

South Mill Champs Holding Corporation and Subsidiaries

Joint Annual Report Under the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Act”)

1. Introduction

Canada’s new *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) contributes to fighting modern slavery by imposing reporting obligations on certain entities involved in manufacturing, producing, growing, extracting or processing goods in Canada or elsewhere, and entities involved in importing goods manufactured, produced, grown, extracted or processed outside Canada.

This joint report (the “Report”) applies to South Mill Champs Holding Corporation (“SMCHC”) and the following applicable subsidiaries for the 2023 financial reporting year:

- South Mill Mushroom LLC (“SMM”);
- The Mushroom Company (“TMC”);
- World Fresh Produce Inc (“WFP”);
- Kaolin Mushroom Farms Inc (“Kaolin”);
- Loveday Foods Inc (“LFI”);
- Loveday Mushroom Farms Ltd (“Loveday”);
- Champ’s Foods Inc (“CFI”); and
- Champ’s Fresh Farms Inc (“Champs”).

In this Report, unless otherwise stated, references to “South Mill Champs”, “we”, “us”, “our” and similar expressions include SMCHC, SMM, TMC, WFP, Kaolin, LFI, Loveday, CFI and Champs.

South Mill Champs is a privately owned company seeking to promote and advance respect for human rights across our value chain from our farms to our own workplaces. South Mill Champs is a food production company, with a focus on mushrooms, that operates in various sectors, including agriculture, manufacturing, wholesale trade, retail trade, transportation and food services. South Mill Champs was formed in 2017 after SMCHC acquired each of SMM and Kaolin of Pennsylvania and subsequently Champs of British Columbia. Loveday, based in Manitoba, joined South Mill Champs in July of 2020 and TMC was acquired in early 2021, adding unique processing capabilities to the organization. South Mill Champs is headquartered in Kennett Square, Pennsylvania and utilizes its North American mushroom farms, advanced cold chain logistics capabilities and its distribution network to facilitate fast and efficient daily deliveries to all major markets across the United States and Canada.

This Report discusses the actions taken by South Mill Champs during 2023 to prevent and reduce the risk of forced labour or child labour in its supply chain in accordance with section 11(1) and 11(3) of the Act. It contains relevant foundational context and our efforts to address human rights including forced and child labour.

SMM, TMC, Champs and Loveday are also subject to modern slavery reporting requirements under California’s *Transparency in Supply Chains Act*.

2. Steps Taken to Prevent and Reduce Risks of Forced Labour and Child Labour

As detailed below, during the last financial year, South Mill Champs took the following steps to prevent and reduce the risk that forced labour or child labour is used at any step in its supply chain in the production or importation of its goods:

- amended existing policies to ensure compliance with the Act;
- implemented an internal whistle blower hotline (“Ethical Conduct Hotline”);
- created a new supplier code of conduct (“Supplier Code of Conduct”);
- introduced new restrictive covenants for supplier contracts to ensure compliance with the Act;
- amended existing supplier questionnaire (“Questionnaire”) and corresponding due diligence process;
- commenced initial training programs of key employees;
- established an Environmental, Social and Governance (“ESG”) committee; and
- started supply chain mapping activities.

The Ethical Conduct Hotline, Supplier Code of Conduct, policy amendments and the work conducted by the ESG committee applies broadly across the entire organization, while the rest of the above listed actions vary with respect to specific parts of South Mill Champs’ activities and supply chain, as described below in this Report.

3. Structure, Activities and Supply Chains

a. Structure

South Mill Champs is a private group of companies. SMM, TMC, WFP, Kaolin, LFI, Loveday, CFI and Champs are wholly-owned subsidiaries of SMCHC. SMCHC is a holding company that relies on its subsidiaries to operate South Mill Champs’ business, including its supply chains.

SMM operates South Mill Champs’ sales division in the United States with multiple distribution facilities and a full range of mushroom products and capabilities. SMM is a trusted partner to North America’s largest retailers and food service companies. SMM serves diverse customers including grocery stores, food brands, food retailers and restaurants.

Kaolin is a Pennsylvania corporation that employs South Mill Champs’ employees in the United States. Kaolin is also responsible for South Mill Champs’ United States mushroom production and procurement activities, including providing South Mill Champs’ raw materials and packaging.

