

Neighbourly Pharmacy Inc.
Fighting Against Forced Labour and Child Labour in Supply Chains Act Report
Fiscal Year 2023

INTRODUCTION

Neighbourly Pharmacy Inc. (“*Neighbourly*” or the “*Company*”) was founded as a network of independent community pharmacies focused on providing patient care and service in communities across Canada. Since Neighbourly’s founding in December 2015, it has acquired and integrated over 295 locations, making Neighbourly Canada’s third largest national pharmacy operator, with operations across seven provinces and one territory.¹

Neighbourly believes in providing accessible healthcare with a personal touch. Neighbourly’s pharmacies often act as the center of care within their communities, representing an indispensable source of both healthcare delivery and trusted advice for their patients. Neighbourly builds and maintains patient relationships by providing the best possible healthcare and customer experience. Neighbourly’s mission is to prioritize the pharmacy, the patient, and the community. Neighbourly prides itself on being deeply involved in the communities it serves. As a result, Neighbourly believes that its patients trust and have a greater reliance on the pharmacies it operates, visiting its locations for a large portion of their healthcare needs.

Neighbourly is committed to preventing and reducing the risk of forced and child labour in its supply chain. Neighbourly expects its pharmacies, employees, business partners and suppliers to uphold these same principles within their operations and abide by applicable human rights laws.

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

Neighbourly has taken the following steps to prevent and reduce the risks associated with forced labour and/or child labour in its supply chains:

1. Neighbourly’s Code of Ethics and Business Conduct (the “*Code*”): Neighbourly required its Board of Directors (the “*Board*”) and employees to complete an annual review of the Code and confirm their understanding and compliance with the Code’s obligations.
2. Banner Groups: Neighbourly continued to partner with established banner groups that have robust supply chain due diligence policies and processes.
3. Vendor Consolidation and Reduction: For those limited vendors/suppliers who are permitted outside of the banner groups’ required vendors/suppliers, Neighbourly undertook (and continues to undergo) a vendor consolidation exercise, reducing the number of suppliers that Neighbourly works with, to improve supply chain visibility, achieve quality improvements, and minimize risk.

¹ The following subsidiaries are also required to file a report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* and therefore submit this report jointly with Neighbourly Pharmacy Inc.: RXDM (Ontario) Inc., 1105855 B.C. Ltd., 9206809 Ontario Inc., Lovell Drugs Limited, AB-MB Holding LP, and 102028500 Saskatchewan Ltd.

STRUCTURE, ACTIVITIES, AND SUPPLY CHAINS

Structure

Neighbourly was originally incorporated under the *Canada Business Corporations Act* in 2015. Prior to the closing of Neighbourly's initial public offering ("**IPO**") in Canada and concurrent listing on the Toronto Stock Exchange (TSX: NBLY) on May 25, 2021, the Company changed its name from Rx Drug Mart Inc. to Neighbourly Pharmacy Inc.

As a result of an arrangement whereby T.I.D. Acquisition Corp., a newly formed entity controlled by Persistence Capital Partners ("**PCP**") acquired all of the common shares (the "**Common Shares**") in the capital of Neighbourly, other than those Common Shares already owned by PCP or its affiliates, Neighbourly's shares were delisted from the TSX on March 21, 2024.

The national head office and store support office of Neighbourly is located at 400-190 Attwell Drive, Etobicoke, Ontario, Canada, M9W 6H8.

Activities

Since Neighbourly's founding in 2015, it has acquired and integrated over 295 pharmacies in seven provinces and one territory, across a variety of transaction sizes, including single store acquisitions and larger, multi-store acquisitions. Neighbourly operates pharmacies in smaller rural and suburban communities (with a population below 100,000) and underserved markets with a store format and size (square footage) that best suits their market. Close to 68% of Neighbourly's network is represented by these types of locations/communities.

Neighbourly pharmacies operate under pharmacy banner relationships with the following three pharmacy banner groups: McKesson Canada, Pharmasave Canada, and PharmaChoice Canada. Banner groups are groups of retail pharmacies similar to franchise groups. They are formed for the purpose of providing support to and imposing certain obligations on the retail pharmacies.

