

For  
responsible  
consumption



Annual Report  
2022



**109,351 kg**

**Volume of  
cannabis sold**

in fiscal 2021-2022



**\$214.7M**

**paid to the  
Québec treasury**

**2021-2022**

La Société québécoise du cannabis (SQDC) continues to fulfill its mission: at the end of this fiscal year, the company had converted 58.5% of the illegal market. The Québec model of a government corporation focused on protecting users' health can thus be seen as having clear public health and safety benefits in addition to being profitable for Québec society.

In fiscal 2021-2022, the SQDC generated \$75.7 million in comprehensive income from the sale of 109,351 kg of cannabis. Remitted in full to the provincial government, the monies will be used primarily to fund cannabis-related research, education and harm prevention efforts. To these can be added government revenues from operations in the form of excise and consumer taxes, estimated at \$195.4 million (\$139.0 million to Québec and \$56.4 million to Canada). In all, around \$271.1 million will have been paid to the two levels of government, including \$214.7 million to the Québec treasury.

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## Highlights of Fiscal 2021-2022

Year ended March 26, 2022  
(in thousands of Canadian dollars and in kilograms for volume sales)

<b>Financial results</b>	
Sales	600,545
Gross margin	165,691
Net expenses <sup>1</sup>	89,982
Comprehensive income	75,709
<b>Financial position</b>	
Total assets	116,498
Property, plant and equipment, intangible assets and right-of-use assets	71,829
Shareholder's equity	2
<b>Sales by network</b>	
Stores	564,383
SQDC.ca transactional website	36,162
<b>Total</b>	<b>600,545</b>
<b>Sales by product category</b>	
Dried flowers	515,713
	91,740 kg
Other products (oils, sprays, etc.)	84,832
	17,611 kg
<b>Total</b>	<b>600,545</b>
	<b>109,351 kg</b>

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

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



**As the second year of the pandemic draws to an end, the Board of Directors of the Société québécoise du cannabis (SQDC) is pleased with the work it accomplished and the support it provided to the company in taking on the ordeals imposed by the health situation. I want to acknowledge the great resilience shown by the SQDC's teams. Despite the many challenges, they stayed the course and continued to excel in carrying out the company's mission.**

Their combined efforts mean we will pay nearly \$76 million to the Fonds de lutte contre les dépendances, the fund to counter dependencies. The monies will be used primarily to fund the projects of the Fonds de prévention et de recherche en matière de cannabis, the cannabis research and prevention fund. We can be proud of the growth and progress of the SQDC, which acts responsibly toward citizens, its customers and its employees.

The Board of Directors guided and supported management in the ongoing implementation of the company's Strategic Plan 2021-2023. This fiscal year, as we embark on the third and final year of the plan, we have already begun to think about the SQDC's next act.

The year was defined not only by the constant excelling of each of the members of the big SQDC team but also by a renewed determination to maintain the bonds of trust with stakeholders. Among other things, the company held the Forum SQDC, which brought together several partners from the health sector. The event helped the company further raise awareness of its mission and better understand partners' points of view.

I can't avoid mentioning the change in President and Chief Executive Officer that occurred this year. I want to take advantage of this opportunity to note the important role played by Jean-François Bergeron, who helmed the company with determination and vision from the moment cannabis was legalized in 2018 until May of last year. The SQDC wouldn't be what it is today without his significant involvement. Special thanks go to Paul Furfaro, Vice-President, Customer Support and Operations, who served as Interim President and Chief Executive Officer.

The Board of Directors was deeply involved in the search for a new leader and in supporting the company's growth and development. It appeared clear to us that, driven by a new energy and vision for the organization, Jacques Farcy would be able to successfully head the SQDC and transition it from a start-up company to an established organization involved with the society in which it does business. Jacques's leadership, openness to others and ability to rally employees around shared objectives ensure he will advance the SQDC's mission even as preparations for the next strategic plan are getting underway.

I want to express my thanks to all the members of the Board of Directors for their essential contribution to our strategic thinking. In addition, we welcome Jean-Simon Denault, who this year joined the Board as a director. I also thank the members of the SQDC Management Committee for their excellent work and enthusiasm. You personify the company's mission and ensure it is carried out every day.

Lastly, I again want to offer my sincerest thanks to all SQDC employees across Québec. Day after day, they are building what the SQDC is called on to be: an organization working to protect citizens' health.

**Johanne Brunet**  
Chair of the Board of Directors

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



**For all the employees of the Société québécoise du cannabis, fiscal 2021-2022 was a year synonymous with resilience and resolve.**

On taking up my duties on October 11, 2021, I decided to dive straight into our operations. This gave me the opportunity to get to know our teams, operations and customers during a multi-day immersion at several of our points of sale.

Ever since, I've not stopped being impressed by the professionalism of the advisors and managers in this network as well as that of the corporate team. In performing their work, each employee embodies the SQDC's chosen values—responsibility, simplicity, proximity and excelling—the same values that convinced me to join this big family.

It is through the work and dedication of our 1,073 employees that we fulfill our mission: to guide customers every day toward using cannabis responsibly. Our entire team had to overcome the challenges standing in our path this year, once again unusual in more ways than one. Though our ability to adapt was put to the test by the ongoing pandemic, several major milestones for the company were reached. Specifically, we continued expanding our store network, adding 21 new outlets and finally achieving a retail presence in every region of the province. We also improved the services offered on our transactional website increased accessibility, with same-day delivery now available in many new geographic zones.

Whichever division or store they are based in, employees can be proud of the work they perform each year. Due to them, the SQDC's overall sales this fiscal year reached 109,351 kg of cannabis and \$600.5 million, compared with 91,529 kg of cannabis and \$537.2 million for the preceding fiscal year. A total of \$271.1 million was paid to the two levels of government, including all our profit, which will be primarily reinvested in cannabis-related research and prevention efforts and the fight against the harmful effects associated with the use of psychoactive substances.

This year, we once again worked hand in hand with the Ministère de la Santé et des Services sociaux, Ministère des Finances and the Secrétariat du Conseil du trésor, to name only those. We also enjoyed the much-appreciated collaboration of our business partners. Together, we continued making progress toward serving our customers and Québécois' common good, and we did so as part of a unique, well-performing model.

I want to thank the members of our Management Committee for their continued enthusiastic support. I also note the work of our excellent Board of Directors chaired by Johanne Brunet. We are fortunate to enjoy the constant confidence each of its members places in us.

It is the involvement of all our collaborators, as a team, that will allow us together to continue writing the next chapters in the story of the Société québécoise du cannabis, a great company at the service of Québécois.

**Jacques Farcy**  
President and Chief Executive Officer

An enthusiastic senior management team that excels every day to make the SQDC the responsible cannabis benchmark.

# Management Committee



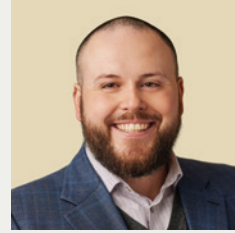
**Jacques Farcy**

President and Chief Executive



**Robert Dalcourt**

Vice-President, Finance



**Paul Furfaro**

Vice-President, Customer Support and Operations



**Geneviève Giroux**

Vice-President, Demand, Product Management and Supplier Relations



**Janique Gravel**

Interim Vice-President, Human Resources



**Éliane Hamel**

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



**Ève Larrivée**

Vice-President, e-Commerce Operations



**Pietro Perrino**

Secretary General and Director, Legal Services and Government Relations



**Harry Raphaël**

Vice-President, Information Technology

I am proud of our management team. In their diversity, the vice-presidents of the Société québécoise du cannabis embody the values that the company has chosen for itself. Each member, as part of the team, guides the SQDC in fulfilling its mission.

**Jacques Farcy**  
President and Chief Executive Officer

# Carry out its mission

Sell cannabis products in compliance with the *Cannabis Regulation Act* and with a focus on health protection in order to attract and retain users from the illegal cannabis market without encouraging use

## 1 By prioritizing its strategic orientations



### Expand the network

Maintain a geographic presence in every region of Québec and provide an effective transactional website so that all Québec consumers age 21 and over have safe access to legal cannabis products.



### Develop a competitive offer

Migrate illegal market users to the legal market by offering a broad range of traceable quality products at competitive prices and providing impeccable customer support.



### Grow responsibly

Act with a focus on protecting Québecers' health by providing advice that favours low-risk use and implementing the best ethical and environmental practices in the industry.

## 2 In line with its values

### Responsibility

The SQDC takes its role seriously and prioritizes customers' health while limiting the impact of cannabis on the community and the environment. Rigorously managing its finances and optimizing its operations so that its profits benefit all Québecers by, among other things, funding cannabis-related research and prevention efforts are a priority.

### Simplicity

Simplify how the company does business and, when a problem does occur, fix it at its source. Every day, the SQDC invents its own ways of working, which are innovative, simple and effective. Efficiency is a key aim at every level of the company. Simply.

### Proximity

Value authenticity, openness and collaboration. Work closely with our partners and show respect for customers and the general public. Listen to others and exercise positive leadership.

### Excelling

Build this new industry boldly and courageously. Passion and a thirst to succeed drive the SQDC to innovate, encourage initiative and give its all each and every time.

## 3 To reach the goal it has set for itself

**Be the benchmark**  
for the responsible cannabis industry



# Review of Activities

Marie-Ève Gravel  
SQDC employee

Catherine Chartier  
SQDC employee



## A year of excelling

Last year, like every other company dealing with COVID-19, the Société québécoise du cannabis (SQDC) had to be extremely adaptable. But fiscal 2021-2022 also demonstrated the company's ability to excel. As excelling is one of the SQDC's four core values, it naturally continued guiding the actions of the company's teams and Management Committee.

Taking on the many challenges that marked the fiscal year (the public health measures imposed, the operating changes advisors had to adjust to, general fatigue among employees and the public), everyone at the SQDC was called on to show resilience and determination.

**A new president**  
ready to start work on the next chapter

And show it they did. Due to the creativity and dedication of its employees, the company made progress on several major fronts:

 **A deployed, consolidated network that enables the Société québécoise du cannabis to carry out its mission**

This year, the SQDC moved forward with its network expansion plan and accessibility initiatives. Besides finally gaining a presence in all of Québec's administrative regions, another step toward greater accessibility, the company implemented its omnichannel retailing strategy, notably by extending its express delivery service to new regions and introducing in-store pick-up. Developing these two distribution channels allows the organization to continue converting the illegal market.

 **An updated product offer and employee training to serve customers better**

At the SQDC, the desire to excel takes several forms, including always striving to serve customers better. That is why the company improved its product catalogue, increasing variety and adding new product categories. Employee training was also reviewed and adjusted throughout the year, partly to update employees on the new product categories and enable them to provide customers with responsible guidance toward lower risk use.

 **A healthy environment conducive to organizational development**

Listening to its employees, the company developed and implemented several programs promoting professional and personal development and the wellness of its teams. These initiatives help make the company a healthy environment that encourages employee betterment at both the individual and collective level.

The fiscal year was also marked by a change in leadership. Appointed President and Chief Executive Officer in October 2021, Jacques Farcy intends—with the professionalism and support of the company's teams—to lead the Société québécoise du cannabis to a new level of growth by more than ever placing customers at the centre of its actions, all while maintaining a focus on health protection.

# Expand the network



	2019-2020	2020-2021	2021-2022
Volume sold (metric tons)	46.9 metric tons	91.5 metric tons	109.4 metric tons
Estimated total volume of cannabis sold in Québec in the legal, illegal and medical markets combined (metric tons) <sup>1</sup>	150 metric tons	173 metric tons <sup>1</sup>	187 metric tons <sup>1</sup>
Estimated market share captured: volume sold at the SQDC as a percentage of the estimated total volume of cannabis sold <sup>1</sup>	31.3%	52.9%	58.5%

1. Annual estimates provided by the Ministère des Finances du Québec.



The Société québécoise du cannabis (SQDC) has been given the mission of converting illegal market customers to its legal and responsible shopping environment. The SQDC is currently the largest cannabis retailer in Canada. According to available estimates, slightly more than 58.5% of the cannabis sold in Québec in fiscal 2021-2022 came from the SQDC.

