

K-Bro Linen Inc. Sustainability Report 2024



Forward-looking statements

This report contains forward-looking information within the meaning of applicable securities laws. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe”, and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management’s current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on management’s estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro’s actual performance and financial results in future periods to differ materially from the forward-looking information contained in this report. These risks and uncertainties are detailed in our publicly filed documents. Although the forward-looking information contained in this report is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this report may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this report.

All forward-looking information in this report is qualified by these cautionary statements. Forward-looking information in this report is presented only as of the date made. Except as required by law, K-Bro does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

About K-Bro: Overview

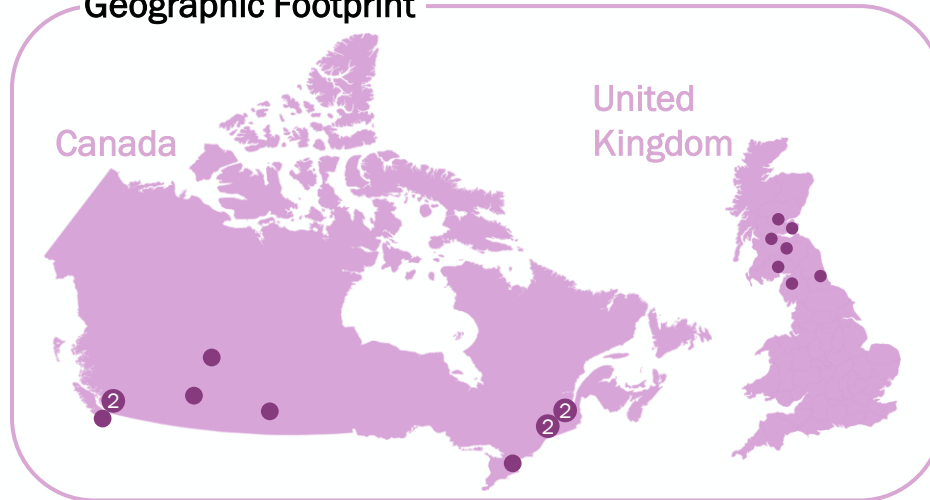
Corporate Profile

K-Bro is the largest healthcare and hospitality laundry and linen processor in Canada, and one of the largest in the UK.

We provide a comprehensive range of general linen and operating room linen processing, management and distribution services to healthcare, hotels and other commercial accounts.

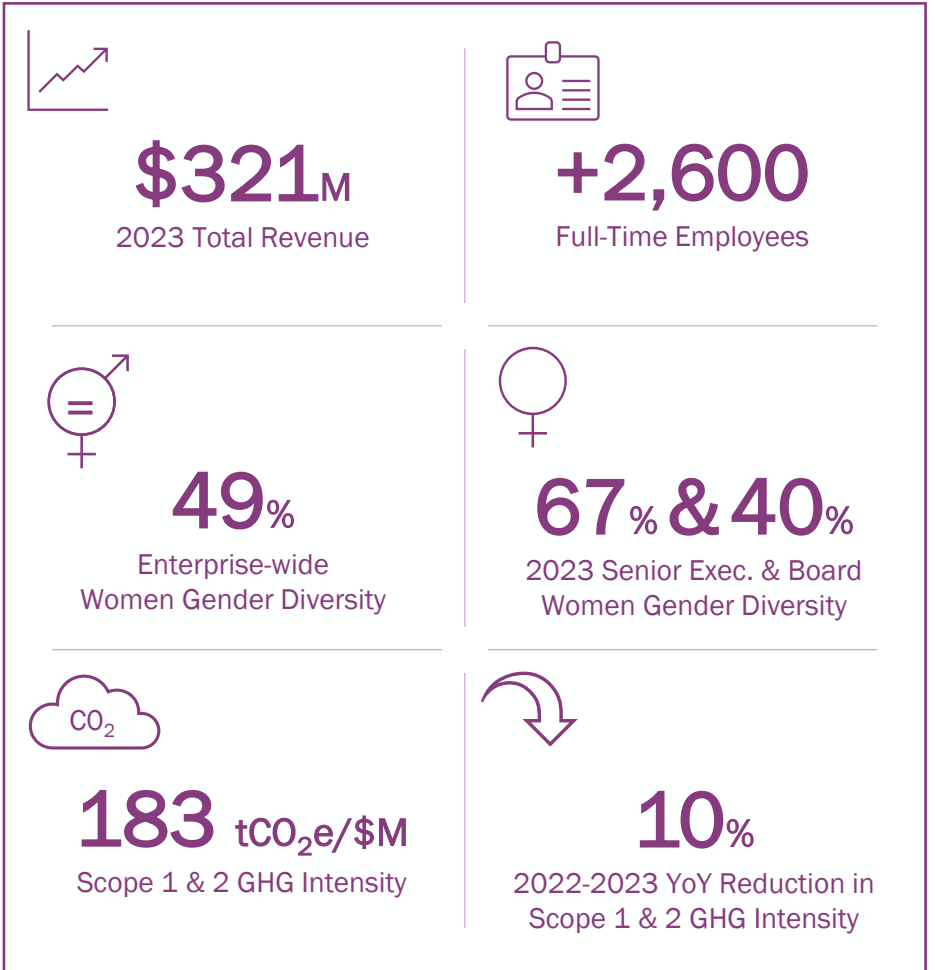
K-Bro has a diverse workforce of over 2,600 employees across 18 locations⁽¹⁾ that are outfitted with energy efficient equipment redundancies that ensure year-round reliability through the most demanding times. Space is optimized and computerized control systems oversee the many factors that impact quality, energy-use and cost.

Geographic Footprint



(1) Note includes acquisitions in 2024.

Highlights



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About K-Bro: We're Essential

Circular Essential Service Business Model

Customers rely on our linens daily to operate their businesses. We are an essential service provider, and our methods ensure outstanding laundry and linen services 7 days a week, 365 days a year. K-Bro's circular business model provides dependable service while keeping high-quality products in use for longer, reducing natural resource consumption, and offering reusable alternatives to disposable products.



Healthcare

Healthcare represents 58% of our 2023 revenue. Care providers rely on our linens to support daily patient care journeys. K-Bro understands the essential nature of dependable hygienically clean linens to better healthcare outcomes. Hospitals and medical care facilities rely on K-Bro to provide their linen services, 365 days a year.



Hospitality

Hospitality represents 42% of our 2023 revenue. K-Bro understands the importance of high-quality linens and how they contribute to better guest experiences. Our priority is to deliver five-star quality and hygienically clean linen products to meet customers' daily needs, 365 days a year.



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About K-Bro: We're Making a Difference



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Environmental Stewardship

We are proud of our seven-decade history of responsible, innovative growth. K-Bro invests in state-of-the-art, highly energy efficient technology from world-class manufacturers. We are committed to meeting strict water and energy consumption standards for conservation. In recognition of our environmental stewardship, we have earned Clean Green and ISO 14001 certifications. For additional details, please refer to page 13 (GHG Emissions).



