

For
responsible
consumption

Annual
Report
2023





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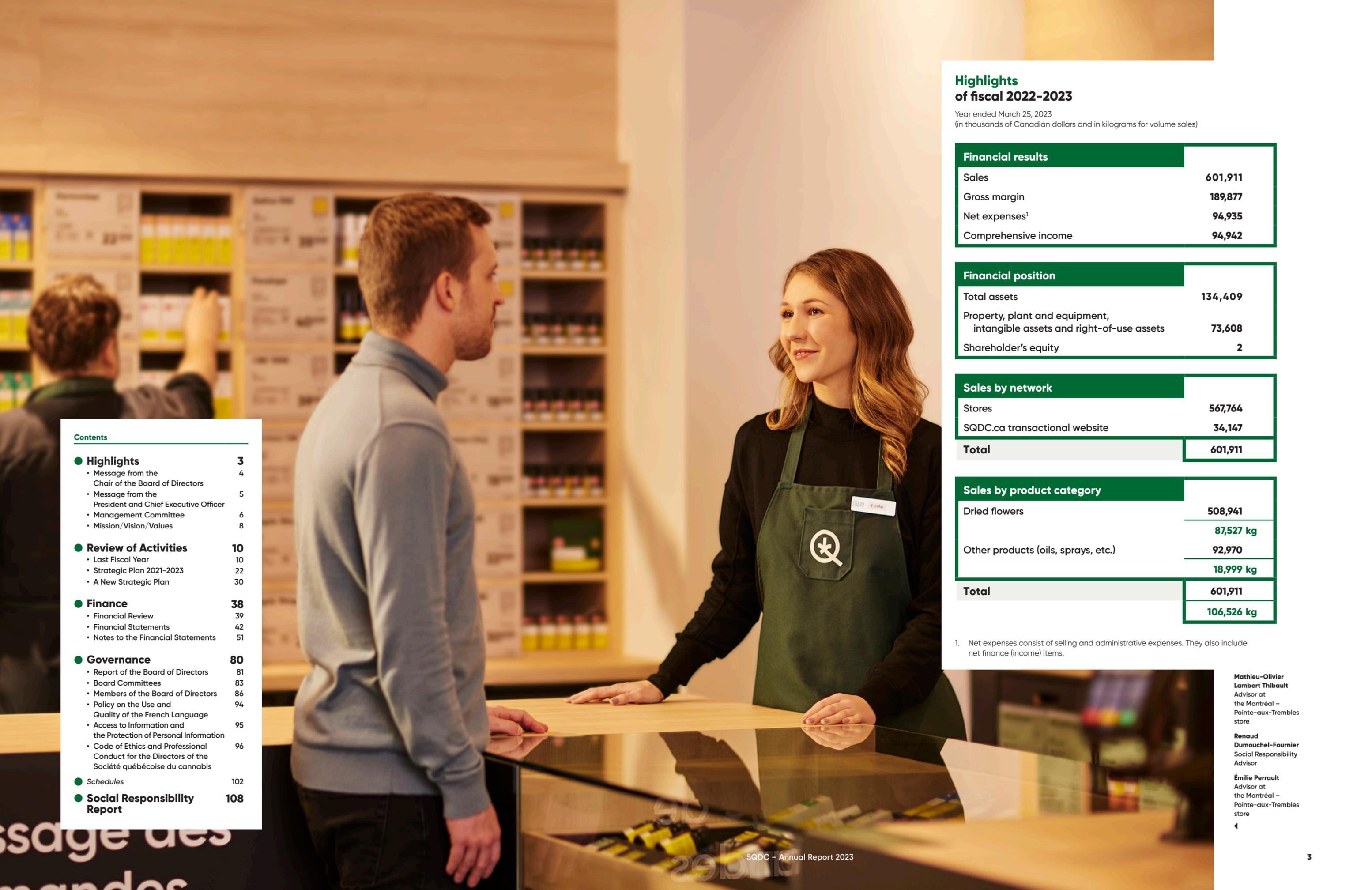
\$232.7M
to the Québec treasury



78%
of Québécois
agree
with the
SQDC's mission

In this final year of the implementation of its Strategic Plan 2021-2023, the Société québécoise du cannabis (SQDC) maintained its efforts to capture illegal market share. The company sold 106.5 metric tons of cannabis in fiscal 2022-2023, generating comprehensive income of \$94.9 million. Paid to the Québec government, most of the amount is invested in the Fonds de lutte contre les dépendances, the fund to counter dependencies. To this amount can be added tax revenues in the form of consumer and excise taxes valued at \$193.8 million (\$137.8 million and \$56 million to the provincial and federal governments respectively). In all, the SQDC paid some \$288.7 to the two levels of government, including \$232.7 million to the Québec treasury.

Through its responsible approach, the model of a government corporation embodied by the SQDC has shown itself to have clear benefits for Québec society: 78% of Québécois now say they agree with the company's mission. Besides being profitable, the SQDC works to protect the health of cannabis users.



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Highlights of fiscal 2022-2023

Year ended March 25, 2023
(in thousands of Canadian dollars and in kilograms for volume sales)

Financial results	
Sales	601,911
Gross margin	189,877
Net expenses ¹	94,935
Comprehensive income	94,942

Financial position	
Total assets	134,409
Property, plant and equipment, intangible assets and right-of-use assets	73,608
Shareholder's equity	2

Sales by network	
Stores	567,764
SQDC.ca transactional website	34,147
Total	601,911

Sales by product category	
Dried flowers	508,941
	87,527 kg
Other products (oils, sprays, etc.)	92,970
	18,999 kg
Total	601,911
	106,526 kg

1. Net expenses consist of selling and administrative expenses. They also include net finance (income) items.

Mathieu-Olivier Lambert Thibault
Advisor at the Montréal – Pointe-aux-Trembles store

Renaud Dumouchel-Fournier
Social Responsibility Advisor

Émilie Perrault
Advisor at the Montréal – Pointe-aux-Trembles store

**Message from
the Chair of the
Board of Directors**



At the end of the period covered by the very first strategic of the Société québécoise du cannabis (SQDC), the Board of Directors is pleased with the work accomplished by the company's teams, including during the 2022-2023 fiscal year, which enabled it to reach the strategic objectives it had set for itself: develop an effective and efficient sales network, put forward a competitive offer and grow responsibly, all in alignment with its values. I am especially pleased to see that, over the years, the SQDC has listened to its employees and the Québec public.

These accomplishments would not have been possible without the effort of the teams that make up the organization, under the governance of the Board of Directors, which guided them with *savoir faire* and generosity. It is they who both further and embody the company's mission day after day. Thanks to them, we are remitting \$232.7 million to the Québec treasury for fiscal 2022-2023. Most of this dividend will be used to fund the Fonds de prévention et de recherche en matière de cannabis, the cannabis prevention and research fund.

This year, the Board of Directors assisted in preparing the Strategic Plan 2024-2026, which will enable the company to ensure its longevity and continue carrying out its mission, all while remaining focused on health protection.

This strategic reflection was made possible not only by the work of the Management Committee in collaboration with the SQDC's many teams but also by working closely with the organization's numerous stakeholders.

It is by building relationships of trust with all the stakeholders in the community and industry that the SQDC will assume its leadership role within the legal cannabis ecosystem and fulfill its mission.

I want to thank all the members of the Board of Directors for their essential contribution to each step taken by the company. I also want to thank the members of the Management Committee and its chair, Jacques Farcy, for their outstanding work and enthusiasm. Your dedication has allowed the SQDC to develop and grow. Most importantly, you guide your teams in carrying out our mission to sell cannabis with a focus on health protection.

Lastly, I want to express my sincere thanks to all the SQDC's employees across Québec who, day after day, are building the SQDC of tomorrow. We look forward to embarking on the next chapter with you!

Johanne Brunet
Chair of the Board of Directors

**Message from
the President and
Chief Executive
Officer**



In the last few months, during which we celebrated the fourth anniversary of both the legalization of cannabis and the SQDC, several structuring steps were taken by our young government corporation.

Our now-Québec-wide store network comprises nearly 100 retail outlets. In addition to this physical presence, we offer customers a better-than-ever transactional website that provides several ways to obtain controlled cannabis products, Pick-Up in Store service, regular delivery, same-day delivery and even, in a growing number of Québec regions, 90-minute delivery. At the same time, our product offer has diversified and, while remaining aligned with our mission, now includes a wide variety of cannabis products for inhaling or ingesting.

Beyond these milestones, it is the dedication of my colleagues at the SQDC across Québec that I want to note and celebrate: each of them has yet again enabled us to excel this year. I also want to thank our producer partners for their valued and unflagging support. Whether in or outside the company, all our collaborators are determined to contribute to our mission of selling cannabis with a focus on health protection.

As a result of this teamwork, customers chose to buy 106,526 kilograms of cannabis from the SQDC, Québec's only legal sales channel for non-medical cannabis, generating total sales of \$601.9 million. Of course, all of our dividend and the excise taxes collected through our operations are invested primarily in cannabis research and prevention efforts and combatting the negative effects related to the use of psychoactive substances.

The annual report you are about to explore aims to provide a comprehensive overview of the operational and financial activities of the Société québécoise du cannabis.

In fiscal 2022-2023, in addition to running our business, we built the framework for the company's second strategic plan, which will cover the coming three years. To achieve our vision of being *the* trusted destination for cannabis, we will strive to raise the SQDC's profile, engage all our teams and serve our customers. And to better meet customers' expectations, we will base our actions on four key pillars: guidance, simplicity, quality-price and choice. For each of these pillars, we want to make balanced progress in the coming years while remaining in compliance with our regulatory framework, convinced that fulfilling our mission is our *raison d'être* now and forever.

In conclusion, I want to express my thanks to our partners at the various government departments, who oversee our development, to our external stakeholders, who help drive our actions and thinking, to our Board of Directors, which governs us with confidence, and, lastly, to our Management Committee, which so coherently guides our company. I especially want to salute all my SQDC colleagues who, every day, show up to get the job done, carrying out our mission and serving our customers, to the benefit of all Québécois, by making us the trusted destination for cannabis.

Jacques Farcy
President and Chief Executive Officer



Geneviève Giroux

Vice-President, Demand, Product Management and Supplier Relations

Robert Dalcourt

Vice-President, Finance

Éliane Hamel

Vice-President, Social Responsibility, Health Protection, Education and Communication

Josée Laliberté

Vice-President, People and Culture

Jacques Farcy

President and Chief Executive Officer

Harry Raphaël

Vice-President, Information Technology

Ève Larrivée

Vice-President, e-Commerce

Pietro Perrino

Secretary General and Director, Legal Services and Government Relations

David Bertrand-Collin

Vice-President, Operations

Management Committee

"Close to their teams and external partners, our vice-presidents will jointly guide the SQDC in implementing its new strategic plan. I salute their collective leadership, which gives expression to our values and helps build our culture." *Jacques Farcy*



Stéphanie Gagné
Director,
Product
Management

Antoine Prévost-Surprenant
Analyst,
Business Strategy



Xavier Desjardins
Analyst, Governance
and Market



Clara Maître
Head, Digital and
Omnichannel Experience



The strategic framework
for fiscal 2022-2023

The SQDC's mission

By prioritizing its strategic orientations

In alignment with its values

To reach the goal it has set for itself

Sell cannabis in compliance with the Cannabis Regulation Act and with a focus on health protection in order to attract and retain users from the illicit market while not promoting use.

Expand the network

Maintain a geographic presence in every region of Québec and run an efficient transactional website to provide safe access to legal cannabis products to Québec users age 21 and over who desire them

Grow the government corporation responsibly

Act to protect Québecers' health by providing advice that favours lower-risk use and adopt the best ethical and environmental practices in the industry

Develop a competitive offer

Migrate illegal market users to the legal market by offering a varied selection of traceable and competitively priced quality products and impeccable customer support

Responsibility

Responsibility forms the basis of who we are. We always place customers' health at the centre of our actions. We advise and support customers to reduce the risks related to cannabis use. We are also committed to efficiently and effectively managing our business so our profits benefit all Québecers. We have also adopted the principles of sustainable development to limit our impact on society and grow our value for Québec.

Proximity

At the SQDC, the notion of proximity is ubiquitous. Whether between colleagues, with our partners or through customer guidance, we establish a relationship of trust so we all go forward together.

Excelling

Every day, we work to build the SQDC by being bold and courageous. Our passion for our work and our collective desire to succeed drive us to go beyond appearances, encourage initiative and always give the best of ourselves.

Simplicity

We strive to make the right choices and solve problems at the source. Our determination to keep our processes simple and constantly improve our efficiency guides us every day, throughout the company.

To be the benchmark for the responsible cannabis industry

Review of activities

Context

This annual report of the Société québécoise du cannabis marks the end of a crucial period, namely that covered by its first strategic plan, implemented when everything remained to be done.

Fiscal 2022-2023 saw the company reaching the objectives it had set for itself and especially to do the thinking necessary to develop our new Strategic Plan.



More specifically, last year:

The SQDC consolidated its presence on its website and in its physical network.

It opened new stores and offered new delivery services, increasing access to its products and guidance to its customers.

The company continued its initiatives encouraging the personal and professional development of its team members.

In doing so, it favours the well-being of its employees and allows them to grow while carrying out their duties.

The company also refined its operations.

It worked to increase efficiency in order to reach its financial objectives and, more broadly, optimize the customer journey.

The SQDC's product offer was improved throughout the year.

Lending an attentive ear to the market and to its customers, the SQDC offered cannabis products that were relevant to customers while complying with its mission and selling the products at competitive prices but without trivializing use.

The government corporation continued its efforts to improve the social acceptability of its mission.

It continued to build a relationship of trust with its various stakeholders to help them better understand its context, issues, approach and objectives.

The watchword guiding the Société québécoise du cannabis last year and throughout the period covered by the Strategic Plan 2021-2023 was accessibility. During the time immediately after cannabis was legalized, when the SQDC's model and approach to selling cannabis were untested, the government corporation needed to reach users of non-medical cannabis in order to convert them to the only legal, lower-risk channel in Québec and to encourage responsible use.

Today, one conclusion is unavoidable: to continue fulfilling the SQDC's mission, it is no longer enough for the company simply to be accessible. Last year, the SQDC embarked on a strategic rethinking to identify what will enable it to continue converting illegal market users to the legal market with its focus on health protection. The SQDC's second Strategic Plan, which covers fiscal years 2024 to 2026, therefore includes a key item that is one of the plan's three main thrusts:

optimize customer service.

The new strategic plan gives the SQDC a tool for remaining relevant and, especially, for becoming the trusted destination for buying cannabis in Québec.

Marylou Boudreau
Advisor at the
Montréal –
Notre-Dame Est
(Tétreaultville) store

Expand the store network

The mission of the Société québécoise du cannabis (SQDC) is to migrate customers from illegal cannabis markets to Québec's only legal channel for purchasing non-medical cannabis.

To carry out its mission, the SQDC focused on optimizing the buyer's journey, most notably by improving accessibility to top-quality cannabis products and the professional guidance encouraging responsible use provided by its teams.

Consolidate its presence across the province

This year, in addition to the efforts devoted to maintaining its existing stores and optimizing their design, the SQDC moved forward with its development plan by inaugurating 10 new stores in strategic locations across Québec. A total of \$6.8 million was invested in building and optimizing its store network. An 11th new store was opened in April 2023.



For the SQDC, creating this huge network would not have been possible without working closely with the municipalities concerned, allowing the company to identify locations that best meet citizens' expectations and thus to better carry out its mission. Of course, everything is done in strict compliance with the *Cannabis Regulation Act*, with the mandatory distancing from primary, secondary and college-level educational institutions and with the municipal by-laws in effect.

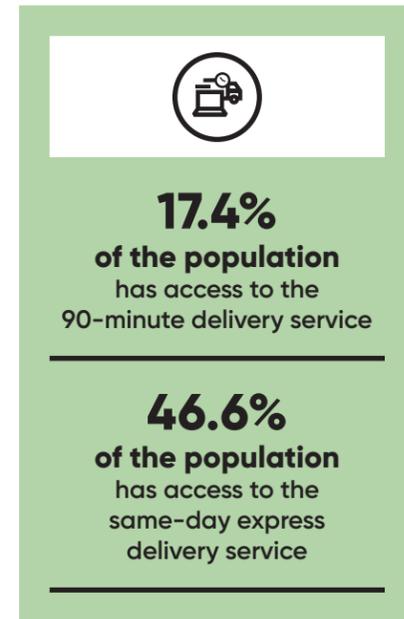
Simplify the buyer's journey

The SQDC constantly aims to optimize all the channels through which customers obtain legal cannabis products and professional guidance that encourages responsible use.

This year, the company moved forward with the development of the omnichannel strategy it had launched the preceding fiscal year. The strategy builds synergies between the store network and various digital tools, providing a more fluid and coherent experience for customers, however they choose to enter into contact with the company. With that in mind, an online chat service was added to SQDC.ca, giving website visitors real-time access to information from advisors from its store network. A new 90-minute delivery service was also introduced in the summer of 2022 in the form of a pilot project that currently covers 11 municipalities in six regions. Depending on the region, customers may now have access to standard delivery, same-day express delivery and 90-minute delivery.



An in-store pick-up service was first offered in all SQDC stores in fiscal 2022. To further simplify the buyer's journey, the returns policy was updated and today lets customers return products purchased online by taking them to a store instead of having to send them by mail.



Target the efficiency of its operations

The Société québécoise du cannabis runs its business efficiently and responsibly. For example, to improve its business intelligence, it continued building its own cloud-based data warehouse. Many store supply processes were automated. Among other things, the SQDC optimized its checkout system to improve inventory management. More broadly, it continued optimizing its business processes to keep its operating expenses at a moderate level. The company is also keeping the same methods for shipping products to stores, namely direct shipment by suppliers, ensuring a reliable regular supply. Most online orders continue to be delivered by company partners. The delivery partner picks up a parcel at the logistics partner's warehouse and then delivers it to the customer or a post office outlet, always checking that the recipient is of legal age. In addition, for greater efficiency in municipalities outside of the large urban centres and to better meet customers' expectations, 90-minute delivery is offered from a store in the same region where the customer is located.



Favour development and well-being at work

For the Société québécoise du cannabis, a healthy company—a company whose operations are optimized—is based on the well-being and personal and professional development of its team members.

The SQDC offers a healthy, safe work environment. It approaches the issue of occupational health and safety from a total health standpoint. Every six months, it carries out a prevention inspection of its stores to ensure ongoing safety and compliance. The company also makes sure at least one team member per store has workplace first-aid training. It also favours employees' psychological well-being. Among its initiatives, last January, the SQDC offered to all employees a presentation on stress given by a leading expert in the field, Sonia Lupien, Ph.D., from the Centre for Studies on Human Stress (CSHS).



An employee engagement survey conducted in fiscal 2021-2022 let the SQDC take team members' pulse. The results showed that two factors have the greatest influence on their overall job satisfaction: communication and transparency first, followed closely by opportunities for development. The survey was followed by the creation of Cultiver les talents, a program that encompasses all of the SQDC's personal and professional development initiatives. At team members' request, the program continued throughout the fiscal year.

In one of its professional development initiatives this year, the SQDC trained 51 employees, most of them store managers, through Propulsion, its leadership training program developed in collaboration with the Centre Laurent Beaudoin at the Université de Sherbrooke's École de gestion. The company also continued its appreciation program recognizing team members' personal contributions, which was created last year. Based on a continuous feedback culture, the program encourages introspection and discussion with colleagues to work better as a team in fulfilling the company's mission.



51%
of store managers
have completed
the Propulsion
training course.

This year, the SQDC also improved its internal digital channels. Among other things, it continued building the Cannapédia, a platform that contains all the resources and news articles collected for company employees. Team members can use it to find content that better equips them for performing their duties. The Cannapédia also helps bring together teams scattered across a huge network by providing information on the company's internal activities and spotlighting team members who have stood out.

In October 2021, the Société québécoise du cannabis and the relevant union organizations began negotiations aimed at renewing the collective agreements for the employees in unionized stores. After a little more than eight months of talks, the SQDC and the Confédération des syndicats nationaux (CSN), which represents 17 of its stores, officially arrived at an agreement, which both parties signed in July 2022.

In keeping with the SQDC's values and equitable approach, the wage conditions of the employees of the 54 non-unionized stores were adjusted to reflect those provided under the new collective agreement.

Talks are ongoing with the Canadian Union of Public Employees (CUPE), which represents the employees of 26 of the 97 stores making up the SQDC network at fiscal year-end, 24 of which were on strike on March 25, 2023. The SQDC continues to hope for an agreement satisfactory to both parties. To maintain service continuity and accessibility to the product offer, the opening hours of some 20 stores whose employees were on strike were adjusted to ensure they remained open five days a week, during which customer service was diligently provided by the managers.

Several delivery services were extended, and functions of the SQDC.ca transactional website, including My Store, were optimized to facilitate pre-shopping at customer-selected stores. This improvement lets customers see the products the store has in stock. The company was also careful to keep customers informed about inventories with real-time updates on SQDC.ca. In a similar vein, some stores have become pick-up points for the in-store pick-up service, yet another way for the SQDC to serve customers well.

Fiscal 2022-2023, a pivotal year

Develop a competitive offer

	2021-2022	2022-2023
Estimated volume of the legal and illegal markets (metric tons) ¹	187 metric tons	190 metric tons
Volume sold on a comparable basis (metric tons)²	106.5 metric tons	106.5 metric tons
Volume sold to estimated volume (market share captured)²	57.0%	56.1%
Volume sold (metric tons)	109.4 metric tons	106.5 metric tons
Volume sold to estimated volume (market share captured)	58.5%	56.1%

1. This volume was determined in a study by the Ministère des Finances du Québec.
2. Based on the equivalency table published by Health Canada in December 2022 for cannabis-infused beverages, whose parameters were revised downward. The calculation was gone from 5 grams of cannabis for a 355 ml beverage to 0.61 grams for the same container size. This new calculation method generated a drop in the result associated with the declared volume of cannabis sold. This also has an impact on the estimate of the captured market share, which fell, and on the average sales price of a gram of cannabis, which rose.

To continue converting illegal market users to the legal market, the SQDC needs to ensure that its offer is relevant without encouraging use.

The customer experience should therefore be centred on sound guidance provided by the company's advisors but also by a product catalogue in line with customers' expectations while remaining consistent with the SQDC's mission.

Applying this reasoning to its operations allowed the company to reach a level of 67% for customer satisfaction with its product offer, a score that exceeds by five percentage points the target for the last year of the Strategic Plan 2021-2023.

