

Social Accountability – SA 8000 Section IV 8.6.2 BIFMA – Advanced Level

Krug is a socially, ethically and morally responsible company. Using SA8000 2008 standard as the guidance document, Krug will ensure that it complies fully with all aspects of the international standard issued by SAI (Social Accountability International) and the Conventions of ILO. (International Labour Organization)

Core values of Krug include respecting those who work for or on behalf of the organization and ensuring that ethical behavior and principles are carried through to our dealings with our business partners.

The purpose of the Standard is to provide a standard based on international human rights norms and national labor laws that will protect and empower all personnel within a company's scope of control and influence, who produce products or provide services for that company, including personnel and employed by the company itself, as well as by its suppliers/subcontractors, sub-suppliers, and home workers.

Krug will respect the principles noted in Section 11 Normative Elements.

1 Child Labor

Krug does not engage in or support child labor. Child labor is defined as anyone less than 15 years of age. Provincial laws prohibit the hire of a person less than 15 years of age in a manufacturing/industrial facility.

Summer students may be hired on a temporary basis. As such, these students would be at least 16 years of age and defined under the standard as a "young worker". School sessions are completed in May / June of each year so the hiring of these students does not interfere with any school hours. At no time will any young worker's school, work and transportation time exceed 10 hours a day if the student is brought in for training purposes ahead of school summer shutdown. A typical shift at Krug is 8 hours. Young workers are assigned lower skilled, less complicated work to ensure that they are not exposed to any dangers for which they are not prepared or can be adequately protected against. Krug will not only protect their physical and mental well-being but also their moral and ethical needs.

Any person hired at Krug receives job specific and mandatory safety training in general and specific terms for the task to which they are hired.

2 Forced and Compulsory Labor

Krug does not engage in or support the use of forced or compulsory labor or support trafficking in human beings.

Krug does not require "pay deposits" or that staff lodge identification papers with the company upon hire. Identification for the purposes of payroll activity are normal and are required to ensure a staff member's pay can be deposited. Krug observes all provincial and federal guidelines with respect to everyone's Right to Privacy.

Staff can leave their employ with Krug at any time with reasonable notice. This notice period is seen as a mutually respectful period that allows an employer to ensure continuity in the position. Shift start and end times are reviewed with staff upon hire.

3 Health and Safety

Krug is committed to supplying a safe and healthy work environment for all staff and complies with all local, federal and provincial laws with respect to Health and Safety. Krug complies with provincial legislation, The Occupational Health and Safety Act, Reg. 851.

All Managers, Team Leaders and Supervisors are responsible and held accountable for providing safe plants, establishing and enforcing safe work practices, enforcing company safety rules and providing necessary support, training and work instructions to all staff.

Krug will, as a minimum, comply with all applicable local, provincial and federal regulations in our goal to eliminate industrial accidents, incidents and illnesses. Internal policies will be driven not only by these regulations but also by Krug's commitment to continual improvement in all facets of our business.

Krug supplies any necessary personal protective equipment as part of its commitment to the safety and health of all staff. Krug's first aid staff exceeds provincial requirements in order to ensure immediate response is always available for medical emergencies on any shift.

No staff member is expected to place him or herself in danger at any time. All staff is made aware through training, postings and documentation, that they have the right to refuse any work that they believe may be dangerous to themselves. This is a legislated right in Ontario. It is also expected through our corporate culture that any staff member should bring to the attention of Management any situation that may be dangerous to another staff member. Krug will not tolerate retaliation or reprimand against any staff member reporting a safety concern.

Krug has established a Senior Management Representative who has overall responsibility for Health and Safety of all divisions.

4 Freedom of Association & Right to Collective Bargaining

Krug respects the right of all staff members to form or join a trade union or other organization of their choice for collective bargaining. There will be no negative consequences such as discrimination, intimidation or retaliation to any staff member investigating, organizing or participating in this process.

In situations where the right to freedom of association and collective bargaining are restricted under law, Krug will allow workers to freely elect their own representatives. There will be no discrimination against any representative.

5 Discrimination & Harassment

Krug is an equal opportunity employer and observes and supports the Human Rights Code of Ontario which states:

"Every person has a right to equal treatment with respect to employment without discrimination because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, gender identity, gender expression, age, record of offences, marital status, family status or disability. R.S.O. 1990"

"Every person who is an employee has a right to freedom from harassment in the workplace by the employer or agent of the employer or by another employee because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sexual orientation, gender identity, gender expression, age, record of offences, marital status, family status or disability. R.S.O. 1990"

Krug selects and recruits individuals based solely on their ability and suitability for a job.

Any complaints of harassment, abusive behavior or violence are dealt with immediately by Human Resources and Senior Management. Krug will not tolerate this behavior.

6 Disciplinary Practices

Krug promotes an environment that is mutually respectful of all persons. A progressive disciplinary policy provides for staff to correct behavior or to understand policies without the use of corporal punishment, mental or physical coercion, or verbal abuse. No harsh or inhumane treatment is tolerated at any time.

7 Working Hours

Krug complies with all local, federal and provincial laws with respect to hours of working. Provincial law defines hours of work and staff will have the option of working additional hours (overtime) on a voluntary basis. A regular workweek does not exceed 40 hours before over time. The maximum number a person can be required to work in a week is 48 hours. The maximum number of hours most employees can be required to work **in a day** is *eight hours or* the number of hours in an established regular workday, if it is longer than eight hours. The only way the daily maximum can be exceeded is by *written agreement*. Staff are not required to sign the agreement if they chose.

Krug does not have a collective bargaining unit.

8 Remuneration

Krug shall ensure that all wages paid will at least meet minimum standards as required by law and to ensure the basic needs of a person are met and to provide some discretionary income. Any deductions made on a pay cheque will either be required by law or with the written approval of the staff member. Krug shall ensure the details of a person's pay including hourly wage, tax deductions, hours of work, pension information and any other approved deduction will be clearly noted on pay receipts issued every two weeks.

Krug will pay premium rates on "overtime" hours worked by staff.

9 Management Responsibility

It is the responsibility of Krug Senior Management to regularly review the requirements and performance metrics established for meeting this standard. At least on an annual basis the VP of Manufacturing, VP of Continuous Improvement, Human Resources Manager, Purchasing and QA will monitor Krug's compliance noting any non-compliance or opportunities for improvement to the appropriate person.

Krug has several established systems that can address any non-conformance. A Defective Material Reporting system, Field Product Reporting system and a Corrective Action system can address product and systemic issues through root-cause analysis. Other non-conformances as they relate to staffing issues may be addressed directly with Human Resources who will maintain the confidentiality of the person and the concern. Krug will not discipline, dismiss or otherwise discriminate against any person for providing information concerning observance of the standard.

This policy will be made available publicly.