To carry out its mission, the organization once again counted on improving accessibility to quality cannabis products for its customers and on providing informed guidance to lower the risks associated with use. More specifically, the company invested in developing not only its store network, presence and online services but also its personnel.

## An increasingly mature store network

In fiscal 2021-2022, the Société québécoise du cannabis reached a milestone in its history and in the fulfilment of its mission. Since October 15, 2021, the SQDC has been present in every administrative region of the province, achieving one of the main objectives of its Strategic Plan 2021-2023.

During the year, the company faced issues related to the real estate sector and the COVID-19 pandemic. It nonetheless moved ahead with its expansion plan, opening 21 new stores, bringing the total number of SQDC stores to 87. Though this is slightly under the objective of 90 stores set for 2022 in the strategic plan, the company is confident of reaching its objective of 98 stores open for business in the coming fiscal year.

Now integrated into the company as the Aménagement department, the real estate development team works to make SQDC stores places where the customer and employee experience is optimized. The company has continued its efforts in areas such as signing leases, maintaining the network and designing new stores. The SQDC also worked to improve the comfort of in-store advisors, notably by installing resilient flooring in new stores and improving product storage spaces so stores are better adapted to the expanding product catalogue. During the fiscal year, the company invested \$11.7 million in deploying and optimizing its store network.

Collaborating with municipalities in which the SQDC hopes to open a store is a key part of maintaining and increasing the company's social acceptability. The SQDC works closely with municipal administrations to find possible locations that best meet Québécois' expectations. Of course, everything that is done in full compliance with the requirements of the *Cannabis Regulation Act* regarding the distance to be maintained from educational institutions, including elementary schools, high schools and colleges, and with all municipal by-laws.

Naturally this growth goes hand in hand with developing the company's team members, particularly those in stores. In August 2021, the SQDC passed the milestone of 1,000 employees and ended the year with 1,073 persons on its payroll.

On March 26, the company was in collective bargaining talks with the two unions representing its unionized store employees to renew their agreements. Of the 87 stores that make up the network, 40 are unionized and 47 are not.





### A customer experience built around accessibility

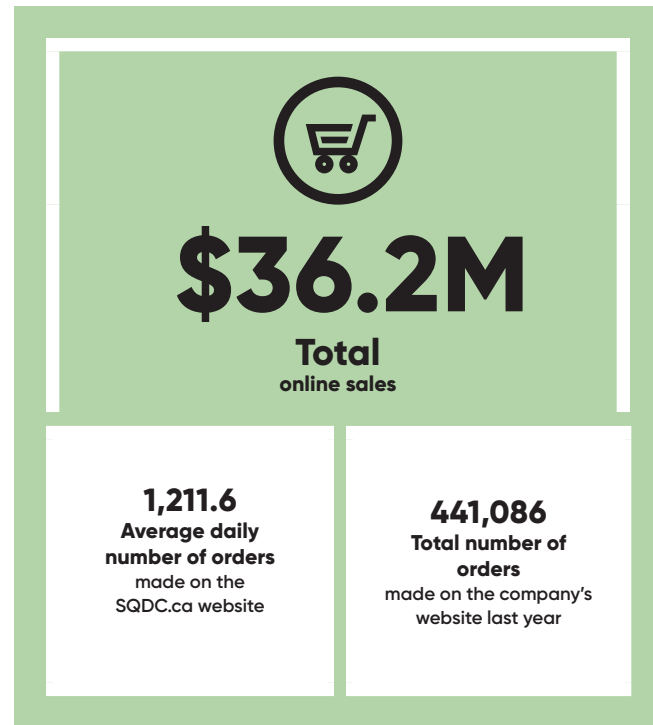
Throughout last fiscal year, the SQDC focused on optimizing the experience it provides to customers.

In September 2021, the company began implementing its omnichannel customer support strategy. This approach, which is behind several structuring projects for the company, aims to optimize the customer journey by providing a fluid, satisfying experience at every point where customers come into contact with the company.

Among the most significant initiatives launched last fiscal year was implementation of a click-and-collect service, which lets customers shop and pay for their order online and reserve it for later pick-up at a store. On March 10, 2022, the service was launched on a pilot project basis in three stores before gradually being extended to the entire network in April. For the SQDC, this is another way to keep its promise of increasing accessibility by providing fast, free and flexible service.

Offering same-day delivery, even in evenings, the express delivery service was available to around 35% of Québécois at the start of the year. The service has since been extended to new cities, including Trois-Rivières, Shawinigan and Québec City. Today, express delivery is an option for 54% of Québécois. In areas where the delivery method has been introduced, 63% of customers have made use of it.

Along the same lines, the SQDC launched a call-and-collect pilot project in four of its stores. By giving customers the option of reserving products by telephone for pick-up later the same day, the company is adding yet another service aligned with the needs and lifestyles of customers on the move. The project is slated to be extended to the entire network early in fiscal 2022-2023.



The SQDC is proud of the quality and reliability of the advisory service provided by its in-store advisors. Seeking to give customers sound guidance across all channels, company teams worked to bring the same kind of service online by adding a chat system to the transactional website. The actions taken to pull this off included recruiting and training a team of chat advisors with experience working in the store network, installing a dedicated workspace in stores and developing a chat tool and integrating it into the company's transactional website. The project will be implemented in the spring of 2022.

Always aiming to offer customers value-added content that leads them to make informed choices about products, SQDC teams devoted considerable effort to content creation. Among other things, the company improved the educational section of its website by adding monthly articles providing advice and information that promotes responsible, lower-risk use. It also incorporated all its educational content into the website's search engine, giving visitors easier access to the information they seek. The information provided for each product on the transactional website was also improved; for example, the Québec Grown identifier now informs customers of the origin of the cannabis products sold at the SQDC. Also, the concentration in mg/g is now provided. The company is proud of customers' overall satisfaction with the online shopping experience, which, at 76%, exceeds the target for 2022 set in the Strategic Plan 2021-2023 by five percentage points.

### Increasingly efficient operations

To continue operating efficiently, safely and responsibly, the SQDC once again demonstrated great agility.

The company complied with all the public health measures imposed in response to the COVID-19 pandemic. It adapted its operations to the government's pandemic directives and guidelines. Among other things, it adjusted the customer capacity at its stores while also working to reduce wait times. It changed its opening hours to comply with the curfews declared in various areas and regions and closed all stores on Sundays, as was required for several weeks. The improving public health situation finally allowed the company to return to its regular opening hours toward year-end.



**Domenico Martello**  
 Manager at the Montréal – Anjou – Autoroute 40 store



**Geneviève Giroux**  
 Vice-President, Demand, Product Management and Supplier Relations



**Renaud Dumouchel-Fournier**  
 Advisor, Social Responsibility

**Laurence Millette**  
 Advisor, Talent Acquisition and Development

**Valérie Lemaire, CPA Auditor, MBA**  
 Financial Controller

**Laurent Jobin**  
 Financial Analyst

The SQDC strengthened the measures in place to protect the health of its employees and customers. This included limiting traffic at store entrances, requiring procedure masks and hand-sanitizing and installing plexiglass panels in front of checkout counters. The temporary imposition of a vaccine passport mandate for customers in early 2022 also necessitated that adjustments be made throughout the store network.

The SQDC is constantly working to optimize its information systems. To improve its business intelligence and better respond to market requirements, the company began using a cloud-based data warehouse. Preliminary work on modernizing store checkout systems was also begun.

The SQDC continued refining its processes to keep operating expenses at a moderate level. It maintained the same delivery method for its stores, namely direct delivery by suppliers, ensuring that outlets are restocked regularly and reliably. Online orders continue to be delivered to customers by trusted partners that pick up the parcels from the logistics services provider and deliver them to the customer's home or nearest postal outlet, always taking care to check that the recipient is of legal age.

### Developing teams and employees: a key focus

Each year, the Société québécoise du cannabis conducts a survey of its employees to better understand their desires, hopes and level of satisfaction. The 2021 edition showed that employees would like more prospects for developing their skills and knowledge in the company. Consequently, time and energy were invested to increase the possibilities for advancement, both personal and collective, at the SQDC and ensure that workplace well-being and work-life balance are encouraged.

**71**  
**promotions**  
 made

In September 2022, the SQDC launched *Cultiver les talents*, a major organizational development initiative that provides a framework for all its personal and professional development programs for team members.

The SQDC encourages and trains for advancement throughout the organization. It creates professional development programs for candidates, particularly candidates for senior management positions. It offers training and support to managers. In addition, the company's vice-presidents took part in the *Défi leadership de l'effet A*, a program aimed at solidifying participants' leadership role.

The resulting programs include *Propulsion*, a leadership development course offered to all managers in the store network. Launched in March 2022, and developed in partnership with the Université de Sherbrooke, this 10-week training program aims to help managers develop key leadership skills they can put to use in their daily lives and transfer to their in-store teams. Seven cohorts of managers will have completed *Propulsion* by the summer of 2023.

The results of another major initiative will be seen early in the 2022-2023 fiscal year: *Appréciation de la contribution* is the new program for recognizing employees' contribution within the company. The program is part of a long-term professional development effort based on a continuous feedback culture.





**403 employees**

**took the test**

and got personalized advice about maintaining their general well being.

### Working to improve employees' health, safety and well-being

Before encouraging the professional and personal development of team members, it is essential to ensure that the environment in which they work is optimal for their mental and physical well-being. This is why the SQDC addresses the issue of workplace health and safety as part of an overall health approach. Besides carrying out twice-yearly preventive inspections of stores to check their ongoing safety and compliance, the company continued or launched several initiatives specifically focused on developing and maintaining mental health.

This year once again, the Société québécoise du cannabis engaged in proactive management of the COVID-19 pandemic, providing a safe, healthy environment to its employees and adapting to the public health rules and procedures imposed by the government.

Among other things, the company encouraged employees to take *Le test qui fait du bien*, a mental and overall health self-assessment tool, during Mental Health Week. On completing the test, each employee received a personalized report containing tips and advice from mental health professionals on how to improve their well-being. Along the same lines, last fall, all employees were able to attend a Web conference on managing change and stress.



**Julien Fortier**  
Lawyer

To advocate a healthy work-life balance, a pillar of workplace well-being, the SQDC continued giving all its employees access to PAEF, its assistance program for employees and their families. The company also promoted physical activity. For example, in June 2021, it organized employees' participation in the online Grand Défi Pierre-Lavoie, training an SQDC group. The accomplishments of the employees involved were recognized.



**Juan Gabriel Saint-Cyr Charles**  
Advisor at the Montréal - Anjou  
- Autoroute 40 store

# Competitive Offer

While maintaining its focus on health protection, the Société québécoise du cannabis aims to convert the illegal market without encouraging use. This strived-for balance is reflected in a catalogue of competitive and responsible products, a consistent pricing strategy that avoids commoditizing cannabis products, and an irreproachable sales ethic.