Social Responsibility

Putting people first is integral to supporting the communities in which we operate. We foster our customer-centric culture, promote health and safety, embrace diversity and ensure K-Bro is a great place to work. As an essential service provider to healthcare and hospitality customers, K-Bro contributes to positive outcomes for millions of people each year.



Governance & Partnership

Strong corporate governance has always been a priority for K-Bro, supporting stronger stakeholder relationships and enhanced long-term value. Global sustainability action relies on partnership and collaboration to truly be successful and we're proud to contribute to achieving better outcomes.

Sustainability: About This Report

ESG Frameworks and Standards

K-Bro is supportive of the objectives of the Taskforce for Climate-Related Financial Disclosure (TCFD), the Sustainability Accounting Standards Board (SASB), and the United Nations Sustainable Development Goals (SDGs) and this report aligns with their frameworks and recommendations. Summaries of our TCFD and SASB responses are included in the appendix of this report.

We monitor international standards and regulatory developments, including the work of the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB). We are taking steps towards alignment of our ESG program with the ISSB sustainability disclosure standards IFRS S1 and S2. We plan to discuss our progress and roadmap to adoption in future reports.

This Year's Report

The preparation of this report was overseen by K-Bro's Board of Directors and senior management.

Scope

Unless stated otherwise: (i) information in this report is presented as at, and for, the year ended December 31, 2023; (ii) information is presented on a consolidated basis for both the Canadian and UK divisions; (iii) all financial figures are in Canadian dollars (CAD). References to "we", "our", "us", the "Company", the "Corporation" and "K-Bro" refer to K-Bro Linen Inc. and its affiliates. Acquisitions made in 2023 are reflected from the date acquired. The Company's acquisition of Shortridge and CM in 2024 are excluded from this report.

Materiality

Materiality in this report relates to the significance of environment, social and governance (ESG) topics and their potential impact on our business and stakeholders. ESG topics deemed material in this report, may not be material to K-Bro's operations, access to capital or market value. K-Bro engaged a reputable third-party ESG consultant to assist in canvassing internal and external stakeholders for our materiality assessment. Details related to the approach and identified material topics are available on page 10 of this report.

Additional Information

Additional information related to K-Bro's business and sustainability program is available on our website www.k-brolinen.com.

Contact

If you have any questions related to this report, please contact Ryan Quirt at rquirt@k-brolinen.com.



Strategic Growth

We're excited about our growth outlook and customers continue to select K-Bro as their dependable laundry and linen partner. We are committed to our long-term sustainability strategy and maintain a three-part growth focus: securing and maintaining long-term contracts with large healthcare and hospitality customers; extending core services to new markets; and, introducing related services.



Linda McCurdy
President & CEO

Embracing Innovation

K-Bro innovates in developing water and energy-efficient cleaning and drying systems. As a team, we welcome new ideas, practices and technologies that can improve our industry leading service and further reduce water & energy needs. We are technology fast-followers rather than technology pioneers and are receptive to piloting proven technologies. We scrutinize the results we observe within our operations and evaluate the merits of extending pilot projects to additional facilities or exploring alternative technologies that could generate better outcomes.

Committed to a Sustainable Future

Putting people first, supporting our partners and environmental stewardship have always been part of our culture and priorities for K-Bro. We collaborate with our stakeholders to appreciate their priorities, solicit and receive feedback and align around common goals. Our services are essential to the continuity of our customers' operations, and we're embodying sustainable practices to support them for the long-term.

Oversight of K-Bro's Risks and Opportunities

K-Bro is an essential services provider to vital elements of our society and economy. The Corporation's linens touch millions of people and support their care journeys, leisure activities and memorable moments. My Board colleagues and I are dedicated to overseeing current and emerging risks and opportunities, including those related to climate. We support frameworks and standards that enhance disclosure and summaries of our TCFD and SASB responses, and alignment to the SDGs, are included in the appendix.

Evolving Sustainability Landscape

The global sustainability landscape continues to evolve and there is increasing desire for consolidated standards and requirements around high-quality, comparable information. We are taking steps towards aligning K-Bro's sustainability program with the ISSB sustainability disclosure standards IFRS S1 and S2. In support of this objective, K-Bro is developing a roadmap that integrates IFRS S1 and S2 requirements into the Corporation's reporting framework.

Accountability in Sustainability

This is K-Bro's second annual sustainability report. The Corporation continues to evolve its management and oversight approaches to better integrate sustainability priorities. K-Bro's Board members are actively involved in overseeing and guiding the maturing of the sustainability program, management of risks and pursuit of growth opportunities.



Michael Percy
Board Chair

Sustainability: K-Bro's Long-Term Sustainability Strategy

Our Vision

K-Bro will focus on delivering industry-leading service as we embrace our responsibilities to society as a good corporate citizen - supporting the communities in which we operate, being a great place to work and a dependable partner for all our stakeholders.

Environmentally Certified

Environmental stewardship is at the core of our commitment to be a good corporate citizen. We are proud of our certifications recognizing our commitment to effective environmental management. Where acquired businesses are not certified, roadmaps to certification are developed.



People, Partners and Planet

Putting people first, supporting our partners and environmental stewardship have always been part of our culture and priorities for K-Bro. People, Partners and Planet are terms that are significant to our team and form the basis of our pillars to help us engage with stakeholders around sustainability for the long-term. We have mapped the topics from our materiality assessment into our pillars. We are assessing objectives and targets for each of our pillars to achieve changes to enhance our long-term vision.



Alignment with the Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) consist of 17 goals which support the 2030 Agenda for Sustainable Development. We embrace our opportunity to support a more sustainable future and have examined our long-term sustainability strategy against the SDGs. We believe our priorities and initiatives align closely with six of the SDGs. Additional details mapping elements of our long-term sustainability strategy to SDG targets and K-Bro's actions can be found in the appendix page 30 (K-Bro Mapping to UN SDGs).

K-Bro Alignment with SDGs



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Sustainability Governance Structure

K-Bro has adopted a business-unit centric model for our ESG reporting structure, comprised of non-dedicated ESG resources. K-Bro's Board of Directors provides oversight and guides the maturing of the ESG program. Senior management is accountable for our ESG strategy, direction, objectives and implementation. K-Bro's ESG working group includes an experienced and diverse group of subject matter experts, many of whom have been with K-Bro for decades, that support all aspects of our program.



Board of Directors

Our Board of Directors provides formal oversight and strategic direction to K-Bro's environmental, social and governance program and ensures its effective implementation.

Senior Management

Our CEO approves of our ESG strategy, direction, and objectives, and is accountable for the ESG program. Our CFO is accountable for the implementation of the ESG program and its various initiatives.

ESG Steering Committee

The ESG Steering Committee is responsible for managing day-to-day responsibilities of our ESG program, including implementing strategy, risk management, monitoring and reporting initiatives.

Pillar Leads

We have mapped the topics from our materiality assessment into our People, Partners and Planet pillars. Over time, our pillars will support targets to achieve changes to enhance our long-term vision. K-Bro's pillar leads are senior leaders that quarterback specific goals and initiatives, provide accountability and champion priorities within each pillar.