The right price: convert without commodifying

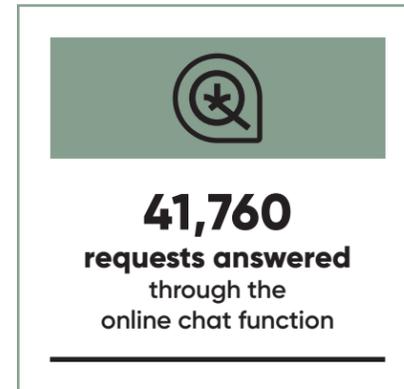
Keeping health protection in mind, the SQDC makes sure its pricing strategy allows it to compete with the illegal markets but without trivializing cannabis use. Faced with prices that have been experiencing downward pressure since cannabis was legalized, the company continued its work to achieve an average sales price of \$6.48 a gram, taxes included, with prices per gram in the dried cannabis category ranging from \$3.43 to \$18.80, taxes included, for fiscal 2022-2023.

Guiding customers, wherever they are

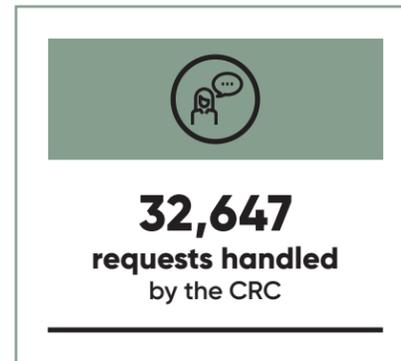
The SQDC's customer guidance is based on an irreproachable sales ethic, which is covered in the training that all employees receive on hiring. This training is reviewed and improved each year to ensure it remains relevant. Advisors also take part in the continuous training sessions offered on the company's internal platforms. This year, for example, the SQDC launched a training library accessible at all times by team members.

This initial and continuous training allows store network teams to provide sound guidance to in-store customers. These customers also have access to various tools, including interactive screens and education walls, guiding them toward responsible use of the products best suited to them.

Customer guidance is not limited to the store network, however. The SQDC.ca transactional website was improved with several additions this year, the goal as always being to help customers better inform themselves. Introduced in April 2022, the online chat service is now available on every page during regular store opening hours. This tool enables store advisors to answer customers' questions in real time. The website's sort options were optimized so customers can more easily find the products they're looking for. The educational sections of the website were also improved with content encouraging lower-risk use.



The SQDC's Customer Relations Centre (CRC) is responsible for answering customers' questions by email and telephone. For the company, it is also a way to provide guidance to customers outside the store network. This year once again, the CRC redoubled its efforts to offer customers service as human as it is effective.



To guarantee that its guidance meets the customers' expectations, a customer satisfaction survey was conducted in stores and online. By taking customers' pulse, the company is able to adjust its practices and improve customers' appreciation of the buyer's journey.

Develop its product offer in pace with customers' expectations

If the SQDC hopes to meet customers' expectations, it must become even more relevant to customers. To do so this year, it once again relied on the quality and variety of the products that make up its catalogue.

Number of products offered for sale in the store network and on the transactional website

Product category	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Dried cannabis (dried flowers, pre-rolls, ground)	161	328	508	524	528
Extracts (oral sprays, oils, hash, kief, concentrates)	38	64	99	145	122
Beverages (ready-to-drinks, infusions)	0	7	35	52	39
Etibles (edibles, cooking ingredients)	0	0	0	0	20
Total	199	399	642	721	709

With that goal in mind, it shifted to a category management approach in fiscal 2023. The approach lets the company place customers' expectations at the top of the factors it takes into account. The company communicates transparently with its suppliers, sharing with them both the matrix of requirements by category and the selection criteria. The result? A better-balanced offer obtained through fair selection practices.

The SQDC values the relationship of trust it has built with suppliers in the industry through, among other things, its transparency in implementing and sharing the processes, criteria and constraints the company has to consider when selecting which products to carry.

Accordingly, the SQDC continues to take an interest in suppliers' challenges and procedures. Among other things, it collaborates with the Association québécoise de l'industrie du cannabis, which supported it in implementing the renewed management approach.

Today, the SQDC sales network has, from a product offer standpoint, two types of stores: those with a regular offer and those with an enhanced offer. Based on customers' satisfaction and interest, some of the products making up the enhanced offer catalogue could eventually be added to the regular catalogue. Bear in mind that SQDC.ca has the largest selection of products available for regular delivery throughout Québec and same-day delivery in the areas served.

More broadly, in all its stores and on its transactional website, the SQDC continued to refine and improve its product offer, in particular by offering a wider range of edible products, albeit ones unappealing to young people, and a product selection better geared to customers in general.

Grow responsibly

The value of responsibility has guided the actions of the Société québécoise du cannabis since its creation and is an integral part of the mission it has been given.

It was by acting responsibly toward its teams, its stakeholders and Québec society that the government corporation worked to reach its objectives and conceived its next social responsibility plan, which covers fiscal years 2024-2026. The SQDC thus shows its determination to continue its current initiatives and to go even further.

Meet the demand for Québec products

To offer products sought by its customers, the SQDC continues to build relationships of trust with local licensed producers and suppliers.

For example, the Québec Grown identifier was created by the SQDC in the summer of 2021 to address customers' desire to buy local products. Applied to several of the cannabis categories offered by the company, the identifier makes it easy for customers to identify products mostly (65%) grown in Québec. At the end of fiscal 2022-2023, 41% of the cannabis by weight sold at the SQDC bore the Québec Grown identifier.

Favouring Québec licensed producers in its product-selection process, the SQDC relies on local procurement. It goes without saying that its pool of partners with a head office in Québec has grown and today comprises 54% of the licensed producers with whom the company does business.

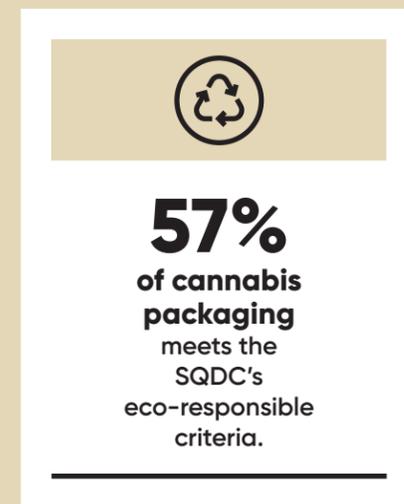
Lead the way to reducing packaging's impact

The SQDC works to minimize the adverse effects its activities have on the environment.

As part of its effort to reduce the environmental footprint of the packaging and containers of the products it sells, the SQDC continued working with suppliers to guide them toward more responsible packaging choices.

In addition, with its partners from the Table de concertation pour des contenants et emballages écoresponsables, the round table on eco-responsible containers and packaging that it created in February 2021, the SQDC began examining the possibility of extending the eco-responsible criteria for containers and packaging to other categories of cannabis product in the months to come.

It should also be noted that, as a result of the SQDC's leadership, 66% of suppliers now procure their packaging locally, compared with 44% at the end of last year.



Since 2020, another focus of attention for the SQDC has been its packaging recovery program. In fiscal 2022-2023, the government corporation signed an agreement with a new Québec-based partner, Go Zéro, to recover the containers and packaging returned to stores and to give them a second life. These recovery practices will result in the creation of new recyclable goods. Designed to be complementary to the selective collection system, this program helps keep empty containers and packaging out of landfills.



Adapt the shopping experience for the persons with disabilities

The SQDC's third annual action plan for the disabled was published in April 2022. Initiatives were implemented to raise team members' awareness of the realities the disabled face and to adapt the buyer's journey to their special needs. For example, changes were made to the SQDC.ca website to make it more accessible, especially for the visually disabled. Also and more broadly, the SQDC is maintaining its efforts to improve the accessibility of its stores, including a pilot project at the new Longueuil – Place Longueuil store featuring a counter adapted to persons using a wheelchair.

Enforce the sales ethic

At the SQDC, the sales ethic is a set of basic rules that are an integral part of the training all employees receive on hiring. The rules are also returned to in continuous training programs. The government corporation makes sure the rules are applied at all times and by all employees.

The sales ethic begins with refusing access to SQDC stores by any person not yet 21, the legal age for buying and using cannabis in Québec. The SQDC also systematically refuses to sell products to anyone who tries to buy products on behalf of persons under 21 years of age. Stores are also off-limits to persons under the influence of intoxicants. Access to the SQDC.ca transactional website is reserved for people age 21 and older. Similarly, when delivering orders, the address and age of the person taking delivery of the parcel are once again checked. Other aspects of our sales ethic address, among other things, the advice provided by our advisors and the information documents distributed to customers.

Implement more (cyber) secure practices

The Société québécoise du cannabis continued to focus on cybersecurity and implementing more ever secure practices.

Most notably, the SQDC reduced the risk of cyberattack, a crucial issue for all organizations, by raising team members' awareness of the threat. The company continued its cybersecurity training, which is mandatory for all employees. At the end of each of the four sessions introduced this year, phishing tests involving personnel were conducted to check understanding and whether the various notions involved had been internalized. The constant improvement in the test results has led the SQDC to conclude that its teams are increasingly well informed about cybersecurity. During the year, the company also adjusted the security profile definitions for users of the in-store cash register system.

As part of the entering into force of Act 25, which strengthens the *Act respecting Access to documents held by public bodies and the Protection of personal information*, the SQDC improved its measures to protect the personal information in its possession. Its processes, information systems and projects were all reviewed to ensure that the personal information of its customers and employees is protected.

Contribute financially to the Fonds de lutte contre les dépendances

Financial impact of the SQDC business activities

(in millions of Canadian dollars)

For Québec	2021-2022	2022-2023
Dividend	\$75.7	\$94.9
Excise tax ¹	\$79.1	\$77.8
Total contribution to the Fonds de lutte contre les dépendances²	\$154.8	\$172.7
GST	\$59.9	\$60.0
Total for Québec	\$214.7	\$232.7

For Canada	2021-2022	2022-2023
Excise tax ¹	\$26.4	\$26.0
GST	\$30.0	\$30.0
Total for Canada	\$56.4	\$56.0

1. The excise tax remitted by our suppliers to the Canadian government, with 75% of the amount returning to Québec for purchases made by the SQDC.
2. Most of its amount is paid into the Fonds de prévention et de recherche en matière de cannabis, the cannabis research and prevention fund.

For the two levels of government combined, the financial impact of the SQDC's operations totalled \$288.7 million. For Québec, the amount was \$232.7 million. This includes \$60 million in QST collected, \$77.8 million from the Québec portion of the excise tax and the \$94.9 million dividend that the company remitted, in its entirety, to the *Ministre des Finances du Québec*. The last two amounts, totalling \$172.7 million, are paid into the Fonds de lutte contre les dépendances, the fund to counter dependency, most of which is channelled to the Fonds de prévention et de recherche en matière de cannabis, the cannabis research and prevention fund,

During the fiscal year just ended, the SQDC's overall sales reached \$601.9 million, with comprehensive income of \$94.9 million. All of the dividend and the excise taxes are paid into the cannabis research and prevention fund created by the *Ministère de la Santé et des Services sociaux* and directed toward funding monitoring and research programs focused on the effects of cannabis on public health, treatments related to cannabis use and the activities and program for countering the adverse effects of cannabis and promoting health.

Demonstrate the relevance of the SQDC model for Québec society

To successfully convert illegal market cannabis users to the legal market, it goes without saying that the public's understanding and acceptance of the SQDC's mission are key. The figures show that the government corporation continues to demonstrate the relevance of its approach. According to a large public survey carried out by an external firm for the SQDC in September 2022, no less than 78% of respondents said they agreed with the cannabis sales model favoured by Québec, a result three percentage points higher than the target for fiscal 2023 in its Strategic Plan 2021-2023.



Strategic Plan 2021-2023:

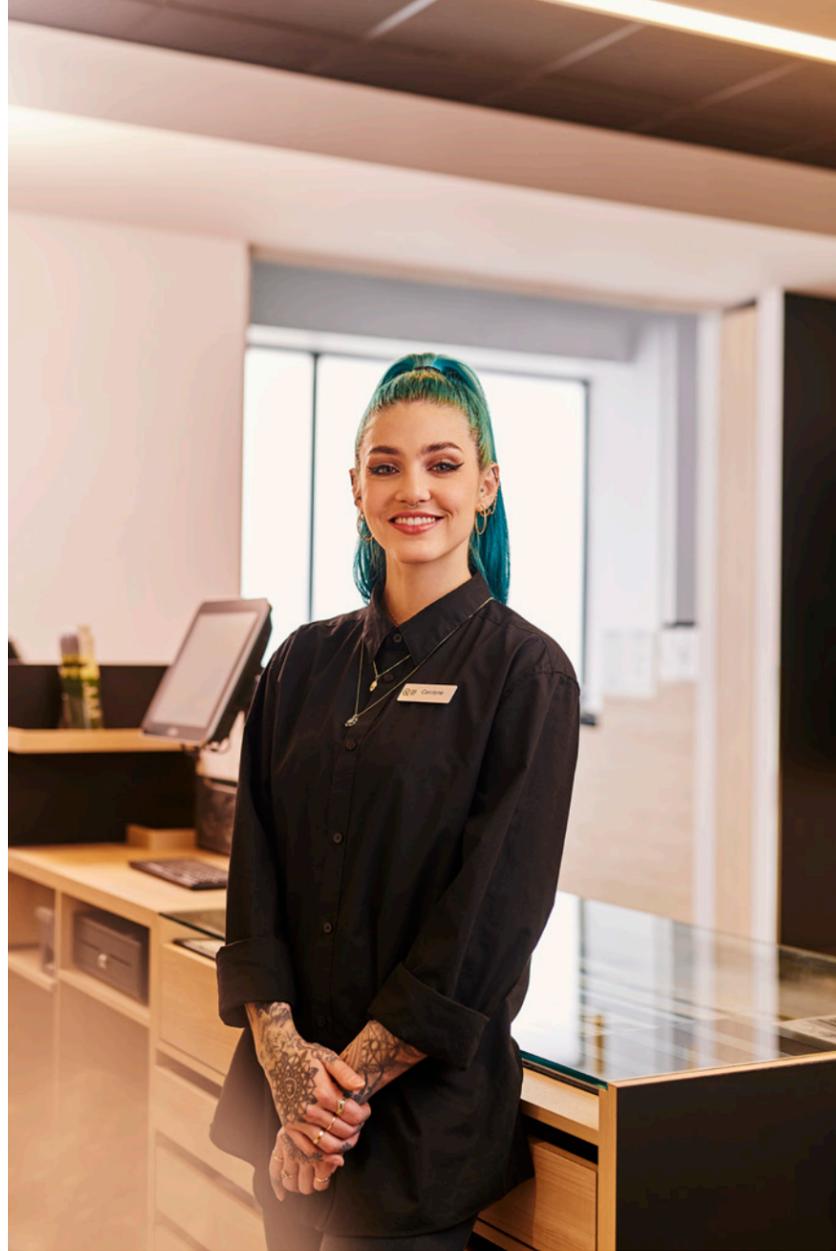
positive result for the SQDC

▲
Estrella Leila Piette
Advisor at the Montréal –
Notre-Dame Est (Tétreaultville) store

Carolyne Dalcourt
Assistant Manager
at the Montréal –
Notre-Dame Est
(Tétreaultville) store

Fiscal 2022-2023 marks the end of an important chapter for the Société québécoise du cannabis, namely the period covered by its very first strategic plan, in which it aimed to become the benchmark for the responsible cannabis industry.

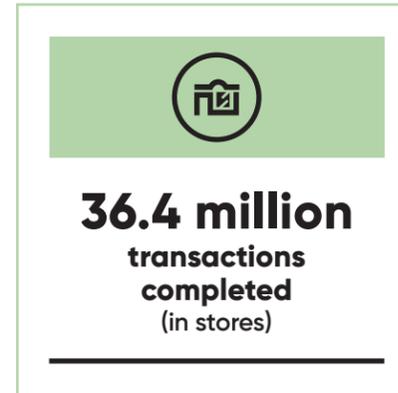
During this period, when everything was being built from the ground up, the SQDC's main objective was to establish and expand its accessibility, the better to convert cannabis users to the legal market.



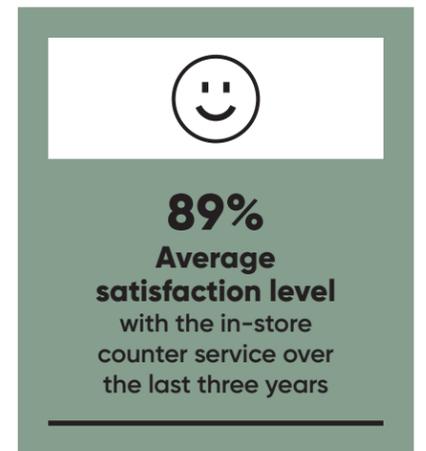
William Sigmen Bassi
Advisor at the Montréal –
Métro Langelier store



Since the launch of its first strategic plan, the government corporation has built a solid physical network with at least one store in each of Québec's administrative regions. When the plan was adopted, the network comprised only 41 stores. When it ended in late spring 2023, the network had 98, allowing the SQDC to be truly accessible to people in every corner of the province.



Over the years, the SQDC has developed a varied offer of delivery services tailored to meet the differing needs of its customers. Although the only option initially available was delivery by Canada Post, customers today can choose from up to three options depending on the municipality they're in or have their order prepared for Pick-Up in Store service. These services meet customers' expectations and have resulted in the sale of, among other things, 21,426 kg of cannabis through the SQDC.ca transactional website in the last three years.





Charles Hamel
Analyst,
Point-of-Sale
System



To continue converting users from the illegal cannabis markets, the SQDC needed to develop a competitive product offer, albeit one compatible with its mission. In contrast to illegal resellers, it offers lower-risk controlled products, provides informed guidance to its customers and adheres to the principles of its sales ethic, thereby encouraging responsible use. Nearly 8,779 hours of training were taken by SQDC advisors over the last three fiscal years, ensuring they are able to provide appropriate guidance to customers. To maintain its relevance, the training was reviewed and updated each year.

To guarantee the success of its solidly established store network, the SQDC has put together teams that are driven by the determination to carry out its mission of converting illegal market users to the legal cannabis market while maintaining a focus on health protection. With 1,224 employees in its store network and at its head office, compared with 674 team members when its Strategic Plan 2021-2023 was launched, the company is now able to give customers access to sound guidance informed by the four main values that have been chosen by the teams and that inspire them every day: responsibility, excelling, proximity and simplicity.

The rate of commitment to the SQDC's values grew over the last three years to reach 71% today. Because the company believes in the potential of each of its internal collaborators, it offers team members opportunities for development and growth, most notably through *Cultiver les talents*, its organizational development initiative introduced in the second year of the just-ended strategic plan. The company also offered more than 202 internal promotions during the period covered by the plan.

Arielle Semuck
Manager of the Montréal –
Notre-Dame Est
(Tétreaultville) store

Jessica Blais Soulière
Advisor at the Montréal –
Notre-Dame Est
(Tétreaultville) store

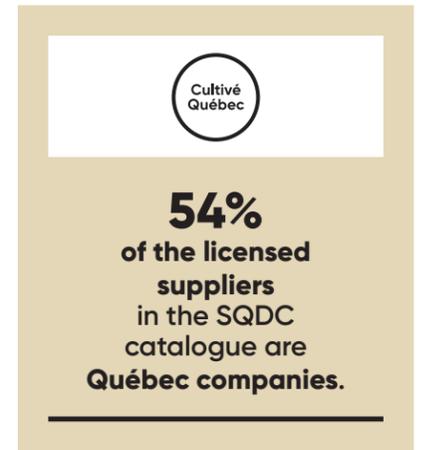


Over the years, the Société québécoise du cannabis has, while maintaining its focus on health protection, also developed its product offer to meet customers' expectations. Taking quality as its watchword, it offers customers a varied selection of product categories and cannabis products within them. Over the last three years, it has added several cannabis product categories, increasing the diversity of its offer and expanding the price range in order to meet the expectations of the majority of its customers.

This progress could not have been made without the constant collaboration of the SQDC's suppliers and partners, with which it has established a relationship of trust. The company has significantly increased the number of licensed producers whose products are listed in its catalogue, from 14 at the time its first strategic plan was implemented to 48 at the end of the 2022-2023 fiscal year.

The SQDC's efforts have borne fruit: since opening its doors for business, the government corporation is estimated to have gained a more than 56% share of Québec's illegal cannabis markets. The company intends to maintain its efforts in this area through the major initiatives set forth in its Strategic Plan 2024-2026.

The SQDC has grown in the years since cannabis was legalized, and it has done so responsibly. This is especially apparent in the relationships it has built with Québec companies involved in cannabis production. At the end of the period covered by its first strategic plan, it was collaborating with 48 licensed cannabis producers, 26 of which are Québec-based. What's more, the SQDC makes it easy for customers to identify the products concerned with its Québec Grown identifier.



Understandably, a key element of its responsible growth and of the consequent fulfillment of its mission is making Québécois more aware of its purpose. That is why, over the last three years, the government corporation has strived to explain its approach and demonstrate the relevance of its mission to the citizens of Québec, the better to increase social acceptability of it. Incidentally, it is interesting to note that the most recent survey conducted showed that 81% of Québécois today have a favourable impression of the SQDC.

Growing responsibly also means ensuring the company's operations are run efficiently and effectively. Through the earnings remitted in full to the two levels of government, a total of \$796.6 million generated between 2021 and 2023, the SQDC contributes to research, education and the prevention of adverse effects related to cannabis.

Strategic Plan 2021-2023

Summary table of the final year's results

Network expansion

		2020-2021		2021-2022		2022-2023	
Strategy	Indicator	Target	Result	Target	Result	Target	Result
1.1	Gradually achieve a geographic presence in every region of Québec	70	66	90	87	98	97
1.2	Maintain a simple and efficient business model	13.80%	12.50%	13.80%	14.90%	13.80%	15.80%
1.3	Create and promote a culture that is based on know-how and aligned with our values	60%	66%	70%	69%	75%	71%
1.4	Increase use of the Web channel for purchasing products	5%	75%	5%	(27.70)%	5%	(0.2)%
	Online customers' overall satisfaction rate	70%	77%	71%	76%	72%	69%

Competitive offer

		2020-2021		2021-2022		2022-2023	
Strategy	Indicator	Target	Result	Target	Result	Target	Result
2.1	Ensure competitive pricing	49%	52.90%	66%	57.00%	75%	56.10%
2.2	Increase appreciation of the advisory service	70%	80%	71%	84%	72%	69%
2.3	Offer a diverse range of products	54%	68%	58%	76%	62%	67%

Responsible development

		2020-2021		2021-2022		2022-2023	
Strategy	Indicator	Target	Result	Target	Result	Target	Result
3.1	Help protect health in collaboration with our stakeholders	\$50M	\$66.5M	\$71M	\$75.7M	\$85M	\$94.9M
3.2	Promote the SQDC's social role to its target audiences	63%	73%	65%	64%	67%	36%
3.3	Develop and communicate the SQDC brand	70%	74%	72%	78%	75%	78%
3.4	Reduce our environmental footprint arising from product containers and packaging	30%	15.58%	50%	32.50%	70%	57%

1. The percentage migration from the illegal market is based on an estimate of cannabis demand in Québec, which was estimated at 190,000 kg in fiscal 2022-2023 by the Ministère des Finances du Québec. The strategic plan targets were based on the initial estimated market of 150 metric tons. Based on this initial estimate, the conversion rate for fiscal 2022-2023 would have been 71% (106.5 metric tons/150 metric tons).