1. Based on the total market as estimated by the Ministère des Finances.



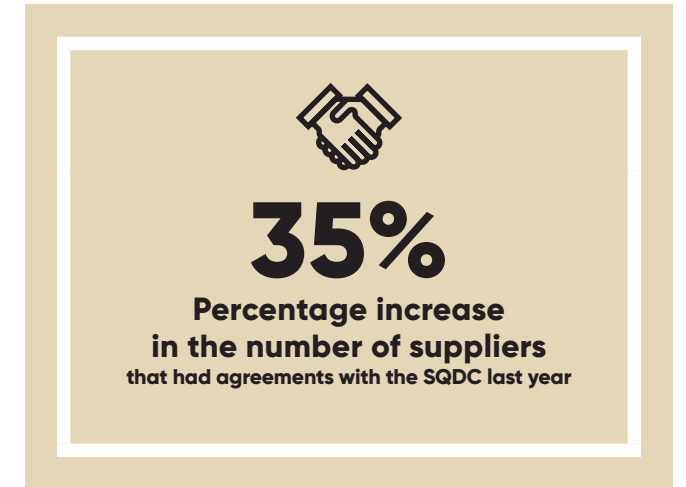
**Francis Rême**  
Advisor at the Montréal – Anjou – Autoroute 40 store



## A relationship with suppliers based on collaboration

With the maturity it has gained and an increasingly substantial product offer from the cannabis industry, the SQDC is today able to hone its product catalogue and bring it increasingly in line with customers' expectations, while also remaining in compliance with its mission.

The company makes a point of maintaining transparent communications with its accredited suppliers, enabling them to orient their product development based on customer needs. This transparency naturally involves establishing and sharing the processes, criteria and constraints the company must deal with when selecting products. The actual selection process has four steps, which were detailed and published last fall. It favours improved execution and planning on both sides of the industry, gives the company a reference structure to provide to suppliers and allows optimal management of the various categories in the product catalogue. Always seeking to increase its efficiency, the SQDC switched from four product selection periods a year to two in fiscal 2021-2022, maintaining its constant efforts to improve the selection process and make it better adapted to suppliers' reality, the company's operating requirements and to fulfilment of the SQDC mission. Major innovations in the product selection process will be introduced in early fiscal 2022-2023.



To better understand the issues facing its business partners and inform them about the challenges it faces, the SQDC met with members of the industry several times during the year. It held meetings with, among others, the Association québécoise de l'industrie du cannabis, which provided an opportunity to hear the concerns and hopes of the association's members. The company also organized two major meetings, dubbed the *Rendez-vous fournisseurs SQDC*, where it updated suppliers on its objectives, recent accomplishments and future projects. In addition, the SQDC is making an effort to give a bigger voice to the smaller suppliers it works with. To that end, it consulted them—especially Quebec-based microproducers—about possible improvements to be made in the product selection process.

**New Product Selection Process**

For responsible consumption

SQDC

Rendez-vous fournisseurs SQDC



**Bernard Pochic**  
Training Advisor

**Emmanuel Joseph Désir**  
Advisor at the Montréal – Anjou  
– Autoroute 40 store

### Updated customer guidance toward responsible use

This year once again, 100% of new store employees took training upon hiring. Designed to enable them to properly guide customers, the training sessions, which run about 20 hours, were developed in collaboration with the Ministère de la Santé et des Services sociaux. The training covers a range of topics relevant to advising customers, including current laws and regulations, product characteristics, immediate effects, risks and contraindications. It also stresses the importance of an impeccable sales ethic.

Employees also take training on a continuous basis to perfect and consolidate their knowledge. To ensure they have, they are required to take a written exam each year.

The guidance that advisors provide to customers in SQDC stores and to those who call the company during business hours is appreciated by consumers. A survey conducted last fall by the Ad hoc firm found the overall satisfaction level among SQDC customers to be 84%, an increase of four percentage points from fiscal 2020-2021 and six percentage points above the annual target set in the company's Strategic Plan 2021-2023.

In addition to the guidance they receive from advisors, customers visiting a Société québécoise du cannabis store have access to product sheets that list the exact level of various cannabinoids contained in the lot as well as the terpenes present and the dominant aromas. Education walls and interactive screens giving visitors access to the SQDC website are also available in the sales area of each store. In all these ways, the SQDC guides customers toward responsible and informed use.



**Marie-Ève Gravel**  
Interim Assistant Manager,  
Communications



### In constant dialogue with citizens

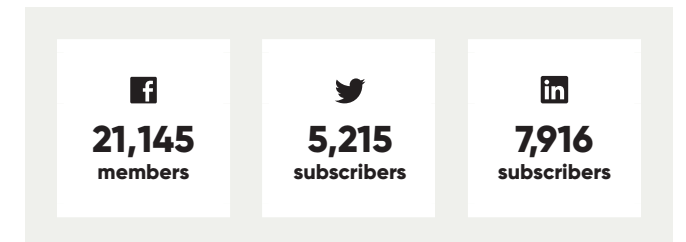
The SQDC's Customer Relations Centre (CRC) allowed the company to provide guidance and support to customers outside the store. The CRC is responsible for answering customer queries by email and telephone and providing the assistance customers need.

This year, the CRC once again redoubled its efforts to deliver courteous, efficient and responsive service to consumers while keeping the average response time as short as possible.

Always aiming to serve customers better and provide answers to more of their questions, the CRC extended its opening hours: instead of being open from 8:30 a.m. to 6 p.m., the schedule was changed in the summer of 2021, allowing customers to contact it from 9 a.m. to 8 p.m. on weekdays and noon to 8 p.m. on weekends.

The CRC replied to 36,205 queries last fiscal year. The most frequent questions and comments concerned orders and deliveries. Customers also inquired about product availability and requested product advice.

A government corporation at the service of the Québec public and its customers, the SQDC maintains contact with both groups through its social media platforms. It maintains a presence on Facebook, LinkedIn and Twitter and offers the communities on these platforms instructive and factual content about the company and low-risk use. It also provides updates on its operations. Among these, the most important, including the publication of the company's financial and annual reports, are disseminated to an even wider audience through news releases.



Alongside the services provided by the CRC, the Société québécoise du cannabis replies to questions and comments from the online community through its social networks.



Mariane Prigent-Bastien  
SQDC employee



At the end of the year, the company launched a brand new virtual meeting place aimed at attracting talent and sparking employee engagement: its LinkedIn Life Page platform. The platform will allow it to, among other things, share value-added content about the company's values and current projects as well as employee profiles. This communication channel will also enhance the SQDC's reputation as an employer and support its recruitment efforts.

**In a phrase? A human, authentic and personalized approach in order to maintain a constant, relevant dialogue with the organization's current and prospective talent.**

In fiscal 2021-2022, the SQDC replied to more than 1,800 information requests through its social media accounts. A decline in the number of requests received over the years has been observed and is related to several factors. Among other things, the general level of knowledge about cannabis, the SQDC and the company's mission has increased. In addition, a reorganization of resources allowed for more proactive management of social networks, which had an impact: discussions in comment threads provided upstream answers to customers on topics ranging from opening hours and new product categories to the pandemic-related public health measures, late delivery of parcels and more.

Lastly, the constant optimization of the various information channels (the company's increasingly exhaustive website, for example) and communication channels (most notably the CRC, which is now open on weekends) ensure that everyone who makes use of the channels receives a reply to their questions and has access to interesting, relevant and accurate information.

**An experience designed for customers**

The customer experience is based not only on sound advice provided by advisors but also on a product offer that meets customers' expectations while remaining consistent with the company's mission.

Each year, the Société québécoise du cannabis conducts a province-wide customer satisfaction survey. This year, customers expressed an 80% level of satisfaction with the selection of products offered for sale, a 5% improvement from last year. The level is also significantly above the target 58% that the company set for itself in its Strategic Plan 2021-2023.

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
Dried cannabis <sup>1</sup>	161	328	508	524
Extracts <sup>2</sup>	38	64	99	145
Beverages	0	7	35	52
<b>Total</b>	<b>199</b>	<b>399</b>	<b>642</b>	<b>721</b>

1. Includes pre-rolls.  
2. Includes oils.

In fiscal 2021-2022, the Société québécoise du cannabis expanded and diversified its offer in existing categories, including dried cannabis and cannabis edibles, the latter category including nearly all beverages. The extract category was also improved, with the SQDC diversifying its offer of hash products and introducing kief and CBD isolate products.

Last fiscal year, the Demand, Product Management and Supplier Relations team did substantive work in preparation for bringing the first ready-to-eat product to the Québec market. Working with the industry, the SQDC made sure the product's colour, shape, texture, taste and packaging were unappealing to young people in keeping with its mission to prioritize health protection. This is an entirely new category of cannabis product, one in which customers have expressed interest for several years. Based on the reactions to the first edible at the SQDC, the company plans to gradually introduce new products in the category in the first months of fiscal 2022-2023.

**A refined pricing strategy**

The SQDC always ensures its product prices find the sweet spot that allows it to capture the illegal market without encouraging use. Formed in fiscal 2020-2021, the price strategy committee continued its work to maintain the company's leadership in the industry and adjust its pricing strategy accordingly. The strategy allows it to compete for users with the illegal market while also generating dividends for investment in health protection, research and the fight against dependency and addiction, a responsible approach on every level.

This year, the average price per gram of cannabis sold at the SQDC dropped from \$6.74 to \$6.31, taxes included and all products combined, a 6.4% decrease. Faced with prices that have experienced downward pressure since cannabis was legalized and that, in the closing weeks of the fiscal year, reached an average of \$6.20 a gram, the company considered reviewing its pricing to avoid commodifying cannabis, as called for in its mission. This is why the company adjusted the prices of its dried flower and pre-rolled products upward early in its 2022-2023 fiscal year, enabling it to better carry out its health protection mandate.

# Responsible development



**37 metric tons**  
of packaging recycled

For the Société québécoise du cannabis, excelling every day also means advancing its mission by acting responsibly in every area of its business. Making a difference for society and the environment is a goal each of its teams. And this can be seen in the feedback received from personnel. In fact, it is major source of motivation and satisfaction at work.

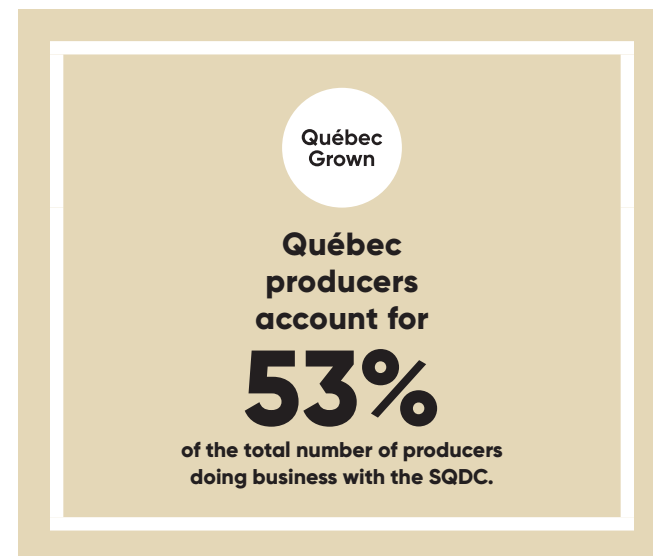
The SQDC continues to create and consolidate ties with Québec-based companies. For example, it acts as a facilitator, helping the industry come together to form partnerships for packaging and distributing products made by small-scale Québec producers. Within the limits of its mandate, the SQDC also assists producers during their accreditation process. Besides being available to provide information, it had, at March 26, 2022, signed a total of 15 letters of interest for prospective Québec-based suppliers.

This year, the SQDC added several local producers—defined as having their head office in Québec—to its portfolio. It has gone from one Québec-based producer when cannabis sales were legalized to 17 at the end of this fiscal year.

## Québec: present on our shelves

As a corporation owned by the Gouvernement du Québec, the SQDC seeks to encourage local culture and businesses.

That is why in the summer of 2021, it created the Québec Grown identifier, which lets customers know when the product offered for sale is made from cannabis mostly (65%) grown in Québec. This helps them make an informed choice. The identifier was limited to products in the dried flowers category at the start of the fiscal year but later expanded to ground cannabis, pre-rolls, hash and kief. The company ended its 2021-2022 fiscal year with 42% of the kilograms of cannabis sold at the SQDC bearing the Québec Grown identifier.