ESG Working Group

The ESG working group includes enterprise-wide local market representation across Canada, Scotland and Northern England. The team includes diverse subject matter experts across many disciplines. Our subject matter experts support our various ESG goals and initiatives, including enterprise-wide objectives and priorities for each of our environment, social and governance pillars.



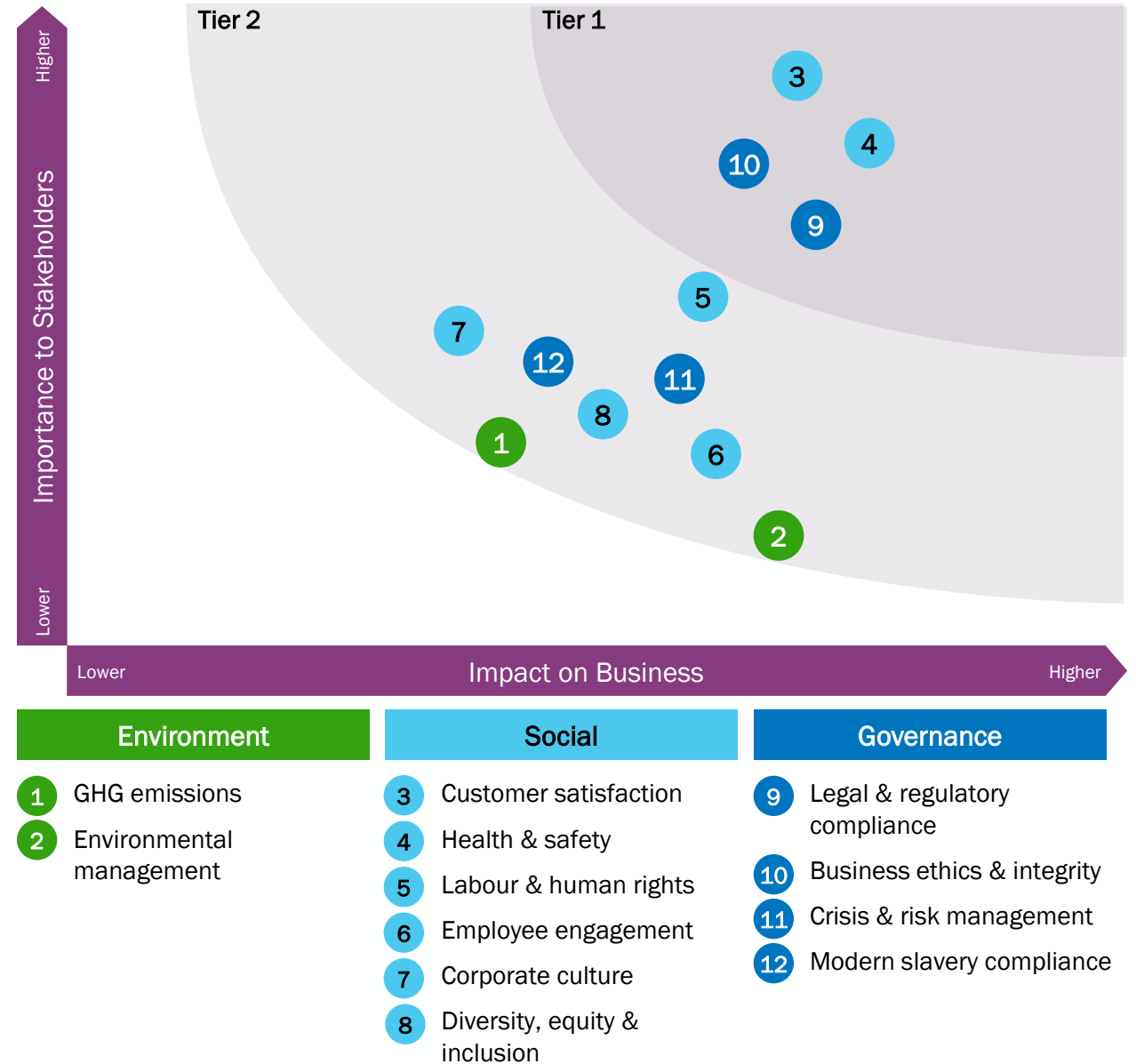
Sustainability: Materiality Assessment

Stakeholder Engagement

As the largest healthcare and hospitality laundry and linen processor in Canada, and one of the largest in the UK, K-Bro has a range of stakeholder groups including: healthcare and hospitality customers, employees, shareholders, association groups and unions, suppliers and vendors, community groups and governments and regulators. We collaborate with our stakeholders to appreciate their priorities, solicit and receive feedback and align around common goals.

Material Topics

K-Bro engaged a reputable third-party ESG consultant to assist in canvassing our stakeholders for our materiality assessment. Participants were oriented to K-Bro's objectives and invited to rank topics based on level of importance. The significance of each topic within the materiality assessment reflects the importance to stakeholders (vertical axis) and impact on K-Bro's business (horizontal axis). Twelve material topics were identified as tier one or two, which are material to K-Bro's business and have ultimately informed the development of our ESG strategy.



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Planet

Environment

“Our facilities incorporate state-of-the-art equipment that reduce energy-use and cost. I’m excited with new technology advances, like our piloting of the Blue Ocean™ system, to further reduce facility water consumption by up to 20%.”

Trevor Rye, GM, Edmonton



People

Social

“For decades, K-Bro has been committed to hiring a workforce that reflects local communities, supports diversity and provides equal employment opportunities. I’m proud to work for a company that has 49% women gender diversity.”

Barb Lewis, GM, Regina



Partners

Governance

“We’re taking steps to contribute to global efforts to combat modern slavery. We’re proud to promote K-Bro’s vision and values throughout our business and supply chains.”

Lucy Renaut, Finance Director,
Fishers



Sustainability: Near-Term Objectives and Initiatives

Current Year Progress

Modern Slavery Reports

Pursuant to regulations in Canada and the United Kingdom, K-Bro and Fishers, a K-Bro company, published annual modern slavery reports. For additional details, please refer to page 20 (Modern Slavery Compliance).

Supply Chain Modern Slavery Current State Assessment

We launched an assessment to review current operations, practices, policies and evaluate potential risks of supply chain modern slavery. For additional details, please refer to page 20 (Modern Slavery Compliance).

Engage Independent Third Party GHG Consultant

We have engaged an independent third-party consultant to assist us in calculating our scope 1 & 2 GHG emissions, highlighting trends and commenting on year-over-year changes & potential targets. For additional details, please refer to page 13 (GHG Emissions).

Water Conservation Enhancement Pilot

K-Bro uses various water conservation systems across our facilities. As part of our continuous improvement pilot projects, we installed a Blue Ocean™ laundry water filtration system to help further reduce water and energy costs. For additional details, please refer to page 14 (Water Conservation).

Sustainability Training

As part of our sustainability program, we provide ongoing training on a variety of sustainability topics. We have expanded the topics to include modern slavery, forced and child labour, including detailed reviews of our current state assessment.

Next Year's Priorities

Scope 3 GHG Assessment

As described in the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (2011), Scope 3 GHG emissions are grouped into 15 categories. We are evaluating these categories and assessing the necessary inputs to support our scope 3 calculation.

