

Modern Slavery Report

December 31, 2023

Controlled Environments Ltd.



This Modern Slavery Report (the “Report”) addresses the period from January 1, 2023, to December 31, 2023 and has been prepared in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada) (the “Act”). This Report is made on behalf of Controlled Environments Limited (“Controlled Environments Ltd.”) and certain of its subsidiaries (collectively, “CEL”, “we”, “us” or “our”).

1. Introduction

Forced labour and child labour, each as defined in the Act, are crimes and serious violations of human rights. As a leading manufacturing business, CEL recognizes the important role that we have in ensuring that our operations and products, and the supply chains that support these, adhere to the highest ethical standards, including the prevention and identification of forced labour and child labour in our supply chain. This Report sets out the steps we have taken during Fiscal 2023 to prevent and reduce the risk that forced labour or child labour is used at any step in the production of goods in Canada or elsewhere by CEL or of goods imported into Canada by CEL.

2. Our Business

Controlled Environments Ltd. is a manufacturing company headquartered in Canada. We are a world leader in the design, manufacture, and installation of controlled environment systems. CEL’s offerings include both walk-in plant growth chambers, as well as reach-in chambers. CEL has a manufacturing facility in Manitoba, Canada. CEL’s supply chain includes businesses that supply goods and services to our organization, including raw materials and packaging supplies.

In 2023, we procured goods and services from approximately 332 suppliers and contractors, across our global supply chain network.

3. Our Policies

Policies

Through our organizational and governance policies we communicate our values and expectations, setting a high bar for ourselves, our suppliers, and our selling partners, and make it clear that we do not tolerate any forms of forced labour or child labour. We are committed to consistently evolving and improving our approach. We do not tolerate child, forced or bonded labour in any of our operations or by suppliers working for us. We make every effort, to prevent our activities having a negative impact on human rights. Our relevant policies are discussed in further detail below:

Code of Business Conduct and Ethics

We are committed to conducting our business in a lawful and ethical manner. Our Code of Conduct (the “Code”) is the foundation of our company policies and sets out guiding principles on professional conduct and establishes that in performing their job duties, CEL employees should always act lawfully, ethically and in the best interests of CEL.

Respectful Workplace Policy

CEL is committed to providing a positive working environment in which all individuals are treated with respect and dignity.

Health and Safety Policy

CEL is committed to the prevention of illness and injury through the provision and maintenance of a healthy and safe workplace. We acknowledge a shared responsibility for the safety and health of all employees by complying with the relevant legislative requirements, regulations, and standards.

We expect third parties with which we work to adhere to business principles and values like our own and to comply with all applicable laws and regulations. Before making any commitments towards third parties, we take steps to appropriately evaluate the relationship and mitigate any associated risks through thorough discussions with our new vendors as part of the on-boarding process, in addition to ad hoc vendor facility visits.

4. Assessing Our Risk

CEL engages in various activities to identify, assess, and manage supplier overall risk, through a thorough on-boarding process, including discussions, supplier surveys, and in certain instances, vendor visits.

CEL has not started the process of identifying risks of forced labour or child labour being used in our supply chain.

Our exposure to the risk of forced labour and/or child labour increases when we engage with third parties, particularly in categories such as manufacturing and packaging suppliers.

5. Our Commitments

Steps to Prevent and Reduce Risks of Forced and Child Labour

In the previous fiscal year, CEL had not started the process of outlining steps to specifically prevent and reduce risks of forced and child labour. Furthermore, there were no remediation efforts in 2023.

CEL is committed to initiating processes to prevent and reduce the risk of forced or child labour in the future. Specifically, CEL is in the process of updating purchase order terms and conditions, which require vendors to adhere to a Supplier Code of Conduct. The Supplier Code of conduct sets forth principles and ethical standards we strive to achieve and describes our expectations for supplier adherence to the same standards. This process will be completed in the current fiscal year (2024).

In addition, CEL maintains a Supplier Risk Matrix which currently identifies a variety of risks (single source supply, defective product, etc.) for a given supplier. The Supplier Risk Matrix is reviewed regularly, and vendors are ranked from 1-3 in overall risk profile. CEL works with high-risk vendors, to lower risk profile as required. In 2024, CEL will expand our existing Supplier Risk Matrix review process to include tracking of vendor receipt and compliance with our new Supplier Code of Conduct.

Training

Currently, new non-production employees of CEL must complete mandatory training on our values and policies, including our Code of Conduct, and are informed of how to report any violations of policy. In 2024, CEL will undertake to expand Code of Conduct training to all employees and require that training be refreshed on an annual basis. We provide employees with ongoing and periodic training opportunities to ensure that all employees have current knowledge.

6. Our Progress and Effectiveness

As part of our governance processes, we monitor compliance with our policies on an ongoing basis. We also review any concerns raised through our Code of Conduct policy and other informal mechanisms of employee feedback. To date no significant concerns or complaints have been identified.

7. Approval & Signature

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report for Controlled Environments Ltd. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.



Kari Hendrickson

CFO, Director

May 30, 2024

I have the authority to bind Controlled Environments Ltd.