



AUXLY CANNABIS GROUP INC.

**2023 REPORT UNDER THE FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY
CHAINS ACT (CANADA)**

May 24, 2024



Introduction

This report has been prepared by Auxly Cannabis Group Inc. (“**Auxly**”) in response to the reporting requirements under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for our financial year ending December 31, 2023.

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 our head office in Toronto, Ontario. Auxly is publicly traded on the Toronto Stock Exchange under the trading symbol “XLY”. Auxly’s shares also trade on the OTC Market’s OTCQB under the symbol “CBWTF” and on the Frankfurt Stock Exchange under the symbol “3KF”. As of December 31, 2023, Auxly employed approximately 369 employees.

Auxly is the parent company of three operating subsidiaries: Auxly Charlottetown Inc., Auxly Ottawa Inc., and Auxly Leamington Inc. Auxly Leamington Inc. is our cannabis cultivation site, whereas Auxly Charlottetown Inc. and Auxly Ottawa Inc. are processors and sellers of cannabis products in Canada. In 2023, Auxly sold cannabis products to Canadian consumers through provincial wholesalers and retailers in all provinces in Canada, except Quebec.

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

Steps to prevent and reduce the risks of forced labour and child labour

In 2023, Auxly focused on assessing and identifying sources of risk of forced labour and child labour in our operations and supply chains as a first step in meeting our commitment to compliance with the Act. In doing so, Auxly took the following steps to prevent and reduce the risks of forced labour and child labour:

- Mapping supply chains;
- Conducting an internal assessment of risks of forced labour and/or child labour in the organization’s activities and supply chains;
- Gathering information on worker recruitment and maintaining internal controls to ensure that all workers are recruited voluntarily; and
- Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour.



Policies and due diligence processes

Auxly has policies and procedures in place to mitigate the risk of engaging in child labour or forced labour within our own operations. With respect to child labour, Auxly does not employ individuals below the age of 19 years and has procedures in place to verify age at the time of employment. With respect to forced labour, Auxly has policies and procedures in place to address the checkpoints identified by the International Labour Organization in its [Checkpoints for Companies – Eliminating and Preventing Forced Labour](#) guidance. These include, for example:

- review and sign off on Auxly’s Code of Conduct explaining fundamental values and expected standards of behaviour for all employees;
- annual training and policy sign off on Auxly’s Violence and Harassment Policy (available in multiple languages) for all employees;
- ethics reporting training and hotline for whistleblower protection;
- explicit contractual right to freedom and termination of employment by each employee; and
- pay equity for foreign and domestic workers using a pay band system to classify positions based on responsibilities and accountability.

In 2023, Auxly began identifying gaps in our policies and due diligence processes with respect to mitigating risks of child labour and forced labour within our supply chains as a first step in meeting our commitment to compliance with the Act.

Forced labour and child labour risk

Auxly considers there to be limited risk of forced labour or child labour occurring in our operations and facilities, which are all located in Canada. Auxly outsources select manufacturing activities to third parties within Canada only, all of which are Canadian producers licensed under the *Cannabis Act*. According to the [Global Slavery Index](#), in 2023, Canada had the lowest prevalence of modern slavery in the Americas and ranked among the top 10% of nations with the least prevalence of modern slavery in the world.

Auxly recognizes that forced labour and child labour risks could exist in our supply chains for tangible goods produced by direct suppliers or subsequent suppliers down the supply chain. In 2023, Auxly considered geographic location, sector, and product type to begin identifying risks of forced labour and child labour within our supply chains. Auxly recognizes the importance of considering international resources when conducting such risk assessments, such as the [Global Slavery Index](#), the UK Home Office’s [Transparency in Supply Chains etc. A practical guide](#), and the US Department of Labor’s [List of Goods Produced by Child Labor or Forced Labor](#).



Remediation measures and remediation of loss of income

Auxly has not identified any specific instances of forced labour or child labour. As a result, no remediation 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

Auxly has assessed our existing training materials and considered how to fill gaps in training of our internal workforce and suppliers to encompass forced labour and child labour.

Assessing effectiveness

In 2023, Auxly focused on identifying sources of risk of forced labour and child labour in our operations and supply chains, and identifying gaps in existing policies, due diligence procedures, and training materials. As such, no action was taken by Auxly in 2023 to assess our effectiveness in preventing and reducing risks of forced labour and child labour in our business and supply chains.

Approval and attestation

In accordance with the requirements of section 11 of the Act, 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.

A handwritten signature in blue ink, appearing to be "Hugo Alves".

Hugo Alves
Chief Executive Officer, Director, Board Member
May 24, 2024