Evaluating Sustainability Targets

K-Bro is evaluating appropriate metrics for assessing risks and opportunities in line with our long-term sustainability strategy. Selected metrics will support targets to achieve necessary changes and track progress towards our goals.

Roadmap for Alignment with IFRS S1 and S2

We are monitoring developments of the Canadian Sustainability Standards Board (CSSB) and working to outline a roadmap that integrates the ISSB IFRS S1 and IFRS S2 requirements into our reporting framework.

Enterprise-wide Policy Review

We are reviewing our enterprise-wide policies, including Environmental and Health & Safety, to incorporate trends, recent developments and share best-practices across our existing and acquired facilities.

Indigenous Awareness and Relationships

K-Bro is focusing efforts on collaborating with our local indigenous communities to raise awareness about the past & present and explore ways to move forward together.

Scope 1 and 2

We engaged an independent third-party consultant to assist in preparing our scope 1 and 2 GHG emission calculations in accordance with the Greenhouse Gas Protocol. K-Bro's 2023 scope 1 emissions are 53,984 tCO₂e and scope 2 emissions are 4,618 tCO₂e. For additional details on methodology, please see page 6 (about this report).

Scope 3 Assessment

We have also engaged an independent third-party consultant to assist us in evaluating and calculating our scope 3 GHG emissions. As described in the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (2011), Scope 3 GHG emissions are grouped into 15 categories. We are evaluating these categories and assessing necessary inputs and intend to publish our scope 3 calculation in subsequent reports.

Approach to Reducing Emissions

K-Bro's Scope 1 and 2 emissions are largely attributable to thermal energy and associated natural gas and electricity consumption. Key operational metrics, including energy and water consumption, are tracked daily which allow us to monitor trends and make timely adjustments to optimize efficiencies. We have also focused our efforts on reducing emissions in the following areas:



Minimizing intensity of energy and water



Enhancing recycling and reuse of products



Optimizing delivery routes to reduce fuel consumption



Promoting sustainable product ranges



2023 Greenhouse Gas Details

183 tCO₂e/\$M
Scope 1 & 2 GHG Intensity

10%
2022-2023 YoY Reduction in
Scope 1 & 2 GHG Intensity

54K tCO₂e
Scope 1

4.6K tCO₂e
Scope 2

Note: Where acquired businesses are not certified, roadmaps to certification are developed. For additional details on methodology, please see page 6 (about this report).



Responsible Water Use

K-Bro innovates in developing water and energy-efficient cleaning and drying systems. We use highly-efficient tunnel washers, requiring approximately half the water of a traditional washer system, and the latest technology in water extraction by means of centrifugal extractors or large hydraulic presses. We are TRSA Clean Green certified and adhere to strict water consumption standards for conservation, among other criteria. All wastewater is safely treated in accordance with regulatory requirements.

Daily Water Monitoring

Water usage is a key operational metric for K-Bro. We track water consumption at each facility daily, which allows us to monitor trends and make timely adjustments to optimize efficiencies. We focus on minimizing water consumption and each facility outlines water targets as part of our annual budgeting process. We install highly-efficient equipment that conserves water usage and continually assess advancements in technology that will offer additional savings and efficiencies.

Continuous Improvement Process

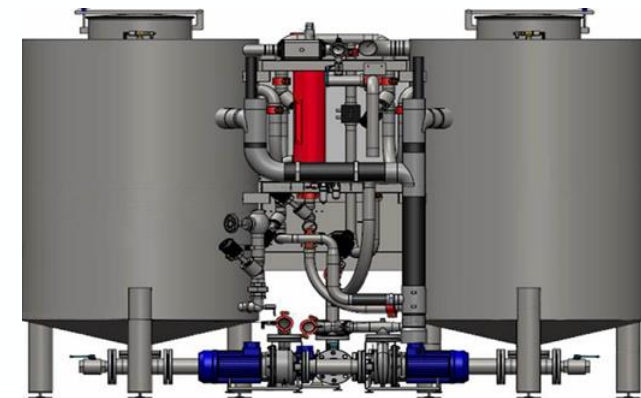
In support of our commitment to continuous improvement in operational and energy efficiency, we pilot new, proven highly energy-efficient technologies while monitoring the impact and benefits on our operations. We are technology fast-followers rather than technology pioneers and partner with credible world class suppliers to quickly and efficiently optimize the benefit of new installations. We scrutinize the results we observe within our operations and evaluate the merits of extending pilot projects to additional facilities or exploring alternative technologies that could generate better outcomes.

Water Conservation Enhancement Pilot

K-Bro uses various water conservation systems across our facilities. As part of K-Bro's continuous improvement pilot projects, we installed a Blue Ocean™ laundry water filtration system to help further reduce water and energy costs. We've had one system in operations for twelve months and have observed water savings of approximately 15%. We are evaluating a second near-term installation of Blue Ocean™ and further considering the merits of additional roll-outs across our platform.

- Award winning and commercially proven technology
- Highest hygienic standards
- Water reduction of up to 20%
- Automated process controls
- Designed to minimize maintenance requirements

Blue Ocean™



Labour and Human Rights

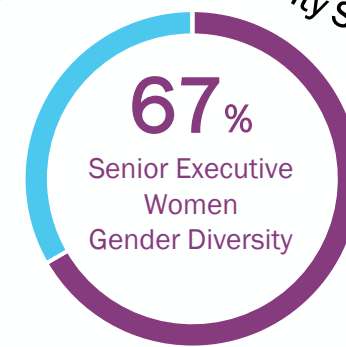
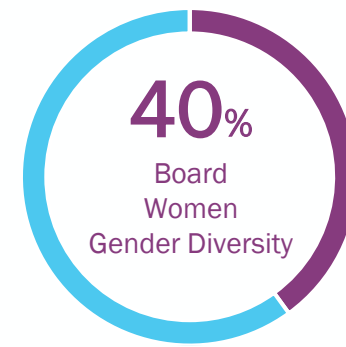
K-Bro recognizes our responsibility to uphold and promote human rights within our business and throughout our supply chains. K-Bro does not condone the use of modern slavery of any kind, in any place, and we are taking steps to contribute to global efforts to combat modern slavery. For additional details on annual modern slavery compliance and reporting, please refer to page 20 (Modern Slavery Compliance).

Workplace Diversity

We are committed to fostering an inclusive workplace and believe diversity contributes to achieving both our business objectives and the objectives of our local communities. Embedded within our culture, K-Bro's diversity policy and principles are part of our commitment to equality throughout recruitment, development and retention initiatives. We're proud of our talented, diverse and motivated workforce that share our values and are representative of the communities in which we live. For additional details on workforce diversity & engagement related SASB responses, please refer to pages 26 to 29 (SASB Responses).

Discrimination Zero Tolerance

K-Bro is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate discrimination or harassment of any kind. K-Bro's Code of Business Conduct and Ethics (the "Code") covers a wide range of business practices, including discrimination and harassment, and sets out basic principles to guide all directors, officers and employees. The Code outlines that all persons including customers, suppliers, and fellow personnel, must be treated in a dignified, fair and respectful manner at all times, valuing talents, experiences, and strengths of our diverse workforce and customer base. The Code also outlines compliance procedures to ensure prompt and consistent action against violations.