Supply Chains

A diverse range of products may be sold in Neighbourly pharmacies, from pharmaceuticals dispensed by licensed pharmacists to general household items. Neighbourly purchases its products for sale pursuant to its policies and banner agreements, where select third-party vendors must undergo a thorough review process prior to their products being sold in Neighbourly pharmacies.

POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND/OR CHILD LABOUR

Neighbourly Policies and Due Diligence Processes

A. The Code

In June 2022, Neighbourly's Board prepared the Code to communicate to employees Neighbourly's commitment to conducting business with integrity, honesty, and respect, in

compliance with applicable laws, regulations and policies, and in a manner that preserves Neighbourly's reputation and deters unethical behavior and wrongdoing. The Code provides an overview of requirements, standards, and expectations to guide employees in carrying out their duties for, their dealings with, and when acting as a representative of, Neighbourly.

Specifically, the Code outlines that Neighbourly employees are responsible for ensuring that compliance due diligence is performed prior to entering into business relationships with third parties. Subject to Neighbourly's established policies and practices, including any internal delegation of authority or similar policy, all material agreements with vendors, suppliers, customers and third parties must be in writing and reviewed by the Corporate Secretary and/or the Chief Financial Officer. Such agreements must be in line with the principles established in this Code and relevant corporate policies. The Code further stresses that throughout the business relationship, Neighbourly employees must continuously and properly monitor such third parties to prevent misconduct.

Employees and representatives of Neighbourly are required to review and acknowledge the Code on an annual basis.

B. Vendor Consolidation

For those suppliers/vendors operating outside of the banner programs, Neighbourly undertook and continues to undergo a vendor consolidation exercise. As a result of this consolidation, Neighbourly has reduced its vendor count by approximately thirty (30) percent.

The purpose of this vendor consolidation is to: (i) increase visibility into its vendors and their processes, (ii) improve the quality control processes, and (iii) minimize risk.

C. Partnering with Established Banner Groups

The Company purchases a significant portion of its inventories from McKesson Canada, Pharmasave Canada and PharmaChoice under banner agreements.

Under the banner agreement with McKesson Canada, the Company, for certain listed pharmacies, is required to purchase 95% of its monthly brand and generic pharmaceutical purchases from McKesson Canada. As such, the Company is dependent on McKesson Canada for a supply of products, including generic pharmaceutical products, McKesson Canada's private label merchandise and McKesson Canada's promotional merchandise required to be used by the Company under the banner agreement.

As outlined in further detail below, the various banner groups understand their responsibility to fight modern slavery, forced labour and child labour and have taken various steps in support of their commitment.

Banner Policies and Due Diligence Processes

A. McKesson Canada

McKesson Canada understands its responsibility to fight modern slavery, forced labour and child labour and has taken various steps in support of its commitment. For example:

- McKesson has adopted the McKesson Supplier Sustainability Principles (MSSP) - a set of principles to which private label suppliers outside the U.K, U.S., Canada and the European Union must agree. The MSSP covers compliance with applicable laws along with adherence to its principles on protecting workers, preparing for emergencies, identifying and managing environmental risk, and protecting the environment. These principles also reflect McKesson's stance against forced labour and child labor, which it articulated in its response to the UK Modern Slavery Act 2015.
- McKesson joined the United Nations (UN) Global Compact initiative, a voluntary leadership platform focused on the development, implementation, and disclosure of responsible business practices, in November 2020. In taking this step, McKesson is explicit in its support of the UN Global Compact's 10 principles which focus on the areas of human rights and labor, but also on environment and anti-corruption.
- McKesson's Code of Conduct requires the upholding of human rights everywhere they do business. They comply with applicable laws prohibiting forced, compulsory and child labour and human trafficking, and require the monitoring and reporting of potential human rights violations. Moreover, they require their suppliers to engage in McKesson's onboarding and due diligence process to ensure they only engage in acceptable business practices.
- McKesson takes a risk-based approach in contracting processes and assesses whether the circumstances warrant the inclusion of specific prohibitions against the use of modern slavery and trafficked labour in its contracts with third parties and specific confirmation with its Code of Conduct. McKesson expects that its suppliers will hold their own contractors and suppliers to the same standards.
- McKesson has established a Responsible Sourcing Program to address operations and suppliers at risk for incidents of forced and compulsory labor. It provides a framework that holds its international private label suppliers to an auditable set of expectations about protecting workers.

