

CHARLOTTE'S WEB

Joint Annual Report pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) for the year ended December 31, 2023

1 Introduction

The Charlotte's Web Group (as defined herein) is committed to acting ethically and with integrity in its business dealings and relationships, to promoting compliance with applicable laws, and to protecting the dignity and rights of all people connected to its business. The Charlotte's Web Group is committed to ensuring that neither child labor nor forced labor are taking place within its organization or supply chains.

This is the Charlotte's Web Group's first joint modern slavery report (the "**Report**") pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (S.C. 2023, c. 9) (the "**Supply Chains Act**"), and covers the fiscal year ending December 31, 2023 (the "**Reporting Period**"). Charlotte's Web Holdings, Inc. ("**CWHI**" or the "**Company**") and its wholly owned subsidiary, Charlotte's Web, Inc. ("**CWI**") are jointly reporting and filing this Report pursuant to the Supply Chains Act. For purposes of this Report, the "**Charlotte's Web Group**" or "**Charlotte's Web**" includes CWHI and CWI.

Charlotte's Web acknowledges that stamping out forced labor and child labor risk is a process that will take time. This Report outlines the measures the Charlotte's Web Group has in place and the efforts commenced to assess and address risks of modern slavery in its business and supply chain.

2 Steps to prevent and reduce risks of forced labor and child labor

The Charlotte's Web Group took the following steps during the Reporting Period to prevent and reduce the risk of forced labor or child labor in its business and supply chains:

- (i) adopted a company-wide Policy on Child and Forced Labor, which includes enumerated guiding principles and procedures and acknowledgement of the policy annually, as described below;
- (ii) ensured age verification for internal hirings;
- (iii) updated its Supplier Code of Conduct;
- (iv) sent the Company's Policy on Child and Forced Labor to all suppliers and co-manufacturers for acknowledgment;
- (v) completed employee training on the new Policy on Child and Forced Labor; and
- (vi) implemented supplier and co-manufacturer due diligence processes.

Details of the above actions are set out in this Report.

3 Our organizational structure, business operations and supply chains

As CWHI controls CWI, both CWHI and CWI are required, pursuant to the Supply Chains Act, to report to the Minister on the steps taken during their 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.

About the Charlotte's Web Group

CWHI primarily operates its business through its wholly-owned subsidiary, CWI. CWHI's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "CWEB" and on the OTCQX under the symbol "CWBHF". As of December 31, 2023, the Charlotte's Web Group employed 164 full-time employees in the United States. CWHI's activities include the activities of CWI, as described below.

CWI manufactures and distributes innovative hemp extract wellness products under a family of brands which includes Charlotte's Web™, CBD Medic™, and CBD Clinic™. Charlotte's Web branded premium quality products start with proprietary hemp genetics that are 100% North American farm grown and manufactured into hemp extracts containing naturally occurring phytocannabinoids including cannabidiol ("CBD"), cannabichromene, cannabigerol, cannabitol, terpenes, flavonoids and other beneficial hemp compounds. CWI product categories include full spectrum hemp extract oil tinctures (liquid products), gummies, capsules, topical creams and lotions, and pet products. CWI products are distributed to retail outlets and health care practitioners, as well as online through the Company's website at www.Charlottesweb.com.

CWI operates from its production facility in Louisville, Colorado where it produces hemp oil tinctures, maintains distribution and quality control activities, and conducts research and development. The Company distributes its products within the United States and in select international markets through local or regional distribution partners. Effective as of November 1, 2022, the Company entered into a Manufacturing and Sales License Agreement with Aphria, Inc., an Ontario corporation and an affiliate of Tilray Brands, Inc. ("Tilray"), providing for a strategic alliance between the Company and Tilray, pursuant to which Tilray has the rights to licensing, manufacturing, quality, marketing and distribution of Charlotte's Web™ CBD hemp extract products in Canada.

