



AUXLY CANNABIS GROUP INC.

**2025 REPORT UNDER THE FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY
CHAINS ACT (CANADA)**

May 13, 2026



Introduction

This report has been prepared by Auxly Cannabis Group Inc. (“**Auxly**” or the “**Company**”) in response to the reporting requirements under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for the financial year ending December 31, 2025.

Corporate integrity, responsible product sourcing, and the safety and well-being of workers across the supply chain are of paramount importance to Auxly. Auxly is committed to compliance with the Act.

Organizational Structure, Activities, and Supply Chain

Auxly is a consumer-packaged goods company in the Canadian cannabis products market, with a head office in Toronto, Ontario. The Company is publicly traded on the Toronto Stock Exchange under the ticker symbol “XLY”. The Company is also listed on the US OTCQB markets under the ticker symbol “CBWTF”. As of December 31, 2025, the Company employed approximately 446 employees.

Auxly is the parent company of three operating subsidiaries: Auxly Inc., Auxly Charlottetown Inc., and Auxly Leamington Inc. Auxly Leamington Inc. operates a 1.1 million square foot automated greenhouse in Leamington, Ontario, with licences for standard cultivation and standard processing under the [Cannabis Act](#). Auxly Charlottetown Inc. operates a purpose-built cannabis processing facility in Charlottetown, Prince Edward Island, with licences for standard cultivation, standard processing, analytical testing, and research under the *Cannabis Act*. Auxly Inc. conducts sales and marketing activities, in addition to certain manufacturing, processing, packaging and distribution activities at the Company’s Leamington, Ontario facility, with a standard processing licence under the *Cannabis Act*. In 2025, the Company sold cannabis products through distributors, wholesalers, and retailers in all provinces and territories in Canada.

The vast majority of the Company’s cannabis input materials come from Auxly Leamington Inc., while any other required cannabis input materials (e.g., cannabis extracts) come from other Canadian sites licensed under the *Cannabis Act*. The Company’s numerous non-cannabis input materials, such as product ingredients, hardware, and packaging, are both domestically and internationally sourced.

Policies and due diligence processes

The Company has robust policies and procedures in place to mitigate the risk of engaging in child labour or forced labour within its operations. Regarding child labour, the Company does not employ individuals under the age of 19 and has procedures in place to verify age at the time of employment.

To address the risk of forced labour in its operations, the Company has adopted measures aligned with the checkpoints identified by the International Labour Organization in its [Checkpoints for Companies – Eliminating and Preventing Forced Labour](#) guidance. These include, for example:



- mandatory review and sign-off on Auxly's Code of Conduct, which outlines the Company's fundamental values and standards of behaviour;
- annual training and acknowledgment of Auxly's Violence and Harassment Policy, available in multiple languages;
- ethics reporting training and access to a hotline for whistleblower protection;
- contractual assurance of each employee's right to freedom of employment and voluntary termination; and
- pay equity for foreign and domestic workers, supported by a pay band system that classifies positions based on responsibilities and accountability.

In its supply chain, the Company has established due diligence procedures for assessing and onboarding suppliers. To prevent and reduce the risk of forced and child labour in its supply chain, the Company requires suppliers to attest in writing to compliance with the Act as part of the supplier onboarding process.

Forced labour and child labour risk

The Company considers there to be limited risk of forced labour or child labour occurring in its operations and facilities, which are all located in Canada. The Company outsources select manufacturing activities to third parties within Canada only, all of which are Canadian sites licensed under the *Cannabis Act*. Per the [Global Slavery Index](#), Canada has the lowest prevalence of modern slavery in the Americas and ranks among the top 10% of nations with the lowest prevalence of modern slavery in the world.

The Company recognizes that forced labour and child labour risks could exist in its supply chains for tangible goods produced by direct suppliers or subsequent suppliers in the supply chain, particularly those producing in or sourcing from higher-risk geographies and sectors. In identifying such risks, the Company recognizes the importance of international resources, such as the [Global Slavery Index](#), the UK Home Office's [Transparency in Supply Chains: a practical guide](#), and the US Department of Labor's [List of Goods Produced by Child Labor or Forced Labor](#). The Company's supplier onboarding processes are intended to reduce identified risks.

Remediation measures and remediation of loss of income

To date, Auxly has not identified any specific instances of forced labour or child labour. Accordingly, no measures have been taken to remediate forced labour or child labour, or to remediate the loss of income to the most vulnerable families that results from measures taken to eliminate the risk of forced or child labour.



Employee training

The Company's Procurement Team is trained on supplier onboarding processes intended to prevent and reduce the risk of forced and child labour in the Company's supply chain. The Company's People and Culture Team is trained on the Company's policies and procedures intended to reduce the risk of engaging in child labour or forced labour within the Company's operations. Auxly will continue to consider expanding formal training to additional departments, such as legal and operations, to broaden awareness and capacity for identifying and responding to risks.

Assessing effectiveness

While Auxly intends to evaluate the effectiveness of the measures identified in this report, such an assessment has not yet been completed. Once completed, the findings will inform future refinements to the Company's policies and procedures.

Approval and attestation

In my capacity as Chief Executive Officer of Auxly Cannabis Group Inc. and not in my personal capacity, I make this attestation in accordance with the requirements of the 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 this report for Auxly Cannabis Group Inc. 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.

I have the authority to bind Auxly Cannabis Group Inc.

By Order of the Board of Directors of Auxly Cannabis Group Inc.

A handwritten signature in blue ink, appearing to be "Hugo Alves", written over a horizontal line.

Hugo Alves
Chief Executive Officer, Director, Board Member
May 13, 2026