

Fighting Against
Child and Forced Labor
In the Supply Chain

Annual Report

Financial Reporting Year: April 1st, 2024 – March 31st, 2025



Annual Report

Fighting Against Forced Labor and Child Labor in Supply Chains Act.

For Fiscal Year April 1st, 2024 – March 31st, 2025

1. Identifying Information

Name of the Entity: Advanced Fresh Concepts Franchise Corp. (AFCFC)

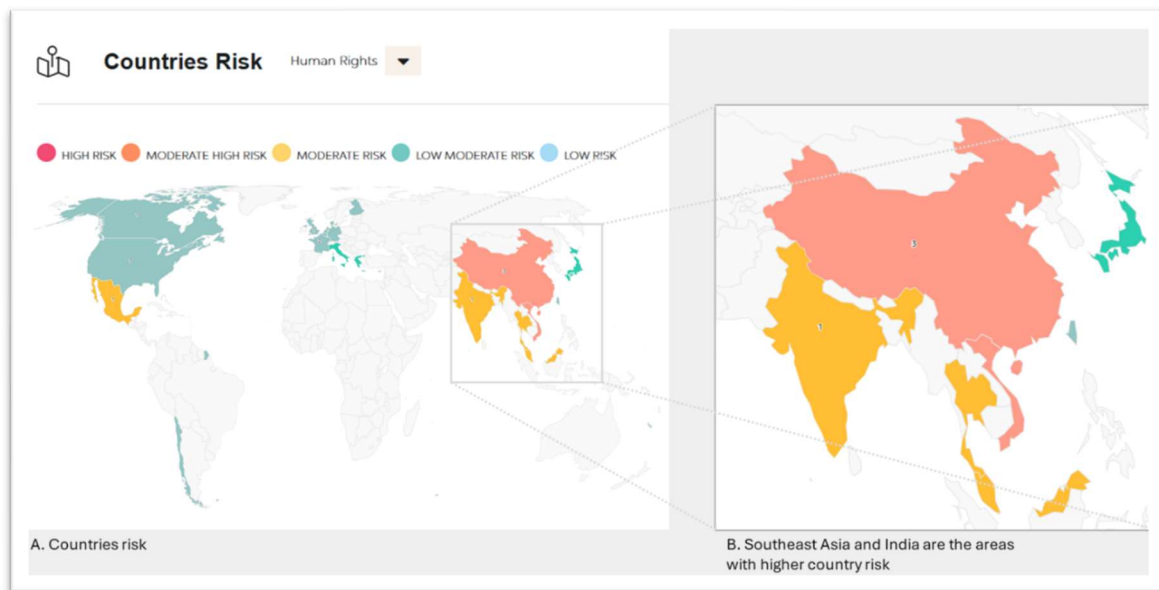
Entity Business Number: 85213 4469 RC0001

Financial Reporting Year: April 1st, 2024 - March 31st, 2025.