## Sound residual materials management

The end of the fiscal year brought a launch of the mask recovery project in all SQDC stores. In the summer of 2021, the preliminary results of a mask life-cycle analysis carried out by RECYC-QUÉBEC confirmed that recycling was the end-of-life management scenario with the smallest environmental impact. Based on the findings, the company ran a mask recovery pilot project in five of its stores before extending the initiative to the remainder of the store network.

The company also continued its cannabis packaging recovery program. Introduced in August 2020, the program lets customers drop off at stores any product packaging sold by the SQDC. The recovered packaging is transformed into plastic material used to make urban furniture, among other things. Going a step further, the organization also developed a guide explaining how to properly dispose of cannabis product containers at home for consumers who prefer that option.

**Key**

**What these symbols mean?**

- Put in recycling bin (The packaging has green recyclability potential)
- Put in recycling bin (The packaging has limited recyclability potential and is recommended to be in a recycling bin)
- Put in the trash (The packaging has no recyclability potential and is recommended to be in a trash bin)
- Return to a store (The packaging is recommended to be returned to the responsible store)

**Plastic jar or tube**

- Plastic #1 (PET) opaque
- Plastic #2 (HDPE)
- Plastic #5 (PP)
- Plastic #6 (PS)
- Plastic #7 (other)

**Glass or metal jar, metal or paperboard box**

- Glass and metal jar
- Metal and paperboard box

**Glass beverage bottles and aluminum beverage cans**

- Glass bottles
- Aluminum cans

**Bag**

- Plastic bag
- Laminated paper bag

**Vial and spray pump**

- Glass and plastic vial
- Plastic spray pump

**Notes:**

- You can identify the type of plastic by looking at the resin identification code usually found on the bottom of the container.
- Recycling made from all plastic can be recycled in some parts of Québec. Contact your municipality or accustomers to learn if yours is one of them.
- If the paperboard box has parts made from plastic or other materials, it's best to remove and dispose of them in the trash before putting the cardboard in the recycling bin.
- Cannabis beverages are considered soft drinks and are therefore covered by the public deposit return system. This system recycles returned materials at the source in order to derive maximum value from them.
- To maintain product freshness and prevent odors from escaping, bags are normally made from several layers of different materials, which significantly complicates the recycling process.
- On the plus side, these bags use less raw materials, which reduces their environmental footprint.
- Measuring devices (granulated droppers, for example) should be thrown out and not placed in the recycling bin. The lid can be recycled.
- If the vial is less than 5 centimetres tall, it's best to toss it directly in the trash.

“From day one, the SQDC has been an incredible partner for guiding and advising us and facilitating our product development efforts so they better meet market needs. This, in turn, has helped us to do our part in developing the industry sustainably and profitably for Québec.”

– David Bow, President and CEO, Origine Nature

**32.5%**  
**of cannabis packaging**  
**meets at least two of the four eco-responsible criteria**  
 applicable to packaging at the SQDC.

### Sustained efforts in eco-responsible packaging and containers

The SQDC recognizes the importance of acting as an agent of change for environmental protection. The company therefore continued its collaborative efforts with cannabis suppliers to reduce the environmental footprint of the packaging and containers for the cannabis products it sells. To that end, it met on four occasions with members of the Table de concertation pour des contenants et emballages écoresponsables, an issue table on eco-responsible containers and packaging comprised of players from the entire supply chain, which it created last year, to advance the work now underway. For example, the SQDC prepared a list of the main packaging manufacturers, evaluated their environmental practices and made this information available to the other members of the Table.

### Another step toward increased accessibility for the disabled

In April of last year, the Société québécoise du cannabis launched its second plan regarding persons with disabilities. The company used training sessions and educational tool-sharing to continue raising employees' awareness of the disabled. In addition, it distributed to employees seven video capsules on how to make operations more welcoming for persons dealing with a disability. Titled *Mieux accueillir les personnes handicapées*, the videos were produced by the Office des personnes handicapées du Québec. All stores also received a quick reference listing the best practices for welcoming the disabled.

In February 2022, the SQDC created a decision tree-based tool that allows advisors to provide assistance to customers with a hearing, speech or language disability. Taking the form of a sheet to be filled out, the tool provides a way for these customers to receive proper guidance in choosing a cannabis product whose characteristics suit them and that presents a lower risk in use. More broadly, the SQDC is continuing its efforts to improve the accessibility of its stores and will make this an important thrust of its next plan regarding persons with disabilities.

### Sales ethic

The sales ethic of the Société québécoise du cannabis begins by denying access to stores to anyone under 21, the legal age for buying and using cannabis in Québec. The SQDC also systematically refuses to sell products to anyone age 21 or over who attempts to buy cannabis for persons not of legal age. Furthermore, access to SQDC stores is denied to the intoxicated.

In addition, entry to the SQDC.ca website is restricted to persons age 21 and older. During order deliveries, the identity and age of the person accepting the parcel and signing the acknowledgement of receipt are once again checked.

Other aspects of the sales ethic include the advice and information documents provided to customers. These basic rules, along with the soft skill principles favoured at the SQDC, are an integral part of the mandatory training employees take on hiring and are reviewed as part of the continuous training given to all employees. This is how the company ensures a strict sales ethic is rigorously enforced in every situation.



**Alexander Bove**  
 Project Manager,  
 Real Estate Development

**Véronique Lasalle-Folot**  
 Director, Real Estate

**Simon Joly**  
 Project Manager,  
 Real Estate Development

### Cybersecurity: a key priority

The Société québécoise du cannabis moved forward with its cybersecurity projects based primarily on best practices and on recommendations provided by its internal auditor. The company also did everything necessary to comply with the changes introduced by the *Act to modernize legislative provisions as regards the protection of personal information*. This involved creating a personal information protection committee, which met several times during the year. To raise employees' awareness of cybersecurity, the SQDC invested in mandatory training for each employee on a quarterly basis. At the end of each section, a phishing simulation was run to check that the concepts had been understood and internalized.

Employees are evaluated each quarter and have shown steady improvement. In short, SQDC teams are increasingly knowledgeable about and aware of cybersecurity risks. Additional training phases and activities aimed at improving cybersecurity at the company will be introduced next year.

### Ever closer to stakeholders

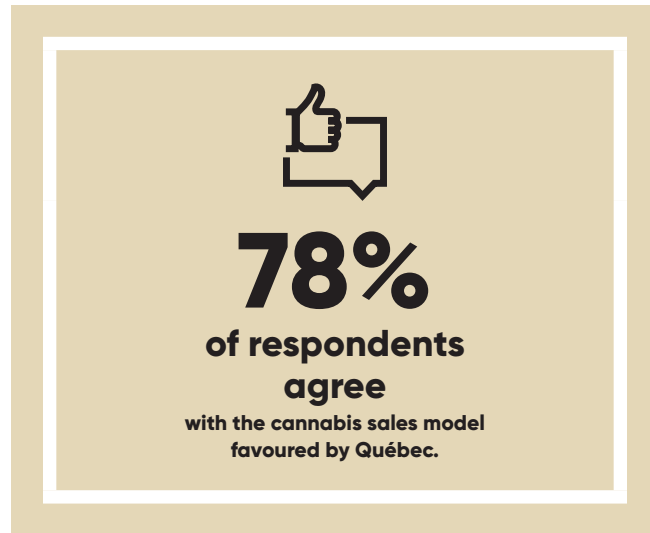
To fulfill its social mission, the Société québécoise du cannabis needs to listen to its stakeholders and continue collaborating with them. Over the last year, the company's senior management organized and attended more than 20 meetings with representatives from among others, the health care, public security, environment and municipal sectors.

For example, the Forum SQDC des partenaires du milieu de la santé brought together more than 120 health sector partners from government departments and bodies, community and front-line worker groups and academia. The forum provided an opportunity to discuss Québec's cannabis distribution model, the impacts of cannabis on users' health and public health, the SQDC's role in the ecosystem and how the company is carrying out its mission.

Holding these meetings and discussions allowed the company, over the year, to make its mission better known and present the actions it takes to fulfill the mission while also acknowledging and better understanding for stakeholders' issues and concerns.







### Further gains in the social acceptability of the SQDC's mission

A common denominator of all the initiatives of the Société québécoise du cannabis is the objective of protecting the health and safety of employees and customers. By taking its social role seriously, the company has demonstrated the relevance of its mission to Québec society. According to a survey of the general public commissioned by the SQDC and carried out by an external firm, 78% of respondents agree with the cannabis sales model favoured by Québec, a result six percentage points higher than the target for 2022 in the Strategic Plan 2021-2023. Furthermore, the company's media reputation score today stands at 64%.



Antoine Prévost-Surprenant  
Analyst, Business Strategy



### Sustained growth to contribute to research

In the fiscal year just ended, the Société québécoise du cannabis reported overall sales of \$600.5 million and comprehensive income of \$75.7 million, exceeding both the target of \$71 million set in its Strategic Plan 2021-2023 and the \$66.5 billion generated in the preceding fiscal year. The entire amount will be reinvested in the Fonds de prévention et de recherche en matière de cannabis, the cannabis research and prevention fund.

The monies are used to fund a broad range of initiatives aimed at preventing and reducing harm related to cannabis use. Investments are made in three main areas: promoting health; preventing and reducing harm related to use; and dependency research, monitoring and services.

The other government revenues generated by the company's business, in the form of excise duties (collected from suppliers) and consumption taxes, amount to approximately \$139.0 million, all of which goes into government coffers.

The total number of transactions completed at the SQDC rose from 10.6 million last fiscal year to 13.4 million this fiscal year. The increase is mainly due to the continued expansion of the store network and growth of the company's online business.

## Strategic Plan 2021-2023 Results Summary Table

Network expansion				
Strategy	Indicator	2022 target	2022 result	
1.1	Gradually achieve a geographic presence in every region of Québec	Number of stores in operation	90	87
1.2	Maintain a simple and efficient business model	Ratio of net expenses to sales	13.8%	14.9%
1.3	Create and promote a culture that is based on know-how and aligned with our values	Employees' awareness of and commitment to the SQDC's values	70%	69%
1.4	Increase use of the Web channel for purchasing products	Increase in online sales	5%	(27.7)%
		Online customers' overall satisfaction level	71%	76%

Competitive offer				
Strategy	Indicator	2022 target	2022 result	
2.1	Ensure competitive pricing	Percentage migration from the illegal market <sup>1</sup>	66%	58.5%
2.2	Increase appreciation of the advisory service	Overall satisfaction of store customers	71%	84%
2.3	Offer a diverse range of products	Customer satisfaction with product variety	58%	76%

Responsible development				
Strategy	Indicator	2022 target	2022 result	
3.1	Help protect health in collaboration with our stakeholders	Contribution to the fund for funding prevention, research and the fight against adverse effects related to cannabis	\$71 million	\$75.7 million
3.2	Promote the SQDC's social role to its target audiences	Media analysis measurement	65%	64%
3.3	Develop and communicate the SQDC brand	Public support for the SQDC's mission	72%	78%
3.4	Reduce our environmental footprint arising from product containers and packaging	Percentage of products that meet eco-responsible criteria	50%	32.5%

1. The percentage migration from the illegal market is based on the Ministère des Finances du Québec's estimate of cannabis demand in Québec, approximated at 187,000 kg in fiscal 2021-2022.

# Finance



## Financial Review

This report reviews the operations of the Société québécoise du cannabis (SQDC) for the year ended March 26, 2022, and its financial position 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 26, 2022.

