

HERITAGE CANNABIS HOLDINGS CORP.

2023 FORCED AND CHILD LABOUR REPORT

1. INTRODUCTION

This report is published pursuant to *the Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “**Act**”) and pertains to Heritage Cannabis Holdings Corp., and its wholly owned subsidiaries (collectively, the “**Company**” or “**our**” or “**we**”).

This report sets out the steps we have taken and are continuing to take to combat forced child labour in our business and supply chains. This report covers activity for the reporting period beginning November 1, 2022 ending October 31, 2023, the Company’s fiscal year end (the “**Reporting Period**”).

2. STEPS TAKEN TO PREVENT AND REDUCE THE RISK OF FORCED LABOUR AND CHILD LABOUR

We acknowledge and consider it our responsibility to combat forced and child labour and are committed to acting ethically and with integrity and transparency. We are working to put a system and controls in place to safeguard against any form of forced or child labour taking place within our business and supply chains.

Generally, no steps were taken during the Reporting Period to prevent and reduce the risk of forced labour and child labour in our business and supply chains. Since the enactment of the legislation and the publication of the policy guidelines, the Company has undertaken to complete the following steps to understand potential forced labour and child labour risks, namely:

- Conducting a risk assessment of its supply chain;
- Understanding the parts of its supply chain that may carry a risk of forced labour being used, which may, for example, be based on factors such as the general sectors, industries, or types of products or countries that are involved;
- Reviewing and updating or developing and implementing policies and practices related to forced or child labour and the remediation of such; and
- Developing training and education for employees on forced and child labour.

Going forward in anticipation of the next reporting period ending October 31, 2024, the Company is committed to the following:

- Business supply chain process mapping;
- Conducting an internal assessment of risks of forced labour and/or child labour in the organization’s activities and supply chains;
- Developing and implementing an action plan for addressing forced labour and/or child labour;
- Addressing practices in the organization’s activities and supply chains that increase the risk of forced labour and/or child labour;
- Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization’s activities and supply chains;
- Requiring suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains;
- Developing and implementing child protection policies and processes;
- Developing and implementing anti-forced labour and/or child labour contractual clauses;

- Developing and implementing anti-forced labour and/or child labour standards, codes of conduct and/or compliance checklists;
- Auditing and monitoring suppliers;
- Developing and implementing training and awareness materials on forced labour and/or child labour;
- Developing and implementing procedures to track performance in addressing forced labour and/or child labour; and
- Engaging with supply chain partners on the issue of addressing forced labour and/or child labour.

3. OUR BUSINESS

Heritage Cannabis Holdings Corp. is existing under the *Business Corporations Act* (Ontario) and was incorporated on October 25, 2007, with its business head office located at 1450 St. Paul Street, Kelowna, BC V1Y 2E6.

The Company is a vertically integrated cannabis business in Canada through its subsidiaries, Heritage Cannabis West Corporation (“**Heritage West**”) and Heritage Cannabis East Corporation (“**Heritage East**”), the Company holds licenses under the *Cannabis Act* (Canada) (S.C. 2018, c. 16) and its relevant regulations, the *Cannabis Regulations* (Canada) (SOR/2018-144) where neither subsidiary meets the definition of an “entity” as defined in the Act. Heritage West, a holder of a standard cultivation, standard processing, sale for medical purposes, and research licenses as well as an industrial hemp license, operates out of a 15,500 square foot facility in Falkland, British Columbia. Heritage East, a holder of a standard cultivation, standard processing, sale for medical purposes, and research licenses as well as an industrial hemp license, operates out of a 122,000 square foot facility in Fort Erie, Ontario. Heritage East and Heritage West produce and sell to the recreational and medical cannabis markets within Canada. Heritage East and Heritage West export cannabis (for medical or scientific purposes only) to the following international markets: Australia, Ireland, and Brazil.

We consider the risk of forced and child labour occurring in our business to be minimal. Geographically, our business operates in Canada, where the Global Slavery Index indicates a low incidence of forced and child labour and a low risk of vulnerability coupled with strong governmental oversight of the issue. Furthermore, our workforce is governed by and adheres to the relevant federal and provincial labour and employment standards, alongside our internal policies regulating recruitment, labour sourcing, working conditions and the ethical treatment of our employees.