2. Steps Taken to Prevent and Reduce the Risk of Forced or Child Labor

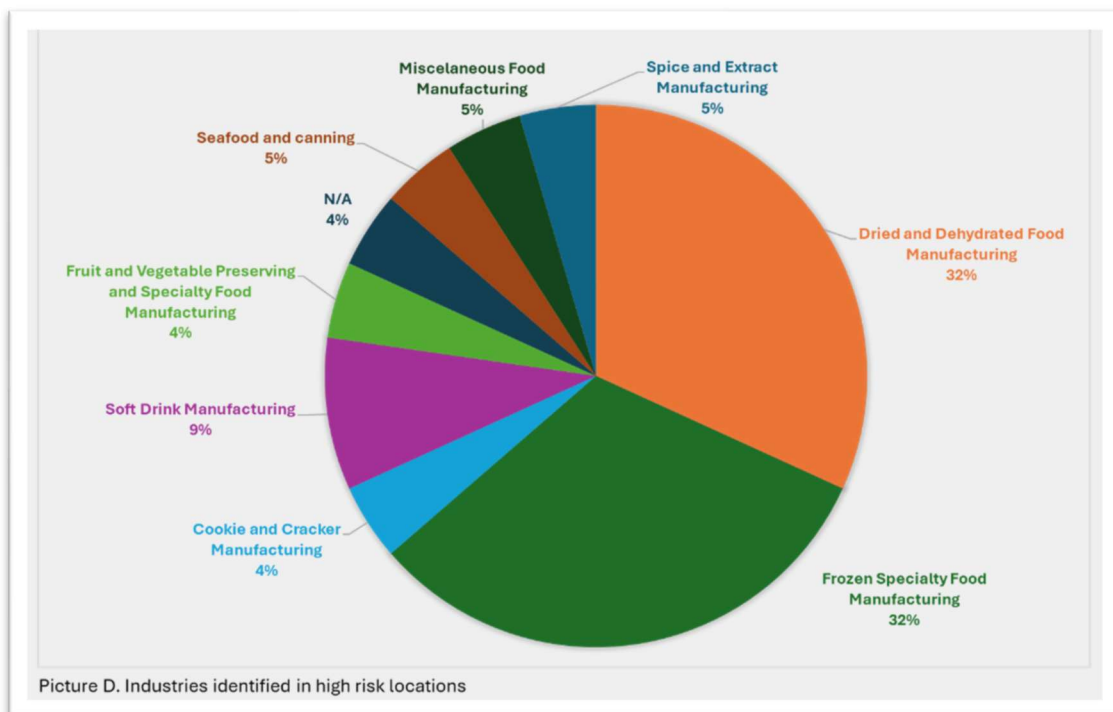
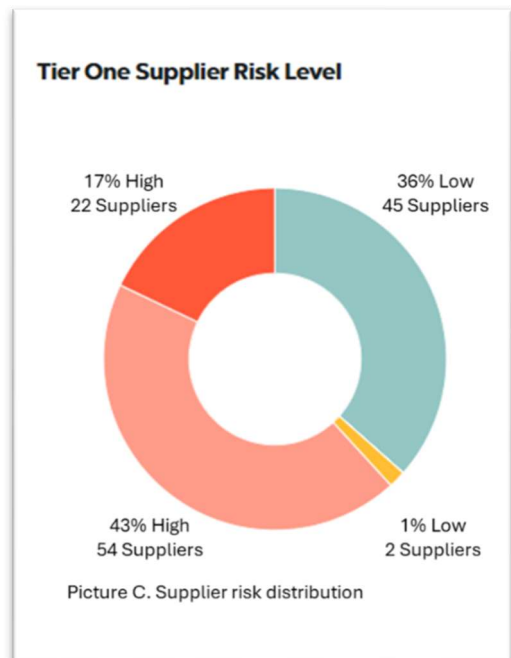
Below are the steps Advanced Fresh Concepts Franchise Corp. took during the previous financial year to prevent and reduce the risk that forced labor or child labor is used at any step of the production of goods in Canada, or elsewhere, by the entity, or of goods imported into Canada by the entity:

- A. Continuing Updates to Mapping Activities.** During the fiscal year 2024–2025, we continued to enhance our supply chain mapping efforts by updating and expanding the information collected on our vendors. Data for over 120 suppliers was added to our risk-mapping system to improve visibility in potential vulnerabilities across our supply chain (Pictures A & B). With this expanded dataset, we identified a broader geographical area with elevated risk levels. As a result, our focus has shifted to suppliers located in Southeast Asia and the Indian subcontinent, as these regions now represent the highest risk within our supplier network.



B. Ongoing Assessment of Forced Labor Risk. We continued with our internal assessment of the risks of forced labor in the organization's activities and supply chain. To strengthen our understanding of forced labor risks, we analyzed supplier data and categorized vendors by risk level. This analysis revealed that 17% of our suppliers fall within the high-risk category (Picture C).

Identifying both suppliers and the industries in which they operate allows us to strategically focus our monitoring efforts and strengthen our commitment to combating forced labor. Within this 17% high-risk group, most suppliers operate in two key industries: Dried and Dehydrated Food Manufacturing and Frozen Specialty Food Manufacturing. These industries represent the largest share of suppliers in the high-risk category (Picture D).





