



Labstat

A Certified Group Company

Annual Compliance Report on Fighting Against Forced Labour and Child Labour in Supply Chains Act.

It is with a deep sense of responsibility we present this first report demonstrating our commitment to the process of preventing forced labour within our supply chain. We recognize the significance of the global challenge posed by forced labour and its impact on human rights. By embracing transparency, accountability, and collaboration, we aim to set a standard for responsible business conduct going beyond mere compliance with regulations.

This report is representative of joint submission prepared by Labstat International Inc. and Labs-Mart International Inc., sharing the like business policies and referred to as “Labstat” for the fiscal period of January 1, 2023, to December 31, 2023.

With the impending measures for Canada in 2023 specific to Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chain Act*, we initiated a review of policies and procedures to identify conditions to enhance current language to specifically reflect forced labour and child labour, with our completion goal for implementation in 2024.

Labstat is committed to delivering high-quality technical solutions our customers can feel confident in – on time, every time – so the world can trust in what it consumes. As one of the world’s largest independent testing laboratories, Labstat specializes in analytical chemistry, *in vitro* toxicology, microbiology, method development, and customized technical services for global clients in the tobacco, nicotine, cannabis, hemp, and natural health product categories.

We have implemented rigorous quality assurance processes as required by ISO 17025. Our Quality Assurance team is mandated to audit all methods and processes within our laboratories to ensure compliance with our documented standards.

We have been testing nicotine containing products since 1976. During this period, our scientific personnel have acquired the most extensive technical experience in the industry. Our scientific and technical leadership is not limited to nicotine containing products. Our cannabis testing experience in both chemistry and in-vitro toxicology dates to 2003. We are the only laboratory in the world that can offer the scope of testing services for cannabis vapour and smoke. Our chemistry, in-vitro toxicology and microbiology testing capabilities support regulatory testing requirements around the world.

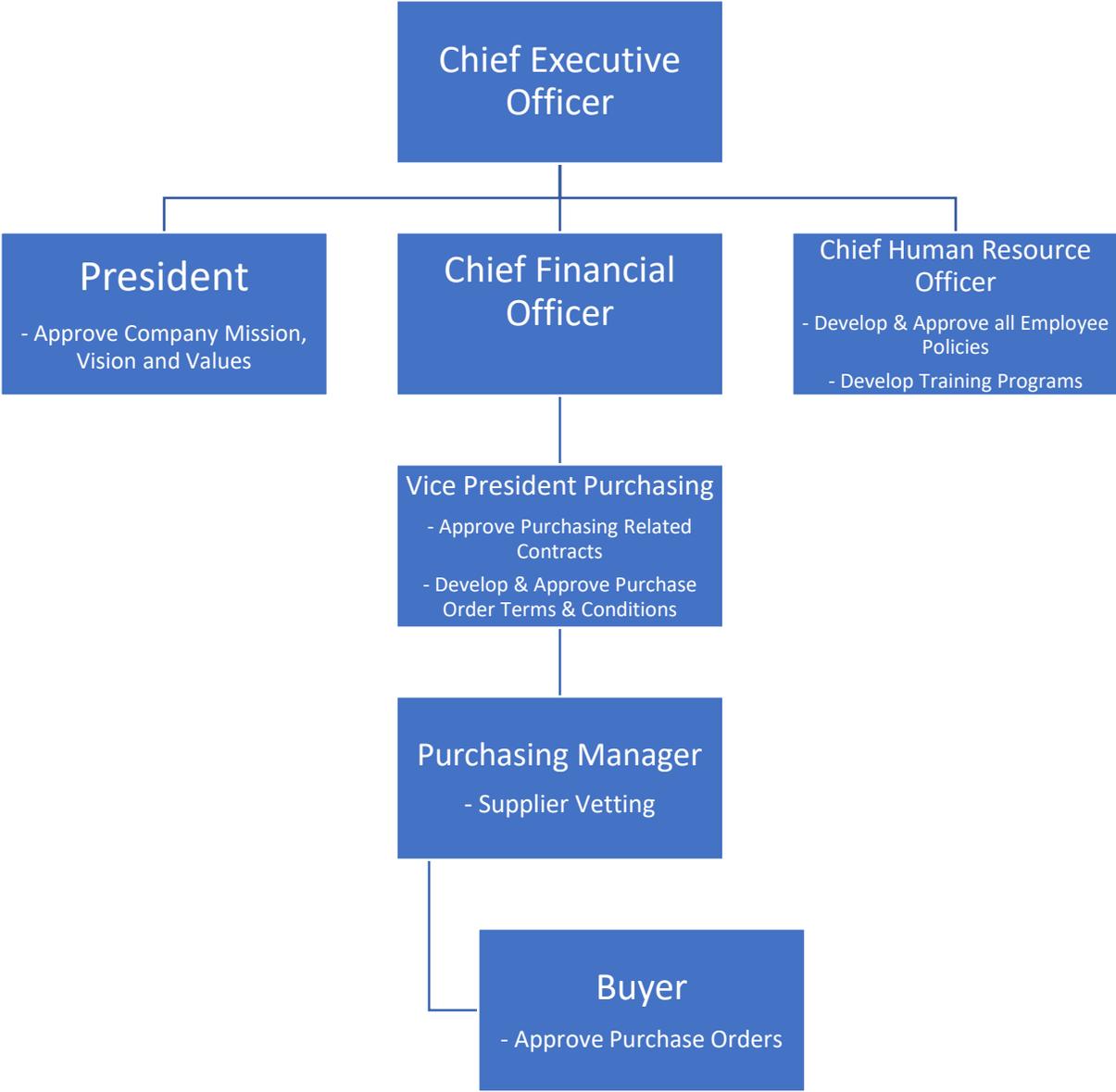
Labstat imports consumable laboratory supplies such as filters, chemicals, reagents, acids, and testing instrumentation. Imports will also be goods for the purpose of testing. These include natural health items, cannabis, and tobacco and nicotine containing products. These supplies and samples are imported from all over the world. As a testing laboratory, our finished product is a scientific report to our client.

