

RESPONSE OF KINGDOM (ETHIOPIA) LINEN PLC

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Date: 29 July 2026

To: Mr. Gerald Kankya, Researcher & Representative for East Africa, Business & Human Rights Centre

Cc: Mr. Joseph Kibugu

Re: Invitation to respond — report published by *The Reporter Ethiopia* on 23 May 2026, "The Price of Cheap Labor: Inside Ethiopia's Chinese Industrial Boom"

1. Introduction

Kingdom (Ethiopia) Linen PLC ("the Company") thanks the Business and Human Rights Centre for the opportunity to respond. We take the concerns raised seriously and set out below a factual account of the matters in which the Company is named.

The Company is a wholly-owned subsidiary of Kingdom Holdings Limited (Stock Code: 00528, Main Board of The Stock Exchange of Hong Kong Limited). It operates a linen yarn manufacturing facility in Adama Industrial Park, representing cumulative investment of approximately USD 70 million, and employs over 1,000 Ethiopian nationals. Fewer than five managers are assigned to the site from the group's headquarters; all other positions, from operators to senior management, are held by Ethiopian employees. Kingdom Holdings Limited is a participant of the United Nations Global Compact and reports annually against the ESG framework of the Hong Kong Stock Exchange and the GRI Standards.

We wish to record at the outset that **neither the author of the report nor *The Reporter Ethiopia* contacted the Company at any time before publication.** The Company was given no opportunity to verify, comment on or correct the allegations attributed to it. We would have welcomed such an opportunity, and we remain available to the publication today.

2. Response to the specific allegations

2.1 "Management pressured union organisers."

The Company recognises the right of its employees to organise, to join a trade union and to bargain collectively, in accordance with the Constitution of the Federal Democratic Republic of Ethiopia and Labour Proclamation No. 1156/2019. An enterprise trade union has existed at the Company for several years. Union meetings have been held in the dormitory area and on the premises, and the Company has not at any time prohibited, dispersed or sanctioned

such meetings. A number of employees who took part in establishing the union continue to hold substantive positions at the Company today.

2.2 "A union member was detained because of union activities" and "nine union leaders were arrested in the first week of April 2026."

The only incident known to the Company in which the police attended the site occurred in **June 2025**. No work stoppage, strike or arrest of any employee took place at the Company in April 2026. The account of "nine union leaders arrested in the first week of April 2026" and the account of "a union member detained because of union activities" refer to one and the same incident, which occurred in June 2025; the report has placed it a year later than it in fact occurred.

The incident arose from work stoppages on 4, 9 and 11 June 2025. Under Chapter Five of Labour Proclamation No. 1156/2019, a lawful strike requires prior negotiation and conciliation; a two-thirds ballot of the workers concerned; at least ten days' written notice to the employer; and, where a dispute is already pending before the competent body, that no strike be called before a determination is made. None of those steps — written notice, ballot or conciliation — preceded the stoppages.

The Company reported the stoppages to the industrial park administration and to the competent police authority. **The Company did not detain, and has no power to detain, any person;** any decision to arrest, hold or release an individual is a matter for the Ethiopian authorities alone.

One further point of fact should be recorded: **six employees, and not the nine stated in the report, were taken from the site by the authorities on that day; four of them were ordinary union members who held no union office.** Those individuals came to the attention of the authorities because of the organising role they played in work stoppages that did not follow the statutory procedure, and not because of any union position. Describing them collectively as "union leaders" is not accurate.

Following discussions involving the regional authorities, all six employees were released. **The Company understands that no charges were brought against any person in connection with the incident.** Certain employees were subsequently dismissed on the basis of the Company's internal investigation and disciplinary rules.

Those dismissals were challenged. The competent bodies ordered reinstatement. The Company complied in full with those orders, notwithstanding its disagreement with them. The Company has at no stage refused to give effect to a decision of an Ethiopian labour or judicial authority.

The Company has checked its internal, attendance and production records on this point: production ran normally throughout April 2026, no work stoppage is recorded, and no employee was detained or arrested in connection with union activity.

2.3 "Collective bargaining has stalled."

Collective bargaining has not stalled; it is ongoing and remains before the competent body.

In 2025 the union submitted a draft collective agreement of more than seventy pages containing several hundred separate demands, written entirely in the local language. The Company engaged a professional translation agency at its own cost, had the document rendered into English and analysed each demand against the Labour Proclamation. Multiple negotiation sessions were held. **Union representatives attended those sessions during working hours on full pay**, and sessions typically lasted half a day or longer.