### 2021-2022 Highlights

The company is completing its third full year of operation. Once again, it has demonstrated its agility and ability to excel in a constantly changing industry. As a reminder, the beginning of the first year was marked by an inventory shortage at a time when the entire industry was in its infancy while the second year was, of course, affected by the COVID-19 pandemic. Although several businesses were impacted, the company experienced accelerated growth due to the development of its product offer, organic growth and consumers seeking to purchase products safely. This year, despite more modest growth compared with the exceptional growth of the preceding year, the company is still ahead of the majority of the targets of its three-year Strategic Plan, spanning the years 2021, 2022 and 2023.

The supply of cannabis in the Canadian market far exceeds demand, which puts strong downward pressure on prices. At the SQDC, the average selling price of a gram of cannabis, all products combined, decreased from \$7.64, including taxes, to \$6.74 in 2020 and \$6.31 this year.

To fulfill its mission, the Société québécoise du cannabis ensures it maintains an efficient business model, despite the decline in the average selling price, with a ratio of net expenses to sales of 15%.

The deployment of new stores, an essential component of the SQDC's strategic plan, resulted in the addition of 21 new points of sale to the network, bringing the total number of active stores to 87.

The company also revamped its website last year. The same-day express delivery program was extended to the Shawinigan, Trois-Rivières and Québec City corridor. A new in-store pick-up service was introduced in selected stores toward the end of the fiscal year. This service was extended to the entire network in the first few weeks of the new fiscal year.

### Overview of results

For the fiscal year ended March 26, 2022, the SQDC had overall net income of \$75.7 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 efforts and research.

In addition, the company has consumer and excise tax revenue, estimated at approximately \$195.4 million (\$139.0 million to Québec and \$56.4 million to the federal government). The SQDC pays approximately \$214.7 million to the two governments.

Furthermore, with sales corresponding to 109,351 kg of cannabis in an estimated annual market of 187,000 kg in Québec, the SQDC has continued capturing a larger share of the illegal market, currently estimated at nearly 58.5%, through its strategy of responsible sales, adapted advisory service and a competitive product offer.

## Sales

The SQDC's sales for the fiscal year ended March 26, 2022, totalled \$600.5 million, the equivalent of 109,351 kg of cannabis, compared with \$537.2 million and 91,529 kg of cannabis in the preceding fiscal year. The sales growth is largely due to the gradual addition of 21 new stores during the year.

The SQDC recorded 13.4 million in-store and online transactions at an average price per transaction of \$51.62, including taxes, and an average price per gram of \$6.31, including taxes, compared with \$6.74 per gram in the preceding year.

### Sales network

The SQDC's 87-store network—the three newest stores opened in the last three weeks of the fiscal year—generated dollar sales of \$564.3 million (\$486.7 million in 2021, with 66 stores). Volume sales in stores totalled 102,700 kg of cannabis, compared with 82,837 kg in 2021.

The company's website generated sales of \$36.2 million (\$50.5 million in 2021) and a volume of 6,651 kg (8,692 kg in 2021). The higher volume last year was due to a pandemic-related increase in online sales.

## Cost of products sold and gross margin

In 2021-2022, the cost of products sold totalled \$434.8 million (\$403.4 million in the preceding year). The company generated gross profit of \$165.7 million (\$133.8 million in the preceding year).

## Net expenses

Net expenses consist of selling and administrative expenses. They also include net finance expenses (income) and other income. Accordingly, the SQDC's net expenses were \$90.0 million (\$67.3 million in fiscal 2021). As a percentage of sales, total net expenses were 15.0% (12.5% in the preceding year).

Employee compensation, which is the SQDC's largest expense category, totalled \$44.9 million and accounted for about 49.9% of net expenses. Expressed as a percentage of sales, employee compensation was 7.5%.

Building occupancy expenses and other operating expenses are the next two largest expense categories. The former totalled \$24.5 million or approximately 27.2% of net expenses and 4.1% of sales. Other operating expenses totalled \$13.4 million or 14.9% of net expenses and 2.2% of sales.

Lastly, transportation, merchandizing and other expenses totalled \$7.2 million or 8.0% of net expenses and 1.2% of sales.

## Investments

Capital investments amounted to \$11.7 million during the year, with the majority relating to new store openings.

## Financial position

As at March 26, 2022, the SQDC had total assets of \$116.5 million, compared with \$105.7 million as at March 27, 2021, a \$10.8 million increase. Cash decreased by 2.1 million to \$23.8 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 \$2.3 million to \$20.5 million. Non-current assets total \$71.8 million and represent property, plant, equipment, intangible assets and right-of-use assets at net value.

Current liabilities totalled \$84.9 million at fiscal year-end, a \$6.2 million increase. Accounts payable and accrued liabilities increased by \$3.6 million to \$43.4 million. The \$35.7 million dividend payable is the unpaid declared dividend at year-end and will be paid during the first half of the next fiscal year. The due to the SAQ of \$0.8 million is for expenses during the last period related to the shared services agreement. The taxes payable of \$1.1 million and the current portion of lease obligations in the amount of \$3.9 million are the residual of current liabilities. Non-current liabilities consist of lease obligations totalling \$31.6 million.

## Cash flows

During the year ended March 26, 2022, the SQDC's operating activities generated sufficient cash to support investing and financing activities. Specifically, with \$87.7 million in cash flows generated by operating activities, the company was able to spend \$12.4 million to acquire property, plant, equipment and intangible assets, repay \$3.9 million in lease obligations and pay \$33.5 million for the 2021 dividend and \$40.0 million for part of the 2022 dividend. As a result, the company's statement of cash flows shows a net decrease of \$2.1 million.

## Outlook

SQDC management is satisfied with the financial results for the year just ended. In the coming fiscal year, the company will continue implementing its store network development plan to an initial plateau of 98 stores. Over the coming year, the company will evaluate the geographic coverage of its network to determine the next expansion phase, if necessary. With three years of strong growth behind it, the company is entering a new phase in its short history, during which it will focus on the customer experience in its stores and on its website. It will also work to continue diversifying its home delivery offer while ensuring the responsible sale of cannabis, including age checks when parcels are delivered.

The company closely monitors the changing competitive environment in the cannabis industry and its impact on product pricing, particularly with respect to the company's mission to distribute and sell cannabis with a focus on health protection and to integrate consumers into the legal market without encouraging cannabis use.

# Financial Statements

## Management's Responsibility for the 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 26, 2022.

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 Vérificateur général du Québec 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 Officer



**Robert Dalcourt**  
Vice-President, Finance

Montréal, May 26, 2022

# Independent Auditors' Report



To the Minister of Finances

## 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 26, 2022, 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 26, 2022, 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 2022 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 2022 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.

## Independent Auditors' Report

### 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,

Raymond Chabot Grant Thornton LLP<sup>1</sup>

Patrick Dubuc, CPA auditor  
Acting Assistant Auditor General

Montréal, May 26, 2022

<sup>1</sup>CPA auditor, public accountancy permit no. A127023

Montréal, May 26, 2022

## Statement of Comprehensive Income

for the year ended March 26, 2022

(in thousands of Canadian dollars)

	2022	2021
<b>Sales (Note 7)</b>	<b>\$600,545</b>	<b>\$537,236</b>
<b>Cost of products sold (Note 7)</b>	<b>434,854</b>	<b>403,466</b>
<b>Gross margin (Note 7)</b>	<b>165,691</b>	<b>133,770</b>
Selling expenses	73,348	56,591
Administrative expenses	16,288	10,902
<b>Operating results</b>	<b>76,055</b>	<b>66,277</b>
Net finance costs (income) and other income (Note 10)	346	(227)
<b>Net income and comprehensive income for the year</b>	<b>\$75,709</b>	<b>\$66,504</b>

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

## Statement of Changes in Equity

for the year ended March 26, 2022

(in thousands of Canadian dollars)

	2022	2021
<b>Share capital</b>	<b>\$2</b>	<b>\$2</b>
<b>Retained earnings</b>		
Beginning balance	–	–
Net income and comprehensive income for the year	75,709	66,504
Dividend	(75,709)	(66,504)
<b>Ending balance</b>	<b>–</b>	<b>–</b>
<b>Total – Equity</b>	<b>\$2</b>	<b>\$2</b>

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

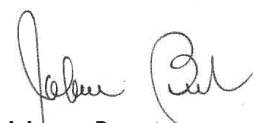
# Statement of Financial Position

As at March 26, 2022

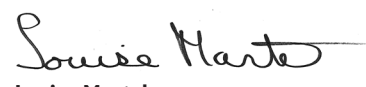
(in thousands of Canadian dollars)

	March 26, 2022	March 27, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$23,796	\$25,900
Trade and other accounts receivable (Note 11)	103	106
Inventories (Note 12)	20,500	18,189
Prepaid expenses	270	347
	<b>44,669</b>	<b>44,542</b>
<b>Property, plant and equipment (Note 13)</b>	34,400	28,833
<b>Intangible assets (Note 14)</b>	3,907	3,692
<b>Right-of-use assets (Note 15)</b>	33,522	28,606
	<b>\$116,498</b>	<b>\$105,673</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 17)	\$43,377	\$39,845
Taxes payable	1,041	1,655
Dividend payable (Note 9)	35,709	33,504
Due to the SAQ (Note 25)	839	663
Current portion of lease obligations (Note 19)	3,901	2,998
	<b>84,867</b>	<b>78,665</b>
<b>Lease obligations (Note 19)</b>	31,629	27,006
	<b>116,496</b>	<b>105,671</b>
<b>Shareholder's equity</b>		
Share capital (Note 20)	2	2
Retained earnings	-	-
	<b>2</b>	<b>2</b>
	<b>\$116,498</b>	<b>\$105,673</b>

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 26, 2022

(in thousands of Canadian dollars)

	2022	2021
<b>Operating activities</b>		
Net income for the year	\$75,709	\$66,504
Non-cash items:		
Depreciation of property, plant and equipment	4,631	2,803
Amortization of intangible assets	1,257	1,171
Depreciation of right-of-use assets	3,848	2,576
Loss on disposal of property, plant and equipment	-	17
Interest paid under lease obligations	617	453
	<b>86,062</b>	<b>73,524</b>
Net change in non-cash working capital items (Note 22)	1,601	(6,688)
<b>Cash flows provided by operating activities</b>	<b>87,663</b>	<b>66,836</b>
<b>Investing activities</b>		
Additions to property, plant and equipment (Notes 13 and 22)	(10,789)	(10,814)
Additions to intangible assets (Notes 14 and 22)	(1,619)	(377)
Proceeds on disposal of property, plant and equipment	-	4
<b>Cash flows used in investing activities</b>	<b>(12,408)</b>	<b>(11,187)</b>
<b>Financing activities</b>		
Repayment of lease obligations	(3,238)	(1,854)
Interest paid under lease obligations	(617)	(453)
Dividend payment	(73,504)	(59,296)
<b>Cash flows provided by financing activities</b>	<b>(77,359)</b>	<b>(61,603)</b>
<b>Net decrease in cash</b>	<b>(2,104)</b>	<b>(5,954)</b>
<b>Cash, beginning of year</b>	<b>25,900</b>	<b>31,854</b>
<b>Cash, end of year</b>	<b>\$23,796</b>	<b>\$25,900</b>

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

# Notes to the Financial Statements

Year ended March 26, 2022  
(tables in thousands of Canadian dollars)

## Notes to the Financial Statements

Year ended March 26, 2022 (in thousands of Canadian dollars)

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 away from the illegal 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 as 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 26, 2022, and March 27, 2021, each include 52 weeks of operation.

3

### Impacts resulting from the COVID-19 pandemic

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the company's operations. This year, the company continued to comply with public health measures. These events did not have a significant impact on the assets, liabilities and expenses for the year ended March 26, 2022. However, the company noted a decrease in sales when the vaccination passport was required to enter retail establishments.