Labstat's Mission Statement:

A Centre of Excellence does not simply happen. It is the result of specific corporate and individual commitments to a set of governing principles which include:

1. The principle that a satisfied client is the company's most important product.
2. The principle that quality can and must be continually improved.
3. The principle that honesty and integrity take precedence over monetary considerations.
4. The principle that corporate success is directly and intimately connected to the success and well-being of individuals.

Labstat has two facility locations: Kitchener, Ontario and Edmonton, Alberta, employing approximately 350 individuals. Our entity structure is defined within our organizational outline below with focused areas specific to policies and procedures, training, and supply chain.



Labstat is committed to embedding human rights considerations into its governance framework. In 2023 we did not utilize specific language such as forced labour or child labour in our employee principles and policies though Labstat's policy for Employment Principles and Equal Opportunity ensure all perspective candidates are legally able to work in Canada over the age of eighteen. These employee policies are mandatory for each employee during orientation and must be acknowledged with signature of receipt. The policy outline was developed to describe expectations and outline policies and programs which include but limited to sections related to:

- Policy against discrimination, harassment, and violence
- Employment principles and equal opportunity
- Timekeeping, Payroll and Hours
- Working conditions
- Employee conduct and disciplinary action

Understanding Canada's commitment to human rights, labour standards and ethical practices, Labstat will continue to review our policies and due diligence processes in relation to forced labour and child labour as a commitment in our journey of continuous improvement.

Labstat recognizes that certain parts of our supply chain may carry risks of forced labour or child labour. As part of our commitment to ethical sourcing, Labstat's Purchase Order Terms & Conditions currently have provisions regarding compliance associated to all applicable laws and regulations, including those related to health and safety and environment. It also deems all employment shall be conducted in accordance with all applicable regulations.

Recognizing that this is a new reporting requirement, Labstat does not currently have any procedures in place to assess our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains. During the previous financial reporting year, Labstat did not identify any instance of forced labour or child labour in our supply chain. If instances were to arise, Labstat commits to developing and implementing a remediation policy.

At Labstat, we are steadfast in our responsibility to ethical sourcing and supply chain integrity. We recognize the importance of transparency and accountability, which is why we are committed to the implementation of revisions to our policies to ensure the effectiveness of our compliance process with respect to forced labour and child labour. These efforts will be presented in next years report as part of continuous improvements.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. 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 Act, for the reporting year listed above.

Doug Shepard

Doug Shepard
Chief Financial Officer
May 22, 2024

I have the authority to bind Labstat International Inc. and Labs-Mart International Inc.