

REPORT ON MODERN SLAVERY

INTRODUCTION

This report is produced jointly by Les Chocolats Favoris Inc. and its subsidiaries (collectively “Chocolats Favoris” or the “Company” or “our” or “we”) for the fiscal year ending April 30, 2024 (the “Reporting Period”). It presents the measures taken to prevent and reduce the risk of forced or child labor at all stages of our supply chain, including for the production of goods in Canada or the importation of raw materials and goods into Canada for the Reporting Period. This is the first report prepared by the Company in accordance with Canada's new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

1. STEPS TO PREVENT AND REDUCE RISKS OF FORCED LABOUR AND CHILD LABOUR

Chocolats Favoris creates magical chocolate experiences for Canadian families, and we want that magic to permeate throughout the entire supply chain. In doing so, advancing social equity, and contributing to the respect and protection of the rights of all those who support this experience is important to us.

In 2023, overall, the Company has taken the following measures to prevent and reduce the risk that forced labor or child labor be used at any stage of the production of goods in Canada or elsewhere by the Company or for imported materials or goods into Canada by the Company:

- Multi-level governance structure to ensure management and oversight of the Company’s activities and reporting;
- We require references for the Company’s main suppliers, the possibility of undertaking an audit at these suppliers’ production sites, and a commitment from said suppliers to comply with applicable laws; and
- Through its main supplier, Chocolats Favoris adheres to the Cocoa Horizons program, which focuses on the prosperity of cocoa farmers, supporting the creation of self-sufficient farming communities, monitoring child and forced labor, and protecting and sustaining the resource.

You will find more details on these actions in the report.

2. STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

Founded in 1979, Chocolats Favoris is a private company incorporated under the *Business Corporations Act* (Quebec). The company's head office, which combines a production and administration space, is located in Quebec City. It is at this location that a significant portion of Chocolats Favoris' goods are designed, developed, manufactured and marketed for distribution through our network of chocolate shops and other points of sale, such as grocery stores, in various Canadian provinces. Raw materials, some products and packaging are sourced from different suppliers around the world and vary from one product to another. The majority of these materials or products come from suppliers with whom Chocolats Favoris has entered into long-term agreement. In addition, we seek to establish lasting relationships with our direct and indirect suppliers in order to offer quality products to our customers.

3. POLICIES AND ITS DUE DILIGENCE PROCESSES

Chocolats Favoris has put in place a solid governance structure to ensure the implementation and effectiveness of its human rights practices. Both the manufacturing branch and the Company's administration have their own management committees. Oversight at the board of directors level is provided by the Audit and Risk Management Committee, whose mandate includes monitoring the integrity of Chocolats Favoris' financial statements, as well as overseeing the company's risk management process, regulatory compliance and Chocolats Favoris' practices.

4. RISK OF FORCED LABOUR OR CHILD LABOUR

Chocolats Favoris takes a risk-based approach to assessing and managing the risk of forced and child labor. To gauge the risks in our supply chain, we take into account country risk indicators, including the level of corruption and the extent of legislation, as well as the resources available to workers or families, the category of supplier and the type of product or service offered by the supplier. The level of risk established determines the level of due diligence to be implemented, particularly with regard to forced labor and child labor, as well as the extent of ongoing monitoring and the frequency of reviews required. In concrete terms, as a chocolate manufacturer, our main raw material, cocoa, is produced mainly in certain West African countries. We are therefore aware of the need to monitor the resulting risks of forced and child labor in these communities, which we do through the adherence to the Cocoa Horizons program, which deploys field advisors to take direct action on cocoa farms. In addition, we monitor global events that could have an impact on the supply chain, in order to proactively manage risk in terms of climatic events, natural disasters, labour

disruptions including strikes or lockouts, cyber-attacks, and financial and geopolitical risks.

5. REMEDIATION MESURES

In general, the Company aims to build long-standing relationships with its suppliers, which are initially chosen by taking and verifying references. Chocolats Favoris keeps records of all contractual counterparties, and our contracts with suppliers generally contain risk mitigation and enforcement provisions, including audit and verification rights for the benefit of the Company, and termination rights based on material contractual breach. When purchasing products or manufacturing them, suppliers must not only comply with applicable legislation, but the Company gives priority to suppliers who are accredited or certified according to recognized programs or standards. Regarding its raw material sourcing, the Company pays a premium on the cost of cocoa in order to adhere to the Cocoa Horizons program. Through a supportive approach to farmers, an education program, controls and audits, partnerships with communities as well as certification and monitoring, the Cocoa Horizons program strives to create an environment where child labor and forced labor are discouraged, and where farmers can prosper in a sustainable and equitable manner. Furthermore, in April 2024, members of the Company's management visited cocoa production centers and farms in Africa to observe working conditions within the supply chain of its main supplier.

6. REMEDIATION OF LOSS OF INCOME

To date, no loss of income for vulnerable families has been reported as a result of measures taken to eliminate the use of forced or child labor in our operations and supply chains.

7. TRAINING

Chocolats Favoris employees regularly receive personalized training on company policies, including regulatory compliance, and managers discuss ethical issues directly with their teams. Following management's visit to its main cocoa supplier, an informative video on the Cacao Horizons program was shown to Chocolats Favoris' administration, production, managers, and franchisees. For the next fiscal year, the Company intends to implement a code of ethics to which all administrative employees, managers, officers, and directors must commit. Such code of ethics will include a section on human rights, emphasizing the importance of respecting human rights and prohibiting involuntary labour practices within the Company's operations and supply chain.

8. EFFECTIVENESS ASSESSMENT

Chocolats Favoris has put in place a number of measures to prevent and reduce the risk of forced or child labor in its operations and supply chains. We have not yet taken steps to evaluate the effectiveness of these actions, but Chocolats Favoris intends to

evaluate its effectiveness in preventing and reducing the risk of forced and child labor in its operations and supply chains at a later date.

9. APPROVAL AND ATTESTATION

The Company's board of directors has reviewed and approved this report in accordance with section 11(4)(b)(ii) of the Act. The said report is published on the Chocolats Favoris website under the tab 'Report on the Modern Slavery Act'.

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.

J'ai le pouvoir de lier Chocolats Favoris



Nom complet : Dominique Brown

Titre : Président directeur général / Administrateur de Chocolats Favoris

Date : 27 mai 2024