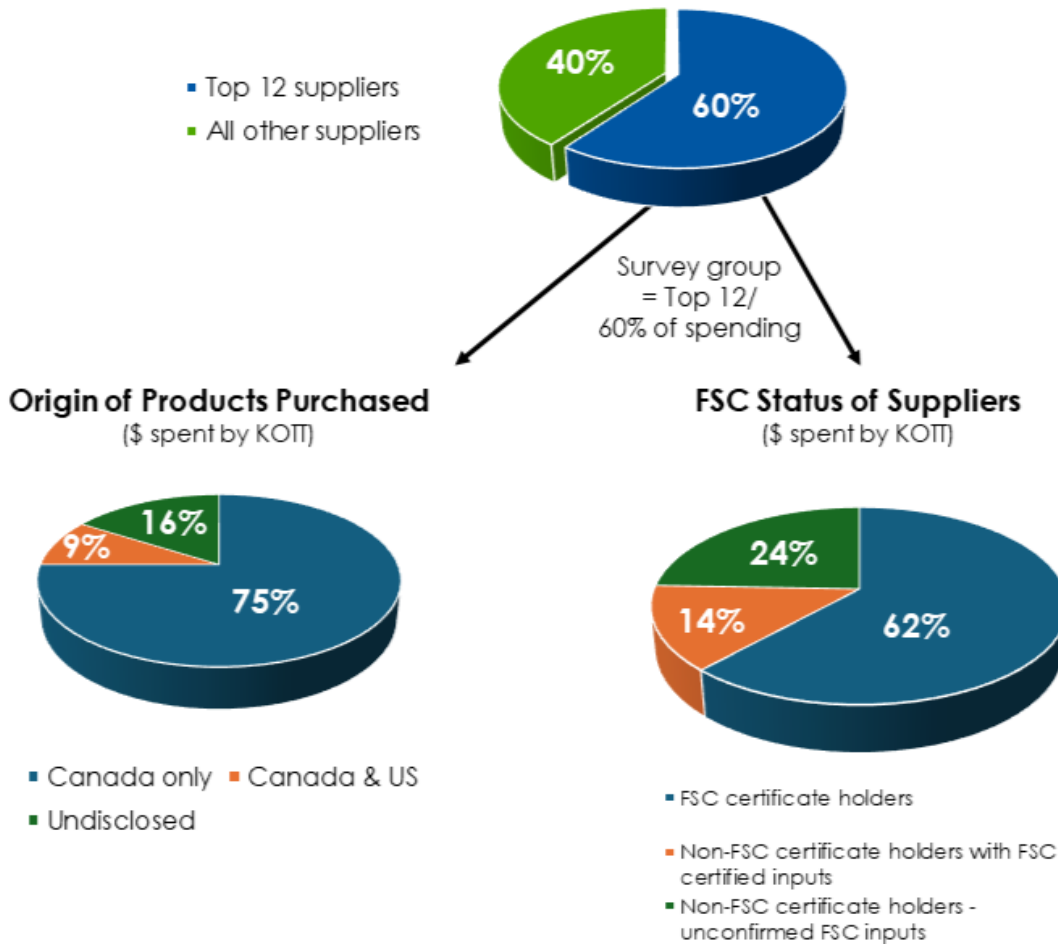
3. Supply Chain Mapping

KOTT’s main suppliers are wholesalers and traders of lumber-related products and are all based in Canada. Less than 2% of product spend is on landscaping products such as stone. Therefore, KOTT’s main supplier spend is on lumber products, and 60% of the total spend for the 2023 fiscal was from only 12 suppliers with whom KOTT has long-standing relationships. These suppliers are considered to be reputable suppliers.

For the 2023 fiscal year, KOTT compiled information to examine any risk related to Bills S-211. The data includes information on their locations, product sources, and existing policies.