This crisis is likely to cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations depending on how the situation evolves and new government measures required. To minimize the impacts, the SQDC has taken and will continue taking steps in response to these events. However, at this time, it is impossible to know all their financial repercussions.



## 4

## 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 26, 2022.

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.

**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. identify a contract with a customer;
2. identify performance obligations;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations; and
5. recognize revenue from regular operations when/as the performance 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.

**4. Significant accounting policies** (cont.)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, these financial assets are measured 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.

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 FVTPL 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 on 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."

#### 4. Significant accounting policies (cont.)

##### Measurement of financial instruments

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 acquisition cost. Net realizable value is the estimated selling price in the normal course of business, less the costs needed to complete the sale.

##### 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."

#### 4. Significant accounting policies (cont.)

##### 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 that they meet the following criteria:

- completion of the intangible asset is technically feasible so that it will be available for use;
- the SQDC intends on completing the intangible asset and using it;
- the SQDC 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 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.

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.

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.

## 4. Significant accounting policies (cont.)

### Depreciation 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.

### 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 (hereinafter the "date of initial application").

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.

## 4. Significant accounting policies (cont.)

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 Régime de retraite des employés 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). 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.

#### 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.

## 5 Future standards, amendments and interpretations

### Standards not yet effective

As at the date of authorization of these financial statements, several new standards, amendments made to existing standards and interpretations were to be issued by the IASB but were not yet in effect. The SQDC has not early-adopted any of these standards, amendments or interpretations. It intends to adopt them when they come into effect but does not expect that they will have a significant impact on its financial statements.

## 6 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

The SQDC makes sure it meets all of the requirements for recognizing, as assets, all of the costs directly attributable to development work. After initial capitalization, management monitors them to ensure that capitalization requirements continue to be met and if there is any indication of a potential impairment of capitalized costs.

### 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.

### Depreciation 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.

### 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.

## 7 Sales, cost of products sold and gross margin

	2022			2021		
	Stores	Online	Total	Stores	Online	Total
Sales	\$564,383	\$36,162	\$600,545	\$486,754	\$50,482	\$537,236
Cost of products sold	408,989	25,865	434,854	365,857	37,609	403,466
Gross margin	\$155,394	\$10,297	\$165,691	\$120,897	\$12,873	\$133,770

## 8 Employee compensation

Employee benefits consist of the following:

	2022	2021
Selling expenses		
Salaries and other employee benefits	\$30,494	\$22,091
Employee benefit costs and pension plan contributions	6,362	4,647
	<b>36,856</b>	26,738
Administrative expenses		
Salaries and other employee benefits	6,363	3,583
Employee benefit costs and pension plan contributions	1,646	957
	<b>8,009</b>	4,540
	<b>\$44,865</b>	\$31,278

## Notes to the Financial Statements

Year ended March 26, 2022 (in thousands of Canadian dollars)

### 9

## Dividend

For the fiscal year ended March 26, 2022, the dividend declared by the SQDC was set by the Ministère des Finances du Québec. The dividend is remitted in its entirety to the fund to battle addictions and reinvested primarily in cannabis-related prevention and research. 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 minister also determines the terms and conditions of payment.

As at March 26, 2022, \$40 million of the \$75.7 million declared dividend was paid before the end of the fiscal year. The residual amount of \$35.7 million is still payable.

### 10

## Net finance costs (income) and other income

	2022	2021
Interest paid under lease obligations	\$617	\$453
Loss on disposal of property, plant and equipment	-	17
Other finance charges	-	15
	<b>617</b>	<b>485</b>
Less finance income and other income:		
Interest on cash	(237)	(286)
Other income	(34)	(426)
	<b>(271)</b>	<b>(712)</b>
	<b>\$346</b>	<b>\$(227)</b>

## Notes to the Financial Statements

Year ended March 26, 2022 (in thousands of Canadian dollars)

### 11

## Trade and other accounts receivable

	March 26, 2022	March 27, 2021
Corporate accounts receivable	\$103	\$80
Other accounts receivable	-	26
	<b>\$103</b>	<b>\$106</b>

### 12

## Inventories

	March 26, 2022	March 27, 2021
Dried cannabis products	\$20,170	\$17 920
Related products	318	254
Work-in-process inventory	12	15
	<b>\$20,500</b>	<b>\$18,189</b>

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.

## 13 Property, plant and equipment

	Leasehold improvements	Furniture and equipment	IT equipment	Total
<b>Cost</b>				
Balance as at March 28, 2020	\$13,933	\$3,748	\$3,966	\$21,647
Acquisitions	7,824	2,045	1,782	11,651
Disposals	–	(23)	–	(23)
Balance as at March 27, 2021	21,757	5,770	5,748	33,275
Acquisitions <sup>1</sup>	6,645	1,606	1,947	10,198
<b>Balance as at March 26, 2022</b>	<b>\$28,402</b>	<b>\$7,376</b>	<b>\$7,695</b>	<b>\$43,473</b>
<b>Accumulated depreciation</b>				
Balance as at March 28, 2020	\$886	\$243	\$512	\$1,641
Depreciation	1,639	412	752	2,803
Disposals	–	(2)	–	(2)
Balance as at March 27, 2021	2,525	653	1,264	4,442
Depreciation	2,829	645	1,157	4,631
<b>Balance as at March 26, 2022</b>	<b>\$5,354</b>	<b>\$1,298</b>	<b>\$2,421</b>	<b>\$9,073</b>
<b>Net carrying value</b>				
Balance as at March 27, 2021	\$19,232	\$5,117	\$4,484	\$28,833
<b>Balance as at March 26, 2022</b>	<b>\$23,048</b>	<b>\$6,078</b>	<b>\$5,274</b>	<b>\$34,400</b>

1. Property, plant and equipment, with a value of \$2.3 million, were in progress as at March 26, 2022, (\$3.5 million as at March 27, 2021) 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 26, 2022.

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

	2022	2021
Selling expenses	\$4,315	\$2,565
Administrative expenses	316	238
	<b>\$4,631</b>	<b>\$2,803</b>

## 14 Intangible assets

	Acquired software and licences	Internally developed software	Total
<b>Cost</b>			
Balance as at March 28, 2020	\$5,085	\$748	\$5,833
Acquisitions	458	–	458
Balance as at March 27, 2021	5,543	748	6,291
Acquisitions <sup>1</sup>	1,472	–	1,472
<b>Balance as at March 26, 2022</b>	<b>\$7,015</b>	<b>\$748</b>	<b>\$7,763</b>
<b>Accumulated depreciation</b>			
Balance as at March 28, 2020	\$1,210	\$218	\$1,428
Depreciation	1,021	150	1,171
Balance as at March 27, 2021	2,231	368	2,599
Depreciation	1,107	150	1,257
<b>Balance as at March 26, 2022</b>	<b>\$3,338</b>	<b>\$518</b>	<b>\$3,856</b>
<b>Net carrying value</b>			
Balance as at March 27, 2021	\$3,312	\$380	\$3,692
<b>Balance as at March 26, 2022</b>	<b>\$3,677</b>	<b>\$230</b>	<b>\$3,907</b>

1. Intangible assets valued at \$0.7 million were in progress as at March 26, 2022, (\$0.2 million as at March 27, 2021) and are not amortized. This mainly pertains to professional fees for the development of new functionalities intended to upgrade the company's information systems.

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

	2022	2021
Selling expenses	\$192	\$165
Administrative expenses	1,065	1,006
	<b>\$1,257</b>	<b>\$1,171</b>

## 15 Right-of-use assets

	Total
<b>Cost</b>	
Balance as at March 28, 2020	\$18,318
Acquisitions and remeasurement	14,272
Balance as at March 27, 2021	32,590
Acquisitions and remeasurement	8,764
<b>Balance as at March 26, 2022</b>	<b>\$41,354</b>
<b>Accumulated depreciation</b>	
Balance as at March 28, 2020	\$ 1,408
Depreciation	2,576
Balance as at March 27, 2021	3,984
Depreciation	3,848
<b>Balance as at March 26, 2022</b>	<b>\$7,832</b>
<b>Net carrying value</b>	
Balance as at March 27, 2021	\$28,606
<b>Balance as at March 26, 2022</b>	<b>\$33,522</b>

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

	2022	2021
Selling expenses	<b>\$3,758</b>	\$2,488
Administrative expenses	<b>90</b>	88
	<b>\$3,848</b>	\$2,576

## 16 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 Ministre des Finances, 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 26, 2022, the entirety of the regime was available (as at March 27, 2021, it was also entirely available).

## 17 Accounts payable and accrued liabilities

	March 26, 2022	March 27, 2021
Accounts payable	<b>\$35,523</b>	\$32,786
Accrued liabilities	<b>3,582</b>	3,775
Employee compensation benefits payable	<b>4,272</b>	3,284
	<b>\$43,377</b>	\$39,845

## 18 Employee benefit assets and liabilities

### General and mandatory pension plans

As at January 1, 2022, the RREGOP contribution rate was reduced from 10.33% to 10.04% of the eligible payroll and the rate for the RRPE and RRAS, which is part of the RRPE, remained unchanged at 12.29% of eligible payroll. The contributions paid by the employer are equal to the employee contributions, except for a compensation amount, provided for in the Act respecting the Pension Plan of Management Personnel. For the 2021 and 2022 calendar years, the amount of compensation to be paid by the employer (members' share plus employer's share), which will be determined by Retraite Québec, will be based on the loss incurred by the RRPE members' fund due to the members' transfer from the RREGOP.

Accordingly, the SQDC has estimated a compensation amount of 6.00% of the eligible payroll for the 2021 calendar year (2021: 6.00%).

The SQDC's contributions, including the amount of compensation to pay to the RRPE and RRAS, charged to income for year total \$1,356,000 (\$902,000 in fiscal 2021). The SQDC's obligations under these government plans are limited to its obligations as an employer.

## 19

## 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 15, 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
<b>Cost</b>	
Balance as at March 28, 2020	\$17,586
Lease obligations added and remeasurements	14,272
Lease obligation repayments	(1,854)
Balance as at March 27, 2021	30,004
Lease obligations added and remeasurements	8,764
Lease obligations refunded	(3,238)
<b>Balance as at March 26, 2022</b>	<b>\$35,530</b>

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

	March 26, 2022	March 27, 2021
Current	\$3,901	\$2,998
Non-current	31,629	27,006
	<b>\$35,530</b>	<b>\$30,004</b>

As at March 26, 2022, the future minimum leases are:

	Less than one year	One to five years	More than five years	Total
<b>March 26, 2022</b>				
Disbursements	\$4,521	\$18,126	\$15,732	\$38,379
Finance charges	(620)	(1,728)	(501)	(2,849)
<b>Lease obligations</b>	<b>\$3,901</b>	<b>\$16,398</b>	<b>\$15,231</b>	<b>\$35,530</b>

## 20

## Shareholder's equity

## Share capital

The SQDC is a business corporation whose shares are part of the public domain and allocated to the Ministre des Finances du Québec 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 Ministre des Finances du Québec.