C. Strengthening Recruitment Practices. We continue to revise the worker recruitment process and internal controls to ensure that all employees are recruited voluntarily. To ensure that all employees are recruited voluntarily and by ethical standards, efforts to enhance our worker recruitment processes and internal controls remain a priority. AFCFC and AFC Distribution Corp. collaborate exclusively with licensed recruitment agencies to hire workers. For direct recruitment initiatives, job openings are posted on the company's official website, including detailed job descriptions, responsibilities, and compensation aligned with local wage standards.

Our Human Resources department regularly updates the Employee Handbook to provide clear and consistent guidelines for all employees across the organization. The handbook outlines strict policies prohibiting unlawful harassment, discrimination, and retaliation, and it details the procedures employees must follow to report any complaints. Additionally, the handbook features a formal grievance mechanism to ensure that all workplace concerns are addressed transparently and effectively.

D. Ensuring Compliance in Franchised Operations. We continue inspecting Franchised Operations to ensure compliance at the franchised stores. AFCFC's Operations Division plays a critical role in this process, with a structured team that includes division managers, regional managers, and operations excellence specialists who regularly inspect franchise-run stores to verify adherence to company standards.

Additionally, our Sales Division maintains close communication with supermarket executives and store managers. These stakeholders play a crucial role in reporting incidents involving franchisees at the store level. When such incidents occur, AFCFC conducts thorough investigations to ensure appropriate accountability and alignment with company policies, local laws, and regulations.

In cases where franchisees or their employees are found to be out of compliance, AFCFC initiates a detailed evaluation process. Based on the findings, the company may issue cease-and-desist letters to address and halt non-compliant practices. These practices may include, but are not limited to, failure to follow AFCFC standards and procedures, supermarket policies, local laws and regulations, and union guidelines.

E. Training Awareness on Modern Slavery and Ethical Standards. As part of our broader commitment to ethical operations, we implemented organization-wide training during the reporting period. All employees of Advanced Fresh Concepts Franchise Corp. and Advanced Fresh Concepts Distribution Corp. received training on the following topics:



| Training Course | Participants Trained | Training Duration |
|---|----------------------|-------------------|
| <i>Modern Slavery in Supply Chains</i> | 29 | 20 Minutes |
| <i>Recognizing and Preventing Human Trafficking</i> | 28 | 20-30 Minutes |
| <i>Code of Conduct – Supplier</i> | 10 | 20 Minutes |

Table 1. Training conducted.

F. Engaging Supply Chain Partners on Forced and Child Labor Issues. This fiscal year marked the beginning of our formal engagement with supply chain partners on the issues of forced and child labor. Through a targeted Human Rights assessment, we are evaluating the practices of select partners regarding the minimum age for employment and their efforts to prevent hazardous child labor.

3. Supplementary Information

A. Advanced Fresh Concepts Franchise Corp. Structure, Activity, and Supply Chains

a. Structure and Activities. Advanced Fresh Concepts Franchise Corp. (**AFCFC**) is a California corporation globally recognized as the pioneer and largest sushi counter franchisor in the supermarket industry. Through its franchisees, which operate licensed food service counters in grocery stores, retail supermarkets, or institutions such as college campuses or arenas, AFCFC provides fresh, restaurant-quality sushi and Asian meal solutions at affordable prices, using the highest-quality ingredients. AFCFC's immediate parent company is Advanced Fresh Concepts Corp. (**AFCC**). This California corporation granted AFCFC a license to use certain trademarks, allowing its franchisees to use them. AFCFC has no other predecessor. AFCFC's principal business address is 19700 Mariner Avenue, Torrance, California 90503. At the end of the Fiscal Year ending on March 31, 2025, AFCFC had over 4,900 food service counters in the United States, Australia, and Canada.

In Canada, AFCFC's locations are divided as follows: three corporate-owned locations in Ontario and sixty-four franchised-operated locations, distributed across Alberta, British Columbia, and Ontario. Note that this report collectively refers to AFCC and its controlled entities, AFCFC and AFCDC, as '**AFC.**' Below is the breakdown of employees at AFC.

| Entity | Number of Employees |
|--|---------------------|
| Advanced Fresh Concepts Franchise Corp. USA Canada | 675 9 |
| Advanced Fresh Concepts Distribution Corp. USA | 36 |

Table 2. Employees in AFC companies.