To learn more about the Charlotte's Web Group and its business, please review its filings available on www.sedarplus.ca and its website at: <https://investors.charlottesweb.com/>.

Details on the manufacturing of CWI's products and its supply chain

The goods used in the manufacturing of the CWI's products include hemp extract, carrier oil, flavoring, other nutraceutical and botanical ingredients, and packaging materials including cartons, tape, labels, bottles, jars and lids.

CWI grows its proprietary hemp domestically in the United States on farms leased in northeastern Colorado and sources high quality hemp through contract farming operations in Arizona, Kentucky, Oregon and Canada. The hemp grown in Canada is utilized exclusively for the Canadian market and not in the Company's products sold in the United States.

The other components for Charlotte's Web's end-user products are sourced from suppliers located in China, Canada and the United States.

The Charlotte's Web Group's supply chain also includes ancillary services that contribute to its main production operations, such as transporters and carriers.

4 Supply chain risks

Charlotte's Web recognizes that risks of modern slavery may be present in its supply chain, including in areas such as China where some of our vendors source packaging material. All of Charlotte's Web's workers are employed in the United States, where the Company feels it has fair and responsible employment practices in place to protect and promote workers' rights.

Charlotte's Web is also aware of parts of its supply chain where unskilled and temporary or outsourced/contracted/subcontracted labor is used. Since a majority of such workers are not employed directly by the Charlotte's Web Group, Charlotte's Web has less control and visibility over their working conditions and employment terms and Charlotte's Web continues to review and tailor its risk management actions to address those risks.

Charlotte's Web continues its efforts to consider supplier and co-manufacturer risks and map key parts of its supply chain to identify and improve its understanding of modern slavery risks.

5 Charlotte's Web's policies and due diligence processes in relation to forced labor and child labor

Charlotte's Web's Policies & Principles

On October 1, 2023, the Charlotte's Web Group adopted a Policy on Child and Forced Labor (the "**Policy**"). The Policy reflects Charlotte's Web's commitment to acting ethically and with integrity in all its business relationships and to enforcing effective systems and controls to prevent modern slavery from taking place in its business and supply chain. The Policy applies to all persons working for the Charlotte's Web Group or on its behalf in any capacity, including employees, directors, officers, agency workers, seconded workers, volunteers, interns, agents, mandataries, contractors, external consultants, third-party representatives and business partners. The Company's Enterprise Risk Management Executive Committee oversees the compliance with the Policy.

Charlotte's Web has adopted the following principles (the "**Child Labor and Forced Labor Principles**") to reinforce its core value of treating all people with dignity and respect:

- Charlotte's Web will not tolerate the use of child or forced labor in any of its operations and facilities.
- Charlotte's Web will not tolerate the exploitation of children, engagement in unacceptably hazardous work, and the physical punishment, abuse, or involuntary servitude of any worker.
- Charlotte's Web expects the suppliers and contractors with whom Charlotte's Web does business to uphold the same standards. Should violations of these principles become known to Charlotte's Web and not be corrected promptly following notice of the same, we shall discontinue the business relationship.
- For the purposes of these principles, a "child" is anyone who is less than 15 years of age.
- Charlotte's Web supports temporary workplace internship and apprenticeship education programs for younger persons as well as customary seasonal employment so long as such persons are closely supervised and their morals, safety, health and compulsory education are not compromised in any way.

Charlotte's Web has also implemented a Supplier Code of Conduct, which sets forth its expectations of all suppliers of goods and services to Charlotte's Web Group companies related to human rights and ethical business practices. In addition, the Charlotte's Web Group has a Code of Business Conduct and Whistleblower Policy, which further bolster Charlotte's Web's efforts to foster ethical business dealings within its organization and supply chain.