2023 Diversity Statistics

Note: Enterprise-wide other and not disclosed represent less than 0.5%

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2023 Certification & Accreditation



5 facilities are certified to ISO standard 45001 (Health & Safety)



5 facilities are certified to ISO standard 9001 (Quality)



5 facilities have achieved HLAC accreditation



4 facilities are HLAC Hygienic Testing certified



2 facilities are TRSA Hygienically Clean Healthcare certified



Performance Principles & Customer Retention

We relentlessly focus on customer satisfaction and practice continuous improvement in our performance principles, including:



Fill Rates



Responsiveness



Health & Safety



On-time Delivery



Quality Assurance



Contingency Planning

97%

Five-Year Average Customer Contract Retention

Corporate Culture

Putting people first has always been an important part of our customer centric culture that helps set K-Bro apart. We have always prioritized hiring and retaining the right workforce. Our corporate culture defines how we do business, and our team embraces shared values including; dependability, kindness, collaboration, inclusion, ethics, safety and sustainability.




Social: Supporting Our Communities

Local Involvement

We're involved in a variety of initiatives that are most impactful to our local communities. K-Bro donates thousands of dollars worth of linen items annually to support various local charities. In addition, K-Bro makes charitable donations to support our local communities across Canada and UK with emphasis on the following areas:

- Regional foundations
- Children and youth services
- Mental health
- Specialized children's healthcare
- Healthcare research
- Tourism students



 K-Bro Toronto: team supporting SickKids staff BBQ

Community and Youth Employment

K-Bro participates in community and youth employment programs such as Career Ready, a UK-wide social mobility charity. For over 20 years, the program has focused on boosting social mobility for young people aged 15 to 25 from under-represented backgrounds. Young people are paired with workplace opportunities and support, including:

- Ongoing mentoring
- Paid internships
- Masterclasses
- Workplace visits
- Alumni networking



“Our local communities are important to us. Young people can have a tough time securing jobs and starting new careers close to home. We're proud to help youth in our communities start new careers and to support them in realizing the value they can add, locally.”



Scott Inglis
Fishers Commercial
Director



K-Bro's Board



Michael Percy
Board Chair



Elise Rees
Director
Audit Chair



Steven Matyas
Director
CNCG Chair



Linda McCurdy
President & CEO
Director



Matt Hills
Director

40%

Women
on the Board

50%

Board Committee
Chairs are Women

80%

Independent
Board Members

Commitment to Governance

The Board upholds its duties directly, and through its committees which assist the Board in overseeing select topics. The Board oversees K-Bro's environmental, social and governance program and ensures its effective implementation. For additional details on sustainability governance structure, please refer to page 9 (K-Bro's ESG Team).

Board Committees

Audit Committee: Oversees the policies and procedures designed to manage and mitigate risks across the company and ensure compliance with legal and regulatory requirements. These include internal and disclosure controls to ensure the integrity of accounting, financial and other reporting.

Compensation, Nominating & Corporate Governance (CNCG) Committee: Oversees engagement and compensation of senior management, assessment of Board member candidates and the adequacy of corporate governance and compliance practices including the Code of Business Conduct and Ethics.

Corporate Policies and Procedures

Our corporate governance practices were developed to ensure the Company's business is effectively managed in support of strong stakeholder relationships and enhanced shareholder value.



Business Conduct and Ethics



Insider Trading



Whistleblowing



Majority Voting



Significant Supply Chains

We group our inputs and purchases into significant supply chain categories, incorporating, among other factors, importance to operating activities, quantum of purchases, and assessment of supply chain geography. K-Bro's significant supply chains include:



Linens



Utilities



Delivery



Equipment & Vehicles



Electronics



Other

Supplier Due Diligence

We have reviewed OECD guidance on responsible business conduct and are adopting a risk-based approach to supply chain due diligence.



K-Bro's Approach

Our corporate policies and procedures include the Code of Business Conduct and Ethics (the "Code") and Whistleblower Policy. K-Bro's Code covers a wide range of business practices and sets out basic principles to guide all directors, officers and employees. Among other topics, the Code includes compliance with laws, rules and regulations and reporting of illegal or unethical behaviour.

Managing Risks

K-Bro has a long history working with its significant suppliers and works closely with suppliers to confirm ongoing alignment with our criteria. Consistent with our risk-based approach, in the normal course, inquiries, periodic on-site visits and other confirmatory audits are conducted. We have also included corporate social responsibility compliance clauses in contracts with our most significant linen suppliers.

Supplier Code of Conduct Update

As part of our commitment to continuous improvement, we are updating our Supplier Code of Conduct (the "Supplier Code"). The update will enhance alignment with our sustainability strategy for key topics, including:



Compliance with Laws, Rules and Regulations



Prohibition of forced labour, child labour & modern slavery



Health and Safety



Environmental Stewardship



Human Rights, Diversity, Equity and Inclusion



Conflicts of Interest, Bribery & Corruption

Legal & Regulatory Compliance

K-Bro does not condone the use of modern slavery of any kind, and we are taking steps to contribute to global efforts to combat modern slavery. We monitor trends & developments and ensure compliance with legal and regulatory requirements. We promote our vision and values throughout our business and supply chains.

Current State Assessment

We launched a current state assessment to review current operations, practices, policies and evaluate potential risks of supply chain modern slavery. We initiated various steps including: mapping of activities and supply chains; assessing potential modern slavery risks within activities and supply chains; assessing risk-based due diligence practices and reviewing the Organization for Economic Co-operation and Development (“OECD”) guidance on responsible business conduct; developing and implementing modern slavery awareness and training; and, developing a future roadmap to strengthen practices and support continuous improvement in reducing the risks of supply chains modern slavery.

Training

We provide awareness information and training to the ESG working group on various topics, including modern slavery compliance and a comprehensive overview of the results of our current state assessment. We promote our speak-up culture, whistleblower policy and related resources. Our ESG working group includes enterprise-wide local market representation across Canada, Scotland and Northern England. Information is further cascaded to relevant employees based on roles and geographies.

Annual Modern Slavery Reporting

Pursuant to regulations in Canada and the United Kingdom, K-Bro and Fishers, a K-Bro company, publish annual modern slavery reports:

- Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (2024); and,
- United Kingdom’s Modern Slavery Act 2015.

Copies of the reports can be found on K-Bro’s and Fishers’ websites:

- K-Bro’s report can be found <<https://www.k-brolinen.com/company>> under ‘Governance Documents’; and,
- Fishers’ report can be found <<https://www.fisherslaundry.co.uk/our-company>> under ‘Modern Slavery Statement’.



Appendix



Appendix: TCFD Responses

Taskforce on Climate-related Financial Disclosures

The Taskforce on Climate-related Financial Disclosures (TCFD) was created by the Financial Stability Board (FSB) to recommend the types of information companies should disclose for investors, lenders and underwriters. TCFD monitoring responsibilities have transferred to the IFRS ISSB from 2024. Our responses for 2023 (vOctober2021) are outlined below.