In 2017, SMCHC acquired Champs, which operates eight production facilities in British Columbia, to create one of the largest mushroom producers and suppliers in North America and a distribution platform to supply retail and food service channels nationwide. Loveday, a high-quality composter and mushroom grower, is based in Winnipeg, Manitoba and was acquired by SMCHC in 2020.

In January 2021, SMCHC acquired TMC based in Cambridge, Maryland. TMC is one of North America’s largest mushroom processors, with product capabilities that range from individually quick-frozen to canning, blanching, blending, and roasting mushrooms and other vegetables.

In late November 2023, SMCHC acquired WFP, a New Jersey corporation in the business of global fresh produce sourcing. WFP imports specialty produce into the United States and Canada and focuses on offshore, direct-from-grower, supply relationships.

b. Activities

South Mill Champs' primary business is operating as a vertically integrated grower and supplier of North American fresh mushrooms and functional mushroom foods. As a leading innovative, customer-focused supplier in the industry, South Mill Champs offers mushrooms and other fresh food products, full-service logistics and cold storage. South Mill Champs has mushroom growing and processing operations in British Columbia, Manitoba, Pennsylvania and Maryland. TMC primarily serves the food service and industrial markets, where its products end up on pizzas, in soups, and on various quick and casual-service restaurant menus. In addition, under SMM, South Mill Champs has cold chain distribution centers in Atlanta, Georgia, Dallas, Texas, Houston, Texas, Indianapolis, Indiana, Lakeland, Florida, Los Angeles, California New Orleans, Louisiana and Sacramento, California. From fresh to value added mushrooms and mushroom snacks, South Mill Champs supplies high quality fresh mushrooms and value-added products to consumers, foodservice and retailers across North America.

As mentioned above, at the end of 2023, South Mill Champs acquired WFP and further expanded its product offerings beyond mushrooms to include importing other additional types of produce. WFP is an importer of produce that offers a premiere line of citrus, apples, pears and kiwifruit. WFP's grower network is in Asia, Latin America, Africa, Europe and North America.

Oversight and accountability builds trust and strengthens relationships, which is why South Mill Champs is highly committed to upholding ethical business practices. South Mill Champs is committed to eradicating child labour and forced labour in supply chains and expects its business partners and suppliers to uphold these same principles within their operations, which includes abiding by applicable human rights and employment laws.

In addition, South Mill Champs has established an ESG committee to support the organization's ongoing commitment to environmental stewardship, health and safety, corporate social responsibility, corporate governance and sustainability, which includes a focus on upholding human rights. South Mill Champs' senior executive team and internal audit function are responsible for the oversight of the internal integrity of South Mill Champs' operations, while the Food and Safety Department ensures all products are of superior quality and compliant with all applicable laws and regulations.

c. Supply Chains

South Mill Champs offers service to regional retail, foodservice, wholesale and processing customers providing high quality mushrooms and other produce quickly and efficiently. South Mill Champs' vertically integrated supply chain involves the production of fresh mushrooms and functional mushroom foods, which includes controlling the manufacturing, growing, processing and sale of such goods. South Mill Champs grows, produces, and processes a wide range of mushroom products for foodservice, retail, and industrial markets and SMM, Kaolin, Champs, Loveday and TMC are all part of this vertically integrated supply chain. The suppliers of raw materials required to produce mushrooms and mushroom related goods include straw for compost, raw materials related to growing or manufacturing, equipment for facilities and packaging for final products. The majority of these suppliers are located in North America, and South Mill Champs has longstanding relationships with many of these suppliers. Because South

Mill Champs' mushroom production supply chain is vertically integrated, it offers a level of control over, and visibility into, all aspects of the production line.

In November 2023 South Mill Champ acquired WFP, which imports produce from Argentina, Mexico, Peru, Uruguay, Chile, Greece, Italy, Morocco, Spain and South Africa. South Mill Champs began carrying out supply-chain mapping and risk identification of this portion of its supply chain during its 2023 fiscal year.

Throughout its operations, South Mill Champs' internal policies, management procedures, complaint process, Human Resources department and checks and balances are designed to ensure that all workers earn a fair living wage. South Mill Champs' goal is to create a culture where every employee is empowered and proactive in ensuring a safe and healthy work environment for themselves and their fellow employees. Senior management is committed to ensuring and upholding compliance with the Act, all applicable laws and health and safety standards.