The matter was subsequently referred by the union to the labour authorities and to the courts. In the course of those proceedings the competent bodies requested that the draft be consolidated to approximately thirty items, and negotiation has continued on that basis, with the Company's General Manager attending in person and in the presence of representatives of the labour authority and the court. Negotiation remains in progress; where the parties reach agreement, the Company will give effect to it.

2.4 "Union membership fees have been withheld."

The Company has never retained union dues for its own account. Not one Birr of union contributions has been retained by, or accrued to the benefit of, the Company.

The Company deducted the one-percent contribution at source and transferred it to the union in accordance with lists supplied by the union. Deduction at source was subsequently discontinued after a number of employees informed the Company that they had not been aware of, or had not authorised, the deduction and asked for it to cease; at the same time, the union did not produce the account of how the funds had been applied that had been requested by the industrial park administration and the labour authority, and it also ceased to provide the membership list.

Following the union's subsequent provision of an audit report on the use of the funds and of the membership list, the Company resumed the deduction and remittance of union dues in May 2026, and that arrangement is operating normally.

2.5 "Employees routinely work 12-hour shifts without breaks or medical services" and "those who want to rest sleep against cement walls with no shelter."

The Company operates two working patterns:

- a **day-shift pattern** of eight hours per day, six days per week, with one rest day; and
- a **rotating pattern** operating three teams over two daily shifts, in which an employee works two days and then rests one day. Average weekly working time under this pattern is approximately 56 hours, within the limits set by the Labour Proclamation, and all hours worked beyond normal hours are paid at the statutory overtime premium.

These patterns were adopted principally with the safety and convenience of employees in mind: linen spinning requires continuous operation, and the three-team rotation gives each employee a full day of rest after every two days worked while reducing the number of night-

time journeys to and from the site. The arrangements were explained to employees before they were introduced.

The Company's canteen provides lunch, dinner and a night meal daily, free of charge, with scheduled meal and rest periods that exceed the statutory minimum. All production takes place indoors, in covered and lit facilities, and designated rest areas are provided.

On health provision: all employees undergo a medical examination before engagement; first-aid boxes and standard medicines are maintained in each workshop; personal protective equipment is issued on schedule; designated employees have received first-aid training; and the Company maintains an arrangement with a hospital in Adama for emergency treatment.

2.6 Wages.

The Company does not publish individual wage data, which is commercially sensitive. We can state that the wages and benefits package at the Company — comprising basic pay, statutory overtime, free accommodation, three free meals per day, transport and insurance — **exceeds the prevailing average for comparable employers in Adama Industrial Park and for the Ethiopian manufacturing sector generally.** A general wage adjustment averaging more than 12 percent for frontline employees took effect shortly before the events of June 2025.

2.7 Matters not concerning the Company.

The report also describes conditions at a number of other companies. **None of those accounts relates to the Company.** The Company manufactures linen yarn and operates only in Adama Industrial Park. We ask that this distinction be made clear wherever the Company is named.

3. The Company's approach

The Company was established from a greenfield site and has trained its Ethiopian workforce from the outset, including through structured training at the group's headquarters in China. Localisation exceeds 99 percent. The Company has built and operates employee dormitories and a canteen, pays all applicable taxes, makes the statutory pension contributions for its employees and provides insurance for them.

The Company's parent, Kingdom Holdings Limited, is a participant of the United Nations Global Compact and reports annually on labour, health and safety and human rights matters, including data covering this facility. The group has developed a supplier code of conduct together with a partner organisation, and this site has been visited by, among others, a Global Organic Textile Standard team and officials of the Embassy of the People's Republic of China in Ethiopia.

We do not claim that our operations are beyond improvement. Where shortcomings are identified, we will address them.

4. Action taken and openness to visits and inspection

Since the publication of the report the Company has:

1. reviewed the allegations item by item against its own records;
2. reaffirmed its internal rules on freedom of association, confirming that no employee shall be disadvantaged by reason of union membership or lawful union activity;
3. restated its employee grievance channel and designated a point of contact for employee grievances; and
4. continued to participate in the pending collective bargaining process.

The Company welcomes visits and inspections by the relevant government authorities, by the human rights commission and by the media, and is willing to engage with external parties in any form and to answer any further questions.

5. Contact

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