Topic	Disclosures	Response
Governance	a) Describe the board's oversight of climate related risks and opportunities.	Strong corporate governance is a priority for K-Bro. The Board takes a comprehensive approach to climate oversight and monitors significant developments in related risks and opportunities. The Board oversees K-Bro's environment, social and governance program and ensures its effective implementation. K-Bro's ESG Team provides regular updates on strategy, risk management, monitoring and reporting initiatives. For additional details on K-Bro's Board of Directors and its corporate governance practices, please refer to p.18 (Board of Directors).
	b) Describe management's role in assessing and managing climate related risks and opportunities.	Management recognizes that climate related risks and opportunities are complex and multi-faceted and require attention across different time horizons. Management actively engages with stakeholders around material topics, risks and opportunities and monitors trends within the industry and potential impacts on our business. K-Bro has established an ESG Steering Committee, which is responsible for managing day-to-day responsibilities of our ESG program. For additional details on K-Bro's approach to managing ESG, please refer to p. 9 (K-Bro's ESG Team).
Strategy	a) Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term.	For a description of climate related risks and opportunities and their respective impacts on our business and planning, please refer to p.24 (Climate-related risks) and p.25 (Climate-related opportunities).
	b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	For a description of climate related risks and opportunities and their respective impacts on our business and planning, please refer to p.24 (Climate-related risks) and p.25 (Climate-related opportunities).
	c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including 2°C or lower scenario.	We are proud to be a dependable partner to our stakeholders and believe resilience of our business model is vital to delivering on our commitment. We have a robust business contingency planning process, which takes into account risks, including climate-related risks. As part of our long-term sustainability program, K-Bro is in early stages of evaluating different climate related scenarios. We have engaged an independent third-party consultant to assist us in the analysis. We intend to further assess implications from scenario analysis and provide updates in subsequent reports.



Appendix: TCFD Responses (Continued)

Topic	Disclosures	Response
Risk Management	a) Describe the organization's processes for identifying and assessing climate related risks.	K-Bro's senior management team establishes and monitors our enterprise-wide risk management processes, including our business contingency planning process, which are designed to mitigate operational, business, climate and other risks. The ESG steering committee and working group support senior management in identifying, assessing and managing climate related risks, in support of our enterprise-wide risk management processes. Our ESG Team includes diverse subject matter expertise with enterprise-wide local market representation. For additional details, please refer to p.9 (K-Bro's ESG Team).
	b) Describe the organization's processes for managing climate related risks.	We assess and implement fit-for-purpose processes to manage specific climate related risks. For additional details related to climate related risks and actions taken to mitigate, please refer to p.24 (Climate-related risks).
	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organization's overall risk management.	Climate related risks are incorporated in our enterprise-wide risk management processes. We maintain a risk register to monitor and mitigate material risks of the business, which includes climate related risks. Risks are reviewed on an ongoing basis and assessed against criteria related to potential impact and likelihood. We have also implemented processes to identify and assess emerging risks that may arise across longer time horizons. Our objective, where feasibly possible, is to mitigate the potential impact of risks to acceptable levels.
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	We are committed to ongoing assessments of climate related risks and opportunities and will continue to refine our process for identifying relevant metrics. Among other metrics, we track climate related SASB metrics. For additional details on climate related SASB responses, please refer to p.29 for (Fleet Fuel Management) SV-HL-140a.1, and (Product Lifecycle Management) HC-DI-410a.1.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1: 53,984 tCO2e Scope 2: 4,618 tCO2e For additional details related to climate related risks and actions taken to mitigate, please refer to p.24 (Climate-related risks).
	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	As part of K-Bro's Clean Green and ISO 14001 certifications, we adhere to strict industry standards for water and energy conservation and intend to continue to meet these targets. With regards to GHG emissions, we have engaged an independent third-party consultant to assist in preparing our scope 1 and 2 GHG emissions and to assist us in evaluating and calculating our scope 3 GHG emissions. We intend to review objectives for future targets and provide updates in subsequent reports.



Appendix: Climate-Related Risks

Category	Type	Risks Summary	K-Bro Actions to Mitigate	Time Horizon
Climate-Related Transition Risks	Policy & Legal	<ul style="list-style-type: none"> Increased compliance costs 	Changing sustainability-related reporting requirements, including additional focus on supply chain and scope 3 emissions, may result in more granular and frequent reporting updates. Enhanced emissions-reporting obligations and related regulations may result in higher compliance costs. These risks are mitigated through monitoring regulatory trends, compliance preparation, and regular engagement with industry associations and consultants.	Medium-term
	Technology	<ul style="list-style-type: none"> Costs to transition to lower emissions technology Unsuccessful investment in new technologies 	Shifts in technology to support a carbon neutral economy may result in increasing demand for energy-efficient technology upgrades. Technology risk is mitigated through ongoing investment in proven highly energy-efficient technologies, being technology fast-followers rather than technology pioneers, partnering with credible world class suppliers and our commitment to continuous improvement in operational and energy efficiency.	Medium-term
	Market	<ul style="list-style-type: none"> Increased input prices Energy price volatility Supply chain disruptions 	Increasing production costs related to higher input prices, volatile energy costs and supply chain disruptions may negatively impact results. Market risk is mitigated through adoption of highly energy-efficient technology, relying on third-party experts for hedging, supply chain diversification and business contingency planning.	Short-term
	Reputation	<ul style="list-style-type: none"> Customer demand for enhanced environmental stewardship Impacts to employee attraction and retention from perception of commitment to ESG 	Public and/or private customers and employee sustainability priorities may change. K-Bro's reputation may be damaged if stakeholders do not believe in our commitment to long-term sustainability, which could negatively impact revenue and labour availability. Reputational risk is mitigated through our ongoing commitment to environmental stewardship and our long-term sustainability program, engagement of expert consultants and adoption of ESG frameworks.	Medium-term
Climate-Related Physical Risks	Acute	<ul style="list-style-type: none"> Operational disruption from weather Higher cost of vacancies, absenteeism and health & safety 	Operational disruption from severe weather may result in higher costs related to difficulties in delivery, supply chain disruptions and increased absenteeism. These risks are mitigated through ongoing business contingency planning, preemptive continuity planning with customers, facility site-selection and site planning, and to a certain extent business-interruption and property insurance.	Short-term
	Chronic	<ul style="list-style-type: none"> Increased costs related to required heating and cooling Increased frequency of extreme weather 	Increasing frequency of extreme weather, increasing costs related to heating and cooling and weather-related operational disruptions may result in higher operating costs. In addition to steps taken to mitigate acute risks, chronic risks are mitigated through long-term risk assessments and incorporating highly energy-efficient considerations and designs into operations.	Long-term