4. OUR SUPPLY CHAINS

The Company sources a considerable portion of goods and services from a select group of suppliers and opts to foster strategic and long-term relationships while engaging with all suppliers in an ethical way. We recognize the potential existence of forced and child labour risks in our supply chains, particularly concerning tangible goods manufactured by indirect suppliers and sub-contractors located further down the supply chain over which our control and visibility is limited.

The majority of our annual procurement of tangible goods pertains to recreational and medical cannabis products sold to customers and clients throughout Canada. These purchases primarily originate from the provincial boards as well as reputable, well-established suppliers who are also subject to obligations under the Act.

Generally, in order to prevent and reduce the risk of forced labour and child labour in our supply chains, the nature of the Company’s supplier relationships take on the following qualities:

- Increased control and visibility of the Company’s suppliers through ERP software, which improves access to information within the Company and improves collaboration with our supply chain vendors;
- Limited number of suppliers utilized to maintain control and visibility;

- Focused goal is ensuring the majority of the suppliers are regional and based out of Canada with allowance for a few global suppliers based out of the USA and China; and
- Suppliers chosen in order to meet the Company’s goals of obtaining direct, long-term, and reliable suppliers.

5. OUR POLICIES AND DUE DILIGENCE PROCESSES

5.1 Human Resources Policy Manual

The Human Resources Policy Manual on the Code of Ethics and Conduct (“**HR Manual**”) applies universally across Heritage Cannabis Holdings Corp.’s community, to all of our executives, officers, directors and employees at all levels. The HR Manual addresses ethical behavior within our workplace, business dealings, and interactions with third parties. Embedded in the HR Manual are principles reflecting the Company’s objective to promote socially responsible conduct and corporate responsibility. It identifies the expected standards of conduct for all individuals under its purview in their day-to-day activities and engagements. Moreover, it elucidates the fundamental responsibilities of the Company’s leaders, who are entrusted with exemplifying ethical excellence and fostering a work environment that embodies the essence of the code.

5.2 Supplier’s Policy Manual

Our Supplier’s Policy Manual (“**Supplier Manual**”) outlines the code of conduct that serves as a framework to guarantee that our business associates, suppliers, and manufacturers adhere to fundamental expectations in conducting business, particularly concerning issues of concern like forced and child labor. We anticipate full compliance with the code of conduct from all of our suppliers, as it is an integral component of every agreement between the Company and its suppliers. It is also imperative that suppliers abide by all pertinent laws and regulations governing their operations. Any form of unlawful or prohibited conduct, including forced or child labor, will not be tolerated under any circumstances by the Company.

Our Company requires suppliers to have in place policies and procedures for identifying and prohibiting the use of forced labour and/or child labour in their activities and supply chains. In 2024, we will be implementing the Supplier Attestation Statement on Forced Labour and Child Labour (“**Attestation**”) to all of our suppliers. The Attestation will be based off of the S-211 Bill and the Act outlining our expectations for our suppliers to adhere to the following policies: labour rights, forced labour, child labour, risk mitigation, and ethical business conduct.

6. ASSESSING AND MANAGING OUR RISK

Heritage Cannabis Holdings Corp. uses a risk-based approach to assess and manage its risk of forced labour and child labour. Our approach helps us prioritize our efforts and adjust our actions. Our approach to identifying risks includes assessing whether our suppliers or their manufacturing sites are based in countries, or supply products, that are considered high-risk based on the Global Slavery Index.

Heritage Cannabis Holdings Corp. intends to further analyze forced and child labour risks in our supply chains in 2024 and going forward on an annual basis. Implementing the following tools will help mitigate risks identified relating to the Company, supply chain, and industry at large:

- Evaluate new suppliers based on their environmental, social, and governance measures and practices;
- Build in provisions to our supplier contracts to ensure enforcement of forced labour and child labour restrictions;
- Assess suppliers by capturing, tracking, and quantifying inherent risks. The criteria used to assess suppliers on forced labour and child labour exposure: risk to business performance and operations, location based legal and/or regulatory considerations, removal of indirect suppliers, exposure to operational processes through third party audits, and supplier reputation;

- Conduct due diligence assessments of suppliers;
- Continuous monitoring of suppliers;
- Build in forced labour and child labour provisions into supplier contracts; and
- Use a centralized supplier database to track, profile, and map all suppliers.