▲
Johnaton Lampasona
Advisor at the Montréal –
Pointe-aux-Trembles store

Isabelle Mathieu
Advisor at the Montréal –
Métro Langelier store



To be
even more
relevant:

Antoine Lajeunesse
Advisor at the
Montréal –
Notre-Dame Est
(Tétreaultville) store
◀

a new
strategic
plan

As its next chapter was about to begin, the Société québécoise du cannabis (SQDC) reflected on how to advance its mission while also taking into account the major issues it faces, namely **the rapid development of the cannabis industry, the transformation of the job market and the social acceptability of its mission.**



By the end of the consultations and thorough analysis of the ecosystem, a clear conclusion had emerged: relying solely on accessibility is no longer sufficient.

In this rapidly changing and constantly evolving industry, putting customers at the centre of all the SQDC's strategies is more essential than ever.

That customers are key to the SQDC's success in converting users from the illegal cannabis markets became the touchstone for developing the government corporation's new strategic plan.

Pillars of the customer experience

After closely examining its customers' expectations, the SQDC developed four pillars on which will be based the customer experience that it intends to offer and that constitutes a major thrust of its new strategic plan. The four pillars are:

Serve our customers

Quality price

A good quality-price ratio for its products and delivery services

The Société québécoise du cannabis will opt for a pricing strategy that allows it to compete with the illegal markets without trivializing or encouraging use. Maintaining its focus on health protection, the company will continue selling quality-controlled products whose price reflects their quality.

Choice Choice Choice Choice Choice Choice

A varied selection of categories and products in its catalogue

The SQDC will evolve its offer so it continues to meet customers' expectations. It will ensure its products are competitive based on their features, variety and availability, and consistent with its health protection mandate. Beyond simply satisfying its customers, the SQDC wants to be sure its product offer includes what customers are looking for.

Guidance

Optimal customer guidance toward responsible, informed use

Guidance is a factor that differentiates the customer experience at the SQDC from that of the illicit markets, and the company will ensure the guidance it provides is more relevant than ever, whether delivered in stores, on its transactional website, through its online chat function or by its Customer Relations Centre. It will dynamize its approach so customers are better guided toward the products suited to them, with a human touch. The training of its advisory service teams will be improved even as its product offer is enriched, all while adhering to the principles of the sales ethic that guides its business practices. In the same vein, it will develop new information technology tools that will enable everyone to inform themselves and make responsible choices.

Simplicity

Simplicity at every point of contact with customers

Providing a simplified and optimized customer experience is a way for the SQDC to make sure cannabis users always turn to it instead of the illicit markets. To minimize annoyances, the company will therefore prioritize the simplicity and continuous improvement of its processes. In doing so, it will deliver a seamless buyer's journey to all its customers.

Two other priorities of the Strategic Plan 2024-2026

The two other focuses of the Strategic Plan 2024-2026 of the Société québécoise du cannabis, both closely related to the first, will also be major priorities guiding the company's actions over the next three years. Both are crucial to the fulfillment of its mission.

Engage our teams

Encouraging engagement within its teams will be one of the SQDC's priorities for the coming three years. To succeed in this, the company will develop and define a distinctive employer brand based on a renewed corporate culture and on proximity, which will help it attract and retain a diverse talent pool. The company will also continue to rely on developing its teams and team members. At the same time, to support its own growth, it will continuously update its internal structuring systems.

Raise the SQDC's profile

The government corporation will also make itself better known to stakeholders and the general public. More specifically, it will assume its essential role in the cannabis ecosystem—that of selling cannabis with a focus on health protection—by taking part in activities that foster dialogue with citizens. It will act diligently and provide a balanced and relevant presence within Québec society. It will, of course, continue moving forward with its corporate social responsibility (CSR) efforts in accordance with its new CSR plan, which covers the coming three years and in which it sets bold objectives for itself.

Today, the SQDC is ready to begin writing a new chapter in its history by taking on, ever more successfully, its most demanding challenge: to become Québécois trusted destination for cannabis.



Our vision for the future

To be your trusted destination for cannabis.

The complete details of the Strategic Plan 2024-2026 will be found on [SQDC.ca](https://www.sqdc.ca)

Finance

Financial Review

This report reviews the operations of the Société québécoise du cannabis (SQDC) for the year ended March 25, 2023, its financial position and cash flows as at that date.



The report should be read in conjunction with the financial statements and notes thereto, which will be found later in this section. The information contained in this analysis includes all significant transactions and events that have occurred up to May 25, 2023.

2022-2023 Highlights

The end of SQDC's fourth full year of operation also marks the conclusion of its Strategic Plan 2021-2023, which focused on expanding its sales network and increasing accessibility to its products. As at March 25, 2023, the company had 97 stores, 10 more than in the preceding year. With its 98th store having opened its doors a few weeks after fiscal year-end, the SQDC has achieved its strategic plan objective and now boasts a solid network of stores across Quebec. After four years of sustained network expansion, the SQDC has reached something of a plateau.

From both a volume and a dollar standpoint, the company's sales remained stable compared with the preceding year, despite the addition of 10 new stores. These results are largely explained by a prolonged labour dispute that began early in the 2022-2023 fiscal year, affecting a quarter of its stores. Currently, 24 stores whose employees are represented by the Canadian Union of Public Employees (CUPE) are on strike, 22 of them since late May 2022. These stores remained in operation but with reduced opening hours. All other outlets are operating normally. The strike-related drop in sales was offset by lower payroll expenses, which, combined with sound expense management, enabled the SQDC to end the year with net income of \$94.9 million, almost \$10 million above the strategic plan target.

In December 2022, Health Canada reduced the equivalency calculation for cannabis beverages from 5 grams to 0.62 grams of cannabis for a 355 ml beverage. This new calculation method led to a drop in the reported volume of cannabis sold. It also had an impact on the estimated percentage of market share, which fell, and on the average selling price of a gram of cannabis, which rose. Thus, the average selling price of a gram of cannabis, across all products, is \$6.48, all taxes included (ATI) for the current fiscal year, exactly the same price as the previous year on a comparable basis. To properly present these developments, data for fiscal 2021-2022 (volume sold, price per gram and market share) were adjusted to reflect the new calculation method and provide a basis for comparison.

The company also revamped its website, SQDC.ca, during the past year. The Pick-Up in Store Service was rolled out across the entire network and a 90-minute delivery service was introduced in several municipalities across the province. At fiscal year-end, the Saguenay-Lac-Saint-Jean, Québec City, Lévis, Shawinigan, Trois-Rivières, Gatineau and Sherbrooke regions benefited from this new delivery method. The service will be expanded to other regions in the coming year.

Julie Gravel
Accounting Technician

Pascale Lortie
IT Analyst, POS System



The financial situation of licensed cannabis producers remains precarious, with the vast majority posting losses every quarter. To address this situation, the SQDC has diversified its supply of cannabis products by relying on its 48 active suppliers and listing its product needs on its SQDC.ca website, accessible to all licensed producers.

Overview of results

For the fiscal year ended March 25, 2023, the SQDC has overall net income of \$94.9 million. Entirely remitted to the Ministère des Finances du Québec in the form of a dividend, the sum will be reinvested mainly in cannabis-related prevention and research.

In addition, the SQDC has consumer and excise tax revenue, estimated to be approximately \$193.8 million (\$137.8 million and \$56.0 million respectively to the Québec and federal governments). The SQDC is thus remitting \$232.7 million to the Québec government (see page 20 of this Annual Report).

Furthermore, with sales corresponding to 106,526 kg of cannabis (or 109,000 kg on a historical cost basis) out of an estimated annual market of 190,000 kg in Québec, the SQDC continues to increase its market share, currently estimated at nearly 56.1%, through its strategy of responsible sales, adapted advice and a competitive offer.

Sales

In the fiscal year ended March 25, 2023, the SQDC's sales totalled \$601.9 million, the equivalent of 106,526 kg of cannabis, compared with \$600.5 million and \$106,488 kg of cannabis in the preceding year.¹ Despite the phased addition of 10 new stores this year, sales remained stable. The labour dispute partly explains these results.

The SQDC recorded 13.9 million in-store and online transactions at an average price per transaction of \$49.70 ATI and an average price per gram of \$6.48 ATI, unchanged from the preceding year.

By sales network

The SQDC's 97-store network, whose three newest stores having in the last three weeks of the fiscal year, generated sales of \$567.8 million (\$564.4 million in 2022 with 87 stores). In terms of volume, store sales totalled 100,254 kg of cannabis (compared with 100,026 kg in 2022).¹

For their part, sales on the SQDC's transactional website totalled \$34.1 million (\$36.2 million in 2022), for a volume of 6,272 kg (6,462 kg in 2022).¹

Cost of products sold and gross margin

In fiscal 2022-2023, the cost of products sold amounted to \$412.0 million (compared with \$434.8 million in the preceding year). The company generated gross profits of \$189.9 million (compared with \$165.7 million in the preceding year).

Net expenses

Net expenses consist of selling and administrative expenses. They also include net finance (income) costs and other income. Accordingly, the SQDC's net expenses were \$94.9 million (\$90.0 million in fiscal 2022). Expressed as a percentage of sales, total net expenses were 15.8%.

Employee compensation, which is the SQDC's largest expense category, totalled \$45.4 million and accounted for about 47.8% of net expenses. As a percentage of sales, employee compensation was 7.5%.

Building occupancy expenses and other operating expenses are the next two largest expense categories. Building occupancy expenses totalled \$26.9 million or approximately 28.4% of net expenses and 4.5% of sales. Other operating expenses totalled \$15.3 million or 16.1% of net expenses and 2.6% of sales.

Lastly, delivery, merchandising and other expenses totalled \$7.3 million or 7.7% of net expenses and 1.2% of sales.

Investments

Capital investments amounted to \$7.6 million during the year. Most of these investments were related to new store openings.

Financial position

As at March 25, 2023, the SQDC's total assets stood at \$134.4 million, compared with \$116.5 million as at March 26, 2022, an increase of \$17.9 million. Cash rose \$13.8 million to \$37.6 million. The company has few accounts receivable because all sales are paid by cash, debit or credit card at the time of purchase. The value of inventories rose \$2.2 million to \$22.7 million. Non-current assets total \$73.6 million in the form of property, plant and equipment, intangible assets and right-of-use assets at net value.

Current liabilities totalled \$101.6 million at fiscal year-end, a \$16.7 million increase. Accounts payable and accrued liabilities decreased by \$3.6 million to \$39.7 million. The \$54.9 dividend payable is the unpaid declared dividend at year-end and will be paid during the first half of the next fiscal year. The \$0.8 million due to the SAQ under the shared services agreement is for expenses in the last period. The \$1.8 million in taxes payable and the \$4.4 million in the current portion of lease obligations are the residual amount of current liabilities. Consisting of lease obligations and the supplementary pension plan, non-current liabilities total \$32.8 million.

Cash flows

During the year ended March 25, 2023, the SQDC's operating activities generated sufficient cash to support investing and financing activities. Specifically, with \$101.7 million in cash flows generated by operating activities, the company was able to spend \$7.5 million to acquire property, plant, equipment and intangible assets, repay \$4.7 million in lease obligations and pay \$35.7 million for the 2022 dividend and \$40.0 for part of the 2023 dividend.

As a result, the company's statement of cash flows shows a net increase of \$13.8 million.

Outlook

The SQDC management is satisfied with the financial results for the year just ended, and saw its growth plateau in its first phase of operation. That is why the SQDC's Strategic Plan 2024-2026 will focus on engaging its teams, serving its customers and raising its profile, the better to pursue its mission and become the preferred destination for cannabis.

After years of strong growth, the SQDC is embarking on a new chapter in its short history. Relying on committed teams, it will increasingly place customers at the centre of its efforts by creating a customer experience based on four key pillars: choice, guidance, quality-price and simplicity.

Always mindful of the evolving customer demand and of cannabis users, the company will continue to diligently pursue its mission of capturing a larger share of the illegal market while remaining responsive to the needs of its various stakeholders.

The Strategic Plan 2024-2026 is available on SQDC.ca.

1. Calculated based on Health Canada's December 2022 infused-cannabis-beverages equivalency table, whose parameters were lowered.

Financial Statements

Management's Responsibility for Financial Information

The following financial statements have been prepared by the management of the Société québécoise du cannabis ("the company") and approved by its Board of Directors. Management is responsible for the information and representations contained in these financial statements and in the other sections of the annual report. The financial statements have been prepared according to the policies and procedures established by management in compliance with International Financial Reporting Standards (IFRS) and reflect management's best judgment and estimates based on the information available on May 25, 2023.

As part of its duties, the company's management maintains an internal control system designed to provide reasonable assurance that the company's assets are adequately safeguarded, that all transactions are duly authorized and that the accounting records constitute a reliable basis for the preparation of accurate and timely financial statements. Management acknowledges that it is responsible for managing the company's business in compliance with the governing laws and regulations.

The company's Board of Directors is responsible for ensuring that management fulfills its obligations for financial reporting and internal controls. The Board performs this function through its Audit Committee, which consists solely of independent directors. The Committee periodically reviews the financial statements and examines the reports on the accounting methods and internal control systems. The external independent auditors have unrestricted access to meet with the Audit Committee to discuss any audit-related matters.

The financial statements have been jointly audited by the Auditor General of Quebec and Raymond Chabot Grant Thornton LLP in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report, shown below, specifies the nature and scope of their audit and presents their opinion on these financial statements.



Jacques Farcy
President and Chief Executive

Montréal, May 25, 2023



Robert Dalcourt
Vice-President, Finance



INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Société québécoise du cannabis ("the Company"), which comprise the statement of financial position as at March 25, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 25 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and the Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information, included in the 2023 annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the 2023 annual report prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by *the Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, these accounting standards have been applied on a basis consistent with that of the preceding year.

On behalf of the Auditor General of Québec,

Patrick Dubuc, CPA auditor
Assistant Auditor General

Montréal, May 25, 2023

Raymond Chabot Grant Thornton LLP¹

¹CPA auditor, public accountancy permit n° A127023

Montréal, May 25, 2023

Statement of Comprehensive Income

for the year ended March 25, 2023

(in thousands of Canadian dollars)

	2023	2022
Sales (Note 6)	\$601,911	\$600,545
Cost of products sold (Note 6)	412,034	434,854
Gross margin (Note 6)	189,877	165,691
Selling expenses	75,689	73,348
Administrative expenses	19,687	16,288
Operating results	94,501	76,055
Net finance (income) costs and other income (Note 9)	(441)	346
Net income and comprehensive income for the year	\$94,942	\$75,709

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

for the year ended March 25, 2023

(in thousands of Canadian dollars)

	2023	2022
Share capital	\$2	\$2
Retained earnings		
Balance, beginning of year	–	–
Net income and comprehensive income for the year	94,942	75,709
Dividend	(94,942)	(75,709)
Balance, end of year	–	–
Total – Equity	\$2	\$2

The accompanying notes are an integral part of the financial statements.

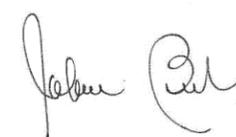
Statement of Financial Position

March 25, 2023

(in thousands of Canadian dollars)

	March 25, 2023	March 26, 2022
Assets		
Current assets		
Cash	\$37,607	\$23,796
Trade and other accounts receivable (Note 10)	141	103
Inventories (Note 11)	22,736	20,500
Prepaid expenses	317	270
	60,801	44,669
Property, plant and equipment (Note 12)	35,804	34,400
Intangible assets (Note 13)	3,113	3,907
Right-of-use assets (Note 14)	34,691	33,522
	\$134,409	\$116,498
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	\$39,743	\$43,377
Taxes payable	1,754	1,041
Dividend payable (Note 8)	54,942	35,709
Due to the SAQ (Note 24)	753	839
Current portion of lease obligations (Note 18)	4,370	3,901
	101,562	84,867
Defined benefit obligation (Note 17)	50	–
Lease obligations (Note 18)	32,795	31,629
	134,407	116,496
Shareholder's equity		
Share capital	2	2
Retained earnings	–	–
	2	2
	\$134,409	\$116,498

The accompanying notes are an integral part of the financial statements.



Johanne Brunet
Chair of the Board of Directors



Louise Martel
Chair of the Audit Committee

Statement of Cash Flows

For the year ended March 25, 2023

(in thousands of Canadian dollars)

	2023	2022
Operating activities		
Net income for the year	\$94,942	\$75,709
Non-cash items:		
Depreciation of property, plant and equipment	5,421	4,631
Amortization of intangible assets	1,579	1,257
Depreciation of right-of-use assets	4,428	3,848
Defined benefit obligation expenses	50	-
Interest paid under lease obligations	727	617
	107,147	86,062
Net change in non-cash working capital items (Note 21)	(5,484)	1,601
Cash flows from operating activities	101,663	87,663
Investing activities		
Additions to property, plant and equipment (Notes 12 and 21)	(6,669)	(10,789)
Additions to intangible assets (Notes 13 and 21)	(785)	(1,619)
Cash flows from investing activities	(7,454)	(12,408)
Financing activities		
Repayment of lease obligations	(3,962)	(3,238)
Interest paid under lease obligations	(727)	(617)
Dividend payment	(75,709)	(73,504)
Cash flows from financing activities	(80,398)	(77,359)
Net increase (decrease) in cash	13,811	(2,104)
Cash, beginning of year	23,796	25,900
Cash, end of year	\$37,607	\$23,796

The accompanying notes are an integral part of the financial statements.

Year ended March 25, 2023

(in thousands of Canadian dollars)

Notes to the Financial Statements

1 General, statutes and nature of operations

The Société québécoise du cannabis (SQDC or “the company”) was established on June 12, 2018, under the *Act to constitute the Société québécoise du cannabis, to enact the Cannabis Regulation Act and to amend various highway safety-related provisions* (CLRQ, 2018, c. 19). Its head office is located at 7355, rue Notre-Dame Est in Montréal, Québec, Canada. The SQDC began commercial operation on October 17, 2018, and its mission is to sell cannabis with a focus on health protection, the goal being to shift users towards the legal market without actually encouraging cannabis use. The company is a subsidiary under the *Act respecting the Société des alcools du Québec* (SAQ). However, it does not meet the eligibility criteria for subsidiaries under IFRS 10 of the International Financial Reporting Standards (IFRS). It is considered to be an associate instead. As a government corporation, the SQDC is exempt from income tax.

2 Fiscal year

The SQDC’s fiscal year ends on the last Saturday of March each year. As a result, the fiscal years ended March 25, 2023, and March 26, 2022, each include 52 weeks of operation.

3 Significant accounting policies

Basis of presentation and statement of compliance

These financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were approved and authorized for publication by the Board of Directors on May 25, 2023.

The financial statements are presented in Canadian dollars, the company’s functional currency.

Basis of measurement

These financial statements have been prepared using the historical cost basis.

3. Significant accounting policies (cont.)

Revenue recognition

The main source of revenue arising from the SQDC’s regular operations is the sale of cannabis products. To determine whether it has to recognize revenue from regular operations, the SQDC uses the following five-step process:

1. Identifying the contract with a customer;
2. Identifying the benefit obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the benefit obligations;
5. Recognizing revenue from regular operations when/as the benefit obligations are met.

Revenue from regular operations is recognized at a specific moment when the company has fulfilled its performance obligations by transferring the goods or services to its customers.

Finance income is recognized on an accrual basis using the effective interest rate method.

Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the SQDC becomes party to the contractual provision of a financial instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all significant risks and rewards have been transferred.

A financial liability is derecognized upon extinguishment, termination, cancellation or expiration.

Classification and initial measurement of financial assets

Financial assets, except for trade and other accounts receivable that do not have a significant financing component and are measured at the transaction price under IFRS 15, are measured at fair value on initial recognition, plus or minus the transaction costs, except for financial assets and liabilities recognized at fair value through profit or loss for which the transactions costs are recognized on the statement of comprehensive income. Their measurement over subsequent fiscal years and the recognition of variations in their fair value depend on the category in which they are classified.

Generally, financial assets are classified based on the business model for managing financial assets and the financial asset’s contractual cash flow characteristics. Financial assets are classified and measured on these categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Subsequent measurement of financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After their initial recognition, financial assets are measured by the company at amortized cost using the effective interest rate method. Discounting is omitted if its effect is not significant.

Cash and trade and other accounts receivable are part of this category of financial instrument.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

3. Significant accounting policies (cont.)

Financial instruments (cont.)

An asset is measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- It is held within a business model in whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The SQDC does not hold any financial assets in the FVOCI category for the reported year.

Financial assets are measured at FVTPL unless they are measured at amortized cost or at FVOCI.

The SQDC does not hold any financial assets in the FVTPL category for the reported year.

Financial assets are not reclassified subsequent to their initial recognition unless the SQDC identifies changes in its business model for managing them. Where applicable, all relevant financial assets and liquidities concerned are reclassified prospectively as from the reclassification date.

Classification and measurement of financial liabilities

Financial liabilities are classified and measured in two categories: amortized cost and FVTPL. On initial recognition, all financial liabilities are classified as being measured at amortized cost or at FVTPL. Under the standard, the SQDC may designate liabilities at FVTPL.

Financial liabilities are initially recognized at fair value and, when applicable, adjusted by the transaction costs, unless the SQDC has designated a financial liability at FVTPL. Financial assets are subsequently measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities (except for employee compensation payable), the dividend payable and the due to the SAQ are classified in "Financial liabilities at amortized cost."

Measurement of financial instruments

Fair value is based on the market price when there is an active market; otherwise, fair value is based on the market price when there is an active market; otherwise, fair value is measured using methods based mainly on discounted cash flows that incorporate external market data when possible. The amortized cost of a financial asset or financial liability at initial recognition, less the principal repayments, plus or minus the accumulated depreciation corresponds to the value assigned to a financial asset or financial liability at initial recognition calculated using the effective interest rate method, of any difference between the initial value and the value at maturity and, for financial assets, adjusted as a loss allowance. Although the SQDC's financial assets are subject to the expected credit loss requirements, the identified loss is not significant.

Cash

Cash are liquidities deposited with recognized financial institutions and bearing interest at the market rate.

Taxes receivable and payable

Taxes receivable or payable are recognized at the amount required by law.

Inventories

Inventories are stated at the lower of cost and net realizable value, with cost being established according to the first in, first out method. The cost of cannabis product inventories includes the acquisition cost. Net realizable value is the estimated selling price in the normal course of business, less the costs needed to complete the sale.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

3. Significant accounting policies (cont.)

Property, plant and equipment

Leasehold improvements, furniture and equipment and IT equipment are recognized at acquisition cost, less depreciation and impairment losses.

Property, plant and equipment items are derecognized when they are disposed of or when no future economic benefit is expected from continued use of the asset. Gains or losses on the disposal or decommissioning of property, plant and equipment, which equal the difference between the proceeds from the sale and the asset's carrying amount, are recognized in the statement of comprehensive income.