- b. Related to the Supply Chain.** AFCC is also the parent of **Advanced Fresh Concepts Distribution Corp. (AFCDC)**, which fulfills, and ships supplies and food product orders to franchisees in the USA and supplies products to our approved distributor, Wismettac Asian Foods, Inc., Canada. Wismettac arranges the logistics to provide our products, sources some products, and schedules the orders to sell to our franchisees in Canada. AFCDC is currently evaluating sourcing Canadian products for distribution to Canadian franchisees.

The physical business address for AFCC and AFCDC is 19205 South Laurel Park Road, Rancho Dominguez, California 90220. Our phone number is 310-604-3200.

AFCDC currently sources products from around the world and imports them to the USA or Canada for distribution to approved distributors. AFCDC does not manufacture any products. Our Canadian-approved suppliers, such as Wismettac Asian Foods, Inc., Canada, purchase AFC products that are then distributed to AFCFC Franchisees. Wismettac also purchases sushi food containers and other products from our approved suppliers in different countries in Southeast Asia, including Japan and China, among others.

B. Policies and Due Diligence Processes

While AFC already has policies and procedures in place to help us identify and mitigate risks, we have expanded our due diligence processes by adopting and following the guidelines of the Organization for Economic Co-operation and Development. These will include revisions of our policies impacting a few processes within the company:

a. Related to Corporate Operations

- i. The AFC HR department reviews and updates the company's Employee Handbook and has added additional online training for the management team related to human rights, discrimination, and retaliation within the company.
- ii. AFC is currently developing a Supplier Code of Conduct to outline the legal, ethical, and operational standards that our suppliers are expected to meet. This Supplier Code of Conduct will reinforce our efforts to combat forced labor, ensure safe working conditions, and guarantee that appropriate wages are paid to the supplier's workers, while also enhancing our fight against corruption, bribery, and adherence to environmental laws.

b. Related to Franchised Operations

- i. AFC reinforces that Franchisees operating their stores adhere to current federal and state wage laws and that locations under government contracts located in military bases, government buildings, and institutions follow the proper wage determination mandated by the Department of Labor.
- ii. The AFC Legal Department receives complaints from clients and franchisees' workers regarding improper operations, which may include improper pay,



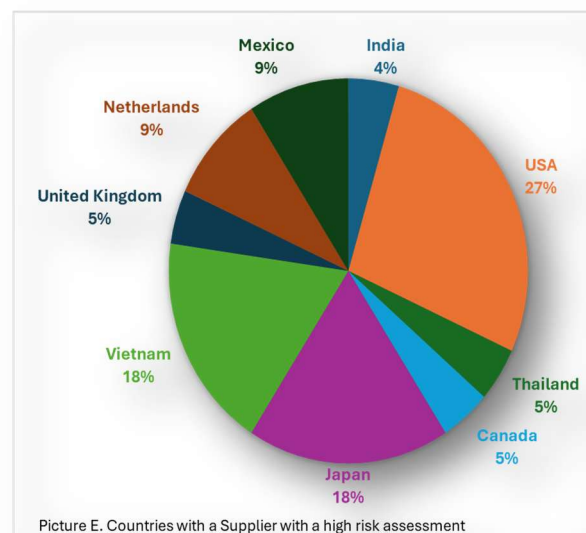
triggering an investigation of the Franchised Operation. If there are out-of-compliance activities, we issue a cure letter with a specified cure period for the franchisee to correct the violations. Failure to comply may result in the termination of the franchisee's agreement.