South Mill Champs takes pride in its reputation as a trustworthy partner and embraces its responsibilities in the pursuit of best practices. The foundations upon which the organization's reputation has been built are to be found in the set of values which define the manner in which the organization conducts its business. South Mill Champs expects all employees, officers and directors to act with professionalism, fairness and integrity when dealing with all our stakeholders, including our shareholders, customers, suppliers, growers, competitors and employees.

With respect to the production of mushroom related products, where the supply chain involves suppliers based in countries outside of Canada or the United States, South Mill Champs applies heightened levels of scrutiny and due diligence, as described below.

4. Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour

South Mill Champs believes in its social and environmental responsibility to conduct business in a manner that is consistent with the highest standards of business ethics. South Mill Champs holds its business partners and suppliers to the same high standards. Protecting human rights and vulnerable populations is a focus of the organization and this is reflected in internal policies and practices. South Mill Champs is committed to protecting human rights throughout its supply chain, which includes suppliers, employees, workers, including temporary foreign workers and other stakeholders.

a. Policies

South Mill Champs had a zero-tolerance policy towards child labour and forced labour before the Act came into force. South Mill Champs continues to be committed to preventing and reducing the risk of such labour being utilized in its operations or by its suppliers. In 2023, South Mill Champs amended existing policies to further address modern slavery concerns and track specific language in the Act.

For Champs and Loveday, the Child Labour & Working Age Policy and Forced Labour Prohibition Policy at the Workplace apply to all Canadian operations. These policies strictly prohibit the use of child labour, forced labour and human trafficking in all supply chains and in all operations across all sites.

The Ethical Code of Conduct applies to all operations in the United States, including SMCHC, Kaolin, SMM, TMC and WFP (the “Ethical Code”). It also applies to suppliers and business partners of South Mill Champs. The Ethical Code explicitly prohibits the use of child labour and forced labour, while also outlining standards for ethical business practices, environmental performance, health and safety and fair and equal treatment.

The requirement for ethical business conduct with zero tolerance for child or forced labour applies to all aspects of South Mill Champs’ business, and encompass all growers, harvesters, manufacturers, distributors, vendors, service providers, partners and other suppliers that supply goods, services and products to South Mill Champs or otherwise do business with South Mill Champs.

In 2023, South Mill Champs introduced a new Supplier Code of Conduct in response to the Act and the acquisition of WFP. By entering into South Mill Champs’ standard terms and conditions or other contractual agreements, suppliers accept the terms of the Supplier Code of Conduct and affirm compliance with its requirements. The Supplier Code of Conduct sets minimum expectations and guidelines for suppliers and obligates them to comply with applicable laws and South Mill Champs policies, including with respect to forced and child labour. Suppliers are responsible for compliance with the standards in the Supplier Code of Conduct and all applicable laws throughout its operations and upstream supply chain. Failure to comply with such standards may result in the immediate termination by South Mill Champs of any business relationship with the supplier.

In addition, South Mill Champs has created a new restrictive covenant for suppliers which prohibits the use of forced labour and child labour at any stage of a supplier’s growing, harvesting, production or manufacturing process. This covenant will be included in all contracts with external suppliers on a go-forward basis to ensure compliance with the Act.

b. Due Diligence Process

As part of South Mill Champs’ existing food ingredient or food supplier approval process, all new suppliers are subject to an internal due diligence process which includes information gathering and the completion of a mandatory Questionnaire. In early 2024, the Questionnaire was amended to include questions designed to facilitate enhanced supplier disclosure and South Mill Champs’ reporting obligations under the Act. Specific questions were included to further address policies and procedures in place related to modern slavery. The same Questionnaire is now used for all suppliers to WFP.

c. Ethical Conduct Hotline

Integrity and honesty are central to the way South Mill Champs operates as an organization. South Mill Champs believes that every employee has a role to play in maintaining these values and protecting the organization’s reputation. To help us further these values, South Mill Champs launched an Ethical Conduct Hotline in 2023, which allows employees to anonymously and confidentially report cases of workplace misconduct. The Ethical Conduct Hotline is supported by an independent third-party reporting solution. Whistleblowers can safely and anonymously submit questions or concerns through a secure online platform or toll-free telephone hotline, with language translator capabilities in English, French, Spanish, Vietnamese, Thai, Mandarin, Cantonese, Hindi and Punjabi languages. The Ethical Conduct Hotline provides a way to protect vulnerable workers and the business from misconduct that is contrary to our values and policies

by reducing the likelihood that it is not reported. The Ethical Conduct Hotline brings greater accountability and safeguards trust in our organization.