B. Pharmasave

Pursuant to its Franchise Agreements, Neighbourly is required to acquire certain supplies through Pharmasave, which relies on McKesson Canada as its primary wholesaler supplier. As set out above, McKesson Canada understands its responsibility to fight modern slavery, forced labour and child labour and has taken various steps in support of its commitment.

C. PharmaChoice Canada

Pursuant to its Membership Agreements, Neighbourly is required to obtain certain supplies through PharmaChoice Canada. As part of its ongoing commitment to responsible sourcing and business practices, PharmaChoice Canada rigorously ensures that its business partners and suppliers uphold these critical human rights standards.

PharmaChoice Canada's due diligence processes include thorough vetting of potential partners and continuous monitoring of existing ones to confirm their compliance with all applicable laws, including the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. PharmaChoice Canada requires all companies they do business with to demonstrate that they have effective policies and procedures in place to fight against forced and child labor within their operations and supply chains.

PharmaChoice Canada is dedicated to maintaining a transparent and responsible supply chain. They believe that business integrity plays a crucial role in building a sustainable and just global economy. As such, they are committed to reviewing and enhancing their practices regularly to align with evolving laws and ethical standards.

RISKS OF FORCED LABOUR AND/OR CHILD LABOUR BEING USED AND STEPS ADDRESSING RISK

Neighbourly

Neighbourly has standards, policies, and codes of conduct in place to uphold human rights within its organizational network and across its supply chains. Specifically, the Code outlines Neighbourly's commitment to conducting business with integrity, honesty and respect, in compliance with applicable laws, regulations and policies, and in a manner that preserves Neighbourly's reputation and deters unethical behavior and wrongdoing. The Code provides an overview of requirements, standards and expectations to guide employees in carrying out their duties for, their dealings with, and when acting as a representative of, Neighbourly.

The Company is aware that having a global supply chain carries the risk that forced labour or child labour is occurring, and some manufacturing may occur in countries that are ranked highly by the Global Slavery Index. The Code outlines that Neighbourly employees are responsible to ensure that compliance due diligence is performed prior to entering into business relationships with third parties. Subject to Neighbourly's established policies and practices, including any internal delegation of authority or similar policy, all material agreements with vendors, suppliers, customers and third parties must be in writing and reviewed by the Corporate Secretary and/or the Chief Financial Officer. Such agreements must be in line with the principles established in this Code and relevant corporate policies. The Code further stresses that throughout the business relationship, Neighbourly employees must continuously and properly monitor such third parties to prevent misconduct.

All Neighbourly representatives are required to adhere to Neighbourly's commitment to conduct its business and affairs in a lawful and ethical manner, as outlined in the Code. Neighbourly

representatives are encouraged to talk to the Corporate Secretary or the management team when in doubt about the best course of action in a particular situation and to report any breach or suspected breach of law, regulation, the Code or any of Neighbourly's corporate policies.

Neighbourly has adopted a Whistleblower Policy which provides procedures for reporting any breach or suspected breach of law, the Code or any of Neighbourly's corporate policies. Neighbourly prohibits retaliatory action against any Neighbourly representative who, in good faith, reports a possible violation of the Code. Any Neighbourly representative who believes he or she has been retaliated against is urged to promptly report it to the Corporate Secretary.

Banner Programs

For those inventories and services purchased from the banner groups listed above, Neighbourly relies on the banner groups' various standards, policies, supplier codes of conduct that it has in place, to address risks associated with forced labour and child labour (all as further outlined above).

MEASURES TAKEN TO REMEDIATE ANY FORCED LABOUR OR CHILD LABOUR

All Neighbourly representatives are encouraged to talk to the Corporate Secretary or the management team when in doubt about the best course of action in a particular situation and to report any breach or suspected breach of law, regulation, the Code or any of Neighbourly's corporate policies.

As stated above, Neighbourly has adopted a Whistleblower Policy which provides procedures for reporting any breach or suspected breach of law, the Code or any of Neighbourly's corporate policies. Neighbourly prohibits retaliatory action against any Neighbourly representative who, in good faith, reports a possible violation of the Code. Any Neighbourly representative who believes he or she has been retaliated against is urged to promptly report it to the Corporate Secretary.