These assets are depreciated from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating as intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the depreciation method are reviewed at the end of each fiscal year. The depreciation periods are as follows:

Leasehold improvements	5 to 10 years
Furniture and equipment	10 years
IT equipment	5 years

The depreciation of property, plant and equipment is allocated to "Selling expenses" and "Administrative expenses."

Intangible assets

Intangible assets, which consist of internally developed software and acquired software licences, are recognized at cost less subsequent amortization and impairment losses. Cost includes expenses related directly to the acquisition, installation and development of software for internal use.

Costs that are directly attributable to the development phase of new software are recognized as intangible assets provided they meet the following criteria:

- completion of the intangible asset is technically feasible so that it will be available for use;
- the company intends on completing the intangible asset and using it;
- the company has the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development of the intangible asset and use of it; and
- expenditures attributable to the intangible asset during its development can be reliably measured.

Expenses for the research phase of an internal project and development expenses that do not meet these asset recognition criteria are expensed as incurred. Development or customization costs incurred under cloud computing agreements that do not meet capitalization criteria are expensed and recognized in the statement of comprehensive income.

Intangible assets are derecognized when they are disposed of or when no future economic benefit is anticipated from continued use of the asset. Gains or losses on the disposal or decommissioning of intangible assets, which equal the difference between the proceeds from the sale and the asset's carrying amount, are recognized in the statement of comprehensive income.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

3. Significant accounting policies (cont.)

Intangible assets (cont.)

These assets are depreciated from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating as intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the depreciation method are reviewed at the end of each fiscal year. The depreciation periods are as follows:

Acquired software and licences	5 years
Internally developed software	5 years

Software maintenance costs, i.e. the amounts spent for the purchase and installation of minor patches and upgrades, are recognized in net income for the fiscal year in which they are incurred.

The amortization of intangible assets is allocated to "Selling expenses" and "Administrative expenses."

Depreciation of financial assets

On each closing date, management measures the impairment of financial assets measured at amortized cost at an amount corresponding to the expected credit losses over their useful life, if the credit risk associated with the financial instrument has increased significantly since its initial recognition. When the credit risk has not increased significantly, the company measures the impairment as the amount of the credit losses for the coming 12 months. When appropriate, the impairment is recognized in the Statement of Comprehensive Income.

Impairment of non-financial assets

For the purposes of assessing depreciation, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). The company considers each retail store to be a separate cash generating unit for the purposes of depreciation testing. The company tests for impairment when there are indicators of impairment. As a result, some assets are tested individually for depreciation and some are tested at the cash-generating unit level.

Property, plant and equipment, intangible assets and right-of-use of assets are tested for impairment when events or changes in circumstance indicate that their carrying value may not be recoverable. At the end of each fiscal year, the SQDC determines whether there is any indication that a long-lived asset may be impaired. At fiscal year-end, the SQDC tests intangible assets not yet available for use for impairment, irrespective of whether there is any indication of impairment. An impairment loss is recognized as the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. To determine value in use, management estimates the future cash flows of each asset or cash generating unit and then establishes an appropriate interest rate to calculate the discounted present value of those cash flows. Data used for impairment testing are directly tied to the most recently approved budget and adjusted, as necessary. The discounting factors are established separately for each asset or cash generating unit and reflect their respective risk profiles, as determined by management.

Impairment losses related to cash generating units are allocated pro rata to the assets of the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. A previous impairment loss may be reversed if the recoverable amount of an asset or cash generating unit exceeds its carrying amount up to a maximum of what the amortized cost would have been had the impairment not been recognized.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

3. Significant accounting policies (cont.)

Leases

The SQDC recognizes a right-of-use asset and a lease obligation related to a lease as at the date on which the underlying asset is available for use by the company (hereafter the "commencement date").

The right-of-use asset is initially measured at cost, which includes the initial amount of the lease obligation adjusted for rent payments made on or before the commencement date plus the initial direct costs incurred and an estimate of all dismantling and removal costs for the underlying asset and less any lease inducement received.

The right-of-use asset is amortized over the shortest period between the useful life of the underlying asset and the term of the lease on a linear basis, such terms ranging from five to 10 years. In addition, the cost of a right-of-use asset is decreased by the accumulated impairment losses and, if applicable, adjusted to account for remeasurement of the related lease obligation.

The lease obligation is initially measured at the current value of the lease payments that have not been paid by the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot easily be determined, the SQDC's incremental borrowing rate. Generally speaking, the SQDC uses its incremental borrowing rate as its discount rate. The lease payments included in the lease obligation comprise the following:

- fixed payments (including in-substance fixed payments) less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate in effect on the commencement date; and
- lease payments related to the extension options that the SQDC is reasonably likely to exercise.

Interest charges related to the lease obligations are recorded in net income using the effective interest method.

The lease obligation is remeasured when there is a change in the future lease payments arising from a change in an index or rate or when the SQDC changes its measurement with respect to the exercise of a purchase, extension or termination option.

Adjustment of the lease obligation is done by adjusting the related right-of-use asset or is recorded in the net income if the value of the right-of-use asset is reduced to zero.

Lease payments related to leases with a term of less than 12 months and leases whose underlying asset is of low value are recognized on a straight-line basis as a charge to net income.

Employee benefit plans

Pension plans

SQDC employees are members of general and mandatory pension plans, either the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (RRPE) or the Pension Plan for Senior Management (RRAS). The SQDC considers these plans, which are administered by Retraite Québec, to be defined contribution plans. The SQDC's obligations under these government plans are therefore limited to its employer contributions. The employee portion of these plans is expensed in the period in which the corresponding employee services are received.

The company also administers a supplementary pension plan for senior management. This plan takes into account the number of years of service and the average of the five highest annual salaries during the employee's career. The plan is a defined benefit plan with annually indexed annuity and death benefit guarantees. Contributions to the plan began on April 1, 2022.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. A full actuarial valuation was performed this year. The measurement of the defined benefit obligation ("DBO") for post-employment benefits is based on actuarial methods and assumptions using the rates specified in the supplemental pension plan for senior management.

Current and past service costs of the pension plan are expensed under "Administrative expenses."

3. Significant accounting policies (cont.)

Employee benefit plans (cont.)

Other

Short-term employee benefits, including vacation entitlement, are current liabilities included in "Accounts payable and accrued liabilities," measured at the undiscounted amount the SQDC expects to pay as a result of the unused entitlement.

Provisions

Provisions are recognized when it is probable that the present obligations (legal or constructive) arising from a past event will require an outflow of economic resources from the SQDC and amounts can be reliably estimated. Provisions are liabilities of uncertain timing or amount.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material.

Provisions are reviewed at the end of each fiscal year and adjusted to reflect the current best estimates at the date. Adjustments are recognized in the statement of comprehensive income.

Where the possible outflow of economic resources as a result of a present obligation is considered improbable or remote, no liability is recognized.

Equity and dividend

Equity includes share capital, representing the par value of issued shares and retained earnings. When the dividend payable to the shareholder is approved before the closing date, it is reported separately on the Statement of Financial Position.



Future standards, amendments and interpretations

Standards not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published. These have not been early adopted by the company. The company plans to adopt them as of their effective date, but they are not expected to have a material impact on its financial statements.

IAS 1 – Presentation of Financial Statements

On February 12, 2021, the IASB published an amendment to IAS 1, Presentation of Financial Statements. The amendment, *Disclosure of Material Accounting Policy Information*, requires entities to disclose material accounting policies rather than significant accounting policies. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2023. Early adoption is permitted.

Status: The company will apply the amendment as of the fiscal year ending March 30, 2024, but has not yet assessed the impact of these amendments on its financial statements.



Use of estimates and significant judgments

Preparing financial statements in accordance with IFRS requires management to exercise judgment when applying accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses recognized during the fiscal year.

Underlying estimates and assumptions are reviewed regularly, and the impact of any change is recognized immediately. They are based on experience, economic conditions and general trends, as well as speculation on the likely outcome of those matters. Actual results could differ from management estimates.

The main judgments, assumptions and estimates are explained below:

Internally developed software and research expenses

Management must use significant judgment when distinguishing the research phase from the development phase. Costs directly attributable to the development phase are recognized as assets when all the criteria are met, whereas research costs were expensed as incurred.

Useful life of depreciable assets

Management examines the useful lives of depreciable assets at the end of each reporting period. The uncertainties regarding these estimates are related to technical obsolescence, which could affect useful lives.

Impairment of non-financial assets

Measuring facts and circumstances that indicate that an asset's value might be impaired or recovered is a subjective process that requires judgment and often a number of estimates and interpretations. If there is an indication that an asset's value might be impaired or recovered, the recoverable amount of the individual asset or cash generating unit must be estimated.

When measuring expected future cash flows, management makes assumptions regarding future operating results. These assumptions are related to future events and circumstances. Actual results could differ from those estimates and lead to future adjustments.

Measurement of leases

The SQDC accounts for lease obligations leases at the discounted value of the remaining lease payments, calculated using the SQDC's incremental borrowing rate. In addition to management's estimates for determining the terms of the leases and the appropriate interest rate for measuring the lease obligation, judgment is used to determine whether there is reasonable certainty that a lease's extension or termination option will be exercised.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

6

Sales, cost of products sold and gross margin

	2023			2022		
	Stores	Web ¹	Total	Stores	Web ²	Total
Sales	\$567,764	\$34,147	\$601,911	\$564,374	\$36,171	\$600,545
Cost of products sold	389,060	22,974	412,034	408,982	25,872	434,854
Gross margin	\$178,704	\$11,173	\$189,877	\$155,392	\$10,299	\$165,691

- Web sales consist of all sales conducted through the SQDC.ca website, including Pick-Up in Store sales and 90-minute delivery service, for stores that offer these services.
- Certain 2022 figures have been reclassified to conform with the presentation adopted in 2023. The comparative figures have been reclassified to reflect the new omnichannel sales group, now reported under Web sales. The impact for 2022 is a reclassification of \$9,000 in sales and \$7,000 in cost of products sold through stores and the Web.

7

Employee compensation

Employee benefits consist of the following:

	2023	2022
Selling expenses		
Salaries and other employee benefits	\$29,337	\$30,494
Employee benefit costs and pension plan contributions	6,450	6,362
	35,787	36,856
Administrative expenses		
Salaries and other employee benefits	7,469	6,363
Employee benefit costs and pension plan contributions	2,151	1,646
	9,620	8,009
	\$45,407	\$44,865

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

8

Dividend

For the fiscal year ended March 25, 2023, the dividend declared by the SQDC was set by the Ministère des Finances du Québec. The dividend is remitted in its entirety to the Fonds de lutte contre les dépendances, the fund to combat dependency, and reinvested primarily in cannabis-related research and prevention efforts. Each year, the Ministère des Finances declares the amount equal to the net income established in conformity with IFRS up to the maximum amount, without impacting the SQDC's capital. The Ministère also determines the terms and conditions of payment.

As at March 25, 2023, \$40 million of the \$94.9 million declared dividend was paid before the end of the fiscal year. The residual amount of \$54.9 million is still payable.

9

Net finance costs (income) and other income

	2023	2022
Interest paid under lease obligations	\$727	\$617
	727	617
Less finance income and other income:		
Interest on cash	(1,147)	(237)
Other income	(21)	(34)
	(1,168)	(271)
	\$(441)	\$346

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

10 Trade and other accounts receivable

	March 25, 2023	March 26, 2022
Corporate accounts receivable	\$103	\$103
Other accounts receivable	38	–
	\$141	\$103

11 Inventories

	March 25, 2023	March 26, 2022
Dried cannabis products	\$22,382	\$20,170
Related products	346	318
Work-in-process inventory	8	12
	\$22,736	\$20,500

The cost of inventory sold during the fiscal year is recognized as an expense under “Cost of products sold” in the statement of comprehensive income.

The cost of products sold is comprised solely of inventory.

No inventory has been pledged to secure liabilities.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

12 Property, plant and equipment

	Leasehold improvements	Furniture and equipment	IT equipment	Total
Cost				
Balance as at March 27, 2021	\$21,757	\$5,770	\$5,748	\$33,275
Acquisitions	6,645	1,606	1,947	10,198
Balance as at March 26, 2022	\$28,402	\$7,376	\$7,695	\$43,473
Acquisitions ¹	4,044	2,026	755	6,825
Disposals	(235)	(24)	–	(259)
Balance as at March 25, 2023	\$32,211	\$9,378	\$8,450	\$50,039
Accumulated depreciation				
Balance as at March 27, 2021	\$2,525	\$653	\$1,264	\$4,442
Depreciation	2,829	645	1,157	4,631
Balance as at March 26, 2022	\$5,354	\$1,298	\$2,421	\$9,073
Depreciation	3,173	850	1,398	5,421
Disposals	(235)	(24)	–	(259)
Balance as at March 25, 2023	\$8,292	\$2,124	\$3,819	\$14,235
Net carrying value				
Balance as at March 26, 2022	\$23,048	\$6,078	\$5,274	\$34,400
Balance as at March 25, 2023	\$23,919	\$7,254	\$4,631	\$35,804

1. Property, plant and equipment, with a value of \$2.0 million, were in progress as at March 25, 2023, (\$2.3 million as at March 26, 2022) and are not depreciated. These projects consist mainly in leasehold improvements and the installation of furniture and computer equipment for the deployment of stores not in service as at March 25, 2023.

The depreciation of property, plant and equipment has been allocated as follows on the statement of comprehensive income:

	2023	2022
Selling expenses	\$5,077	\$4,315
Administrative expenses	344	316
	\$5,421	\$4,631

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

13 Intangible assets

	Logiciels et licences acquis	Logiciels développés à l'interne	Total
Cost			
Balance as at March 27, 2021	\$5,543	\$748	\$6,291
Acquisitions	1,472	–	1,472
Balance as at March 26, 2022	\$7,015	\$748	\$7,763
Acquisitions ¹	785	–	785
Balance as at March 25, 2023	\$7,800	\$748	\$8,548
Accumulated depreciation			
Balance as at March 27, 2021	\$2,231	\$368	\$2,599
Depreciation	1,107	150	1,257
Balance as at March 26, 2022	\$3,338	\$518	\$3,856
Depreciation	1,430	149	1,579
Balance as at March 25, 2023	\$4,768	\$667	\$5,435
Net carrying value			
Balance as at March 26, 2022	\$3,677	\$230	\$3,907
Balance as at March 25, 2023	\$3,032	\$81	\$3,113

1. The company had no intangible assets in progress as at March 25, 2023, (\$0.7 million were in progress as at March 26, 2022) and were not amortized.

The amortization of intangible assets has been allocated as follows on the statement of comprehensive income:

	2023	2022
Selling expenses	\$211	\$192
Administrative expenses	1,368	1,065
	\$1,579	\$1,257

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

14 Right-of-use assets

	Total
Cost	
Balance as at March 27, 2021	\$32,590
Acquisitions and remeasurements	8,764
Balance as at March 26, 2022	41,354
Acquisitions and remeasurements	5,597
Disposals	(225)
Balance as at March 25, 2023	\$46,726
Accumulated depreciation	
Balance as at March 27, 2021	\$3,984
Depreciation	3,848
Balance as at March 26, 2022	7,832
Depreciation	4,428
Disposition	(225)
Balance as at March 25, 2023	\$12,035
Net carrying value	
Balance as at March 26, 2022	\$33,522
Balance as at March 25, 2023	\$34,691

The depreciation of right-of-use assets has been allocated as follows on the statement of comprehensive income:

	2023	2022
Selling expenses	\$4,336	\$3,758
Administrative expenses	92	90
	\$4,428	\$3,848

15 Borrowings

The SQDC has been authorized to establish a borrowing regime, valid until June 30, 2023, that will enable it to borrow, on a short-term basis or through a line of credit with financial institutions and the Ministre des Finances, or on a long-term basis through the Minister of Finance, an amount not exceeding \$50 million, of which \$25 million shall be on a short-term or line-of-credit basis for its operating requirements and \$25 million on a short-term, line-of-credit or long-term basis for its capital projects, in conformity with the characteristics and limits established by this borrowing regime. As at March 25, 2023, the entirety of the regime was available (as at March 26, 2022, it was also entirely available).

16 Accounts payable and accrued liabilities

	March 25, 2023	March 26, 2022
Accounts payable	\$30,980	\$35,523
Accrued liabilities	4,044	3,582
Employee compensation and benefits payable	4,719	4,272
	\$39,743	\$43,377

17 Employee Benefits

Pension plans

SQDC employees are members of either the Régime de retraite du personnel employé du gouvernement et des organismes publics (RREGOP), the Régime de retraite du personnel d'encadrement (RRPE) or the Régime de retraite de l'administration supérieure (RRAS).

These multiemployer plans are defined benefit plans with guaranteed retirement and death benefits.

As at January 1, 2023, the RREGOP contribution rate was reduced from 10.04% to 9.69% of the eligible payroll and the rate for the RRPE and RRAS, which is part of the RRPE, increased from 12.29% to 12.67% of eligible payroll.

The contributions paid by the employer are equal to the employee contributions, except for a compensation amount, provided for in the RRPE Act and that was payable by the employer for calendar year 2022. Accordingly, the SQDC has estimated a compensation amount of 6.00% of the eligible payroll for the 2022 calendar year. Payment of this compensation ended on December 31, 2022.

The SQDC's contributions, including the amount of compensation to pay to the RRPE and RRAS, charged to income until December 31, 2022, total \$1,444,000 (\$1,356,000 in 2022). The SQDC's obligations under these government plans are therefore limited to its employer contributions.

Defined benefit pension plans

In effect since April 1, 2022, the plan is a defined benefit plan whose main purpose is to supplement the annuity payable to the company's vice-presidents who will see their retirement annuity capped due to *Income Tax Act* limits on the maximum benefits payable by a registered pension plan (RPP). The basic plan is the RRPE (or the RREGOP if the qualification period for the RRPE has not been reached).

The amount of the unreduced annual annuity under the plan corresponds to 2% of the average eligible salary (calculated according to the provisions of the basic plan without taking tax limits into account) for each credited year of service after April 1, 2022, less the annual annuity provided under the basic plan for those same years.

The present value of the DBO is calculated using a discount rate determined by reference to market yields of high quality corporate bonds.

A decrease in market yield on high quality corporate bonds will increase the DBO.

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

17. Employee benefits (cont.)

The actuarial assumptions used to measure the defined benefit obligations at the reporting date are the following:

	March 25, 2023
Discount rate	5.00%
Inflation rate	2.00%
Rate of compensation increase	4.00%
Increase in maximum pensionable earnings	2.75%
Life expectancy (in years):	
Male, age 65 at reporting date	89.9
Female, age 65 at reporting date	90.7

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the company's defined benefit obligations for the reporting period and are regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist particularly with regard to discount rates, which may vary significantly in future appraisals of the company's defined benefit obligations.

Actuarial risks

The main actuarial risk to which the company is exposed under the plan is as follows:

Market risks

Interest rate risk

Interest rate risk is the risk with the greatest potential impact on the statement of financial position and results. Changes in the present value of the defined benefit obligation are reported as follows:

	March 25, 2023
Defined benefit obligation as at March 27, 2022	\$-
Items recognized in net income	
Employer current service cost	48
Interest on the defined benefit obligation	2
Total items recognized in net income	50
Items recognized in other comprehensive income items	
Actuarial gains arising from changes in economic assumptions	(12)
Actuarial losses arising from changes in experience	12
Total items recognized in other comprehensive income items	0
Defined benefit obligation as at March 25, 2023	\$50

Notes to the Financial Statements

Year ended March 25, 2023 (tables in thousands of Canadian dollars)

17. Employee benefits (cont.)

The total defined benefit expense recognized in income breaks down as follows:

	March 25, 2023
Defined benefit costs recognized in net income	
Current service cost	\$48
Interest on the net defined benefit obligation	\$2
Employee benefit expense	\$50

The duration of the plan's DBO as at March 25, 2023 is 26.1 years.

Sensitivity analysis

The significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. The calculation of the plan obligation is sensitive to that assumption. The following table summarizes the impact of a 1% increase or decrease in the discount rate on the obligation.

	2023	
	Increase of 1%	Decrease of 1%
Change in the significant actuarial assumption – Discount rate		
(Decrease) increase in pension plan DBO	\$(9)	\$13

The present value of the defined benefit obligation is calculated in the sensitivity analysis using the same method as for calculation of the defined benefit obligation in the statement of financial position. The sensitivity analysis is based on a change in one assumption. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

18 Lease obligations

The SQDC has signed leases for its stores. Each lease is shown on the statement of financial position as a right-of-use asset, the details of which are given in Note 14, and lease obligations. Variable lease payments not based on an index or rate are not recognized in the initial measurement of lease obligations and the asset.

	Total
Cost	
Balance as at March 27, 2021	\$30,004
Lease obligations and remeasurements additions	8,764
Lease obligation repayments	(3,238)
Balance as at March 26, 2022	35,530
Lease obligations and remeasurements additions	5,597
Lease obligation repayments	(3,962)
Balance as at March 25, 2023	\$37,165

The lease obligations are presented in the statement of financial position as follows:

	March 25, 2023	March 26, 2022
Current portion	\$4,370	\$3,901
Non-current portion	32,795	31,629
	\$37,165	\$35,530

As at March 25, 2023, the future minimum lease rentals are:

	Less than one year	One to five years	More than five years	Total
March 25, 2023				
Disbursements	\$5,112	\$20,962	\$14,408	\$40,482
Finance charges	(742)	(2,027)	(548)	(3,317)
Lease obligations	\$4,370	\$18,935	\$13,860	\$37,165

19 Shareholder's equity

Share capital

The SQDC is a business corporation whose shares are part of the public domain and allocated to the Ministres des Finances du Québec (MFQ) and the SAQ. The SQDC's authorized share capital consists of 100,000 shares (one Class A share and 99,999 Class B shares) having a par value of \$100 million. The amount issued and paid was \$2,000 (two shares):

1 class A share with only the right to vote at any meeting of shareholders:

- held by the SAQ; and

1 Class B share with only the right to receive any declared dividend and to share any remaining property in the event of liquidation:

- held by the MFQ.

20 Capital management

The SQDC's capital consists of the equity and the dividend payable. The SQDC manages its capital such that it meets the requirements of its shareholders and safeguards funds at all times. It maintains a strict management framework to ensure that it effectively meets the purposes set out in its incorporating act.

