



## Bill S-211 Compliance Report

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**Company Name:** KOTT Inc.

**Reporting Period:** 2025 Fiscal Year – October 1, 2024, to September 30, 2025

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### Table of Contents

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

## 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, 2024, and ending September 30, 2025.

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 continues to establish policies and commitments that will foster this type of culture.

Prior to the introduction of Bill S-211, KOTT's commitment was reflected through its existing human rights, hiring, recruitment, and related internal processes, as well as informal policies that were formalized, and established during the 2024 fiscal year. In 2025, KOTT took further steps to strengthen these commitments by implementing and reinforcing these policies and introducing additional measures acknowledged within its supply chain and hiring practices.

**For 2025 Fiscal, and during KOTT's review of its employment practices and mapping of the supply chain, the risk of forced labour and child labour continued to be assessed as low.** In summary, the following are some of the findings:

- Employment and hiring practices:
  - o 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." Additional employee awareness training has been established and acknowledged by all employees. Furthermore, outsourced formal training is being introduced for Key personnel to strengthen understanding and compliance of the Bill.
- 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. KOTT recognizes that potential risks may exist within Tier 2 suppliers and lower of the supply chain, where visibility and the ability to obtain assurance regarding risk exposure are more limited.
  - 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 assessed as low for KOTT.

Despite the low risk assessed, KOTT created 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. The additional new policies were put in place in 2024 and continue to be implemented in 2025:

- 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 building industry, and its main suppliers are lumber wholesale suppliers and traders.

At the end of the 2025 fiscal year, the headcount per location was 177 in the Ottawa area and 65 in the Toronto area. The company meets the size-related thresholds required under the Bill reporting requirements in terms of assets and revenue. 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 2025 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 emphasizes 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 Qualification 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 added policies specifically related to fighting forced labour and child labour and established new initiatives to identify and address any related risk as follows:

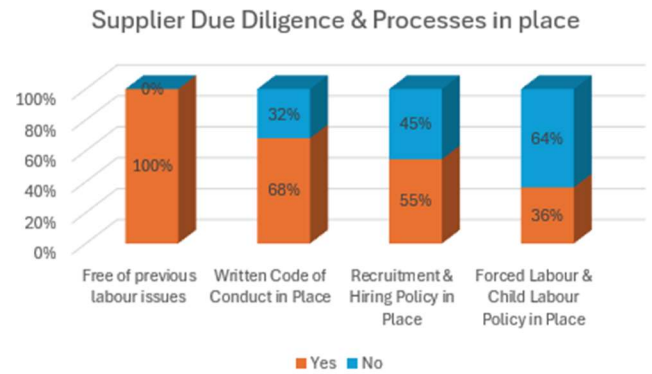
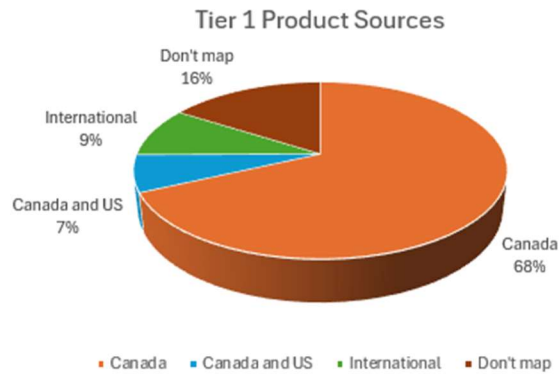
- **A formal Statement of Commitment:** This is a commitment to uphold the highest standards of ethical conduct in all aspects of operations.
- **An Illegal Labour Policy:** A policy to protect individuals from the exploitation of illegal labour practices such as child labour, forced labour, slavery, and human trafficking.
- **An Ethical Trading Policy:** A policy adopted to outline the guidelines surrounding the ethical trading practices of KOTT
- **Employee Bill S-211 Awareness Sign-off:** KOTT implemented an employee acknowledgement requirement related to Modern Slavery & Ethical supply Chain as part of its awareness and compliance initiatives. This policy has been distributed to all employees and incorporated into the employee handbook for annual acknowledgement and sign-off. In addition, key personnel involved in supply chain management and hiring practices were selected to participate in formal external training to further strengthen awareness and compliance efforts.
- **Subcontractor Bill S-211 Compliance acknowledgement:** This year, subcontractor packages were updated to include a Modern Slavery & Ethical Supply Chain acknowledgement requirement. This addition emphasizes the expectation that subcontractors conduct appropriate due diligence within their own operations and supply chains to address and prevent the risks of forced and child labour.
- **Supplier Communication:** KOTT's new supplier onboarding documentation now includes an emphasis on engaging only with organizations that comply with all applicable labour, employment, and human rights laws, and that do not participate in, support, or tolerate any form of forced labour or child labour within their operations or supply chains.