- iii. The AFC Franchise Services department periodically sends out memoranda to all Franchisees in the system that reinforces the following policies: adherence to local laws and regulations, shoplifting policies, and non-gifting policies (to prohibit bribery), among others.
- iv. The AFC Field Operations Department organizes and conducts periodic retraining sessions with franchisees across all areas of the country and Canada, ensuring they receive training in company standards and compliance.
- v. We continue to reinforce the Franchisee Purchasing Process to ensure franchisees are not obtaining products from unapproved vendors. Franchisees who violate this AFC Franchise Standard are subject to penalties designed to stop the violations and the associated behavior and may be terminated.

c. Related to the Supply Chain

AFC Distribution is conducting a Human Rights and Fair Labor Assessment with its suppliers to identify and address any risks associated with our suppliers and ensure compliance with human rights and fair labor practices. The assessment aims to work together to mitigate any adverse impacts, and we will provide further data on this initiative in the next fiscal year's report.

- C. Forced Labor and Child Labor Risks.** As indicated in Section 2.B. of the actions taken during fiscal year 2024-2025, ***we identified 22 companies within our supply chain as being at the highest risk***, based on our assessments using the FRDM tool. Suppliers that represent the highest percentage of risk come from the USA, Japan, and Vietnam (Picture E). According to the data captured, we researched if the countries in our supply chain with higher risk are listed in the list provided by the US Department of Labor: 2022 List of Goods Produced by Child Labor or Forced Labor (***The 2022 TVPRA List by Country***) to determine the order in which we are going to work with our suppliers to mitigate the risk.



| Suppliers Human Rights | | | | |
|--|--------|----------------|---------------|--|
| SUPPLIER ↓ | RISK ↓ | TRANSPARENCY ↓ | COUNTRIES | INDUSTRIES |
|  | High | Weak | India | Seafood Canning |
|  | High | Weak | United States | All Other Miscellaneous Food Manufacturing |
|  | High | Weak | United States | Spice and Extract Manufacturing |
|  | High | Weak | Thailand | |
|  | High | Weak | | Dried and Dehydrated Food Manufacturing |

Picture F. Example of AFC Suppliers with High-Risk, Weak-Transparency.

| High Risk Country (AFC Supplier) | Country/Area Listed in TVPRA | Good | Child Labor | Forced Labor | Forced Child Labor |
|----------------------------------|------------------------------|--------|-------------|--------------|--------------------|
| India | India | Shrimp | | x | |
| Thailand | Thailand | Fish | | x | |
| Thailand | Thailand | Shrimp | | x | |

Table 3. List of countries in the TVPRA List (List of Goods Produced by Child Labor or Forced Labor).

The AFC Distribution team is engaging with these suppliers to ensure they are the first to initiate the Human Rights and Fair Labor Assessment and work collaboratively to identify any risks and develop plans to mitigate them (Picture F).

D. Remediation Measures

- a. **For the Franchise Operations.** The only current remediation measure we have in place in the Franchise Operation is the grievance mechanism, which is invoked when a franchisee's employee complains to the AFCFC Legal Department that they are not being paid adequately by the franchisee. Or, in another case, the Union Compliance from supermarkets where our franchisees are located, brings to the AFCFC's Legal Department that there may be a discrepancy between the hours worked by franchisees' employees and the hours registered by the union workers who work with the franchisees.



For these cases, the AFCFC Legal Department immediately launches an investigation with the franchisee. If any violations are found, AFCFC issues a cease-and-desist order for the franchisee to stop the behavior. Failure to comply may result in the termination of the franchise agreement.

- b. For the Supply Chain.** The analysis conducted through FRDM helped us identify suppliers with higher risks. Still, as a preliminary analysis, we found that of the nine countries from which those suppliers originate, only India and Thailand are listed in the List of Goods Produced by Child Labor or Forced Labor. We are working with those specific suppliers to get further information for the next fiscal year.

E. Remediation of Loss of Income

We continue with this remediation measure to support the loss of income for the most vulnerable families, where 5% of the subscription fees AFCFC pays to FRDM, is donated to the charitable organization, Made in a Free World.

F. Training

As reported in our previous fiscal year report, our Human Resources and Compliance Divisions collaborated to raise awareness about child and forced labor within the organization. We continue to provide online training to the Executive team of AFCFC and AFC Distribution, and we are launching a new 20-minute Online training for the next Fiscal Year.

At AFC, training is mandatory for executives, managers, and individuals in supply chain and distribution roles. We have hired external organizations, such as Kantola Productions, Traliant, and FRDM, which specialize in training companies on forced and child labor, to provide this management training.