The SQDC is not subject to any other requirements concerning the use of outside sources of financing. The capital structure, as defined by the SQDC, was as follows:

	March 25, 2023	March 26, 2022
Share capital	\$2	\$2
Dividend payable	54,942	35,709
	\$54,944	\$35,711

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Information on the cash flows statement

	2023	2022
The net change in non-cash working capital items breaks down as follows:		
Trade and other accounts receivable	\$(38)	\$3
Inventories	(2,236)	(2,311)
Prepaid expenses	(47)	77
Accounts payable and accrued liabilities	(3,790)	4,270
Taxes payable	713	(614)
Due to the SAQ	(86)	176
	\$(5,484)	\$1,601
Non-cash investing activities:		
Acquisitions of property, plant and equipment financed by:		
Accounts payable and accrued liabilities	\$1,409	\$1,253

21. Information on the cash flows statement (cont.)

Reconciliation of liabilities arising from financing activities

	Liabilities		Total
	Dividend payable	Lease obligations	
Balance as at March 27, 2021	\$33,504	\$30,004	\$63,508
Items not affecting cash:			
Lease obligations and remeasurements additions		8,764	8,764
Interest paid under lease obligations		617	617
Dividends declared	75,709		75,709
Arising from cash flows:			
Lease obligation repayments		(3,238)	(3,238)
Interest paid under lease obligations		(617)	(617)
Dividend paid	(73,504)		(73,504)
Balance as at March 26, 2022	35,709	35,530	71,239
Items not affecting cash:			
Lease obligations and remeasurements additions		5,597	5,597
Interest paid under lease obligations		727	727
Dividends declared	94,942		94,942
Arising from cash flows:			
Lease obligation repayments		(3,962)	(3,962)
Interest paid under lease obligations		(727)	(727)
Dividend paid	(75,709)		(75,709)
Balance as at March 25, 2023	\$54,942	\$37,165	\$92,107

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Fair value of financial assets and liabilities

The carrying amount of short-term financial instruments is a reasonable approximation of the fair value. These financial instruments include cash, trade and other accounts receivable, accounts payable and accrued liabilities (except for employee compensation and benefits payable), dividend payable as well as the amount due to the SAQ.

23

Financial instrument risk management

Financial risk management objectives and policies

The SQDC is exposed to the financial risks that result from its operating, investing and financing activities. The SQDC's management manages these financial risks. The objective is to secure the SQDC's short-term and medium-term cash flows by reducing exposure to financial risks.

The SQDC does not enter into financial instrument contracts or agreements, including financial derivatives, for speculative purposes.

Financial risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. The company is exposed to interest rate risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate due to fluctuations in market interest rates.

Cash exposes the SQDC to cash flow risk resulting from interest rate fluctuations since it bears interest at a variable rate.

As at March 25, 2023, the cash balance was \$37.6 million and bore interest at the financial institution's preferred rate less two basis points. The amount due to the SAQ as at March 25, 2023, under the shared services agreement is of a current nature and does not bear interest.

A 1% change in the interest rates on variable-rate instruments would not have had a significant impact on the SQDC's income and equity.

The SQDC does not use derivative financial instruments to reduce its exposure to interest rate risk.

23. Financial instrument risk management (cont.)

Financial risks (cont.)

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the SQDC. The SQDC is exposed to credit risk due to its financial assets.

Credit risk arises from the possibility of incurring a loss due to a counterparty's failure to meet its obligations. The value recognized in the SQDC's statement of financial position as financial assets exposed to credit risk are the maximum amount that it exposed to credit risk.

Credit risk is collectively managed in accordance with the SQDC's credit risk management policies and procedures.

The credit risk associated with cash balances and bank deposits is managed by diversifying bank deposits, which are made only with large, reputable financial institutions.

The SQDC considers that its exposure to the credit risk associated with selling cannabis is limited due to its sales being direct sales to consumers, who pay immediately by cash or credit card.

Liquidity risk

Liquidity risk is the risk of the SQDC having difficulty meeting its commitments to discharge financial liabilities. The SQDC is exposed to liquidity risk mainly through its accounts payable and accrued liabilities (except for employee compensation and benefits payable), its dividend payable and the amount due to the SAQ.

Managing liquidity risk consists of maintaining a sufficient amount of cash and ensuring that the SQDC has financing sources in the form of sufficient authorized borrowing amounts. The SQDC prepares budget and cash forecasts to make sure it has the funds needed to meet its obligations.

The SQDC's exposure to liquidity risk is reduced by a significant amount of cash flow from operations, its level of cash, preauthorized sources of financing and management of short-term variable-rate borrowings. Considering the normal continuity of its business, the SQDC believes it will be able to honour financial liabilities in the short term.

The maturities of financial liabilities, including interest payments, are as follows:

	March 25, 2023		March 26, 2022	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Accounts payable and accrued liabilities	\$35,024	\$-	\$39,105	\$-
Dividend payable	54,942	-	35,709	-
Due to the SAQ	753	-	839	-
	\$90,719	\$-	\$75,653	\$-

Quarterly Data

Years ended March 25, 2023, and March 26, 2022
(in thousands Canadian dollars) (unaudited figures)

	2022				
	Year 52	Q4 12	Q3 16	Q2 12	Q1 12
Number of weeks					
Sales	\$600,545	\$131,535	\$190,479	\$142,031	\$136,500
Cost of products sold	434,854	92,950	136,512	104,026	101,366
Gross margin	165,691	38,585	53,967	38,005	35,134
Selling expenses	73,348	18,341	22,368	15,767	16,872
Administrative expenses	16,288	4,356	5,151	3,122	3,659
Operating results	76,055	15,888	26,448	19,116	14,603
Net finance costs (income) and other income	346	341	95	88	(178)
Net income and comprehensive income	\$75,709	\$15,547	\$26,353	\$19,028	\$14,781
Sales by network¹					
Stores	\$564,374	\$121,856	\$180,902	\$134,458	\$127,158
Online	36,171	9,679	9,577	7,573	9,342
	\$600,545	\$131,535	\$190,479	\$142,031	\$136,500
Sales by category					
Dried flowers	\$515,713	\$111,753	\$162,726	\$122,547	\$118,687
Other products (oils, sprays, etc.)	84,832	19,782	27,753	19,484	17,813
	\$600,545	\$131,535	\$190,479	\$142,031	\$136,500
Other data					
Number of stores	87	87	81	77	68
Number of kilograms ²	106,488	23,726	33,684	25,168	23,910
Number of transactions ³	13,364,000	2,908,000	4,378,000	3,151,000	2,927,000

1. During the fiscal year, there was a reallocation between the sales by category for Q1 and Q2. As a result, these figures differ from those published previously in the quarterly reports.
2. There has been an amendment to the legislation governing the cannabis gram equivalency calculation for beverages. The volumes of each quarter were adjusted to reflect the new reality.
3. The figures are rounded to the nearest thousand.

History Since the Legalization of Cannabis

Years ended the last Saturday of the month of March
(in thousands Canadian dollars) (unaudited figures)

	2023	2022	2021	2020	2019 ⁽¹⁾
	Fiscal year 52	Fiscal year 52	Fiscal year 52	Fiscal year 52	Fiscal year 24
Number of weeks					
Sales	\$601,911	\$600,545	\$537,236	\$311,572	\$71,271
Cost of products sold	412,034	434,854	403,466	240,615	58,081
Gross margin	189,877	165,691	133,770	70,957	13,190
Selling expenses	75,689	73,348	56,591	36,179	8,653
Administrative expenses	19,687	16,288	10,902	8,371	9,490
Operating results	94,501	76,055	66,277	26,407	(4,953)
Financial contribution of the Government of Quebec	–	–	–	–	(4,889)
Net finance costs (income) and other income	(441)	346	(227)	111	(64)
Net income and comprehensive income for the year	\$94,942	\$75,709	\$66,504	\$26,296	\$–
Net sales by network					
Stores	\$567,764	\$564,374	\$486,754	\$285,908	\$57,591
Online	34,147	36,171	50,482	25,664	13,680
	\$601,911	\$600,545	\$537,236	\$311,572	\$71,271
Net sales by category					
Dried flowers	\$508,941	\$515,713	\$484,247	\$287,976	\$62,994
Other products (oils, sprays, etc.)	92,970	84,832	52,989	23,596	8,277
	\$601,911	\$600,545	\$537,236	\$311,572	\$71,271
Other data					
Number of stores	97	87	66	41	13
Number of kilograms ²	106,526	106,488	91,529	46,863	9,922
Number of transactions ³	13,915,000	13,364,000	10,568,000	7,746,000	1,527,000

1. For the 2019 fiscal year, the SQDC was created on June 12, 2018 (giving a total of 292 days for its fiscal year ended March 30, 2019), but only began operations on October 17 (i.e. 24 weeks of operation).
2. There has been an amendment to the legislation governing the cannabis gram equivalency calculation for beverages. Fiscal 2021–2022 volumes were adjusted to reflect the new reality.
3. The figures are rounded to the nearest thousand.

Governance

Report of the Board of Directors

The Board of Directors of the Société québécoise du cannabis (SQDC) ensures that the company's business is administered in compliance with all applicable laws and regulations.

It also ensures that the company's officials take all necessary measures to fulfill its mission and achieve its strategic objectives. Accordingly, the Board reviews, together with management, the proposals, scenarios and strategic directions likely to influence the SQDC's actions and growth. In carrying out its mandate, the Board is supported by four committees: the Governance and Ethics Committee, the Audit Committee, the Human Resources Committee and the Health Protection Committee.

The Board of Directors held four regular meetings and three special meetings in fiscal 2022-2023. This fiscal year was marked by the preparation of the SQDC's second strategic plan. The Board oversaw this deep rethinking, which involved players from every level of the company and took the views of all stakeholders, including customers, into account. Entering its first stage of maturity, the SQDC focused on strategies that will expedite fulfillment of its mission and allow it to continue attracting customers from the illicit cannabis markets and convincing them to continue buying their supply through the legal market. Slated for implementation at the start of the coming fiscal year, the SQDC Strategic Plan 2024-2026 was adopted by the Board of Directors at a special meeting held on January 31, 2023.

Fiscal 2022-2023 was also an opportunity for the Board of Directors to approve the new collective agreements reached with the in-store advisors affiliated with the CSN. In fiscal 2022-2023, the working conditions of their non-unionized colleagues were also improved. As a result, the advisors at more than 70% of SQDC stores now enjoy new working conditions.

At each of the four regular meetings held in fiscal 2022-2023, management submitted a report on the SQDC's business and an update on the main projects underway and on the company's attainment of its strategic objectives. The Board was briefed on the work being done during committee meetings and decided on the recommendations resulting from this work. At the end of each regular meeting, the Board held a closed session with the President and Chief Executive Officer. A closed session attended only by the independent members was held at the end of each meeting.

Jacques Farcy
President and
Chief Executive Officer

Ariane Simon-Jean
Attorney



The Board approved the company's operating and investment budgets before the beginning of the fiscal year and conducted follow-up following submission of the quarterly report on the work of the Audit Committee. The Board of Directors monitored the company activities over which it exercises oversight, including employee remuneration, renewal of collective agreements, internal audit, approval of the criteria applicable to the President and Chief Executive Officer, succession planning at several levels of the organization, contracting practices and approval and risk management. The Board also studied and approved the changes to be made to the company's policies. At fiscal year-end, the Board also evaluated its own functioning.

Composition of the Board of Directors

As provided in the *Act respecting the Société des alcools du Québec*, the directors of the Société québécoise du cannabis are appointed by the Board of Directors of the Société des alcools du Québec (SAQ), based on the expertise and experience profile defined by the SQDC Board of Directors.

The SQDC's directors analyzed their current expertise and experience profile and updated it based on the experience acquired during their latest peer recruitment efforts. Four permanent observers attend Board meetings but are not entitled to vote; these observers are designated by the Québec ministers of Affaires municipales, Régions et de l'Occupation du territoire, Finances, Santé et des Services sociaux and Sécurité publique.

As at March 25, 2023, the SQDC Board of Directors had 11 members, five of whom were women and six men and one of whom was less than 35 years old when appointed. All except the President and Chief Executive Officer qualify as independent members. The directors come from the Montréal, Laurentides, Montérégie and Capitale-Nationale administrative regions. The Board has access to internal and external resources for carrying out its activities.

To ensure its smooth functioning and to guide its member recruitment efforts, the Board drew up an exhaustive profile of the expertise and experience expected of its members in conformance with the *Act respecting the governance of state-owned enterprises* (AGSE).

The areas of expertise include governance, finance, risk management, human resources and labour relations, public health, drug dependence, social intervention and youth issues, education and communication, managing medium to large-sized organizations, operations management, retailing, real estate, information resources, laws and regulations and government operations. Board members are also expected to be involved in the search for candidates who, in terms of diversity, skills and experience, will be complementary to the Board's current composition.

Board Committees

The tasks of the committees of the Board of Directors include in-depth study of issues crucial for the Société québécoise du cannabis.

The committees mainly do this in two ways. First, they perform periodic analysis of the situation in their respective fields and read reports submitted by management, whose work they support and oversee. Second, they conduct a thorough study of the SQDC's policies and other documents, including budgets, financial statements and strategic planning, and recommend their adoption by the Board of Directors. Each of the Board committees is comprised solely of independent directors. The committees have access to the internal and external resources necessary to carry out their duties. The committees hold a closed session at the end of each meeting. In addition, they evaluate their own functioning and perform annual planning of their work.

Activity Report of the Governance and Ethics Committee

The main focus of the SQDC Governance and Ethics Committee is the company's governance rules and practices. The committee's terms of reference also include establishing and overseeing the SQDC's business and contract management practices. The committee ensures the company maintains the highest standards in this regard. It develops and submits for approval to the Board of Directors the expertise and experience profiles used in appointing Board members.

The Governance and Ethics Committee is chaired by Céline Blanchet and has five independent members. During the fiscal year, it met four times and held a closed session at the end of each meeting.

In fiscal 2022-2023, the Governance and Ethics Committee monitored the development of the SQDC Social Responsibility Plan 2024-2026. The plan reaffirms the company's commitments to positive practices on the environmental, social and governance fronts. Together with the SQDC Strategic Plan 2024-2026, it will enable the SQDC to fulfill its duties in conformance with the *Sustainable Development Act* and contribute to the government's sustainable development strategy. The committee continued its review of the SQDC's contracting and real estate processes. It also made sure the company had sound risk management policies and compliant contracting and real estate management processes.

In addition, the Committee analyzed the company's contract universe based on the scale and risk posed by contracts and analyzed and recommended corporate projects and the acquisition of goods and services for which the Board is responsible. The committee exercised its power of oversight to ensure the integrity of the company's contracting processes and the mechanisms to control them from compliance and risk prevention standpoint.

During the fiscal year, the committee led the evaluation of the Board's operation and the annual review of the expertise and experience profile for directors. The Board shared its thinking on the terms of reference and activities of the various committees and of the Board and recommended to the Board to approve the process of updating the terms of reference of the Health Protection Committee. The committee recommended training to allow the Board to improve its governance efforts. It also considered the strategies and risks affecting the company's reputation and communications as well as its mission and real estate management.

After each of its meetings, the Governance and Ethics Committee reported on its activities to the Board.

Activity Report of the Audit Committee

The Audit Committee of the Société québécoise du cannabis is primarily concerned with the integrity of the company's financial information. It also ensures the company's internal control and risk management mechanisms are adequate, efficient and effective. The committee is chaired by Louise Martel, FCPA, and has four independent members, three of whom are members of the Ordre des comptables professionnels agréés (CPAs). In fiscal 2022-2023, the Audit Committee held four regular meetings and two special meetings. A closed session was held at the end of each meeting. A closed session was also held with the Vice-President, Finance.

The Audit Committee ensures the company's risk management efforts are functioning properly. Each quarter, it reviewed the profile of the risks affecting the organization as part of a larger process aimed mainly at assessing the changes and ensuring that management has taken appropriate mitigation measures. The committee also conducted an in-depth analysis of certain risks in collaboration with the person responsible for tracking and managing each of the risks. These special sessions allowed the committee to gain a deeper understanding of the risks while also validating the quality of the assessment made of them, of the mitigation measures put in place and of the contingency plans prepared by management.

Internal audit activities are carried out by the SQDC's internal audit service under the direct authority of the Audit Committee. Internal audit is a service shared with the Société des alcools du Québec (SAQ). In fiscal 2022-2023, the committee reviewed the audit universe and approved the internal audit plan in addition to monitoring and overseeing ongoing audit projects. At each regular meeting, it met with the Director of Internal Audit in a closed session and with no members of management present. Among the purposes of the sessions was to ensure internal auditors' independence from management. The sessions were also an opportunity to review any activity likely to have an adverse impact on the SQDC's financial position.

Each quarter, on receiving the report of the chair of the Financial Disclosure Committee, the committee checked that the company's Financial Disclosure Policy had been properly applied. It provided follow-up on the strategies to ensure optimal use of resources, examined the budget for the fiscal year and compared the quarterly results with the budget. It looked at the factors, risks and orientations likely to influence the SQDC's financial results.

Lastly, the committee met with the external auditors regarding the external audit plan for the fiscal year. It examined the audited financial statements for the preceding fiscal year and recommended their approval by the Board. The Audit Committee also met occasionally and in closed session with representatives of the Vérificateur général du Québec and the external auditors and verified that the latter are able to act independently. The fee for the 2022-2023 annual audit mandate of these financial statements is \$43,905.

After each of its meetings, the Audit Committee reported on its activities to the Board of Directors.

External auditors

Raymond Chabot Grant Thornton LLP and the Vérificateur général du Québec act jointly as the external auditors of the books and accounts of the Société québécoise du cannabis.

Activity Report of the Human Resources Committee

The main terms of reference of the Human Resources Committee are to examine, recommend to the Board of Directors and oversee policies and strategic orientations related to human resources management. The committee is chaired by René Leprohon, CPA, CRMA, and has five independent members. During the fiscal year, the committee held four regular meetings and three special meetings, and its independent members held a closed session at the end of each.

Each quarter, the committee was briefed on the main human resources developments and risks at the SQDC, including team engagement, occupational health and safety, staffing, diversity, labour relations, recruitment, compensation and employee benefits. It monitored the action taken by senior management in these areas and reviewed the company's related policies and recommended improvements to the Board.

During the fiscal year, the committee worked closely with senior management to evolve the working conditions for all company employees. In addition to studying overall compensation and job classification in relation to the Québec job market, the committee recommended to the Board of Directors the renewal of the collective agreements with in-store advisors. The committee also supported senior management in managing labour relations during the collective bargaining processes and ensured that effective risk management was in place.

In fiscal 2022-2023, the committee contributed to the discussion regarding the ongoing evolution of the mission and operations of the Human Resources Department, whose name has been changed to People and Culture. The committee supported the development of this department and the actions that it steers. The committee ensured that the programs launched to improve the SQDC's succession planning, relying especially on a talent pool and the emergence of leaders within each of its teams, and employee retention. The committee assisted with the selection and departure of senior officers and with the related conditions. It also proposed evaluation criteria for the President and Chief Executive Officer.

After each of its meetings, the Human Resources Committee reported on its activities to the Board of Directors.

Activity Report of the Health Protection Committee

In addition to the three committees required under the *Act respecting the governance of State-owned enterprises*, the Health Protection committee was created to focus on the fulfillment of the SQDC's mission.

The Health Protection Committee is chaired by epidemiologist Jack Siemiatycki, Ph.D. It is comprised of five independent members who have strong skills in public health and related fields. During the fiscal year, the committee met five times and held a closed sessions limited to independent members at the end of each meeting.

In fiscal 2022-2023, the committee looked at the decision-making processes for company projects and activities, such as those involving the selection of new products, accessibility of its services, competition to illicit markets and the information made available to customers. The committee conducted a thorough analysis of the SQDC's planned initiatives to continue capturing illicit market share while retaining customers in the legal cannabis market. This work allowed it to contribute to achieving the central objective of the organization's mission and managing the risks arising from the activities of the Société québécoise du cannabis, especially in the areas of health, informing customers and responsible use.

The committee also examined public awareness strategies used in other markets whose products may entail risks for the public.

After each of its meetings, the chair reported on the committee's work to the Board of Directors.

Members of the Board of Directors



Johanne Brunet

Chair of the Board of Directors

- Appointed on August 23, 2018, for a two-year term
- Term renewed until August 22, 2027
- Independent member
- Ex officio member of all the committees of the Board of Directors

Professor

- Marketing Department, HEC Montréal

A member of the Ordre des comptables professionnels agréés du Québec, Johanne Brunet has a doctorate in industrial and business studies from the University of Warwick (United Kingdom) and an MBA in marketing and international management from HEC Montréal. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratrice de sociétés certifiée.

Ms. Brunet received the 1999 Action femmes d'affaires award from the Board of Trade of Metropolitan Montreal and was a finalist for the 2013 Business Professor of the Year award conferred by the renowned weekly *The Economist*. She worked as head of external production and acquisitions at Société Radio-Canada before becoming Senior Vice-President at TV5-Amériques.

She is chair of the board of directors of the Société des alcools du Québec (SAQ) and also holds a seat on the boards of Letenda, TCJ Group and others in England.



Jacques Farcy

Director

- Appointed on October 11, 2021 for a five-year term

President and Chief Executive Officer

- Société québécoise du cannabis (SQDC)

Holding an executive MBA from HEC Montréal–McGill University and a diploma from the Institut Commercial de Nancy in France, Mr. Farcy has 30 years' experience in strategic management and the development of corporate omnichannel strategies.

Known for his leadership and great adaptability, he has worked for a number of multinationals in a range of industries in Europe and Canada. He was a vice-president at the SAQ from 2015 to 2021 and, prior to that, worked at dunhumby Canada, where he was Chief Executive Officer. A veritable driver of change who is focused on innovative and lasting solutions, Jacques takes on new challenges with relish.

Appointed President and Chief Executive Officer of the Société québécoise du cannabis (SQDC) in October 2021, Jacques values collaboration, listening and forming creative and strategic alliances to communicate and implement ambitious projects. He is also actively involved in the business community, from which he learns much and with which he willingly shares his knowledge and experience by taking part in various events in Canada and Europe.



Céline Blanchet

**Director
Chair of the Governance and Ethics Committee**

- Appointed on August 23, 2018, for a four-year term
- Term renewed until September 30, 2026
- Independent member
- Member of the following Board committees:
 - Governance and Ethics Committee
 - Human Resources Committee

Vice-President, Corporate Affairs and Strategic Development

- DeSerres Inc.

Céline Blanchet has been Vice-President, Corporate Affairs and Strategic Development at DeSerres for more than 15 years. She also currently chairs the Conseil québécois du commerce de détail (CQCD).

She chairs the Governance Committee of the l'École nationale de l'humour.

She formerly held seats on the boards of directors of the Société des alcools du Québec (SAQ), the Fonds d'intervention économique régional d'Investissement Québec (IQ FIER) and, until June 2022, Conseil du patronat du Québec.

The holder of a bachelor's in economics and a law degree from Université Laval, Céline Blanchet has earned a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratrice de sociétés certifiée. A member of the Barreau du Québec since 1985, she is also a member of the Canadian Bar Association, the Institute of Corporate Directors and the Association des économistes du Québec.



Stéphane Borreman

Director

- Appointed on October 19, 2018, for a two-year term
- Term renewed until October 18, 2026
- Independent member
- Member of the following Board committees:
 - Governance and Ethics Committee
 - Health Protection Committee

Emergency physician

- McGill University Hospital Centre
- CISSS des Laurentides

Corporate director

A physician and corporate director, Dr. Stéphane Borreman has unique experience that combines emergency medicine, business-related health management and governance.