7. OUR REMEDIATION MEASURES

During the Reporting Period, we did not identify any incident of forced labour or child labour in our business or supply chain. We therefore did not take any measures to remediate any incident of forced or child labour.

Our HR Manual and Supplier Manual include channels for employees and suppliers to report ethical or legal violations, alongside other concerns. Should Heritage Cannabis Holdings Corp. become aware of or uncover any potential or confirmed instances of forced or child labour within its supply chains, the Company will promptly investigate and implement appropriate corrective actions, which may involve halting, preventing, or mitigating any adverse effects.

In 2024, Heritage Cannabis Holdings Corp. will initiate the establishment of remedial measures aimed at addressing any loss of income experienced by the most vulnerable families affected by efforts to eradicate forced or child labour from our operations and supply chains.

8. TRAINING OUR EMPLOYEES

In addition to all new employees receiving training, Heritage Cannabis Holdings Corp. provides continuous mandatory training sessions for all staff members to ensure a thorough grasp of the HR Manual and the Supplier Manual, our core principles, our values, our ethical standards, and how to report any areas of concern. These training materials were recently updated internally and encompass subjects related to labour rights, forced labour, and child labour.

In 2024, Heritage Cannabis Holdings Corp. plans to introduce specialized training sessions focused on increasing awareness on child and forced labour, as well as providing employees with an understanding of the basic principles of the Act and other relevant legislation. These proposed sessions are also anticipated to provide guidance to our employees and management on identifying potential human rights risks when dealing with suppliers.

9. ASSESSING OUR EFFICACY

Heritage Cannabis Holdings Corp. acknowledges the significance of unwavering vigilance in detecting and mitigating any instances of forced and child labour throughout our business and supply chains. We have implemented various measures to proactively prevent and minimize the risk of such labour occurrences:

- On-boarding procedures and policies for potential new supplier's that includes risk assessments, adherence to the Act, and ensuring supplier policies are in place;
- Regular audits to ensure compliance with current policies;
- Tracking supplier performance indicators through our cloud-based software (i.e., employee awareness, number of cases reported through grievance methods, etc.); and
- Working with suppliers to ensure a thorough understanding of forced and child labour laws.

Although we have yet to conduct assessments to gauge the efficacy of these measures, we plan to undertake periodic reviews to evaluate the progress and effectiveness of our initiatives in combating forced and child labour, with a commitment to conducting these assessments on an annual basis, at a minimum.

10. APPROVAL AND ATTESTATION

This report was approved pursuant to subparagraph **11(4)(a)** of the Act by the Board of Directors of Heritage Cannabis Holdings Corp.

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 the entity listed above. 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.

I have the authority to bind Heritage Cannabis Holdings Corp.

Per: David Schwede

Name: David Schwede

Title: Director and CEO of Heritage Cannabis Holdings Corp.

May 17, 2024

RESOLUTION OF THE DIRECTORS

OF

**HERITAGE CANNABIS HOLDINGS CORP.
(the “Corporation”)**

WHEREAS the Corporation has, pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “**Act**”), prepared a report (the “**Report**”) to be submitted to the Minister of Public Safety and Emergency Preparedness outlining the steps the Corporation has taken 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 the Corporation or of goods imported into Canada by the Corporation;

WHEREAS section 11(4) of the Act states that the Report must be approved by the governing body of the entity included in the Report;

AND WHEREAS the board of directors of the Corporation (the “**Board**”) wishes to authorize and approve the Report.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board hereby approves the Report.
2. Any one officer or director of the Corporation (the “**Authorized Signatory**”) is hereby authorized and directed for and on behalf of and under the name of the Corporation to execute and deliver the Report, the questionnaire, and any other documents required to fulfil the Corporation’s reporting requirements under the Act, with such changes thereto as the Authorized Signatory may approve, such approval to be conclusively deemed to be evidenced by the execution and delivery thereof.
3. These resolutions may be executed electronically and delivered by means of facsimile or portable document format (PDF), which when so executed and delivered shall be an original and shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date of execution written below.

[Signature Page Follows]

THE FOREGOING RESOLUTION is hereby consented to by the directors of the Corporation, in accordance with the provisions of the *Business Corporations Act* (Ontario), as of the 17th day of May, 2024.

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Celine Arsenault

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CELINE ARSENAULT

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David Schwede

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DAVID SCHWEDE

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Clinton Sharples

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