Appendix: Climate-Related Opportunities

Category	Type	Opportunity Summary	K-Bro Actions to Achieve	Time Horizon
Climate-Related Opportunities	Resource Efficiency	<ul style="list-style-type: none"> More efficient modes of transport Reduced water and energy usage Expanded end of life recycling 	Advances in fuel efficient or electric vehicles, new proven technologies to further reduce water and energy usage and expanded end of life recycling may contribute to reduced operating costs. Actions to achieve include monitoring fuel efficient and electric vehicle trends for optimal time to pilot initiatives, piloting new proven technologies for enhanced water and energy conservation and assessing enhanced end of life recycling alternatives.	Short-term
	Energy Source	<ul style="list-style-type: none"> Use of new technologies Shift toward decentralized energy generation 	Continued trends towards decentralized energy generation, such as cost and energy efficient on-premise solar, may present opportunities to reduce or diversify energy sources while lowering costs. Actions to achieve include ongoing monitoring and evaluation of decentralized energy generation (i.e. solar, geothermal, hydrogen technology) for piloting and potential deployment at facilities.	Long-term
	Product & Service	<ul style="list-style-type: none"> Continued trend to replace disposable products with reusable alternatives Continued trend toward outsourcing non-core processes 	Shift in consumer preferences away from disposable products may increase demand for reusable alternatives. Trends in outsourcing inefficient non-core on-site processing may accelerate as customers seek to achieve their own sustainability objectives. These opportunities may contribute to increasing revenue. Actions to achieve include continued investment in state-of-the-art equipment and commitment to our sustainability program.	Short-term
	Markets	<ul style="list-style-type: none"> Access to new markets, including home rentals (i.e., Airbnb, Vrbo) and regional market care-home beds 	Emergence of new markets, and delivery models, may expand addressable market and enhance core growth opportunities. Actions to achieve include ongoing evaluation of new markets and delivery models (i.e. linen hubs that have been successfully deployed in other similar geographies), and assessment of meaningful regional opportunities that align with K-Bro's industry leadership and value proposition.	Medium-term
	Resilience	<ul style="list-style-type: none"> Supply chain resilience 	Enhanced supply chain resilience may increase demand and encourage customers to switch to K-Bro in support of long-term dependable service throughout various market conditions. Actions to achieve include ongoing business contingency planning, evaluation and spec out of diverse suppliers, auditing of supply chain and supplier resilience assessments.	Medium-term

Appendix: SASB Responses

Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board (SASB) standards outline industry-based sustainability disclosures related to risks and opportunities that impact enterprise value. In 2022, SASB was consolidated into the IFRS Foundation to help establish the ISSB. Our responses for 2023 (v2023-06) are outlined below.

Topic	Accounting Metric	Category	Unit	Code	Response
Data Security	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	SV-PS-230a.1	K-Bro uses software programs to identify potential data securities risks and perform analysis of the system updates. We audit and review our processes for potential enhancements and conduct security maintenance, which includes system patches, among other security efforts.
	Description of policies and practices relating to collection, usage, and retention of customer Information	Discussion and Analysis	n/a	SV-PS-230a.2	K-Bro collects limited customer information, required in the normal course of business, which we do not consider to be sensitive in nature. K-Bro uses software programs to identify potential data securities risks and perform analysis of the system updates. We audit and review our processes for potential enhancements and conduct security maintenance, which includes system patches, among other security efforts.
	(1) Number of data breaches, (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII), (3) number of customers affected	Quantitative	Number, Percentage (%)	SV-PS-230a.3	(1) 0 (2) 0% (3) 0
Workforce Diversity & Engagement	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees	Quantitative	Percentage (%)	SV-PS-330a.1	(1) Executive Management: Gender: 28% Female / 72% Male / Other or not disclosed 0% Racial/ethnic group: 7% Asian / 93% White (2) All Other Employees: Gender: 50% Female / 50% Male / Other or not disclosed <0.5% Racial/ethnic group: 42% Asian / 21% Black or African American / 4% Hispanic or Latino / 29% White / 4% Other or not disclosed



Appendix: SASB Responses (Continued)

Topic	Accounting Metric	Category	Unit	Code	Response
Workforce Diversity & Engagement	(1) Voluntary and (2) involuntary turnover rate for employees	Quantitative	Rate	SV-PS-330a.2	Voluntary turnover: 29% Involuntary turnover: 8% Note: Turnover rates are reported for the year, based on employees who have successfully completed 90-day probationary periods.
Professional Integrity	Description of approach to ensuring professional integrity	Discussion and Analysis	n/a	SV-PS-510a.1	K-Bro is committed to the highest standards of professional integrity. Our enterprise-wide Code of Business Conduct and Ethics (the "Code"), along with Insider Trading and Whistleblower policies cover a wide range of business practices and situations, setting out basic principles to guide all directors, officers and employees. The Code also outlines compliance procedures to ensure prompt and consistent action against violations.
	Total amount of monetary losses as a result of legal proceedings associated with professional Integrity	Quantitative	Reporting Currency	SV-PS-510a.2	\$0
Employees	Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract	Quantitative	Number	SV-PS-000.A	Full time: 2,629 Temporary: 0 Contract: 0
Employee Hours	Employee hours worked, percentage billable	Quantitative	Hours, Percentage (%)	SV-PS-000.B	5,152,993 hours 0% billable Note: Total hours are calculated based on actual hours worked for hourly employees and 40 hours per week for salaried employees.

Appendix: SASB Responses (Continued)

Topic	Accounting Metric	Category	Unit	Code	Response
Supply Chain Management	Description of efforts to maintain traceability within the distribution chain	Discussion and Analysis	n/a	HC-MS-430a.2	K-Bro uses various technologies to maintain traceability within our distribution chain. We tailor solutions to meet the needs of each market and product line. K-Bro uses purpose-built software, barcode technology and Radio Frequency Identification (RFID) tagging to support the highest standards for tracking and tracing accuracy.
Supply Chain Management	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	HC-MS-430a.3	Management of risks associated with the use of critical materials are incorporated in our enterprise-wide risk management processes. Textiles, water, energy, chemicals and replacement equipment parts are critical materials for our business. K-Bro employs a variety of strategies to manage potential risks, including diversification of suppliers, reserve inventory, stockpiling of materials and equipment redundancy.
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Quantitative	Reporting currency	HC-MS-510a.1	\$0
Business Ethics	Description of code of ethics governing interactions with health care professionals	Discussion and Analysis	n/a	HC-MS-510a.2	K-Bro is committed to the highest standards of professional integrity. Our enterprise-wide Code of Business Conduct and Ethics (the “Code”) covers a wide range of business practices and situations, setting out basic principles to guide all directors, officers and employees. These principles govern interactions with health care professionals. The Code also outlines compliance procedures to ensure prompt and consistent action against violations.
Labour Practices	Description of policies and programmes to prevent worker harassment	Discussion and Analysis	n/a	SV-HL-310a.4	K-Bro has implemented workforce diversity practices to, among other things, remove barriers to diversity and ensure equal employment opportunities. K-Bro does not tolerate discrimination or harassment of any kind. Our enterprise-wide Code of Business Conduct and Ethics (the “Code”) covers discrimination and harassment. The Code also outlines compliance procedures to ensure prompt and consistent action against violations.