Holding a bachelor's degree in mechanical engineering, a Doctor of Medicine, a master's degree in surgery, a postdoctoral degree in family medicine from McGill University and a Certificate of Added Competence in Emergency medicine, Dr. Borreman has practised emergency medicine at the McGill University Hospital Centre since 2005.

Member of the Institute of Corporate Directors (ICD) and graduate of the ICD-Rotman Directors Education Program, he holds seats on the boards of directors of various organizations active in the health field.

In the course of his career, he has worked as a consultant for McKinsey & Company, where he provided support to international firms in the pharmaceutical and health fields in North America, Europe and Asia. He later worked as a private consultant to Canadian companies. He was also vice-president for a Canadian firm providing IT solutions to hospital centres and an advisor to several local start-up firms.



**Martine
Lapointe**

Director

- Appointed on August 23, 2018, for a three-year term
- Term renewed until September 30, 2024
- Independent member
- Member of the following Board committees:
 - Audit Committee
 - Governance and Ethics Committee

Information technology consultant

Vice-President, Financial Services, Alithya

Financial services consultant

Chair of the Board of Directors

- Réseau Action TI

A graduate of the Information Systems and Quantitative Management Methods Department of the Université de Sherbrooke (UdeS), Martine Lapointe also holds a master's in project management from the Université du Québec à Montréal (UQAM) and an Executive MBA from Université de Sherbrooke (UdeS). Additionally, she has earned a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratrice de sociétés certifiée. Winner of the 2017 Carrière MGP award from UQAM's School of Management Sciences, she is also certified by the Project Management Institute and is a fellow of the Life Management Institute.

With more than 25 years' experience in finance and information technology, Ms. Lapointe has worked as an executive at several major institutions, including the Desjardins Group, Laurentian Bank and National Bank. She has continued her career as an information technology advisor and digital transformation consultant, enabling her to play a role in the transformation of large organizations, including Revenu Québec, Canadian National, Air Canada and Hydro-Québec. Today she holds the position of Vice-President, Financial Services, at consulting firm Alithya.

The winner of many OCTAS (Québec IT excellence awards) from the Réseau Action TI, Ms. Lapointe now serves as chair of the board of directors of that organization. Since 2013, she has also held a seat of the board of directors of Desjardins-Caisse Pierre-Boucher de Longueuil, where she acts as vice-chair and sits on the audit and ethics committee.



**René
Leprohon**

Director

Chair of the Human Resources Committee

- Appointed on August 23, 2018, for a three-year term
- Term renewed until September 30, 2024
- Independent member
- Member of the following Board committees:
 - Audit Committee
 - Human Resources Committee

Corporate Director

A member of the Ordre des comptables professionnels agréés du Québec, the Institute of Internal Auditors and the Canadian Association of Management Consultants, René Leprohon holds a bachelor's in business administration from HEC Montréal and a risk management certificate (CMC) from the Insurance Institute of Canada. A retired KPMG partner, he headed the firm's internal audit and corporate risk management practice for more than a dozen years.

In the course of his career, Mr. Leprohon has also held executive positions at TD Meloche Monnex (today TD Insurance) and EY, where he, among other things, had the opportunity to develop expertise in human resources, change management, internal control, corporate reengineering, mergers and acquisitions and strategic planning.

Over the years, he has been part or a member of many boards of directors, audit committees and other governance committees of publicly traded companies, government corporations and not-for-profit organizations. He continues to hold a seat on the board of directors of the Institute of Internal Auditors (Montreal chapter), where he also serves as chair of the finance and audit committee. Since February 2018, he has been a member of the board of directors of the Société des alcools du Québec, in which function he serves as chair of the audit committee and a member of the governance and ethics committee.



**Louise
Martel**

Director

Chair of the Audit Committee

- Appointed on August 23, 2018, for a four-year term
- Term renewed until September 30, 2026
- Independent member
- Member of the following Board committees:
 - Audit Committee
 - Human Resources Committee

Honorary Professor

- HEC Montréal

A member of the Ordre des comptables professionnels agréés du Québec and holder of a degree in business administration from HEC Montréal, Louise Martel also has a master's in management sciences (M. Sc.-Finance) from the latter institution, where she works as an honorary professor.

Specializing in the fields of financial information and analysis, corporate governance, risk management, internal control and auditing, Ms. Martel has held several positions in the course of her career, including senior lecturer, assistant professor, adjunct professor and head of the Accounting Studies Department at HEC Montréal. She has also been part of KPMG as a senior manager and associate professor on a continuous basis. She is the author of many lectures and some 75 research documents and articles, several of which have been published in national and international journals, earning her an award from the Canadian Academic Accounting Association. Ms. Martel has also been made a CPA fellow of the Ordre des comptables professionnels agréés du Québec. In recent years, she has been a member of several boards of directors and chair of the audit committee of the Ombudsman for Banking Services and Investments (OBSI) and Télé-Québec.



**Jack
Siemiatycki**

Director

Chair of the Health Protection Committee

- Appointed on August 23, 2018, for a two-year term
- Term renewed until September 29, 2026
- Independent member
- Member of the Board's Health Protection Committee

Researcher

- Centre de recherche du Centre hospitalier de l'Université de Montréal (crCHUM)

Professor of Social and Preventive Medicine and Guzzo Environmental Cancer Research Chair of the Cancer Research Society at the Université de Montréal

- École de santé publique de l'Université de Montréal

Holder of a master's in statistics and a PhD in epidemiology from McGill University, Dr. Jack Siemiatycki is known in scientific circles for having developed novel and influential research methods in occupational etiology of cancer and for results concerning a wide variety of possible environmental carcinogens. He is also known for the results of his studies on the causes of cancer in the workplace and the risk of developing brain cancer from using cellular telephones. He has authored or co-authored more than 300 articles.

During his career, Dr. Siemiatycki has served on more than a hundred national and international expert advisory boards and on the editorial committees of several scientific journals, including the American Journal of Epidemiology. He served as the main expert witness in a class action that led to the conviction of tobacco companies.

An elected member of the Canadian Academy of Health Sciences, he is often called on to speak about the relationship between individual behaviours or environmental factors and the risk of developing various diseases. He has also written children's books.



**Marie-Claude
Guay**

Director

- Appointed on February 3, 2020, for a two-year term
- Term renewed until February 9, 2026
- Independent member
- Member of the following Board committees:
 - Governance and Ethics Committee
 - Health Protection Committee

Director, Consulting Services – Transformation & Innovation

- CGI

Holder of an MBA from HEC Montréal, a Bachelor of Arts in foreign language, literature and linguistics from Bishop's University and a certificate in design thinking from IDEO U, Marie-Claude Guay is recognized as an agent of change and innovation.

Having spent nearly 20 years in communications, media and marketing, she has international experience in brand creation and management and business strategy development. She began her career as a journalist at Radio-Canada, where several of her reports won awards. She later served as head of strategic communications and innovative initiatives at Tata Communications, drawing on her expertise to develop and manage digital strategies and public relations for several major international events, including the Mobile World Congress, NAB and Quartz.

She then co-founded and was CEO of Next 3B, an organization of international partners that works to improve access to the Internet around the globe. She has since formed a second Market strategy development firm, C. Global Inc., and become a lecturer at HEC Montréal.



**Jean-Claude
Dufour**

Director

- Appointed on February 3, 2020, for a two-year term
- Term renewed until February 9, 2026
- Independent member
- Member of the following Board committees:
 - Health Protection Committee
 - Human Resources Committee

Expert Agri-food Consultant and Corporate Director

Holding a bachelor's degree in agronomy with a plant major, a master's in rural economics and a doctorate in business administration from Université Laval, including specialized studies in distribution, logistics and marketing from the University of Michigan, Jean-Claude Dufour is recognized as an marketing expert in the food industry and for his extensive work and research. He is also an Administrateur de sociétés certifié (ASC).

Mr. Dufour has left his mark on Université Laval, where he worked as a professor for 42 years in addition to serving as dean of the Faculty of Agriculture and Food Science for 12 years. He also chaired the Deans Council – Agriculture, Food and Veterinary Medicine and headed the Faculties of Veterinary Medicine from 2017 to 2019.

During his career, Mr. Dufour has given more than 600 lecture-presentations in several countries, supervised or co-supervised 69 graduate students and authored many publications.

He has held seats on some 30 boards of directors of corporations, government agencies, investment funds, colleges and universities. He has also chaired the Commission interministérielle sur la révision de la fiscalité agricole au Québec. He was president of the Société de développement de l'industrie maricole du Québec (SODIM) from 2007 to 2013 and chair of the board of the Collège Notre-Dame-de-Foy from 2007 to 2010. He currently sits on the board of directors of the Conseil des appellations réservées et termes valorisants (CARTV).

In 2015, Mr. Dufour was named Quebec food personality of the year by the Conseil de la transformation alimentaire du Québec (CTAQ). He has also received the interprofessional award of merit from the Office des professions du Québec and the Ordre des agronomes du Québec (OAQ) and has been named a Commander of the Ordre du Mérite Agronomique. He is a member of the Ordre des agronomes du Québec and the Ordre des administrateurs agréés du Québec.



**Jean-Simon
Denault**

Director

- Appointed on December 9, 2021, for a three-year term
- Member of the Board's Health Protection Committee

Pharmacist

- Centre hospitalier de l'Université de Montréal (CHUM)
- Multi-organ Transplant Clinical Division

Having obtained a master's degree in advanced pharmacotherapy and a Doctor of Pharmacology degree from the Université de Montréal, Jean-Simon Denault also holds an American certification in specialized pharmacotherapy. He is recognized by his peers for his professional and social involvement.

Mr. Denault worked for nearly three years at the CSSS Montérégie-Est before joining the pharmacy team at the Centre hospitalier de l'Université de Montréal, where he co-founded the department's pharmacy research committee.

During his career, Mr. Denault has received many honours acknowledging the quality of his work and his dedication to pharmacy students. In 2021, he was awarded the Prix d'excellence des cliniciens associés for his involvement in teaching fourth-year pharmacy interns from the Université de Montréal.

Observers

Ministère de la Santé et des Services sociaux du Québec	Ministère de la Sécurité publique du Québec	Ministère des Finances du Québec	Ministère des Affaires municipales et de l'Habitation du Québec
Horacio Arruda Sous-ministre adjoint à la Direction générale de la santé publique	Véronyck Fontaine Directrice générale aux politiques publiques, à la recherche et aux statistiques	Étienne Paré Directeur général de l'optimisation des revenus et des politiques locales et autochtones	Érika Desjardins-Dufresne Directrice générale de la fiscalité et de l'évaluation foncière

Directors' Attendance at Meetings of the Board and Board Committees

2022-2023 fiscal year

	BoD	AC	GEC	HPC	HRC
Number of meetings	7	6	4	5	7
Johanne Brunet ¹	7/7	6/6	4/4	4/5	7/7
Jacques Farcy	7/7	N/A ²	N/A ²	N/A ²	N/A ²
Céline Blanchet	7/7	N/A	4/4	N/A	7/7
Stéphane Borreman	5/7	N/A	4/4	5/5	N/A
Jean-Simon Denault	7/7	N/A	N/A	5/5	N/A
Jean-Claude Dufour	7/7	N/A	N/A	5/5	7/7
Marie-Claude Guay	6/7	N/A	4/4	5/5	N/A
Martine Lapointe	6/7	6/6	4/4	N/A	N/A
René Leprohon	7/7	6/6	N/A	N/A	7/7
Louise Martel	7/7	6/6	N/A	N/A	7/7
Jack Siemiatycki	6/7	N/A	N/A	5/5	N/A

BoD: Board of Directors

AC: Audit Committee

GEC: Governance and Ethics Committee

HPC: Health Protection Committee

HRC: Human Resources Committee

1. The Chair of the Board is an ex officio member of all Board committees.

2. The President and Chief Executive Officer attended all committee meetings but is not a member of these committees, as their membership is comprised solely of independent members.

Directors' Compensation

2022-2023 fiscal year
(in Canadian dollars)

Johanne Brunet	\$44,952.00
Céline Blanchet	\$24,817.00
Stéphane Borreman	\$19,524.00
Jean-Simon Denault	\$17,538.00
Jean-Claude Dufour	\$21,179.00
Marie-Claude Guay	\$19,855.00
Martine Lapointe	\$19,855.00
René Leprohon	\$25,479.00
Louise Martel	\$25,479.00
Jack Siemiatycki	\$16,879.00
Total	\$235,554.00

Compensation Paid to the Six Most Highly Compensated Officers

Fiscal 2022-2023
(in Canadian dollars)

Name	Title	Base compensation paid	Annual bonus program ¹	Annual incentive pay ¹	Pension plan contributions paid by the SQDC ²	Other benefits paid or granted ³	Total compensation for the fiscal year
Jacques Farcy	President and Chief Executive Officer	\$311,006	N/A	N/A	\$22,268	\$26,329	\$359,603
Robert Dalcourt	Vice-President, Finance	\$212,658	N/A	N/A	\$29,609	\$21,384	\$263,651
Pietro Perrino	Secretary General	\$209,159 ⁴	N/A	N/A	\$0	\$41,8324	\$250,991
Paul Furfaro	Vice-President, Store Operations	\$44,985 ⁵	N/A	N/A	\$9,341	\$30,035	\$84,361
Josée Laliberté	Vice-President, People and Culture	\$164,578 ⁶	N/A	N/A	\$17,964	\$6,632	\$189,174
Geneviève Giroux	Vice-President, Demand, Product Management and Supplier Relations	\$190,000	N/A	N/A	\$33,243	\$11,494	\$234,737

1. The SQDC does not offer an annual bonus plan or a long-term profit-sharing plan to its employees.

2. The President and Chief Executive Officer of the SQDC participates in the RRAS, under which he has an annual pension accrual rate of 3% of his salary. The vice-presidents participate in the PPMP with an annual pension accrual rate of 2% up to the maximum eligible salary set by Retraite Québec. They also qualify for an annual pension accrual rate of 2% of the portion of their salary exceeding the minimum eligible salary through a supplementary pension plan.

3. Taxable benefits related to, among other things, group insurance, professional dues, car allowances, health assessment allowances and paid vacations and, for the President and Chief Executive Officer, the taxable benefit related to the use of an automobile.

4. Pietro Perrino's compensation is paid by the Ministère du Conseil exécutif du Québec and billed in full to the SQDC. This year, Mr. Perrino received a retroactive adjustment totalling \$24,566 not included in the amount of compensation paid. The other benefits paid or granted are on the order of 20% of the compensation billed to the SQDC.

5. Paul Furfaro left his position on June 17, 2022.

6. Josée Laliberté assumed her duties on May 24, 2022.

Policy on the Use and Quality of the French Language

The Secretary General of the SQDC is responsible for ensuring compliance with the *Charter of the French Language*, application of the SQDC Language Policy the quality of the language used in the company's communications. He is assisted in carrying out his duties by the Permanent Language Policy Committee, which he chairs.

The SQDC Language Policy details how the Charter of the French Language will be applied at the SQDC and reaffirms the company's commitment to promoting the French language and to the quality of French in its own service offering. In fiscal 2023, the company replied to all the information requests required for its linguistic certification by the Office québécois de la langue française (OQLF). It awaits the impending presentation of its case to the appropriate decision-makers.

The SQDC has 36 positions for which knowledge of a language other than French is required. It has no positions for which a level of knowledge of a language other than French is desirable.

Social Responsibility Plan 2021-2023

Aligned with the orientations of the SQDC's Strategic Plan 2021-2023, the Social Responsibility Plan 2021-2023 guides the company's actions to improve its performance in health and ethics and its community and environmental impact. It allows the SQDC to meet its obligations under the *Sustainable Development Act* and contribute to the efforts made as part of the government's *Stratégie gouvernementale de développement durable 2015-2020*.

The results achieved for the third year of application of the SQDC's Social Responsibility Plan 2021-2023 are presented at the very end of this report. The report also takes into account the additional reporting requirements set out as part of the development of the next *Stratégie gouvernementale de développement durable*.



Strategic Plan 2021-2023

The SQDC's Strategic Plan 2021-2023 is at the centre of the actions that the company takes to carry out its mission, increase access to the legal cannabis market and fight the illicit market while maintaining a focus on health protection. That is why, in addition to growing its store network and competitive offer, the SQDC has incorporated its sustainable development-related strategic orientations into the plan.

The results achieved for the third year of the plan will be found in the Review of Activities section of this report.



Access to Information and the Protection of Personal Information

Report on access requests received

The SQDC handles requests for access to documents in conformance with the *Act respecting access to documents held by public bodies and the protection of personal information*. In fiscal 2022-2023, 22 requests were received and 22 requests were processed.¹ The following table presents a detailed breakdown of the requests handled during the fiscal year:

Number of requests handled, by type and processing time

Processing time	Type of request handled during the fiscal year		
	Access requests		
	Administrative documents (number)	Personal information (number)	Correction (number)
0 to 20 days	10	6	0
21 to 30 days	5	0	0
31 days or longer (if applicable)	1	0	0
Total	16	6	0

1. The apparent discrepancy stems from the fact that the requests received at fiscal year-end may be processed at the beginning of the following fiscal year.

Number of results handled, by type and decision

Decision made	Access requests			Cited sections of the Act
	Administrative documents (number)	Personal information (number)	Correction (number)	
Accepted (entirely)	9	0	0	
Partially accepted	4	1	0	9, 15, 21, 22, 23, 24, 27, 28, 29, 37, 39, 53, 40, 86.1, 87, 88
Refused (entirely)	2	4	0	9, 15, 21, 22, 23, 24, 27, 37, 39, 53, 86.1, 87, 88
Other ¹	1	1	0	
Total	16	6	0	

1. The two administrative document cases classified as "Other" are ones in which the requested document did not exist. The personal information document case classified as "Other" is related to an abandonment of action.

Reasons for refusal

The stated reasons for refusing access to documents held by the SQDC were that the documents concerned or contained:

- confidential information;
- personal information;
- information related to a collective agreement or contract negotiating mandate or strategy;
- information having an impact on security measures and the prevention of criminal or statutory offences; or
- information of a commercial nature.

Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis

Preamble

Whereas the members of the Board of Directors are required to adopt a Code of Ethics and Professional Conduct under the *Act respecting the governance of state-owned enterprises* (CQLR c. G 1.02);

Whereas the law and the *Regulation respecting the ethics and professional conduct of public office holders* prescribe principles of ethics and rules of professional conduct applicable to directors, which are partly reproduced for information purposes in Schedule 1 of this Code;

Whereas the adoption of a Code of Ethics and Professional Conduct is intended to preserve and reinforce the citizens' bond of trust in the integrity and impartiality of the Société's Board of Directors, encourage transparency and make directors and public office holders aware of their responsibilities;

Whereas the members of the Board of Directors wish to provide the corporation with its own Code of Ethics and Professional Conduct;

In consideration of the foregoing, the members of the Board of Directors shall adopt the following Code of Ethics and Professional Conduct:

Section 1 – Interpretation

1. In this Code, unless otherwise indicated by the context:
 - a) **"director"** means a member of the Société's Board of Directors, whether full-time or not;
 - b) **"association"** means an association or group of persons with a direct or indirect interest in the cannabis trade;
 - c) **"relevant authority"** means the secretary general of the Société des alcools du Québec (SAQ);
 - d) **"committee"** means the Société's Governance and Ethics Committee;
 - e) **"spouse"** means spouses and persons living as if married for more than one year;

- f) **"board"** means the Société's Board of Directors;
- g) **"contract"** includes a proposed contract;
- h) **"control"** means a temporary ban, applicable to all directors, on dealing in or carrying out a transaction involving the shares of a public or private corporation;
- i) **"embargo"** means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
- j) **"enterprise"** means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
- k) **"enterprise operating in the same business segment"** means an enterprise having a direct or indirect interest in the cannabis field, including an enterprise whose activities are comparable in nature to those of the Société and which may compete against them;
- l) **"related enterprise"** means the Société des alcools du Québec (the "SAQ"), a subsidiary thereof and any legal person or corporation of which shares are directly or indirectly held by the SAQ or a wholly owned subsidiary of the SAQ;
- m) **"immediate family"** means the spouse of a director, the child of the director or of the director's spouse, the director's father, mother, brother and sister, the spouse of the director's mother and father, the spouse of the spouse's mother and father, the spouse of the director's child or any other person for which the director acts as a legal representative or administrator of the property of others;
- n) **"confidential information"** means any information regarding the Société or one of its subsidiaries or related enterprises, its directors, officers, employees, partners and suppliers, all personal information unless the information is of a public nature by law as well as any other information related to an industry or sector and all information of a strategic nature, which is not public knowledge;

- o) **"inside information"** means any information not yet known to the public and likely to affect the decision of a reasonable investor or likely to have an appreciable influence on the value or price of the securities of a public or private company, including information concerning an issue of securities, a change in dividend policies, a significant change in the composition of the management team or a significant change relating to the Société's business. All inside information is deemed to constitute confidential information;
 - p) **"Act"** means the *Act respecting the governance of state-owned enterprises* (CQLR c. G 1.02), as amended and modified from time to time;
 - q) **"Organization"** means a not-for-profit organization or legal person with a direct or indirect interest in the cannabis field;
 - r) **"person"** means any physical or legal person, as determined by the context of the Code;
 - s) **"Société"** means the Société québécoise du cannabis;
 - t) **"security"** means any security within the meaning of the *Securities Act* (CQLR c. V 1.1) and includes shares, bonds, subscription rights and warrants, partnership shares, private company stock and options, futures contracts or derivatives, except for any government-issued debt instrument, Treasury bonds, term notes and certificates of deposit issued by a financial institution or a government. Any current, eventual or conditional instrument or instrument that confers the right to buy securities is also considered a security.
2. In this code, a prohibited action includes any attempt or encouragement to perform such action.

Section 2 – General Provisions

3. The purpose of this Code is to establish the ethical principles and rules of professional conduct for the members of the Board.

The ethical principles take into account the Société's mission, the values underlying its action and its general management principles.

The rules of professional conduct apply to the directors' duties and obligations; they clarify and illustrate them in an indicative manner.
4. In performing his duties, a director is required to comply with the ethical principles and rules of professional conduct prescribed by the Act and by the *Regulation respecting the ethics and professional conduct of public office holders*, as well as the principles and rules set forth in this Code of Ethics and Professional Conduct. In case of discrepancy, the more stringent provisions shall apply.
5. Within 30 days of the adoption of this Code by the Board of Directors, every director shall complete and sign the attestation reproduced in Schedule 2 hereof. Once completed, the attestation shall be remitted to the Chair of the Board of Directors, who shall entrust it to the Société's secretary for safekeeping.

Every new director shall do likewise within 30 days of being appointed.