## 21

## Capital management

The company's capital consists of share capital 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 26, 2022	March 27, 2021
Share capital	\$2	\$2
Dividend payable	35,709	33,504
	<b>\$35,711</b>	<b>\$33,506</b>



## 22

### Information on the cash flow statement

	2022	2021
<b>Net change in non-cash working capital items breaks down as follows:</b>		
Trade and other accounts receivable	\$3	\$(88)
Taxes receivable	–	189
Inventories	(2,311)	(3,573)
Prepaid expenses	77	225
Accounts payable and accrued liabilities	4,270	(4,931)
Taxes payable	(614)	1,655
Due to the SAQ	176	(165)
	<b>\$1,601</b>	<b>\$(6,688)</b>
<b>Non-cash investing activities:</b>		
Acquisitions of property, plant and equipment financed by:		
Accounts payable and accrued liabilities	<b>\$1,253</b>	\$1,991

## 22. Information on the cash flow statement (cont.)

Reconciliation of liabilities from financing activities

	Liabilities		Total
	Dividend payable	Lease obligations	
<b>Balance as at March 28, 2020</b>	\$26,296	\$17,586	<b>\$43,882</b>
<b>Non-cash activities:</b>			
Lease obligations added and remeasurements		14,272	<b>14,272</b>
Interest paid under lease obligations		453	<b>453</b>
Dividends declared	66,504		<b>66,504</b>
<b>From cash flows:</b>			
Lease obligation repayments		(1,854)	<b>(1,854)</b>
Interest paid under lease obligations		(453)	<b>(453)</b>
Dividend paid	(59,296)		<b>(59,296)</b>
<b>Balance as at March 27, 2021</b>	33,504	30,004	<b>63,508</b>
<b>Non-cash activities:</b>			
Lease obligations added and remeasurements		8,764	<b>8,764</b>
Interest paid under lease obligations		617	<b>617</b>
Dividends declared	75,709		<b>75,709</b>
<b>From cash flows:</b>			
Lease obligation repayments		(3,238)	<b>(3,238)</b>
Interest paid under lease obligations		(617)	<b>(617)</b>
Dividend paid	(73,504)		<b>(73,504)</b>
<b>Balance as at March 26, 2022</b>	\$35,709	\$35,530	<b>\$71,239</b>

## 23

## Fair value of financial assets and financial 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.

## 24

## 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 contract or agreements, including financial derivatives, for speculative purposes.

## Financial risks

## Market risk

Market 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 prices. Market risk includes 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.

As at March 26, 2022, the cash balance was \$23.8 million and bore interest at the financial institution's preferred rate less two basis points. The amount due to the SAQ as at March 26, 2022, 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.

## 24. 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 continuation 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 26, 2022		March 27, 2021	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Accounts payable and accrued liabilities	\$39,105	\$-	\$36,561	\$-
Dividend payable	35,709	-	33,504	-
Due to the SAQ	839	-	663	-
	\$75,653	\$-	\$70,728	\$-

## 25

## Related party transactions

The SQDC is related to all Gouvernement du Québec ministries and special funds as well as to all agencies and enterprises directly or indirectly controlled by the Gouvernement du Québec or subject to either the joint control or significant joint influence of the Gouvernement du Québec. The other parties related to the SQDC include its key management personnel and the SAQ. The SQDC is a subsidiary under the *Act respecting the Société des alcools du Québec*. However, it does not meet the eligibility criteria for subsidiaries under IFRS 10 of International Financial Reporting Standards (IFRS). It is considered as an associate instead.

## Entities controlled by the Gouvernement du Québec

Without gathering information that would have involved significant costs, the SQDC believes that it did not enter into any significant business transactions individually or collectively with these related parties, with the exception of the transactions with the SAQ presented below. The SQDC is therefore availing itself of the exemption provided by IAS 24.25 regarding disclosure obligations pertaining to transactions and balances, including commitments, with parties related to a public authority that has control, joint control or significant influence over it. This information would provide no added value to the annual financial statements.

## Key management personnel

The SQDC's key management personnel are the members of its Board of Directors, the President and Chief Executive Officer and the Vice-Presidents who make up the Executive Committee.

The compensation expense for the key management personnel is as follows:

	2022	2021
Salaries and short-term benefits	\$2,205	\$1,818

## 25. Related party transactions (cont.)

## Related party transactions:

The amount due to the SAQ is comprised of monthly charges related to its annual service agreement with the SAQ. These services (hereinafter the "shared services") relate to the following fields: information technology, customer service centre, real estate development, acquisition of goods and services and other services of an administrative nature. The term of the agreement is indefinite and may be changed or terminated under the terms and conditions specified in the agreement. Additionally, during the previous fiscal year, a member of the company's management participated in the senior management supplementary plan of the SAQ until November 2020. This amount, totalling \$71,800 for the year ended March 27, 2021, and not part of the shared services agreement, is included in the transactions below. The details of this plan will be found in the Finance section of the SAQ annual report.

The details of the transactions and balances between the SQDC and the SAQ are as follows:

	2022	2021
<b>Transactions</b>		
SAQ shared services	\$5,255	\$4,675
Other services provided and reimbursements	2,013	1,524
	<b>\$7 268</b>	<b>\$6,199</b>
	March 26, 2022	March 27, 2021
<b>Account balance</b>		
Due to the SAQ	<b>\$839</b>	<b>\$663</b>

## Quarterly Data

Years ended March 26, 2022 and March 27, 2021  
(in thousands of Canadian dollars) (unaudited figures)

	2022				
	Year 52	Q4 12	Q3 16	Q2 12	Q1 12
Number of weeks					
<b>Sales</b>	<b>\$600,545</b>	<b>\$131,535</b>	<b>\$190,479</b>	<b>\$142,031</b>	<b>\$136,500</b>
<b>Cost of products sold</b>	<b>434,854</b>	<b>92,950</b>	<b>136,512</b>	<b>104,026</b>	<b>101,366</b>
<b>Gross margin</b>	<b>165,691</b>	<b>38,585</b>	<b>53,967</b>	<b>38,005</b>	<b>35,134</b>
Selling expenses	73,348	18,341	22,368	15,767	16,872
Administrative expenses	16,288	4,356	5,151	3,122	3,659
<b>Operating results</b>	<b>76,055</b>	<b>15,888</b>	<b>26,448</b>	<b>19,116</b>	<b>14,603</b>
Net finance costs (income) and other income	346	341	95	88	(178)
<b>Net income and comprehensive income</b>	<b>\$75,709</b>	<b>\$15,547</b>	<b>\$26,353</b>	<b>\$19,028</b>	<b>\$14,781</b>
<b>Sales by network<sup>1</sup></b>					
Stores	\$564,383	\$121,865	\$180,902	\$134,458	\$127,158
Online	36,162	9,670	9,577	7,573	9,342
	<b>\$600,545</b>	<b>\$131,535</b>	<b>\$190,479</b>	<b>\$142,031</b>	<b>\$136,500</b>
<b>Sales by category</b>					
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
	<b>\$600,545</b>	<b>\$131,535</b>	<b>\$190,479</b>	<b>\$142,031</b>	<b>\$136,500</b>
<b>Other data</b>					
Number of stores	87	87	81	77	68
Number of kilograms	109,351	24,374	34,582	25,857	24,538
Number of transactions <sup>2</sup>	13,364,000	2,908,000	4,378,000	3,151,000	2,927,000

1. During the fiscal year, certain expenses were allocated sales for Q1 and Q2. As a result, these figures differ from those published previously in the quarterly reports.

2. The figures are rounded to the nearest thousand.

## Quarterly Data

Years ended March 26, 2022 and March 27, 2021  
(in thousands of Canadian dollars) (unaudited figures)

	2021				
	Year 52	Q4 12	Q3 16	Q2 12	Q1 12
Number of weeks					
<b>Sales</b>	<b>\$537,236</b>	<b>\$133,641</b>	<b>\$172,990</b>	<b>\$120,243</b>	<b>\$110,362</b>
<b>Cost of products sold</b>	<b>403,466</b>	<b>99,379</b>	<b>129,501</b>	<b>90,394</b>	<b>84,192</b>
<b>Gross margin</b>	<b>133,770</b>	<b>34,262</b>	<b>43,489</b>	<b>29,849</b>	<b>26,170</b>
Selling expenses	56,591	14,018	16,603	12,513	13,457
Administrative expenses	10,901	2,047	3,614	2,310	2,931
<b>Operating results</b>	<b>66,277</b>	<b>18,197</b>	<b>23,272</b>	<b>15,026</b>	<b>9,782</b>
Net finance (income) costs and other income	(227)	(202)	(41)	(28)	44
<b>Net income and comprehensive income</b>	<b>\$66,504</b>	<b>\$18,399</b>	<b>\$23,313</b>	<b>\$15,054</b>	<b>\$9,738</b>
<b>Sales by network</b>					
Stores	\$486,754	\$121,591	\$159,175	\$111,397	\$94,591
Online	50,482	12,050	13,815	8,846	15,771
	<b>\$537,236</b>	<b>\$133,641</b>	<b>\$172,990</b>	<b>\$120,243</b>	<b>\$110,362</b>
<b>Sales by category</b>					
Dried flowers	\$484,247	\$116,101	\$154,897	\$111,081	\$102,168
Other products (oils, sprays, etc.)	52,989	17,540	18,093	9,162	8,194
	<b>\$537,236</b>	<b>\$133,641</b>	<b>\$172,990</b>	<b>\$120,243</b>	<b>\$110,362</b>
<b>Other data</b>					
Number of stores	66	66	56	45	42
Number of kilograms	91,529	23,523	28,254	20,830	18,922
Number of transactions <sup>1</sup>	10,568,000	2,690,000	3,492,000	2,391,000	1,995,000

1. 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 of dollars) (unaudited)

	2022	2021	2020	2019 <sup>1</sup>
	Year 52	Year 52	Year 52	Year 24
Number of weeks				
<b>Sales</b>	<b>\$600,545</b>	\$537,236	\$311,572	\$71,271
<b>Cost of products sold</b>	<b>434,854</b>	403,466	240,615	58,081
<b>Gross margin</b>	<b>165,691</b>	133,770	70,957	13,190
Selling expenses	73,348	56,591	36,179	8,653
Administrative expenses	16,288	10,902	8,371	9,490
<b>Operating results</b>	<b>76,055</b>	66,277	26,407	(4,953)
Financial contribution of the Gouvernement du Québec	–	–	–	(4,889)
Net finance costs (income) and other income	346	(227)	111	(64)
<b>Net income and comprehensive income for the year</b>	<b>\$75,709</b>	\$66,504	\$26,296	\$–
<b>Sales by network</b>				
Stores	\$564,383	\$486,754	\$285,908	\$57,591
Online	36,162	50,482	25,664	13,680
	<b>\$600,545</b>	<b>\$537,236</b>	<b>\$311,572</b>	<b>\$71,271</b>
<b>Sales by category</b>				
Dried flowers	\$515,713	\$484,247	\$287,976	\$62,994
Other products (oils, sprays, etc.)	84,832	52,989	23,596	8,277
	<b>\$600,545</b>	<b>\$537,236</b>	<b>\$311,572</b>	<b>\$71,271</b>
<b>Other data</b>				
Number of stores	87	66	41	13
Number of kilograms	109,351	91,529	46,863	9,922
Number of transactions <sup>2</sup>	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. 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 and that the company's officers take all necessary measures to achieve the objectives arising from its mission. Accordingly, the Board reviews, together with management, the proposals, scenarios and strategic directions likely to influence the SQDC's actions and development. To carry out its mission, the Board has created four committees: the Governance and Ethics Committee, the Audit Committee, the Human Resources Committee and the Health Protection and Research Committee.

In addition to its four regular meetings, the company's Board of Directors held nine special meetings during the fiscal year. In fiscal 2021-2022, the Board oversaw the recruitment process that resulted in the appointment of Jacques Farcy as President and Chief Executive Officer on October 11, 2021. On April 14, 2021, the SQDC's then president and chief executive officer Jean-François Bergeron was appointed president and chief executive officer of Loto-Québec effective May 31, 2021. The Board managed Mr. Bergeron's departure and chose Paul Furfaro, then director of operations, to assume his duties on an interim basis. Meanwhile, the Board set in motion the process to recruit a new president and chief executive officer, with the support of the Human Resources Committee and a selection committee specially formed for the occasion. Through its sustained presence and support, the Board assisted the SQDC and its management with this transition.