Due diligence processes

In connection with the Policy, Charlotte's Web employees are encouraged to report any concerns, issues or suspicions of child or forced labor that they may have, either with respect to Charlotte's Web's operations or within its supply chains. In addition, Charlotte's Web has implemented guidelines for its procurement department, to assist in carrying out the responsibilities of ensuring compliance with the Child Labor and Forced Labor Principles at all Charlotte's Web facilities, as well as on a global basis by all Charlotte's Web suppliers and contractors. These guidelines include:

- monitoring internal controls and procedures to identify risks of child and forced labor being used within Charlotte's Web operations;
- monitoring and consulting with suppliers, contractors and business partners to identify risks of child and forced labor being used within its supply chain;
- developing measures to assess and address any risks of child and forced labor being used within the organization and its supply chains;
- monitoring the effectiveness of those measures; and
- developing training materials for employees to comply with the Policy.

Charlotte's Web requires that all of its vendors, contractors, and suppliers of any product or raw material, wherever it originates, apply its Child Labor and Forced Labor Principles. On an annual basis, Charlotte's Web plans to send all suppliers and co-manufacturers a copy of the Policy. In addition, all contracts between Charlotte's Web and suppliers or co-manufacturers will include a requirement to comply with the Charlotte's Web Supplier Code of Conduct. In addition, prior to entering into an agreement with a new supplier or co-manufacturer, Charlotte's Web has implemented certain due diligence procedures to identify potential high-risk parties, including obtaining a third-party report and conducting a FCPA review.

Charlotte's Web will continue to review and make amendments to its approach to effective implementation of the Policy and its supplier/co-manufacturer due diligence process.

6 Training

During the year ended December 31, 2023, Charlotte's Web developed and presented employee training to key impacted personnel on the implementation of the Policy, including identifying and reporting the risks relating to forced labor and child labor within its business and supply chain. In addition, the Policy was internally posted for all employees with a goal to educate the entire Charlotte's Web workforce on Force Labor and Child Labor.

Going forward, Charlotte's Web plans to include information regarding modern slavery risks in its employee onboarding materials. In addition, Charlotte's Web will consider appropriate times for developing additional training for key personnel in procurement, human resources and management positions on how to detect and report forced labor and child labor and all forms of modern slavery risks.

7 Charlotte's Web's approach to remediation

Charlotte's Web recognizes that instances of forced labor and child labor often impact the human rights of particularly vulnerable groups, such as migrant laborers, unskilled laborers, indigenous people, women, or children. Over the course of the Reporting Period, the Charlotte's Web Group has not identified any instances of forced labor and child labor within its business and supply chain, and therefore, Charlotte's Web has not been required to take remedial measures, including any remedial measures to remediate loss of income to vulnerable families.

Should Charlotte's Web identify an issue of forced labor or child labor within any of its suppliers' businesses, it is committed to employing a multifaceted approach to address the situation effectively. This approach incorporates a range of strategies, which includes exploring contractual avenues, leveraging its partnership with the supplier to develop a corrective action plan that will comprehensively address the issue, or terminate the arrangement.

8 Assessing effectiveness

To date, Charlotte's Web Group has not yet had the opportunity to formally assess the effectiveness of its actions in preventing and reducing risks of modern slavery in its activities and supply chain. Going forward, Charlotte's Web will assess the effectiveness of its actions by evaluating key performance indicators, such as the number of staff trained, the number of suppliers and contractors screened, the number of reported breaches, and the instances of remedial actions being taken.

9 Approval of report

This joint modern slavery statement, made in accordance with the Supply Chains Act, by Charlotte's Web Group was approved by the Board of Directors of Charlotte's Web Holdings, Inc. pursuant to Paragraph 11(4)(b)(ii) of the *Supply Chains Act* on May 22, 2024.

In accordance with the requirements of the Supply Chains Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the Charlotte's Web Group. 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 purposes of the Supply Chains Act, for the reporting year listed above.

Dated: May 28, 2024

CHARLOTTE'S WEB HOLDINGS, INC.

By: /s/ William Morachnick
William (Bill) Morachnick
Chief Executive Officer and Director

I have the authority to bind Charlotte's Web Holdings, Inc.