The Company did not uncover any occurrences of forced labour or child labour in 2023 and consequently did not take any measures to remediate any adverse impacts of forced labour or child labour.

If Neighbourly identifies instances of forced labour or child labour in its activities or supply chains, then it will consider appropriate remediation strategies.

MEASURES TAKEN TO REMEDIATE LOSS OF INCOME TO VULNERABLE FAMILIES

Neighbourly has not identified any instances of loss of income to vulnerable families that could have potentially resulted from its efforts to prevent the use of forced labour or child labour, so it has not taken any remediation steps.

TRAINING PROVIDED TO EMPLOYEES ON FORCED LABOUR AND/OR CHILD LABOUR

Neighbourly's approach to social responsibility reinforces the Company values which are anchored on: 1) healthy communities, 2) a healthy and inclusive workplace and 3) healthy and sustainable business operations. Neighbourly has the following programs and practices in place, fostering positive impact for its patients, its business, its employees, and the communities it serves.

Neighbourly requires its employees to review the Code annually and confirm their understanding and compliance with the Code's obligations.

Healthy Communities (Social)

Neighbourly supports and improves access to healthcare for many communities across Canada. Giving back to these communities is an integral part of the Company's culture.

- Neighbourly is a source of employment in many remote communities, with 68% of its pharmacies located in communities with population of fewer than 100,000 people.
- Neighbourly is focused on forming strong relationships with Indigenous communities. The Company offers support by providing pharmacy services, delivery of essential medication, and support healthy living programs in Indigenous communities.
- Neighbourly plays a key role in supporting harm reduction programs associated with illicit drugs and opioid dependency by providing access to addiction management treatment and support.

Healthy and Inclusive Workplace (Governance)

Neighbourly promotes a positive and collaborative work environment, diversity, inclusion and mutual respect. Neighbourly believes that the focus of operating as a socially responsible company serves to motivate and deepen the engagement of its employees, builds stronger relationships with its customers and employees and positively impacts the communities in which it operates.

- The Company empowers employees through training and professional development programs:
 - Neighbourly fosters a diverse and inclusive workplace by promoting gender diversity.
 - Neighbourly is committed to providing and maintaining safe working conditions for its employees. The Company mandates health and safety training for all employees and regularly monitors its health and safety records.
 - Neighbourly continually works to enhance its governance structure and processes and the Board regularly reviews company policies and procedures.

Healthy and Sustainable Business Operations (Environment/Sustainability of Operations)

As a leading provider of health care in underserved communities, Neighbourly's focus on health and safety is at the heart of everything it does. In many regions, Neighbourly's pharmacists are

permitted to independently prescribe and renew medications for minor ailments and conditions, give vaccinations, order lab testing, and more, all without a physician's involvement. Pharmacists are the most accessible health care professionals and are often the only health care provider in underserved communities. This gives Neighbourly the ability to play a role of a leading health-care provider across small and remote communities in Canada. Product Safety and Handling procedures are of utmost importance. Staff Training Initiatives around safe and accurate dispensing and minimizing errors are in place and pharmacists stay up to date on training and continuing education, ensuring compliance with provincially mandated regulations.

ASSESSING EFFECTIVENESS OF REMEDIATION MEASURES

As set out in the Code, throughout the business relationship with third party vendors, Neighbourly employees must continuously and properly monitor such third parties to prevent misconduct. In the event that an employee is in doubt about the best course of action in a particular situation, or whether or not there has been any breach or suspected breach of law, regulation, the Code or any of Neighbourly's corporate policies, they are encouraged to talk to the Corporate Secretary or the management team.

Other than as set out above, no other actions have been taken to address effectiveness in preventing and reducing risks of forced labour and/or child labour in our activities and supply chains.

APPROVAL AND ATTESTATION

The Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of Neighbourly Pharmacy Inc.

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.

Signed by,



Skip Bourdo

Chief Executive Officer and Director

Neighbourly Pharmacy Inc.

May 29, 2024

I have the authority to bind Neighbourly Pharmacy Inc.