The list of online training courses provided by our company to the AFC management and leadership team is shown in Table 1, Section 2.E. of this report. We are introducing a new training course for the upcoming fiscal year.

| Online Training Course | Provided By |
|-------------------------------------|-------------|
| <i>Anti-Modern Slavery Training</i> | <i>FRDM</i> |

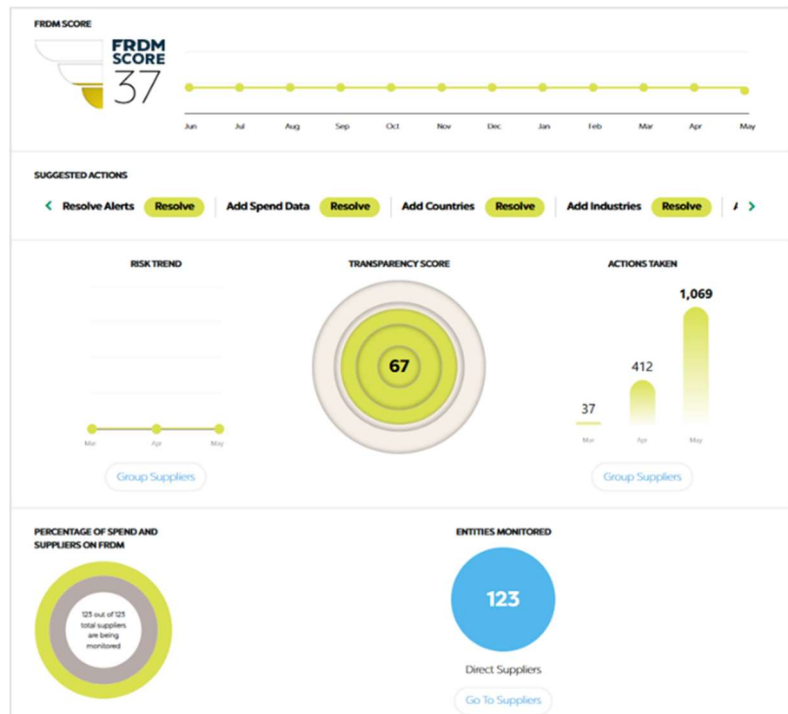
G. Assessing Effectiveness

Our parent company, Advanced Fresh Concepts Corporation, created the position of Sustainability Specialist during this report's fiscal year to provide support to AFC Franchise Corp. and AFC Distribution Corp. With this new position, we are taking a proactive approach to monitoring the initiatives the company is implementing in the fight against child and forced labor in the supply chain, as well as other key initiatives, such as assessing sustainability.

Additionally, our Sustainability Specialist established a regular meeting schedule with AFCFC's Director of Compliance and the Director of Human Resources to continue the analysis and create a plan of action based on the analysis obtained through FRDM.

This is the second year we have partnered with an external organization to support us with the software and analysis of the Supply Chain Risk Management system (www.frdm.co).

Lastly, and as previously indicated in this report, for the new fiscal year, we plan for our 22 identified high-risk suppliers in our supply chain to start the Human Rights and Fair Labor Assessment to continue the work on risk mitigation.



Picture G. Dashboard with AFC Supplier data analysis.



4. Approval and Attestation of the Report

This Annual Report prepared for Advanced Fresh Concepts Franchise Corp., has been reviewed and approved by AFCFC's body Board of Directors by the requirements of the Act, and in particular with Section 11 thereof; I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge and having exercised reasonable diligence, I attest that the information in the report is true, accurate, and complete in all material respects for the Act for the reporting year listed above.

The stakeholders are also aware of AFCFC's obligations under the Act to enact the Fighting Against Forced Labor and Child Labor in Supply Chains (Bill S-211).

I have the authority to bind Advanced Fresh Concepts Franchise Corp.

A handwritten signature in blue ink, appearing to read "V. Calcagni", is written over a faint, light blue circular stamp.

Mr. Vincenzo Calcagni
President and CEO

May 29, 2025, at Torrance, California, USA