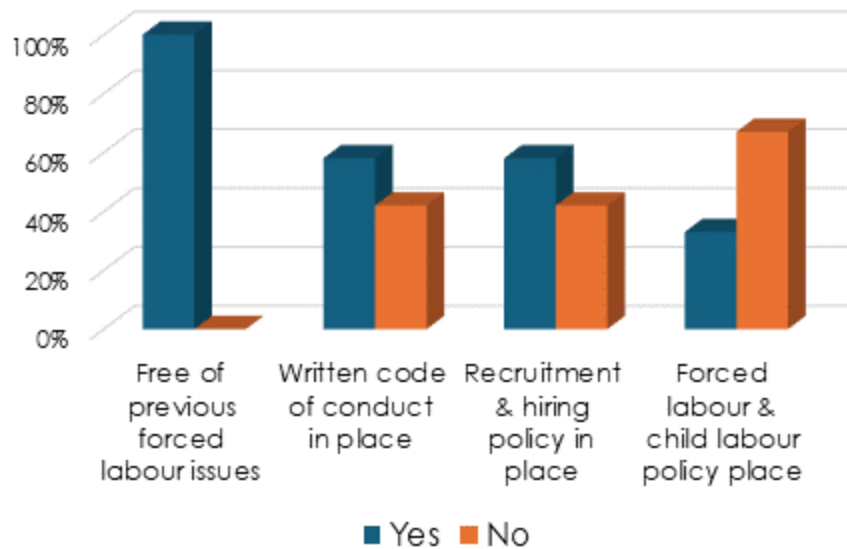
This mapping provided KOTT with the following data: *(The information is based on answers to questionnaire sent to our top 12 suppliers representing 60% of our spending)*

KOTT Total Spending



- Through our comprehensive supply chain mapping exercise, we were able to confirm that 58% of our top suppliers have a due diligence process ranging from an informal visit to a formal requirement to be members of the National Lumber Grades Authority (NLGA) or FSC. It is unknown to KOTT whether the remaining 42% of our major suppliers have implemented a similar process. KOTT is committed to continuing the review of all our key suppliers to ensure we have access to complete information.
- 75% of KOTT's top suppliers examined confirmed a workforce between the ages of 18 to 78. They all operate under the Canadian Labour law. Eligibility to work in Canada, age, and employment contracts are used as criteria for their hiring.

Supplier Due Diligence & Processes



Due to time constraints, only 60% of KOTT’s spending during 2023 was mapped, examined, and assessed. However, the aim for 2024 is to increase the number of suppliers to be evaluated, and to put a formal procedure for supplier mapping and assessment.

4. Risk Assessment

Based on the information obtained from the supply chain mapping, KOTT’s existing policies and procedures, and the industry KOTT operates under, the risk is determined to be low in relation to forced labour or child labour.

This risk assessment of forced labour and child labour within the lumber industry in Canada involved various factors such as labour laws, existing enforcement mechanisms, industry practices, and mapping of the existing supply chain. Although the Walk Free’s Global Slavery Index and the US Department of Labor’s List of Goods Produced by Child Labor or Forced Labor have deemed that there is an inherent risk of forced labour and child labour related to timber-related products, this risk is mitigated for KOTT due to the following reasons:

- KOTT operates in accordance with Canadian labour laws, ensuring compliance with regulations aimed at preventing forced labour and child labour. This includes adherence to regulations regarding minimum age requirements and hiring practices, ensuring eligibility to work.
- The lumber industry in Canada generally is considered to have effective labour practices. KOTT’s suppliers mainly source from Canadian sources that operate within Canadian laws.
- Most of KOTT’s suppliers have excellent reputations in the sector and either FSC-certified or NLGA-certified. These types of certifications mitigate risk related to informal or small-scale logging or informal arrangements, forced labour, or child labour. Transparency initiatives and reporting

requirements within the industry, such as sustainability certification like the FSC, help mitigate the risk of labour abuses by promoting accountability and responsible sourcing practices. FSC certificate holders in Canada are required to demonstrate conformance with the FSC core labour requirements which include, among other requirements, the following:

- To not use child labour.
 - To eliminate all forms of forced compulsory labour.
 - To comply with the provincial acts they operate in. In the provinces KOTT's suppliers source their products from, there are existing laws that address the issues related to child labour and forced labour within the acts (Codes related to forced labour and child labour exist in the following provinces: Quebec, Ontario, British Columbia, Alberta, Manitoba, New Brunswick).
- KOTT's existing policies related to hiring and recruitment include checking eligibility to work and a minimum age of work policy.
 - Risk related to subcontractors within KOTT's operation is also mitigated by a subcontractor qualification system. All subcontractors are required to complete a form listing training that can only be provided to people over the age of 16 and to provide a list of their employees with their training information. KOTT's supervisors visit construction sites several times per week to ensure compliance with KOTT's policies.

Overall, while the risk of forced labour and child labour within the lumber suppliers in Canada may be lower compared to some other regions, and FSC's national risk assessment deemed Canada as low risk for child labour and forced labour, KOTT Inc. is committed to remain vigilant and ensure ongoing compliance with labour laws. Continuous efforts are important for addressing and mitigating any potential risks effectively and new policies are being put in place by KOTT to keep the low-risk assessment.

Areas of improvement will be related to the following:

- Supplier due diligence process with monitoring process, code of conduct, new agreements, supplier onboarding, and awareness communication.
- Employee awareness training and annual sign-off on new policies.