All of South Mill Champs' workforce received notice of and were provided training on the Ethical Conduct Hotline. All employees are encouraged to utilize the Ethical Conduct Hotline and/or to speak to their manager about any issues, questions or suspected ethical violations, which include violations of the Act. Allegations of any breach of policies, applicable laws or any non-compliant and unethical behaviour are taken seriously and are subject to a thorough internal investigation process. All complaints made through the Ethical Conduct Hotline are reviewed by South Mill Champs' Human Resources Department, Legal Department and Internal Audit Department.

5. **Risk of Forced Labour or Child Labour being used and the Steps South Mill Champs has Taken to Assess and Manage Risk**

As a vertically integrated mushroom grower, producer and distributor, South Mill Champs controls the majority of its supply chain. However, the organization recognizes that certain areas of its operation inherently have an increased risk of forced labour and child labour. South Mill Champs has conducted an internal gap analysis and supply chain risk assessment to identify opportunities to strengthen policies, procedures and the supplier due diligence processes across the organization.

SMM, Champs and Loveday use a limited number of local contract growers for the production of some mushrooms. South Mill Champs has long standing relationships with the majority of such contract growers and has instituted an audit process to ensure compliance with all applicable laws, including the Act.

South Mill Champ' operations involve temporary foreign workers. South Mill Champs recognizes that this population of workers is vulnerable to human rights violations, particularly with respect to the risk of forced labour. Respect for all workers and the right to earn a fair living wage is fundamental to South Mill Champs' values. This is reflected by the work done by the ESG committee in 2023 and the implementation of the Ethical Conduct Hotline, which is specifically designed to assist workers who may not otherwise feel comfortable bring forward an issue and to raise concerns in a language other than English.

South Mill Champs has a facility audit compliance team, comprised of audit compliance managers and production/factory auditors, with the core team members located in Pennsylvania, Maryland, British Columbia and Manitoba. This team oversees South Mill Champs' supply chain compliance by ensuring workplace condition assessments are conducted regularly and that products produced in accordance with the highest standards and all applicable laws, regulations and customer requirements. Initial and annual facility compliance audits are typically conducted by third-party experts using a best-practice audit framework.

a. Acquisition of WFP

South Mill Champs takes great pride in growing, processing and selling the highest quality products. As South Mill Champs continues to expand its operations and product offerings, it must assess new risks as its business evolves into new supply chains.

As detailed above, the acquisition of WFP in November 2023, resulted in South Mill Champs' involvement in the fruit importation business and new supply chain segments in Argentina, Mexico, Peru, Uruguay, Chile, Greece, Italy, Morocco, Spain and South Africa. The United States

Bureau of International Labor Affairs has identified certain jurisdictions as having a heightened risk that certain goods could be produced by child labor or forced labor. The United States Bureau of International Labor Affairs' List of Goods Produced by Child Labor or Forced Labor (the "List of Goods") comprises 159 goods from 78 countries and areas as of September 28, 2022.

Any supplier in a jurisdiction and selling goods flagged on the List of Goods is subject to heightened due diligence measures and increased scrutiny by South Mill Champs. Since its acquisition of WFP, South Mill Champs has focused on identifying risks or red flags in WFP's supply chain. Although there is no risk of child labour or forced labour in WFP's operations, based on its due diligence South Mill Champs has identified one region and associated goods which contain a risk of forced or child labour as a result of their inclusion on the List of Goods. As a result, the suppliers in that jurisdiction have been subjected to increased due diligence and measures to prevent the risk of forced and child labour in their operations and practices. Among other things, all suppliers to WFP are now subject to the Supplier Code of Conduct and the Questionnaire, and subject to ongoing due diligence.

6. Measures Taken to Remediate Forced Labour or Child Labour

To date there have been no identified or reported incidents of child labour or forced labour in South Mill Champs' supply chain. As a result, no remediation measures have been taken.

7. Measures Taken to Remediate the Loss of Income to the Most Vulnerable Families

To date no forced labour or child labour has been identified in South Mill Champs' supply chain. The measures taken by South Mill Champs to eliminate the use of forced labour or child labour in its activities and supply chains have not, to the knowledge of South Mill Champs resulted in a loss of income to vulnerable families. As a result, no remediation measures have been taken.