### 3. Supply Chain Mapping

KOTT's main suppliers are wholesalers and traders of lumber-related products and are all based in Canada. Our top 25 suppliers cover 67% of KOTT's total spend for the 2025 fiscal year and are suppliers with whom KOTT has long-standing relationships. These suppliers are considered to be reputable suppliers.

For the 2025 fiscal year, KOTT compiled information to examine any change in risk related to Bill S-211, from prior years' mapping. 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 a questionnaire sent to our top 25 suppliers representing 67% of our spending)*



- Through our comprehensive supply chain mapping exercise, we were able to confirm that 64% of suppliers mapped 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 of our major suppliers have implemented a similar process. KOTT communicated its commitment to the suppliers whose supply chain was examined.
- KOTT's top suppliers examined confirmed a workforce over the age of 18. They all operate under the Canadian Labour law. Eligibility to work in Canada, age, and employment contracts are used as criteria for their hiring.

#### 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 by 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 is generally 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 are 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 FSC, help mitigate the risk of labour abuse 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 were put in place by KOTT to keep the low-risk assessment.

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

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 has implemented a Bill S-211 Awareness Policy that is required to be acknowledged and signed by all employees. The policy outlines information related to the legislation, including KOTT's commitment, key definitions, potential risks, employee responsibilities, identifying warning signs, and available reporting mechanisms. The Bill S-211 Employee Awareness Policy has also been incorporated into the annual employee handbook acknowledgement and sign-off process. In addition, new employees receive training on the Illegal Labour Policy and Ethical Trading Policy during onboarding. KOTT is committed to additional practices that will increase awareness within its operations and supply chain for the coming year and has identified key personnel that will be receiving formal external training on "Navigating Supply Chains Act: Ensuring Ethical Compliance" with Supply Chain Canada.

## 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 new suppliers, the head of purchasing informally uses criteria taking Bill S-211 into consideration. Additionally, due diligence activities have been implemented as follows:

- a) **Supplier Onboarding:** Documentation provided to suppliers during the onboarding process now includes a statement outlining KOTT's commitment to ethical business practices and its expectations of suppliers. This statement emphasizes that suppliers must comply with all applicable labour, employment, and human rights laws; must not engage in, support, or tolerate any form of forced labour or child labour; and are expected to take reasonable steps to ensure these standards are upheld throughout their own supply chains. KOTT also reserves the right to review and assess the business relationship should any concerns arise regarding compliance with these expectations.
- b) **Supplier Questionnaire/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 screening began in 2023 with the largest suppliers first and is being updated on an annual basis since then to monitor any change that will affect the assessment of risk. For each questionnaire submitted, KOTT collects responses in a centralized system, to understand how the risk of child labour or forced labour affects suppliers.
- c) **Subcontractors Bill S-211 Compliance:** A new Modern Slavery & Ethical Supply Chain Compliance requirement has been incorporated into all subcontractors onboarding packages. This compliance policy outlines subcontractors' obligations, highlights specific risk areas associated with the construction industry, and emphasizes the due diligence expected within their own operations and supply chains. The policy also includes an acknowledgment confirming that subcontractors understand and agree to comply with KOTT's standards.

## 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 its 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 check new employee information to ensure they are legally permitted to work at KOTT.
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, and has taken the steps, as outlined throughout this report, to mitigate the risk and enhance compliance.
6. **Developing and implementing anti-forced labour and/or child labour contractual clauses:** KOTT has identified the opportunity to integrate contractual clauses within supplier engagement and introduced the clause as part of the onboarding process.
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 and implemented the employee awareness annual sign off related to Bill S-211.
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, that were finalized and implemented in the fiscal year 2024 and continue to be applicable.

## 9. Conclusion

KOTT has assessed its risk, identified existing areas of improvement, and taken action steps in implementing new policies and practices that mitigate existing risks.