



Saskatchewan Workers Compensation Act

November 10, 2015



Information about the Company

CANADA BREAD COMPANY, LIMITED



Who is Canada Bread?

MORE THAN

13 BRANDS

SELLING



1,000+

PRODUCTS



2014 SALES OF

\$928

MILLION

OPERATES 19
BAKERIES



4,550+

ASSOCIATES

ACROSS CANADA



1,200+

ROUTES AND

1,150+



**INDEPENDENT
OPERATORS**



A PROUD PART OF

- GRUPO BIMBO -

WHICH OPERATES IN

22 COUNTRIES

SPANNING 3
CONTINENTS



Manufacturing Network

National Network of Modern and World-Class Bakeries Realizing Benefits of Scale and Efficiency

- Fresh operations include a network of **19 bakeries** across Canada (including Vachon)
- With the acquisition of two bakeries in Western Canada in 2015, we are executing a growth strategy to further expand our business in the Prairies through the ability to manufacture product in locations closer to the commercial marketplace to deliver our commitment of fresh, quality product for our consumers.



- Fresh Bakeries – January 2015 (18)
- Non-Operating Bakeries: Shawinigan, QC; Grand Falls, NB
- NEW Bakeries – acquired through acquisition, effective March 30, 2015

	West	Ontario	Quebec	Atlantic
Bakeries	4	3	8	4
Number of FTE Employees (in Bakeries)	444	454	1,062	226
Processing Lines	Bread, Rolls, Tortillas	Bread, Rolls, Hearth, English Muffin, Tortilla	Rolls, Bread, Hearth, Sweet Goods	Bread, Rolls, Muffins

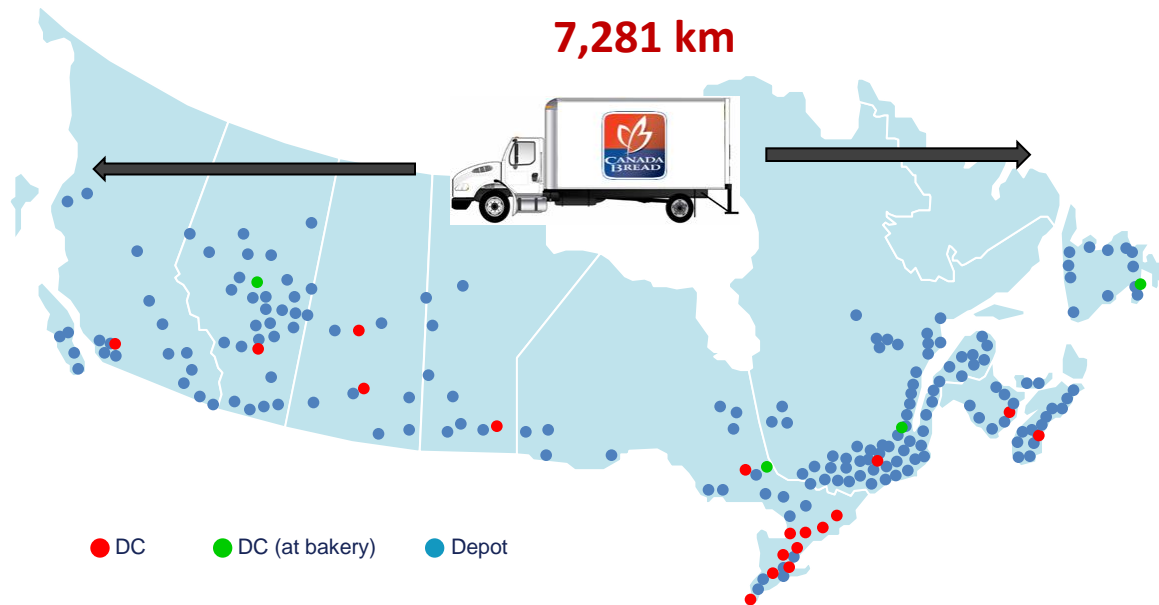


16 facilities BRC certified



Distribution Network

Canada's Largest DSD Network, with Unique Ability to Serve Extensive Geographies



	West	Ontario	Quebec	Atlantic	National
DCs	4	10	4	3	21
Sales Centres	71	40	84	53	248
Independent Operators/ Company Routes	226	308	492	165	1,191
Delivery Locations	8,000	9,400	16,000	7,800	41,200



Test of Independent Operators

CANADA BREAD IS A FRANCHISE SYSTEM



Canada Bread is a Franchise System

- We are in a *bona fide* franchisor-franchisee relationship
- We engage a network of independent, incorporated businesses through a franchise system. Each incorporated company enters a legal franchise agreement with Canada Bread as a “Franchisee”.
- Each Franchisee has a “Principal” with minimum 51% ownership in the incorporated company.
- Franchisees invest heavily to become a franchisee with Canada Bread, including a \$10,000 franchise fee and an acquisition fee for the rights to service Customers which ranges from \$100,000 to \$300,000 per route. In addition, a franchisee is responsible for their own equipment to operate their business.



Independent Business Owners

- Franchisees have the right to own and operate more than one route.
- Franchisees determine their own infrastructure to operate their route(s), including the manner in which tasks are accomplished and by whom.
- Franchisees own the tools, equipment and inventory.
- Majority of franchisees have employees, including the Principal.
- Franchisees have the right and ability to use their equipment for other business purposes, including delivery of other product.
- Franchisee has the ability to develop/expand its Customer base.
- Franchisee has a risk of loss in operating the business and can influence expenses.
- Franchisee is in control of the order of delivery and is in control of his/her hours.
- Franchisor does not require full time and attention of the franchisee. If franchisee does not attend to route, Franchisor does not provide coverage.



Independent Operators in Saskatchewan

CURRENT STATE



Saskatchewan Independent Operators

- We have 14 independent operators in Saskatchewan. 12 with bona fide franchise agreements and 2 with Distributor Agreements.
- All are incorporated companies. Principal of incorporated company is also an employee/worker.
- Currently, we have two franchisees that have their own WCB (1 that has no additional employees except the principal and 1 has only one additional employee). In February 2014, we had 6 franchisees with their own WCB and we have no record of when the 4 cancelled their coverage.

# Employees including self	# of Independent Operators
1	4
2	8
3	1
4	1

NOTE: these are our best guess numbers as we do not directly control or oversee Franchisee's employer status.



Saskatchewan Workers Compensation Act – Current State

OPENING CORPORATIONS TO RISK



A risk to supporting small business

- As a recognized franchise system, we follow all franchise legislation accordingly, whether in a franchise province or not.
- The different legislations contradict each other in nature. Saskatchewan WCB has classified our franchisees as employees for the purpose of WCB insurance. A franchisee cannot be both an employee/worker and a franchisee of the company.
- Legislation is complex and unclear, garnering inconsistent results.
- Poses risk (and thus deterrent) to companies like us that are willing to provide opportunities to small business owners:
 - Legal risks
 - No management of day-to-day operations to reduce risk or address WCB compliance
 - Redundant coverage
 - Increased liability for company



Review of Saskatchewan Workers Compensation Act

RECOMMENDATION FOR CHANGE



Recommendation

- Clear guidelines for qualification for WCB, including optional coverage.
- Clear structure for bona fide franchise systems to mitigate risks engendered by current Act.
 - Bona fide Franchisees with a Principal qualify for WCB, regardless of number of corporations they service and type of business structure (ie. Whether Principal is on dividends or takes a salary)
- Provision of free electronic database system for corporations to track independent contractors / franchisees/ dependent contractor WCB coverage status.