The Société shall take the actions necessary to protect the confidentiality of the information provided by the directors under this Code.
6. The directors undertake to cooperate with the Chair of the Board of Directors and comply with the opinions that the Chair may be called upon to give verbally or in writing.

Section 3 – Ethical Principles

7. For the duration of his term in office, a director shall act with caution, diligence, honesty and loyalty in the Société's interest.

A director shall discharge his duties effectively and assiduously, and in accordance with the law and principles of fairness.

In performing his duties, a director shall give his colleagues and the Société the benefit of the knowledge and skills he has acquired in the course of his career.

8. A director may not discharge his duties in his own interest or that of a third party.
9. A director shall make decisions so as to ensure and maintain the bond of trust between the Société, its customers, suppliers and partners, as well as the government.
10. A director shall assure and maintain the confidentiality of the information obtained in the course of his duties as a member of the Board. He shall take the actions necessary to ensure the confidentiality of any confidential or inside information of which he becomes aware or makes use in performing his duties. Specifically, these measures include:
- not leaving the documents containing confidential information in the view of third parties or persons not involved;
 - not sharing with or leaving in view of third parties passwords that provide access to documents containing confidential information;
 - taking the appropriate measures to ensure paper and electronic documents are physically protected;
 - ensuring any confidential document that is no longer required for performing his duties as a director is destroyed; and
 - not favouring one party over another in business relations they have or could have with the Société.

The obligations mentioned in this section remain in effect even after the director has ceased to hold his position.

11. The decisions of the Board of Directors are public, unless otherwise decided by the Board for serious reasons; however, the directors' discussions, viewpoints and votes are confidential.

Section 4 – Rules of Professional Conduct

12. A director shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office or in any situation likely to cast reasonable doubt on his ability to discharge his duties with loyalty and impartiality.
13. A director may not, on penalty of dismissal, have a direct or indirect interest in an organization, an association or an enterprise operating in the same business segment. However, such dismissal shall not occur if such interest devolves on him by succession or gift, provided he renounces it or disposes of it promptly.

A full-time director, including the president and chief executive officer, may not, on penalty of dismissal, have a direct or indirect interest in an organization, an association, a related enterprise, an enterprise operating in the same business segment or a private or public company that places his personal interest in conflict with that of the Société. However, such dismissal shall not occur if such interest devolves on him by succession or gift, provided he renounces it or disposes of it promptly.

Any director, other than a full-time director, who has or whose employer has a direct or indirect interest in an organization, an enterprise, a public company, a private company, a contract or an association shall disclose such interest immediately and in writing and shall refrain from taking part in any deliberation or any discussion regarding the organization, enterprise, company, contract or association in which he has the interest. Moreover, he shall withdraw from the meeting for the duration of the deliberations and vote related to this issue.

As soon as he becomes aware of it, the director shall disclose any claim which he could assert against the Société and indicate its nature and value, if applicable.

14. A director who holds inside information relating to a private or public company is forbidden from sharing the information.

A director who holds inside information about a private or public company which could involve the Société or one of its subsidiaries shall contact the secretary general, who shall determine whether the security concerned must be placed under embargo. The director shall also refrain from sharing or using this inside information except for the purposes for which it was provided to him.

15. A director is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

Any document identified as confidential by the Board of Directors or the secretary general shall be treated as such and shall not be transmitted or passed on or its content disclosed to anyone by the director without specific authorization from the Board.

A director may not accept a gift, hospitality or other advantage except what is customary and of modest value. Any gift, hospitality or advantage that does not meet these criteria shall be returned to the donor or remitted to the Société.

16. A director may not, directly or indirectly, grant, seek or accept a favour or undue advantage for himself or for a third party.
17. A director may not accept nor seek an advantage from a person or enterprise doing business with the Société or a related enterprise or a subsidiary or acting on behalf or for the benefit of such a person or enterprise, if such advantage is intended or likely to influence him in the performance of his duties or to generate such expectations.
18. A director shall not make any commitments to third parties nor offer them any guarantee about a vote he may be called upon to take or influence that he may be able to exert on any decision whatsoever that the Board of Directors may be called upon to make.

19. In performing his duties, a director may not do business with a person who has ceased being a director of the Société for less than one year if the person is acting on behalf of others with respect to a procedure or other operation to which the Société is a party and about which this person holds information that is not public knowledge.

20. Upon ceasing to perform his duties, no director shall disclose any information that is not public knowledge regarding the Société or another organization or enterprise with which it had significant direct relations during the year preceding the cessation of his duties.

In the year following this date, he is forbidden from acting for or on behalf of others with respect to a procedure, negotiation or other operation to which the Société is a party and about which he holds information that is not public knowledge.

21. A director shall collaborate with the Chair of the Board or of the committee when requested to do so.
22. A director who intends to run as a candidate for an elected position shall inform the Chair of the Board of it.

The Chair of the Board or the president and chief executive officer with the same intention shall inform the secretary general of the Executive Committee and the relevant authority of it.

Section 5 – Disclosure and Abstention

23. The disclosure required under article 13 is made:
- where the contract or matter in question is discussed; or
 - after the director who had no interest in the contract or matter in question acquires one.
24. A director shall make the disclosure required under article 13 as soon as he becomes aware of a contract described in this article and which, in the normal course of business of the Société, does not require the approval of the directors.

25. Articles 12, 13, 15, 16, 17, 18, 23 and 24 shall also apply when the interest in question is held by a member of the director's immediate family.

26. A director shall remit to the secretary of the Société, within 30 days of his appointment and on March 31 of every year he remains in office, a statement in the form prescribed by Schedule 3 containing the following information:

- a) statement of conformance with the provisions of the Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis;
- b) the name of any legal person, related enterprise, enterprise operating in the same business segment or private or public company in which, to the best of his knowledge, his immediate family or he holds shares, debt, securities or any other form of pecuniary interest in for-profit or not-for-profit legal persons;
- c) the name of any legal person, related enterprise, enterprise operating in the same business segment or private or public company for which his spouse or he holds an employee's, director's or officer's position or any analogous position or other interest in for-profit or not-for-profit legal persons; and
- d) the name of any legal person, related enterprise, enterprise operating in the same business segment or private or public company in which he holds other interests which bind him to a legal person and which could be seen as liable to influence his assessment of items submitted to the Board regarding the legal person.

A director to whom the provisions of paragraphs 26 a) to d) do not apply shall make a statement to that effect and remit it to the secretary of the Société.

A director shall also produce such a statement in the 30 days of any significant change in its content.

Statements remitted under this article shall be deemed confidential and treated accordingly.

27. The secretary of the Société shall keep available to the directors and the committee the statements received in application of articles 5 and 26. In addition, the secretary of the Société shall advise the Chair of the Board and the Committee of any failure to meet the obligations specified in this Code as soon as he becomes aware of it.

Section 6 – Directors Appointed to Other Boards

28. A person appointed by the Société to perform the duties of director with another organization or enterprise (hereinafter the "appointee") shall be bound by the ethical principles and rules of conduct under the law, the Regulation and this Code, as well as those set forth in the code of ethics and professional conduct of such organization or enterprise. In case of discrepancy, the more stringent principles and rules shall apply.

29. During his tenure as a Board member, the appointee shall be entitled only to the corresponding compensation. This compensation shall not include, even in part, cash benefits such as those made possible by profit sharing based on changes in stock value or on investment in capital stock of the enterprise. However, any compensation awarded to the president and chief executive officer of the Société shall be paid directly to the Société.

30. Without prejudice to confidentiality agreements and the duty to act with honesty and loyalty and, more generally, commitments of the same nature under the Act and the code of ethics of the organization or enterprise in which the appointee performs the duties of a director, the appointee shall inform the Société of any issue raised on the agenda of a board of directors' meeting of the organization or enterprise that may have a significant impact on the finances, reputation or operations of the Société.

The appointee shall inform the Société of any such issue within a reasonable time, prior to the directors' vote on the issue.

Section 7 – Exemptions

31. This code does not apply to the following:

- a) the holding of interests through a mutual fund in whose management the director does not take part directly or indirectly;
- b) the holding of interests through a blind trust on whose composition the beneficiary has no right of review;
- c) the holding of the minimum number of shares required in order to be eligible as a director of legal person, provided it is not an enterprise operating in the same business segment;
- d) an interest which, by its nature and scope, is common to the population in general or to a particular sector in which the director or officer is involved;
- e) a directors liability insurance policy; the holding of securities issued or guaranteed by the Société, a government or a municipality with conditions that are identical for all; and
- f) the holding of securities in a publicly traded company or a private company, other than a related enterprise or an enterprise operating in the same business segment, which correspond to less than 5% of this category of securities of this company.

Section 8 – Disciplinary Process

32. The Committee shall see to the application of this Code, interpret its provisions and ensure the directors' compliance with the principles of ethics and rules of professional conduct. The Committee has a mandate to:

- a) give advice and support to the Société and any director faced with a situation that he deems to be a problem;
- b) deal with any inquiry about this Code; and
- c) investigate on its own initiative or upon report of any alleged irregularities with regard to this Code.

33. The secretary general of the Société shall maintain archives where shall be kept any statements, disclosures and attestations that must be submitted to him under this Code, as well as reports, decisions and advisories.

34. The Committee may seek or receive advice from external advisors or experts on any matter it shall deem appropriate.

35. The Committee shall preserve the anonymity of complainants, claimants and informers unless they manifestly intend otherwise. It shall not be compelled to reveal any information likely to disclose their identity, unless required by law or the courts.

36. If it has reasonable grounds to believe a director has failed to comply with one of the provisions of this Code, the Committee shall immediately inform the Board and the relevant authority and remit to it a complete copy of his file.

37. Any employee, officer or director of the Société may, on his own initiative, file a complaint with the relevant authority against a director.

38. The complaint shall be dealt with by the relevant authority and, where applicable, sanctions shall be applied against the director at fault, in conformity with the *Regulation respecting the ethics and professional conduct of public office holders*.

Section 9 – Final Provisions

39. This Code of Ethics and Professional Conduct shall come into effect as of the meeting following its adoption by the Board of Directors.

It shall not be retroactive.

Schedule 1

Excerpts from acts and regulations respecting the ethical principles and rules of professional conduct applicable to public office holders

Québec Civil Code (CQLR c. C-1991)

Art. 321. A director is considered to be the mandatary of the legal person. He shall, in the performance of his duties, conform to the obligations imposed on him by law, the constituting act or the by-laws and he shall act within the limits of the powers conferred on him.

Art. 322. A director shall act with prudence and diligence. He shall also act with honesty and loyalty in the best interest of the legal person.

Art. 323. No director may mingle the property of the legal person with his own property nor may he use for his own profit or that of a third person any property of the legal person or any information he obtains by reason of his duties, unless he is authorized to do so by the members of the legal person.

Art. 324. A director shall avoid placing himself in any situation where his personal interest would be in conflict with his obligations as a director.

A director shall declare to the legal person any interest he has in an enterprise or association that may place him in a situation of conflict of interest and of any right he may set up against it, indicating their nature and value, where applicable. The declaration of interest is recorded in the minutes of the proceedings of the board of directors or the equivalent.

Art. 325. A director may, even in carrying on his duties, acquire, directly or indirectly, rights in the property under his administration or enter into contracts with the legal person.

The director shall immediately inform the legal person of any acquisition or contract described in the first paragraph, indicating the nature and value of the rights he is acquiring, and request that the fact be recorded in the minutes of proceedings of the board of directors or the equivalent. He shall abstain, except if required, from the discussion and voting on the question. This rule does not, however, apply to matters concerning the remuneration or conditions of employment of the director.

Art. 326. Where the director of a legal person fails to give information correctly and immediately of an acquisition or a contract, the court, on the application of the legal person or a member, may, among other measures, annul the act or order the director to render account and to remit the profit or benefit realized to the legal person.

The action may be brought only within one year after knowledge is gained of the acquisition or contract.

Regulation respecting the ethics and professional conduct of public office holders (CQLR c. M-30, r. 1)

Chapter II – Ethical Principles and General Rules of Professional Conduct

4. Public office holders are appointed or designated to contribute, within the framework of their mandate, to the accomplishment of the State's mission and, where applicable, to the proper administration of its property.

They shall make their contribution in accordance with law, with honesty, loyalty, prudence, diligence, efficiency, application and fairness.

5. In the performance of his duties, a public office holder is bound to comply with the ethical principles and the rules of professional conduct prescribed by law and by this Regulation, as well as the principles and rules set forth in the code of ethics and professional conduct applicable to him. In case of discrepancy, the more stringent principles and rules shall apply.

In case of doubt, he shall act in accordance with the spirit of those principles and rules. He shall, in addition, arrange his personal affairs in such a manner that they cannot interfere with the performance of his duties.

A public office holder is bound by the same obligations where, at the request of a government agency or corporation, he performs his duties within another government agency or corporation, or is a member thereof.

6. A public office holder is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

7. In the performance of his duties, a public office holder shall make decisions regardless of any partisan political considerations.

8. A chairman of the board of directors, a chief executive of an agency or corporation and a full-time public office holder shall demonstrate reserve in the public expression of their political opinions.

Schedule 1

9. A public office holder shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office.

He shall reveal to the agency or corporation within which he is appointed or designated to office any direct or indirect interest that he has in an agency, corporation or association likely to place him in a situation of conflict of interest, as well as any rights that he may asset against the agency or corporation, and shall indicate, where applicable, their nature and value.

A public office holder appointed or designated to an office within another agency or corporation shall, subject to section 6, also reveal any such situation to the authority that appointed or designated him.

10. A full-time public office holder may not, on penalty of dismissal, have a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided that he renounces it or disposes of it promptly.

Any other public office holder who has a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office shall, on penalty of dismissal, reveal the interest in writing to the chairman of the board of directors and, where applicable, shall abstain from participating in any deliberation or any decision pertaining to the agency, corporation or association in which he has that interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

This section does not prevent a public office holder from expressing opinions about conditions of employment applied at large within the agency or corporation and that could affect him.

11. A public office holder shall not treat the property of the agency or corporation as if it were his own property and may not use it for his own benefit or for the benefit of a third party.

12. A public office holder may not use for his own benefit or for the benefit of a third party information obtained in the performance or during the performance of his duties.

That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

13. A full-time public office holder shall perform exclusively the duties of his office, except where the authority having appointed or designated him also appoints or designates him to other duties. Notwithstanding the foregoing, he may, with the written consent of the chairman of the board of directors, engage in teaching activities for which he may be remunerated or in non-remunerated activities within a non-profit organization.

The chairman of the board of directors may likewise be so authorized by the Secretary General of the Conseil exécutif. However, the chairman of the board of directors of a government agency or corporation that holds 100% of the shares of a second government agency or corporation is the authority who may give such an authorization to the chairman of the board of directors of that second agency or corporation.

14. A public office holder may not accept any gift, hospitality or other advantage, except what is customary and is of modest value.

Any other gift, hospitality or advantage received shall be returned to the giver or shall be remitted to the State.

15. A public office holder may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for himself or for a third party.

16. In the decision-making process, a public office holder shall avoid allowing himself to be influenced by offers of employment.

17. A public office holder who has left public office shall conduct himself in such a manner as not to derive undue advantages from his previous service with the agency or corporation.

18. It is prohibited for a public office holder who has left public office to disclose confidential information or to give anyone advice based on information not available to the public concerning the agency or corporation for which he worked, or concerning another agency or corporation with which he had a direct and substantial relationship during the year preceding the end of his term of public service.

Within one year after leaving office, a public office holder shall not act for or on behalf of anyone else in connection with a proceeding, negotiation or other transaction to which the agency or corporation that he served is a party and about which he has information not available to the public.

A public office holder of an agency or corporation referred to in the second paragraph may not, in the circumstances referred to in that paragraph, deal with a public office holder referred to therein for one year following the end of his term of public service.

19. The chairman of the board of directors shall ensure that the public office holders of the agency or corporation comply with the ethical principles and rules of professional conduct.

Chapitre III – Political Activities

20. A full-time public office holder, the chair of a board of directors and the chief executive officer of an agency, body or enterprise who intends to run for election to an elective public office shall so inform the Secretary General of the Conseil exécutif.
21. The chair of a board of directors or a chief executive officer of an agency, body or enterprise wishing to run for election to an elective public office shall resign from his position.
22. A full-time public office holder wishing to run for election to the National Assembly, the House of Commons of Canada or another elective public office whose functions will probably be performed on a full-time basis shall request, and is entitled to, leave without remuneration, from the day on which he announces that he is a candidate.
23. A full-time public office holder wishing to run for election to an elective office whose functions will probably be performed on a part-time basis, but whose candidacy may make it impossible for him to demonstrate reserve as required, shall apply for, and is entitled to, leave without remuneration from the day on which he announces that he is a candidate.
24. A full-time public office holder who is granted leave without remuneration in accordance with section 22 or 23 is entitled to return to his duties no later than on the thirtieth day following the final date for nominations, if he is not a candidate, or, where he is a candidate, no later than on the thirtieth day following the date on which a person other than he is declared elected.
25. A full-time public office holder whose term of office is of fixed duration, who is elected to a full-time public office and who agrees to his election shall immediately resign from his position as a public office holder.
- A full-time public office holder who is elected to a part-time public office shall, where that office may make it impossible for him to demonstrate reserve as required, resign from his position as a public office holder.
26. A full-time public office holder who is elected to a part-time public office shall, where that office may make it impossible for him to demonstrate reserve as required, resign from his position as a public office holder.

Chapitre IV – Remuneration

27. A public office holder shall be entitled, for the performance of his duties, solely to the remuneration related to those duties. Such remuneration may not include, even partially, monetary advantages such as those established, in particular, by a profit-sharing plan based on the variation in the value of shares or on a participation in the capital stock of the enterprise.
28. A public office holder dismissed for just and sufficient cause may not receive a severance allowance or payment.
29. A public office holder who has left public office, who has received or is receiving a severance allowance or payment and who holds an office, employment or any other remunerated position in the public sector during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.
- Notwithstanding the foregoing, where the salary he receives is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.
30. Any person who has received or is receiving a severance allowance or payment from the public sector and who receives a salary as a public office holder during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.
- Notwithstanding the foregoing, where the salary that he receives as a public office holder is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.
31. A full-time public office holder who has left public office, who has received so-called assisted departure measures and who, within 2 years after his departure, accepts an office, employment or any other remunerated position in the public sector shall refund the sum corresponding to the value of the measures received by him, up to the amount of the remuneration received, by the fact of his return to the public sector, during that 2-year period.
32. Sections 29 to 31 do not apply to part-time teaching activities by a public office holder.

33. For the purposes of sections 29 to 31, “public sector” means the agencies, bodies, institutions and enterprises referred to in the Schedule.
- The period covered by the severance allowance or payment referred to in sections 29 and 30 shall correspond to the period that would have been covered by the same amount if the person had received it as a salary in his former office, employment or position.

Chapitre V – Code of Ethics and Professional Conduct

34. The members of the board of directors of each government agency, body or enterprise shall adopt a code of ethics and professional conduct in conformity with the principles and rules established by this Regulation.
35. The code shall establish the ethical principles and the rules of professional conduct of the agency, body or enterprise.
- The ethical principles shall reflect the agency’s, body’s or enterprise’s mission, the values underlying its operations and its general principles of management.
- The rules of professional conduct shall pertain to the duties and obligations of public office holders. The rules shall explain and illustrate those duties and obligations in a concrete manner. They shall in particular cover:
- preventive measures, specifically, rules concerning the declaration of interests held by a public office holder;
 - identification of situations of conflict of interest; and
 - the duties and obligations of public office holders even after they have left public office.
36. Each agency, body or enterprise shall take the necessary measures to ensure the confidentiality of the information provided by public office holders under this Regulation.

Chapitre VI – Disciplinary Process

37. For the purposes of this Chapter, the authority competent to act is the Associate Secretary General for Senior Positions of the ministère du Conseil exécutif where the person concerned is the chair of the board of directors, a public office holder appointed or designated by the Government or a minister.
- The chair of the board of directors is the authority competent to act in respect of any other public office holder.

Notwithstanding the foregoing, the chair of the board of directors of a government agency, body or enterprise that holds 100% of the shares of a second government agency, body or enterprise is the authority competent to act in respect of the chair of the board of directors of that second agency, body or enterprise, except where he himself is its chair.

38. A public office holder accused of a violation of ethics or professional conduct may be temporarily relieved of his duties, with remuneration, by the competent authority, in order to allow an appropriate decision to be made in an urgent situation requiring rapid action or in a presumed case of serious misconduct.
39. The competent authority shall inform the public office holder of the violations of which he is accused, of the possible penalty and that he may, within 7 days, provide it with his observations and, if he so requests, be heard regarding the alleged violations.
40. Where it is concluded that a public office holder has violated the law, this Regulation or the code of ethics and professional conduct, the competent authority shall impose a penalty.
- However, where the competent authority is the Associate Secretary General referred to in section 37, the penalty shall be imposed by the Secretary General of the Conseil exécutif. Furthermore, if the penalty proposed is the dismissal of public office holder appointed or designated by the Government, the penalty may be imposed by the Government only; in that case, the Secretary General of the Conseil exécutif may suspend the public office holder immediately, without remuneration, for a period not exceeding 30 days.
41. The penalties that may be imposed on the public office holder is a reprimand, a suspension without remuneration for a maximum of 3 months or the dismissal.
42. Any penalty imposed on a public office holder, as well as the decision to temporarily relieve him of his duties, shall be in writing and give the reasons therefor.

Schedule 2

Declaration of adherence to the Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis

I, the undersigned, _____, domiciled and residing at _____, in the city of _____, Province of Québec, Director of the Société québécoise du cannabis, declare that I have read the Code of Ethics and Professional Conduct for Directors of the Société québécoise du cannabis adopted by the Board of Directors on November 15, 2018, and understand its meaning and scope. I hereby declare myself bound by each of its provisions as if it were a contractual obligation on my part toward the Société québécoise du cannabis.

Signed in _____, on _____

Director

Schedule 3

Declaration of Interest Statements

(In conformance with article 26 of the Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis)

I, _____, a member of the Board of Directors of the Société québécoise du cannabis, declare the following interests:

1. Shares, debt, securities or any other form of pecuniary interest which, to the best of my knowledge, my immediate family or I hold in for-profit or not-for-profit legal persons ^{1,2} or which form a significant part of my holdings or of the holdings of my immediate family and could be liable to influence my assessment of items submitted to the Board regarding these legal persons.			
Name of the legal person	Amount of the interests	Description (e.g. shares)	Approximate value of the interest or percentage of holdings

My immediate family and I do not hold interests corresponding to this statement.

- Treasury bonds or monetary instruments and government (federal and provincial) bonds are not considered as interests in a legal person.
- Art. 31 para. fj: "... does not apply to ... the holding of securities in a publicly traded company or a private company, other than a related enterprise or an enterprise operating in the same business segment, which correspond to less than 5% of this category of securities of this company."

2. Employee's, director's or officer's position or any analogous position or other interest which my immediate family or I hold in for-profit or not-for-profit legal persons	
Name of the legal person	Position title or nature of the interests

My immediate family and I do not hold interests corresponding to this statement.