5. Remediation of Forced Labour & Child Labour and Vulnerable Family Income Loss

KOTT is in the process of understanding and evaluating our supply chain related to the risk of child labour and forced labour. To date, KOTT has not identified instances of the use of child labour or forced labour within our operations or those of suppliers. We are continuing our review of procurement practices to enhance the rigor of our due diligence processes including raising awareness with our suppliers.

6. Awareness Training

KOTT does not have training in place on the topic of child labour or forced labour. However, we do incorporate training for new employees of the policies identified above relevant to this Act such as human rights, workplace diversity and inclusion, and health and safety.

When onboarding new employees, part of this process includes reviewing the Employee Handbook to ensure the individual understands the company's standards and expectations. KOTT's existing policies and planned policies for 2024 address forced labour and child labour; however, KOTT is committed to putting in place additional practices that will increase awareness within its operations and supply chain for 2024:

- Distribute awareness communication materials to all employees regarding the newly established Commitment Statement and Illegal Labour Policy.
- Additional policies and revision and improvement of existing policies related to code of conduct, supplier code of conduct, procurement policies, forced labour and child labour policy, and recruitment and hiring policy.
- Create a new procedure for addressing non-compliance and implementing remedial actions.

7. Assessing Effectiveness

To track KOTT's effectiveness of procedures to mitigate the risk of child labour and forced labour, the following mechanisms are in place:

Internal Activities

- a) **Conduct and behaviour incidents:** willful or inexcusable breaches of policies, standard operating practices, or reasonably expected business behaviour are not acceptable. If an employee is found to be guilty of misconduct, he or she may be subject to disciplinary action depending on the seriousness of the offense.
- b) **Governance:** KOTT will continue to monitor and assess compliance with the Employee Handbook and review identified policies on an as-needed basis.

Supplier Activities

KOTT's relationships with existing suppliers are established and long-standing. However, for 2024, a new due diligence process will be created by KOTT to evaluate any new suppliers. Some of the criteria that will be required to maintain due diligence when onboarding suppliers are:

- a) **Supplier Agreements:** KOTT has identified the opportunity to implement a clause within the supplier agreements regarding zero tolerance for child labour and forced labour. This clause will determine the outcome should an instance of child labour or forced labour be reported or discovered by KOTT.
- b) **Supplier Questionnaire/Pre-screening:** A phased-in approach has been adopted to have new and existing suppliers complete a Supplier Questionnaire which includes specific questions regarding child labour and forced labour. This phased approach began with the largest suppliers first and will continue across the full supply chain within a reasonable time period. For each questionnaire submitted, KOTT will collect responses in a centralized system, to understand how the risk of child labour or forced labour affects suppliers.
- c) **Governance:** Each parameter of supplier activities will be reviewed on an as-needed basis. KOTT will communicate with suppliers to improve awareness of the above issues.

8. Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

KOTT has taken the following steps to prevent and reduce the risk of child labour or forced labour:

1. **Mapping supply chains:** As part of this report, KOTT has mapped our supply chain to complete a risk assessment to align with the Act.
2. **Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** As part of this report, KOTT has identified risks within our activities and supply chain that have inherent risks of child labour and/or forced labour.
3. **Contracting an external assessment of risks of forced labour and/or child labour in the organization's activities and supply chains:** As part of this report, KOTT assessed the risks associated with the goods procured against global forced labour and child labour benchmarks and indices.
4. **Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily:** Human resources checks new employee information to ensure they are legally permitted to work at KOTT. Future checks will evaluate additional aspects of the recruitment process.
5. **Developing and implementing an action plan for addressing forced labour and/or child labour:** KOTT has identified the need to develop an action plan to address emerging risks in our supply chain.
6. **Developing and implementing anti-forced labour and/or child labour contractual clauses:** KOTT has identified the opportunity to integrate contractual clauses within supplier agreements related to anti-forced labour and/or child labour.
7. **Create awareness materials on forced labour and/or child labour:** KOTT has identified the opportunity to develop employee awareness training relevant to child labour and/or forced labour.
8. **Developing and implementing new policies related to forced labour and/or child labour:** KOTT has drafted relevant policies, including a statement of commitment, illegal labour policy, and ethical trading policy, and will finalize and implement these policies in the fiscal year 2024.

9. Conclusion

KOTT has assessed its risk, identified existing areas of improvement, and is committed to implementing new policies and practices that will mitigate the risk going forward.

10. Appendices

- Minimum Age of Work Policy
- Statement of Commitment (2024 Fiscal year)
- Illegal Labour Policy (2024 Fiscal year)
- Ethical Trading Policy (2024 Fiscal Year)