

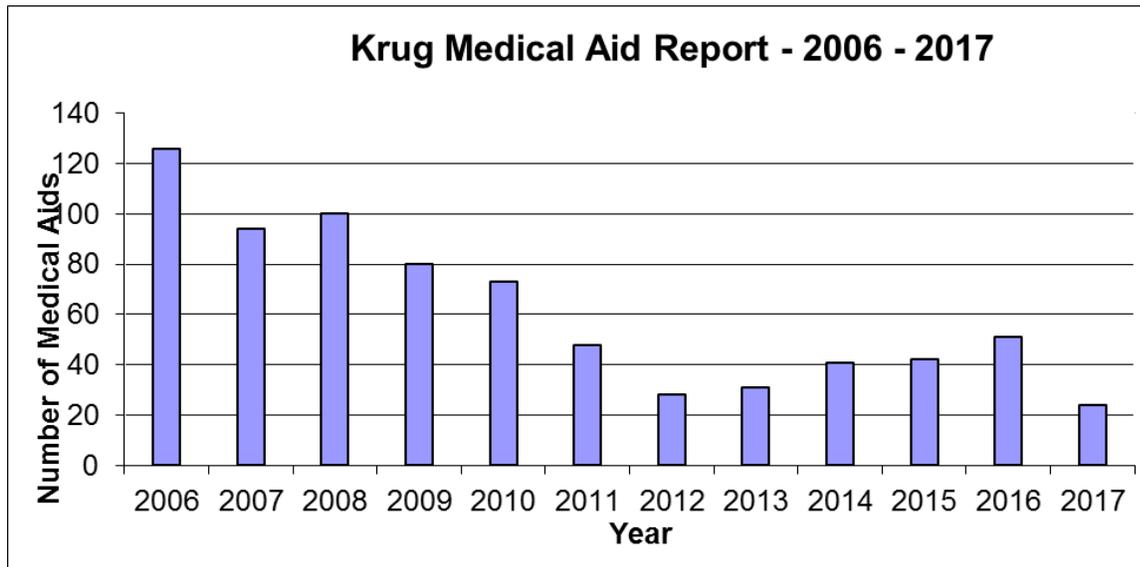
ANNUAL SOCIAL RESPONSIBILITY REPORT – December 2017

The reputation of Krug has been built over 138 years on the principles of integrity and dignity in its relations with its staff, customers, suppliers, and the communities in which it operates. Meeting legal and regulatory requirements is simply the minimum. Krug has adopted a Social Responsibility Policy and this is the fourth report on performance in relation to that policy.

HEALTH and SAFETY

The safety of staff is one of the highest priorities of Krug. High standards are established in policies, procedures and training. We strive to have zero lost-time accidents. We measure, monitor and aim to continually reduce the number of incidents requiring medical aid. There has been an 81% reduction in medical aids from 2006 to 2017 for all plants. There is continuous health and safety training of all staff.

The following chart shows the progress made over the past 12 years.



Senior management meets monthly to ensure the safety program is sound. There is an ongoing process that includes:

- Development and maintenance of safety policies
- Auditing for compliance in areas such as housekeeping, use of personal protective equipment, machining guarding, and safe operation of forklifts
- Reviewing performance
- Ensuring the Joint Health and Safety Committees are operating effectively
- Promoting safety to staff
- Updating training
- Communication of results to all staff

This is complemented by a rigorous investigation of all accidents and near misses to ensure appropriate corrective actions are implemented.

The health and well-being of staff is crucial to their productive contribution to the company's success. Benefits and an employee assistance program provide support to staff families.

INCLUSIVENESS, EMPLOYMENT EQUITY and HUMAN RIGHTS

Krug will not tolerate discrimination on the basis of age, race, gender, religion, those with disabilities or aboriginal peoples, or any other discriminatory acts against a person. Krug complies with all local and national inclusiveness rules and regulations. All staff members are given appropriate levels of training in relation to this policy. Fair hiring practices are supported by the company's Employment Equity program which eliminates any barriers to employment. A process of internal job postings provides staff with the opportunity to grow and advance within the company.

The purpose of Krug's Employment Equity policy is to achieve equality in the workplace and correct the conditions of disadvantage in employment for the four designated groups as defined below. It is also an effort to give effect to the principle that employment equity means more than treating people in the same way but also requires special measures and the accommodation of differences.

It is the intent of Krug's Employment Equity Program to identify and remove any barriers to the recruitment, selection, hiring, promotion, termination, retention, accommodation, development and training of members of the four designated groups: women, aboriginal peoples, persons with a disability and visible minorities.

Krug's staffs breaks down as follows:

	Male	Female	Visible Minority	Aboriginal	Disability
2009	63.40%	36.60%	8.95%	1.12%	2.24%
2010	64.10%	35.90%	8.75%	1.15%	2.30%
2011	63.90%	36.10%	9.76%	1.47%	2.21%
2012	59.63%	40.37%	12.36%	1.16%	9.76%
2013	59.35%	40.65%	11.38%	1.22%	9.20%
2014	64.00%	36.00%	11.00%	1.00%	5.00%
2015	63.00%	37.00%	13.00%	1.00%	6.00%
2016	60.00%	40.00%	13.00%	1.60%	5.80%
2017	58.80%	41.20%	13.21%	2.07%	6.99%
Characteristics of Population in Communities where Plants Located	61.8%	38.20%	11.27%	1.31%	5.50%

Krug protects and respects the rights of its people. Employees' rights are further guarded by other legislation including the Canadian Charter of Rights and Freedoms, the Occupational Health and Safety Act, and The Employment Standard Act. Krug endeavours to satisfy itself that the treatment of both its staff and those of its suppliers' operations meets its standards as well as local, national and global laws and norms. This includes prohibiting forced or involuntary labor and child labor. Krug surveys its suppliers to be kept informed of their labor practices.

COMMUNITY OUTREACH AND INVOLVEMENT

Krug is a strong supporter of the communities in which it operates. This includes charitable donations of cash and furniture, as well as staff contributions of cash and volunteer hours.

For decades Krug has been a strong supporter of the hospitals in its community. Over the years, the company has donated hundreds of thousands of dollars to the hospitals and its staff members have provided hundreds, if not thousands, of hours of volunteer time.

Similarly, the company and its staff have been long-time financial contributors to the United Way and have provided a substantial amount of volunteer leadership time at the local, provincial and national levels.

Krug is involved in supporting the community in many other ways. For example, it supports a Foster Child, and has donated both financially and in-kind (furniture) to many charitable organizations. Its staff members have provided volunteer time to many organizations including Kidsability, Canadian Cancer Society, Foodbank, Conestoga College, and the Kitchener and Waterloo Community Foundation.

In the past 12 months, among others, Krug and its staff supported the following organizations in donations of cash, time, furniture or materials:

- United Way
- Mobile Loaves & Fishes
- Lions Club Inc.
- Renewal House in Canton
- Children's Cabinet
- Canadian Cancer Society
- Lisaard House
- Grand River Hospital
- Heart & Stroke Foundation
- Alzheimer Society
- The Food Bank
- Mennonite Central Committee
- Cystic Fibrosis
- Crohn's and Colitis Canada
- Parent Plan International
- Mission – Keep the Faith
- Bishop University

CORPORATE ETHICS

Krug's demands the highest level of ethical behaviour in all of its dealings. A gift policy prevents individuals who are directly involved with customers or vendors from being influenced in their decision-making.