3. Other interests which connect me to a legal person and could be perceived as potentially influencing my assessment of items submitted to the Board affecting that legal person	
Name of the legal person	Nature of the interest

I do not hold any interests corresponding to this statement.

Signed in _____, on _____

Member of the Board of Directors

Social
Responsibility

Report

2023

It is with
pride

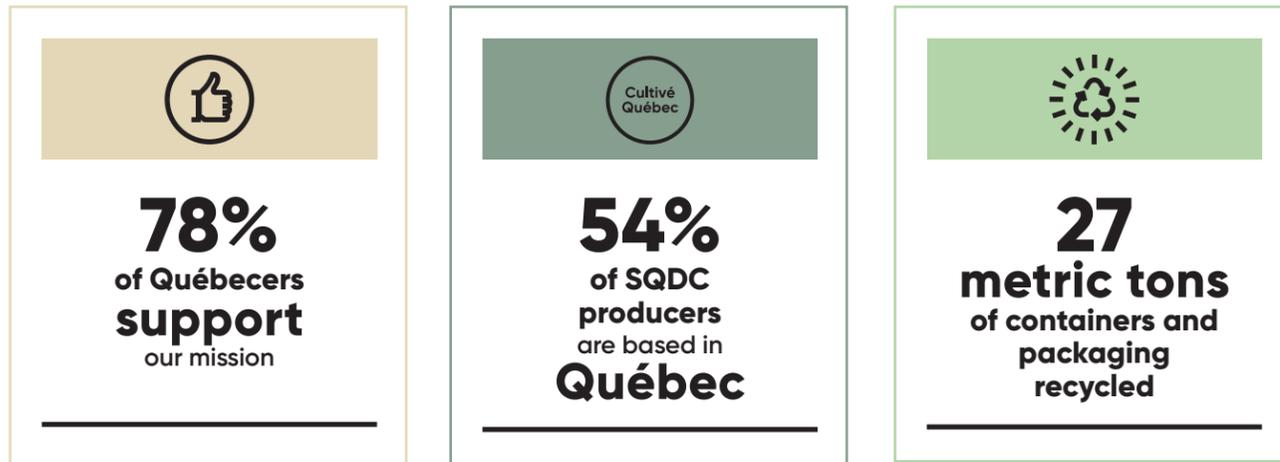
that the Société québécoise
du cannabis presents
the results of its third
Social Responsibility
Report, bringing to an end
the cycle of its very first
Social Responsibility Plan.

Building a
responsible
industry



▲
Amélie Robillard
Business Partner
People and Culture

Alexandre Ouellet
Director,
Supply Chain



The Société québécoise du cannabis (SQDC) reached a significant milestone when it introduced its first Social Responsibility Plan in 2020. Over the ensuing three years, the government corporation has laid a solid foundation for its corporate social responsibility (CSR) efforts. It has implemented mobilizing projects involving all its employees and numerous stakeholders in the cannabis industry. In fiscal 2022-2023, the company is proud to have reached 10 of the 13 objectives it set for itself in its CSR plan and, what's more, it is keen to continue building on this momentum. The report presented in the following pages highlights the results of the work the company has accomplished in social responsibility. It bears witness to the SQDC's leadership and to its significant contribution to the responsible development of a cannabis retailing industry focused on health, ethics, community and the environment.

The SQDC is especially pleased that 78% of Québécois express support for its mission, proud that 54% of the producers it deals with are Québec-based and delighted to have recovered more than 27 metric tons of the cannabis product packaging and containers purchased from it, which are now recycled by a new Québec-based partner. Through these accomplishments, the SQDC has proved its commitment to acting responsibly on every front and shown that its teams are working daily to do exactly that.

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Health

Our sales approach is based primarily on educating and informing. We guide customers toward responsible use and we open stores in collaboration with the communities concerned. We also work closely with health sector organizations and take their concerns into account. Any profits generated by our business are used to fund initiatives in cannabis education and research and preventing the adverse effects of cannabis use.

Objective	Indicator	2023 target	2023 result
Continue training our employees so they can educate customers about responsible cannabis use	Percentage of employees who receive training on responsible use	100%	100% 

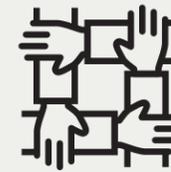


Year in, year out, employee training remains a priority for the SQDC. Being in close contact with customers, our teams play a key role in carrying out the company's mission by providing customer guidance focused on responsible cannabis use. The training given to each new member of the SQDC team informs them about cannabis and its components, effects, methods of use and associated risks. The training also includes a number of situational simulations to prepare store network employees for dealing with customers' constantly changing questions and the situation on the ground.

All store employees are required to take yearly refresher training. A minimum grade of 80% on each module is needed to pass. This year, the program was updated slightly to reflect the changing state of knowledge in the field.

Generating content for our internal communication platforms is another way to keep our teams up-to-date about topics ranging from cannabis production and the products we sell to what constitutes responsible use. As a result, a number of articles were published on internal channels this year and a virtual library of training modules was made available for easy reference at all times.

Objective	Indicator	2023 target	2023 result
Develop and maintain relations with health-sector stakeholders	Number of stakeholders met during the year	6 stakeholders	6 stakeholders 



Collaborating with our stakeholders is crucial to carrying out our mission. Developing and maintaining relationships with them helps us better understand the issues surrounding cannabis. In fiscal 2022-2023, we met with six new health sector stakeholders. We also consulted extensively with several of our stakeholders during the development phase of our new strategic plan.

In addition, to engage with other organizations in our ecosystem, representatives from our teams were active this year as speakers at events focusing on business, packaging, online retailing and leadership.

Objective	Indicator	2023 target	2023 result
Contribute to advancing knowledge on the health and social impacts of cannabis	Number of Board Health Protection Committee meetings held during the year	2 meetings	5 meetings 



In fiscal 2022-2023, the Board of Directors' Health Protection Committee (HPC) met five times. The committee is comprised of five independent members with complementary skill sets in public health and related fields. Topping the HPC's priorities is ensuring that the SQDC acts in accordance with its mission at all times and thus that the government corporation's strategies and resources enable it to capture illegal market share while remaining focused on protecting users' health.

This year, the committee studied aspects of the new product selection process, accessibility to services, competition with the illegal markets and the information provided to SQDC customers. The discussions allowed SQDC management to continue evolving these processes on a continuous improvement basis.



Ethics

Our ethical principles shape our organizational culture and guide us to act responsibly. Our sense of ethics informs all our decisions, including those relating to users' health, human resources management and our procurement practices.



Ethics

Objective	Indicator	2023 target	2023 result
Maintain the sales ethic	Percentage of security guards and advisors having received sales ethic training	100%	100%



At the SQDC, adhering to the principles of our sales ethic takes several forms, including not allowing people under 21 years of age or whose behaviour is obviously affected by drugs or alcohol to enter our stores or buy cannabis from us. The same applies to those who attempt to purchase products on their behalf.

Putting these principles into practice is closely tied to the health protection mandate that is an integral part of our mission. This is why, year after year, we ensure all our employees and all the security guards at our stores have the knowledge required to put them into effect.

Objective	Indicator	2023 target	2023 result
Increase and sustain employee commitment while attracting and retaining talent	Overall employee satisfaction level	75%	81%



Every year, the SQDC conducts an employee experience survey to obtain feedback from all its teams. This very important process helps it determine which areas to prioritize to increase and maintain team members' commitment and satisfaction.

One of the main findings of the 2021-2022 survey was that employees would like more personal development opportunities and ways to influence the company's decision-making and orientation-setting processes. With that in mind, we continued implementing the *Cultiver les talents* organizational development initiative, which encompasses all the SQDC's personal and professional development programs for employees. Since its launch in 2021, more than 50 managers from more than half of our store network were trained through the *Propulsion* leadership development course created in collaboration with the Université de Sherbrooke's Centre Laurent Beaudoin. Other initiatives, such as *Le micro est à toi*, allow employees to suggest topics for educational articles to be published on the SQDC's internal platform. In addition, the *Modèles de leadership* series spotlights leaders in every part of the company and provides examples of career paths that exemplify the SQDC's four core values. *Les Sommités*, our main recognition activity, let us applaud the outstanding commitment of several key members of the company; a total of 23 employees formed the 2023 *Sommités* cohort. Lastly, the contribution appreciation program allowed employees to continue their personal and professional development on a continuous basis.

According to the results of our 2022-2023 survey, the overall satisfaction level of SQDC employees was 81% this year. These results will guide the government corporation in developing its future initiatives for strengthening team members' commitment and defining an employer brand that is meaningful to them.

Objective	Indicator	2023 target	2023 result
Provide employees with a healthy, safe workplace	Percentage of stores setting up an OHS committee during the year	100%	76% ¹
	Number of OHS committee meetings held during the year	3 meetings	1.16² meetings



1. For the indicator regarding the percentage of stores having set up an OHS committee, stores that opened their doors after January 1, 2023, were excluded from the calculation in order to give them sufficient time to form one.
2. For the indicator based on the number of annual meetings, only stores that were open during all of fiscal 2022-2023 were considered.

The percentage of SQDC stores having an occupational health and safety (OHS) committee this year is 76%, a level similar to last year's. On the other hand, the number of committee meetings at which members had the opportunity to discuss OHS issues and best practices fell slightly, to an average of 1.16 meetings per store. It should be noted that the stores on strike during the year were excluded from this calculation.

Alongside these meetings, store managers also continued conducting semi-annual prevention inspections of the workplace. These identified areas of non-compliance so that necessary corrective action could be taken. In addition, to ensure compliance with current OHS laws and regulations, first-aid training was offered to employees throughout the retail network and at head office.

To help maintain team members' overall health, the SQDC again provided its team members with an employee and family assistance program (PAEF). The PAEF gives them access to an online platform that includes a plethora of resources supporting their well-being and provides financial advice and guidance regarding their physical health, work and much more. As a complement, employee access to Dialogue online telemedicine services was also renewed. The government corporation also made it possible for employees to attend an online lecture on stress management presented by Dr. Sonia Lupien. Providing information and other resources for better understanding and managing stress, the lecture will remain accessible to all team members for a full year.

Objective	Indicator	2023 target	2023 result
Put in place a responsible procurement process (goods and services)	Percentage of contracts incorporating eco-responsible criteria	50%	60% 



This year, we continued our efforts to integrate responsible criteria into our procurement process for goods and services not offered for resale. Due to, among other things, the inclusion of our general CSR clause, which allows us to evaluate suppliers' sustainable development practices, 60% of our contacts now include eco-responsible criteria.

The SQDC took the necessary steps to implement a new approach to monitoring responsible procurement performance, which came into effect in April 2023. The Québec government's Bureau de coordination de développements durable (BCDD) published a responsible procurement indicator guide to support public organizations in monitoring their responsible procurement process. The SQDC committed to using this new methodology to monitor its performance. During the year, the new indicators were added to our acquisition monitoring and management platform, ensuring we will be ready to implement the new method. We also met with a number of our current suppliers to inform them about this new responsible acquisition monitoring method. Training will be provided in early fiscal 2023-2024 so that the SQDC's internal teams will be adept at using these new indicators when they come into effect.

In response to BCDD directive 626-2022, the SQDC put in place a process for evaluating the sustainability of its new organizational policies. Though no new policies were developed this year, the SQDC is now prepared to use the tools made available by the BCDD to assess the sustainability of future policies applicable to the entire company.

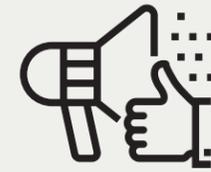


Community

Our commitment to the community is evident in our steadfast dedication to our mission of selling cannabis with a focus on health protection. It can also be seen in our efforts to encourage the local economy.

Community

Objective	Indicator	2023 target	2023 result
Raise awareness of the SQDC's mission and relevance	Level of public support for the SQDC's mission	75%	78%



For the third year running, the SQDC surveyed the general public to measure changes in Québécois' perception of cannabis legalization and the SQDC. In fiscal 2022-2023, 78% of respondents said they had a favourable view of the SQDC's mission of selling cannabis in conformance with the *Cannabis Regulation Act* and with a focus on health protection in order to attract and retain users from the illegal cannabis markets, albeit without encouraging use.

The result is identical to last year's, indicating that the social acceptability of the current model of a government corporation handling the distribution and sale of cannabis has stabilized among Québécois. The SQDC is actively continuing its efforts to communicate and explain its mission in its corporate communications and online through its digital platforms.

Objective	Indicator	2023 target	2023 result
Give a preferred place to Québec-grown cannabis to encourage the local economy	Percentage of cannabis produced by SQDC suppliers that is grown in Québec	40%	41%
	Québec-based producers as a percentage of all SQDC producers	20%	54%



The SQDC is committed to collaborating with current and prospective suppliers that have their head office or production facilities in Québec. This is most apparent in the close business relationship we have developed and maintained with the Association québécoise de l'industrie du cannabis (AQIC). The company held many meetings with the AQIC during the year to centralize communications with the industry and obtain its input on various subjects. Several initiatives have grown out of this collaboration, most notably the adoption of a category management approach.

In fiscal 2021-2022, the SQDC officially launched its Québec Grown identifier, which makes it easy for customers to know which products are mostly grown in Québec. Throughout the financial year, we continued efforts with our Québec-based partners to extend use of the identifier and expand the offer of products bearing it. As at March 25, 2023, no less than 41% of the cannabis products in the SQDC catalogue bear the identifier while 54% of all SQDC producers have their head office in Québec.

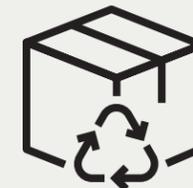


Environment

As a responsible company, we strive to set an example when it comes to the environment. We evaluate our processes using eco-responsible criteria and take concrete action to reduce our ecological footprint.

Environment

Objective	Indicator	2023 target	2023 result
Reduce the environmental footprint of our containers and packaging	Percentage of products sold at the SQDC meeting eco-responsible criteria	70%	57%



The environmental footprint of containers and packaging is a major issue for the cannabis industry. That is why the SQDC works with all its suppliers to equip them with the tools for facilitating their transition to more eco-responsible packaging. This will enable them to play an active role in developing a more environmentally friendly industry.

In fiscal 2022-2023, the SQDC continued meeting with the Table de concertation sur les contenants et emballages écoresponsables, an issue table on eco-responsible containers and packaging. More specifically, Table members were consulted on which CSR issues to consider when developing the SQDC's next CSR plan. At a subcommittee meeting, Table members also took part in discussions around extending our eco-responsible criteria to new categories of cannabis products.

This year once again, the SQDC collected data from all its suppliers to determine the number of products sold that meet at least two of its four eco-responsible criteria. In fiscal 2022-2023, 57% of the products offered for sale by the SQDC were considered eco-responsible, a big jump from the preceding years (32.49% last year and 15.58% in fiscal 2020-2021). It should be noted that, this year, the SQDC added compliance with eco-responsible packaging criteria to the other product selection criteria in its planogram.

Although we fell short of our ambitious objective of 70%, we are proud of the efforts made by our suppliers and will encourage them to continue transitioning toward greater eco-responsibility.

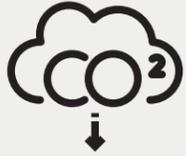
Objective	Indicator	2023 target	2023 result
Manage residual materials	Percentage of stores having implemented a used container and packaging recovery initiative	70%	100% 



Confirming the popularity of its container and packaging recovery initiative with customers, the SQDC moved forward with implementing and maintaining it throughout the store network. Since October 2022, the company has carried out this initiative in collaboration with a new Québec-based partner, Go Zero, which recovers rigid and flexible plastic for shipment to recycling.

Through this initiative, which is complementary to selective collection (curbside recycling), the SQDC is helping to limit the amount of waste sent to landfill. In fiscal 2022-2023, some 27 metric tons of cannabis product containers and packaging were recovered through the program.

Toward the end of fiscal 2021-2022, the SQDC launched an initiative to recover procedure masks worn by its employees. Carried out in collaboration with MultiRecycle, the project resulted in the recovery of 197 kg of masks, the equivalent of 40,000 units.

Objective	Indicator	2023 target	2023 result
Measure our buildings' GHG emissions	Metric tons of GHG emitted	Annual report published and 2024 target set	Annual report published
	<p>For the third year running, the SQDC quantified its greenhouse gas (GHG) emissions.</p> <p>Direct emissions (scope 1) include emissions related to the use of natural gas in stores and leaks of refrigerant gas from air-conditioning units. Indirect emissions (scope 2) include emissions related to the production of the electricity used in stores. This latest inventory of GHG emissions covered the period from January 1 to December 31, 2022.</p> <p>The SQDC plans to reach the Québec and Canadian objective of zero carbon emissions by 2050. The government corporation should even be able to establish a reduction target based on a shorter time frame once it has more data on the other indirect emissions (scope 3).</p>		

Objective	Indicator	2023 target	2023 result
Outfit buildings eco-responsibly	Percentage of stores integrating eco-responsible design criteria	100%	100% 
	<p>When constructing new stores, the SQDC's Real Estate team continues to take eco-responsible design criteria into account. Each of the SQDC stores opened in fiscal 2022-2023 meets at least 10 of our 15 eco-responsible criteria. For example, the fixtures and furnishings in all our stores are made from Forest Stewardship Council-certified wood and use materials, including paint, adhesives and putties, with low volatile organic compound (VOC) emissions. On average, SQDC stores satisfy 12 of the 15 criteria.</p> <p>In fiscal 2022-2023, the SQDC worked with Entraide Agapè to give a second life to the fixtures and furnishings from the store relocated this year. The counters of the former point of sale were taken by the organization for conversion into a sorting station in its waste recovery centre.</p>		

Summary of Results Social Responsibility Report 2022-2023

Health	Indicators	2023 target	2023 result
①	Percentage of employees who receive annual training on responsible use	100%	100% 
②	Number of Board Health Protection Committee meetings during the year	2 meetings	5 meetings 
③	Number of new stakeholders met during the year	6 stakeholders	6 stakeholders 

Ethics	Indicators	2023 target	2023 result
①	Percentage of security guards and advisors having received sales ethic training	100%	100% 
②	Overall employee satisfaction rate	75%	81% 
③	Percentage of stores setting up an OHS committee during the year	100%	76%
	Number of OHS committee meetings held per store during the year	3 meetings	1,16 meetings
④	Percentage of contracts incorporating eco-responsible criteria	50%	60% 

Community	Indicators	2023 target	2023 result
①	Level of public support for the SQDC's mission	75%	78% 
②	Percentage of cannabis produced by SQDC producers that is grown in Québec	40%	41% 
	Québec-based producers as a percentage of all SQDC producers	20%	54% 

Environment	Indicators	2023 target	2023 result
①	Percentage of products sold at the SQDC that meet eco-responsible criteria	70%	57%
②	Percentage of stores having implemented a used cannabis container and packaging recovery initiative	70%	100% 
③	Metric tons of greenhouse gases emitted	Annual report published and 2024 target set	Annual report published
④	Percentage of SQDC stores integrating eco-responsible design criteria	100%	100% 

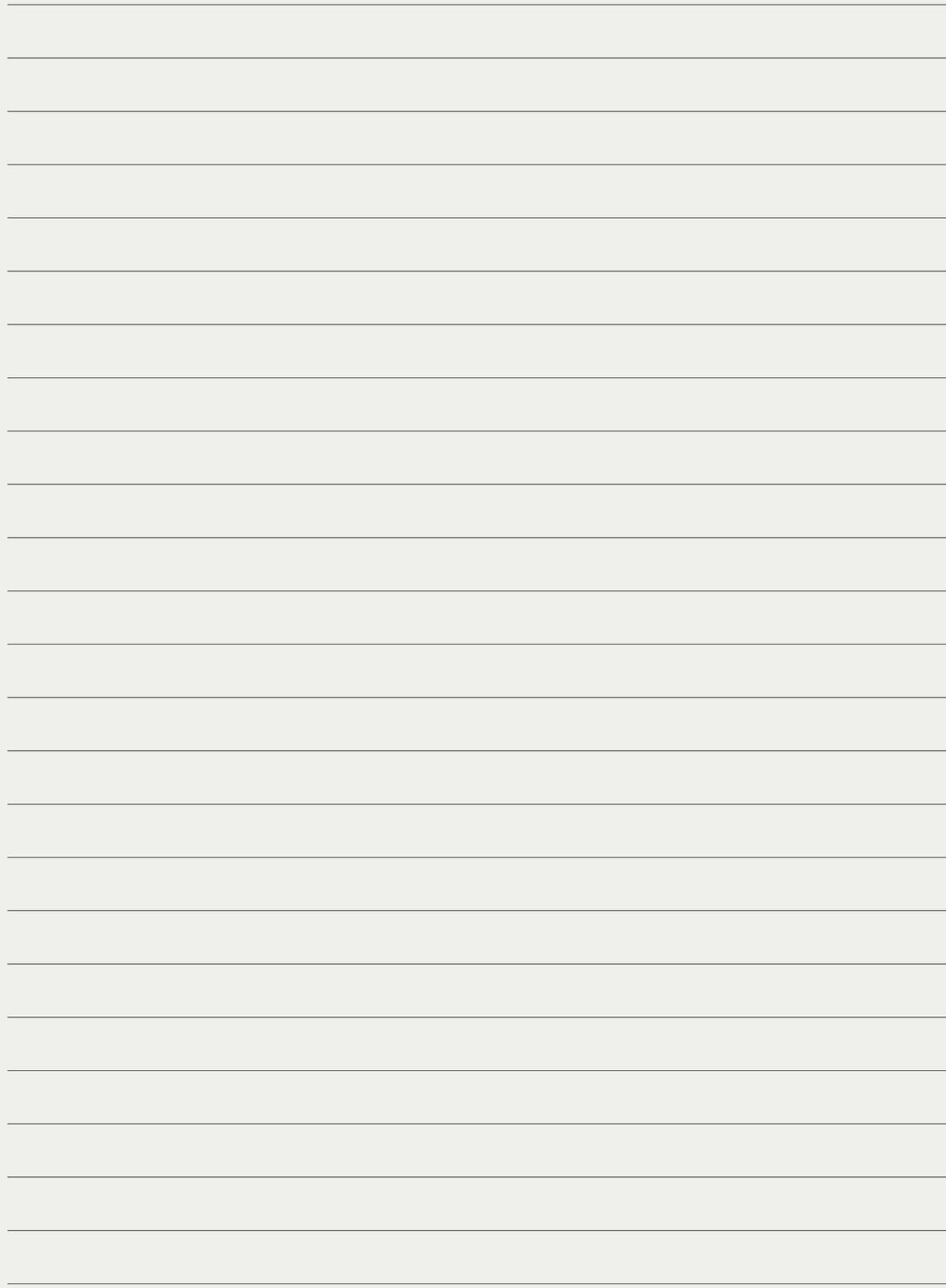


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In this document, the generic masculine is used solely to facilitate reading and without discriminatory intent.

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