8. Training Provided to Employees on Forced Labour and Child Labour

South Mill Champs' policies include detailed explanations of the organization's position on human rights with express prohibitions on child labour and forced labour in all areas of South Mill Champs' supply chain.

At the end of 2023, South Mill Champs' legal team provided mandatory training on the Act for select members of senior management and for all key employees involved with South Mill Champs' supply chain, including all employees in charge of making contracting or purchasing decisions. All members of the senior executive team and the executive team received some form of training and/or information session on the Act. Employees working for WFP also received separate onboarding and training on the Act, including on due diligence on suppliers, supply chain risks, and new controls that South Mill Champs was putting in place.

Training was developed internally and focused on the requirements of the new Act, amendments to existing policies and South Mill Champs' new Supplier Code of Conduct. The training discussed concerns around forced labour and child labour in South Mill Champs' supply chains and focused on existing measures in place and the new steps required to ensure compliance with the Act. Applicable employees were taught to identify key risk factors for human rights violations and reporting requirements.

9. How South Mill Champs Assesses its Effectiveness in Ensuring that Forced Labour and Child Labour are Not Being Used in its Business and Supply Chains

South Mill Champs uses various methods to assess its success in preventing and reducing risks of forced labour and child labour in its activities and supply chains. In addition to the methods set out elsewhere in this Report South Mill Champs is amending its processes to include a regular review of the organization's policies and procedures related to ethical business conduct, forced labour and child labour. South Mill Champs has educated key members of its team throughout all business areas to ensure proficient understanding and knowledge of the new Act and its requirements.

South Mill Champs conducts its own internal audits on a quarterly basis. In addition, South Mill Champs regularly partners with external organizations to conduct an independent review or audit of the organization's facilities and practices. Under South Mill Champs' food and safety program the organization completed over 75 facility audits in 2023.

Annually, all employees participate in our employee engagement survey focused on improving workplace conditions and management practices throughout the organization. This survey has the potential to highlight risks related to the Act and assist in monitoring effectiveness.

In 2023, South Mill Champs implemented an Ethical Conduct Hotline, which is serviced by a third-party whistleblower consultant. The Ethical Conduct Hotline is available as a grievance mechanism to report any suspected violations of laws, violations of South Mill Champs' policies and any other concerns, including but not limited to any suspected issues involving forced labour or child labour. The Ethical Conduct Hotline operates in conjunction with existing internal incident response procedures, which includes escalating any suspected violations to the General Counsel and other members of the senior executive team.

South Mill Champs also implemented its Supplier Code of Conduct in 2023 and introduced new covenants for supply contracts which are specifically designed to address and prevent child labour and forced labour. The Supplier Code of Conduct is now appended to South Mill Champs' standard terms and conditions that it uses for most purchase orders where South Mill Champs is acting as the buyer. The Supplier Code of Conduct is also appended to large supply contracts with third parties. Suppliers are responsible for compliance with the standards set out in the Supplier Code of Conduct and all applicable laws.

Suppliers are required to monitor the compliance of their operations with the terms of the Supplier Code of Conduct and must share the Supplier Code of Conduct with any third parties that assist with providing goods or performing services for South Mill Champs. All members of South Mill Champs' team are required to monitor suppliers for compliance and suspected violations of the Code of Conduct and the Supplier Code of Conduct. Any violations or suspected violations are required to be escalated for review and corrective action under our policies and procedures. Failure to take appropriate corrective action by any employee or supplier may result in termination.

Corporate integrity, responsible product sourcing, and the safety and wellbeing of workers across the global supply chain are of paramount importance to South Mill Champs. South Mill Champs continues to prioritize understanding human rights risks within its supply chain, with a focus on forced labour and child labour.

10. Approval and Attestation

The Report was approved effective May 29, 2024, pursuant to section 11(4)(b)(ii) of the Act by the Board of Directors of South Mill Champs Holding Corporation.

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.

SOUTH MILL CHAMPS HOLDING CORPORATION

By: _____

Sergio Varela
Director

Date of signature: May 29, 2024

I have the authority to bind South Mill Champs Holding Corporation and its subsidiaries.

By: _____

Michael Pia
Director

Date of signature: May 29, 2024

I have the authority to bind South Mill Champs Holding Corporation and its subsidiaries.