Appendix: SASB Responses (Continued)

Topic	Accounting Metric	Category	Unit	Code	Response
Fleet Fuel Management	Description of efforts to reduce the environmental impact of logistics	Discussion and Analysis	n/a	HC-DI-110a.2	K-Bro has achieved Clean Green and ISO 14001 certifications, which include various practices to reduce the environmental impact of logistics. Our practices include maintaining a modern fleet, including plug-in hybrid vehicles and employing logistics software to optimize routes and enhance fuel efficiency. We evaluate opportunities to adopt Hybrid and EV vehicles, where feasible. In the UK we've switched our company car fleet to plug-in hybrid vehicles.
Product Lifecycle Management	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	HC-DI-410a.1	Our circular business model includes delivering clean linens to customers and picking up used items to be washed and returned. We offer customers options for delivery of clean linens in covered reusable containers. Where healthcare customers require polyethylene packaging for hygiene reasons, we use recyclable packaging. We work with customers to evaluate alternatives to eliminate packaging and are committed to eliminating single-use plastics.
Business Ethics	Description of efforts to minimize conflicts of interest and unethical business practices	Discussion and Analysis	n/a	HC-DI-510a.1	K-Bro is committed to the highest standards of professional integrity. Our enterprise-wide Code of Business Conduct and Ethics (the "Code"), along with Insider Trading and Whistleblower policies cover a wide range of business practices and situations, setting out basic principles to guide all directors, officers and employees. The Code also outlines compliance procedures to ensure prompt and consistent action against violations.
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with bribery, corruption, or other unethical business practices	Quantitative	Reporting currency	HC-DI-510a.2	\$0

Appendix: K-Bro Mapping to UN SDGs



The United Nations Sustainable Development Goals

We embrace our opportunity to support a more sustainable future and believe our priorities and initiatives align with six of the United Nations Sustainable Development Goals (SDGs). The aligned targets and K-Bro actions are detailed in the table below.

SDG	Aligned Targets	K-Bro Actions
	5.1 Gender equality and non-discrimination 5.c Policies to promote gender equality and the empowerment of women	K-Bro has implemented workforce diversity practices to, among other things, remove barriers to diversity, ensure equal employment opportunities, eliminate unconscious bias and improve representation of females and minorities. We have also updated our supplier code of conduct and ensure suitable gender, labour and human rights policies, among others, are in place to address a broad spectrum of working conditions within our supply chain.
	6.3 Improve wastewater treatment, recycling and safe reuse 6.4 Increase water-use efficiency and ensure sustainable withdrawals	K-Bro innovates in developing water and energy-efficient cleaning and drying systems. We use highly-efficient tunnel washers, requiring approximately half the water of a traditional washer system, and the latest technology in water extraction by means of centrifugal extractors or large hydraulic presses. K-Bro has achieved Clean Green and ISO 14001 certifications and adheres to strict water conservation standards, among other criteria. All wastewater is safely treated in accordance with regulations.
	9.4 Upgrade industry for sustainability and efficiency 9.5 Upgrade industrial technological capabilities	K-Bro invests in state-of-the-art, highly energy efficient technology from world-class manufacturers. Among our advanced processing equipment, we use highly efficient tunnel washers equipped with microprocessor that conserve water and optimize both temperature and use of environmentally-friendly cleaning solutions. After washing, the latest technology in water extraction and drying is used. We've also installed heat recovery and energy conserving daylight harvesting systems.
	11.3 Enhance inclusive and sustainable urbanization 11.6 Reduce adverse environmental impacts of cities	K-Bro embraces sustainable urbanization combining economies of scale and the most operating and energy efficient technology with fit-for-purpose industry best practices. We have constructed five purpose-built highly-efficient state-of-the-art facilities in the largest urban markets to support responsible growth. In addition to our largest urban facilities, we continuously invest in all our facilities to improve operating and energy efficiencies and adhere to strict energy and water standards for conservation.
	12.5 Substantially reduce waste generation 12.6 Encourage companies to adopt sustainable practices and sustainability reporting	K-Bro undergoes independent auditing and validation of our commitment to meeting strict water and energy consumption, minimizing landfill waste and emissions, ensuring route optimization, and several other criteria. We support and align our sustainability efforts to established and recognized frameworks and standards, including TCFD and SASB. We are committed to transparency and governance best practices and are proud to publish annual sustainability reports.
	13.1 Strengthen resilience and adaptive capacity to climate-related hazards 13.2 Integrate climate change measures	K-Bro implements Best Management Practices (BMPs) in our processes, systems and procedures for reusing, reclaiming and recycling resources, and adheres to industry water and energy standards for conservation. BMPs include, but are not limited to, heat recovery technology, water reuse technology, fleet vehicle route optimization, environmentally friendly chemical use, energy efficient lighting and recycling programs. We are committed to continuous improvement in operating and energy efficiencies.

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Abbreviations and Acronyms

- **CNCG:** Compensation, Nominating & Corporate Governance
- **Code:** K-Bro's Code of Business Conduct and Ethics (the "Code")
- **DE&I:** Diversity, Equity & Inclusion
- **ESG:** Environment, Social and Governance
- **FSB:** Financial Stability Board
- **GHG:** Green House Gas
- **HLAC:** Healthcare Laundry Accreditation Council
- **IFRS:** International Financial Reporting Standards
- **ISO:** International Organization for Standardization
- **ISSB:** International Sustainability Standards Board
- **(L):** Liter
- **(lb):** Pound
- **OECD:** The Organization for Economic Co-operation and Development
- **PPE:** Personal Protective Equipment
- **RFID:** Radio Frequency Identification
- **SASB:** Sustainability Accounting Standards Board
- **SDG:** Sustainable Development Goals
- **TCFD:** Taskforce for Climate-Related Financial Disclosure
- **(tCO₂e):** tonnes (t) of carbon dioxide (CO₂) equivalent (e)
- **TRSA:** Textile Rental Services Association



Appendix: Sustainability Data Summary Table

Topic	Metric/Unit	2022	2023
Financial/Operational			
Revenue	Canadian dollars (millions)	\$277 million	\$321 million
EBITDA	Canadian dollars (millions)	\$36 million	\$57 million
People			
Board Gender Diversity	Percentage	40% Female / 60% Male	40% Female / 60% Male
Senior Executive Gender Diversity ⁽¹⁾	Percentage	67% Female / 33% Male	67% Female / 33% Male
Enterprise-wide Gender Diversity ⁽²⁾	Percentage	49% Female / 51% Male	49% Female / 51% Male
Planet			
GHG emissions - Scope 1	tCO2e	51,612 tCO2e	53,984 tCO2e
GHG emissions - Scope 2	tCO2e	4,439 tCO2e ⁽³⁾	4,618 tCO2e
Scope 1 & 2 GHG Intensity	tCO2e / revenue \$ millions	\$203 ⁽⁴⁾	\$183

(1) Reflects senior management vs. SASB SV-PS-330a.1 executive management

(2) Reflects enterprise-wide employees vs. SASB SV-PS-330a.1 all other employees

(3) Restated to 4,439 from 5,511 to correct emission factors

(4) Restated to \$203 from \$206 to correct emission factors



K·BRO

Strategic
growth.
Dependable
income.