At each of the four regular meetings held in fiscal 2021-2022, management submitted a report on the SQDC's business and an update on the main projects underway and the company's attainment of its strategic objectives. The Board was briefed on the work 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, followed by a closed session attended only by the independent members.

The Board approved the Company's operating and investment budgets before the beginning of the fiscal year and conducted follow-up during the quarterly report on the work of the Audit Committee. The Board of Directors monitored the company activities over which it exercises an oversight role, including employee remuneration, renewal of collective agreements, internal audit, evaluations and succession of senior management, contracting practices and approvals, risk management and corporate communications. In addition to studying and approving the changes to be made to the company's policies, the fiscal year provided an opportunity for the Board to strengthen the integrity requirements established in the SQDC Supplier Code of Conduct. At the end of the fiscal year, 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 SQDC 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 assisted in the search for candidates for future seats on the Board. The process resulted in the appointment, in December 2021, of Jean-Simon Denault, the holder of a master's degree in pharmacotherapy and a pharmacist at the Centre hospitalier de l'Université de Montréal. 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.

## Report of the Board of Directors

Fiscal 2021-2022 saw the appointment of a director 35 years of age or under, as provided in subparagraph 433 of the *Act respecting the governance of state-owned enterprises* (AGSE). At March 26, 2022, the SQDC Board of Directors had 11 members, five of whom were women and six men. 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 guide member recruitment, the Board drew up an exhaustive profile of the expertise and experience expected of its members in conformance with the AGSE. The areas of expertise include governance, finance, 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.

responsibility

# Board Committees

The tasks of the committees of the Board of Directors of the Société québécoise du cannabis include in-depth study of issues crucial for the SQDC. The committees mainly do this in two ways. First, they perform periodic monitoring of the situation in their respective fields based on reports prepared 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 action plans, 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 nominating 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 2021-2022, the Governance and Ethics Committee paid special attention to the SQDC's contracting practices. It analyzed the company's contract universe and re-evaluated the mechanisms it uses to ensure that the related risk management processes are adequate. As part of this process, the committee checked the mechanisms in place to manage the ethics, compliance and probity of the company's suppliers, which allowed it, among other things, to strengthen the mechanisms found in the SQDC Supplier Code of Conduct. The committee also exercised its power of oversight to ensure the integrity of the company's contracting processes and the mechanisms implemented to control them.

During the fiscal year, the committee led the evaluation of the Board's operation and the annual review of both the expertise and experience profile and the induction and training practices applicable to directors. The committee contributed to the discussions and measures taken to maintain the pool of candidates for the Board, recruit directors and comply with the composition of the Board as specified in the AGSE, in particular subparagraph 43(3), which aims to ensure that young people are represented on the Board. The Board also examined the strategic questions and indicators, in particular those related to communications and the company's reputation, social responsibility, mission and real estate management.

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

## 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, FCA, and has four independent members, three of whom are members of the Ordre des comptables professionnels agréés (CPAs). In fiscal 2021-2022, the Audit Committee held four regular meetings and two special meetings. A closed session was held at the end of each meeting.

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 2021-2022, the committee reviewed the audit universe and approved the internal audit plan in addition to monitoring and overseeing ongoing audit projects. It held several closed sessions with the director of the Internal Audit Department and with no members of senior 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 health.

## Board Committees

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 examined the budget for the fiscal year and compared the quarterly results with the budget, thereby providing follow-up on strategies to ensure optimal use of resources. It looked at factors, trends and orientations likely to influence the company's financial results. It headed the effort to refine the company's risk management framework and followed up on its implementation. During the fiscal year, the committee also performed an in-depth analysis of certain strategically important risk categories.

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 they are able to act independently. The fee for the 2021-2022 annual audit mandate of these financial statements is \$43,000.

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 Human Resources 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. A closed session was held at the end of each meeting.

Each quarter, the committee was briefed on the main human resources issues and indicators at the SQDC, including the quality of the work environment, occupational health and safety, staffing, diversity, labour relations, recruitment and compensation. It monitored the actions taken by senior management in these areas and reviewed and recommended to the Board related improvements to the company's policies. The evolving COVID-19 pandemic was a special focus of the Human Resources Committee, in particular ensuring that all measures were taken to protect the physical and mental health of the company's employees.

During the fiscal year, the committee paid special attention to the recruitment process for the president and chief executive officer and recommended that a special selection committee be formed for the purpose. Comprised of four members, the special committee held eight meetings to helm the recruitment process. It updated the expertise and experience profile and job description for the president and chief executive officer. It oversaw the search for and initial selection of candidates and conducted interviews of all preselected candidates. Lastly, it reported on its evaluation of the finalists and submitted its recommendation to the Human Resources Committee.

In fiscal 2021-2022, the committee continued its work on evolving the SQDC's organization structure. It supervised the launch of a new organizational development strategy, including *Cultiver les talents*, a program that encompasses all training and personal development initiatives for employees in every part of the company, and an entirely new program aimed at recognizing the contribution of the company's employees. The committee also looked at overall compensation, pay raises, officer selection and retention efforts and senior management succession planning.

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

## Activity Report of the Health Protection and Research Committee

In addition to the three committees required under the *Act respecting the governance of State-owned enterprises*, the Board of Directors have created the Health Protection and Research Committee to pay specific attention to the aspects of the SQDC's mission that relate to the government's public health goals.

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

In fiscal 2021-2022, the committee engaged in various activities related to several of the main points of its terms of reference. The committee had the opportunity to meet with representatives of the main government stakeholders responsible for cannabis-related health protection and research and for reinvesting the revenues generated by the SQDC's operations to reduce harmful effects. The committee also looked at the decision-making process surrounding the company's projects and activities, such as the new product selection process, accessibility of company services, competitiveness with the illegal market and the information made available to customers.

The committee's work led to its identifying several gaps in the current scientific knowledge regarding cannabis. In studying these issues, the committee noted several legitimate questions that are asked by SQDC customers and the customer service representatives serving them but have gone unanswered. The committee's approach allowed it to identify cannabis research as a key intervention path for refining how the SQDC can sell cannabis and convert users to the legal market while maintaining a focus on health protection.

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, 2022
- Independent member

### 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 and also holds a seat on the boards of the Théâtre du Rideau Vert and the Société d'habitation et de développement de Montréal (SHDM) as well as others in England.



Jacques  
Farcy

### Director

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

### President and Chief Executive Officer

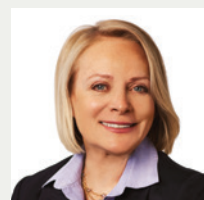
- Société québécoise du cannabis (SQDC)

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

Known for his leadership and ability to find innovative, lasting solutions, he previously worked for several multinationals in Europe and Canada. In the six years before joining the SQDC, he held the positions of Vice-President, Marketing and Merchandising, Vice-President, Marketing, Donations and Sponsorships, and lastly Vice-President, Sales Network Operations, at the SAQ. Prior to that, he worked at dunnhumby France and at dunnhumby Canada, where he was Chief Executive Officer.

He is also actively involved in the business community and willingly shares his knowledge and experience by taking part in various events, including the John Molson MBA International Case Competition, as well as lectures and conferences for HEC Montréal and the Institut Commercial de Nancy.





Céline  
Blanchet

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

- Appointed on August 23, 2018, for a four-year term
- Independent member

**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 now. She also currently chairs the Conseil québécois du commerce de détail (CQCD).

She chairs the Governance Committee of the École nationale de l'humour and sits on the board of directors of the Conseil du patronat du Québec.

She formerly held seats on the boards of directors of the Société des alcools du Québec (SAQ) and the Fonds d'intervention économique régional d'investissement Québec (IQ FIER).

The holder of a bachelor's in economics and a law degree from Université Laval, Céline Blanchet 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. 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, 2022
- Independent member

**Emergency Physician**

- McGill University Hospital Centre
- CIUSSS du Nord-de-l'Île de Montréal
- CISSS des Laurentides

Dr. Borreman holds a bachelor's degree in Mechanical Engineering, a Doctor of Medicine, a master's degree in Surgery, and a postdoctoral degree in Family Medicine from McGill University. He works both as a physician and as a business consultant to commercial organizations and new entrepreneurs. As a consultant for McKinsey & Company, Dr. Borreman has extensive experience in guiding his clients towards making informed decisions. Over the years, he has developed a recognized and sought-after expertise in the scientific, medical and business sectors which he continues to perfect through numerous professional certifications.



Martine  
Lapointe

**Director**

- Appointed on August 23, 2018, for a three-year term
- Term renewed until September 30, 2024
- Independent member

**Vice-President, Montreal**

- GFT Canada

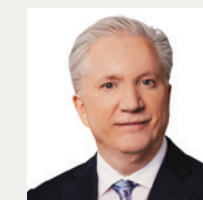
**Chair of the Board of Directors**

- 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 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. 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 of experience in finance and information technology, Ms. Lapointe has worked at several major institutions, including the Desjardins Group, Laurentian Bank and National Bank, and as a digital transformation consultant. This experience has enabled her to play a role in the organizational transformations of large organizations, including Revenu Québec, Canadian National, Air Canada and Hydro-Québec. She is currently Vice-President, Montréal, at the business consulting firm GFT Canada, which specializes in banking and insurance.

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. She also holds a seat on the board of the Caisse Desjardins Pierre-Boucher de Longueuil.



René  
Leprohon

**Director**

- Appointed on August 23, 2018, for a three-year term
- Term renewed until September 30, 2024
- Independent member

**Corporate Director**

A member of the Ordre des comptables professionnels agréés du Québec, the Institute of Internal Auditors (Quebec chapter) and the Canadian Association of Management Consultants (CMC-Canada), René Leprohon holds a bachelor's in business administration from HEC Montréal and a risk management certificate (CRMA) 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**

- Appointed on August 23, 2018, for a four-year term
- Independent member

**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**

- Appointed on August 23, 2018, for a two-year term
- Term renewed until September 29, 2022
- Independent member

**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, 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, Mr. 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

**Director, Consulting Services – Transformation & Innovation**

- C. Global Inc (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

**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 Québec 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.



**Director**

- Appointed December 9, 2021, for a three-year term
- Independent member

**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 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

<b>Ministère de la Santé et des Services sociaux du Québec</b>	<b>Ministère de la Sécurité publique du Québec</b>	<b>Ministère des Finances du Québec</b>	<b>Ministère des Affaires municipales et de l'Habitation du Québec</b>
<b>Horacio Arruda</b> Sous-ministre adjoint à la Direction générale de la santé publique	<b>Louis Morneau</b> Sous-ministre associé à la Direction générale des affaires policières	<b>Étienne Paré</b> Directeur général de l'optimisation des revenus et des politiques locales et autochtones	<b>Érika Desjardins-Dufresne</b> Directrice générale de la fiscalité et de l'évaluation foncière

## Directors' Attendance at Meetings of the Board and Board Committees

2021-2022 fiscal year

	BoD	AC	GEC	HPRC	HRC	SCRPC
<b>Number of meetings</b>	<b>13</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>8</b>
Johanne Brunet <sup>1</sup>	13/13	6/6	4/4	5/6	7/7	8/8
Jean-François Bergeron	2/2	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A
Céline Blanchet	13/13	N/A	4/4	N/A	7/7	N/A
Stéphane Borreman	12/13	1/1	4/4	5/6	N/A	N/A
Jean-Simon Denault <sup>5</sup>	3/3	N/A	N/A	1/1	N/A	N/A
Jean-Claude Dufour	13/13	N/A	N/A	5/6	7/7	8/8
Jacques Farcy <sup>6</sup>	4/4	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A
Paul Furfaro <sup>7</sup>	6/6 <sup>8</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A
Marie-Claude Guay	12/13	N/A	4/4	6/6	N/A	N/A
Martine Lapointe	12/13	6/6	4/4	N/A	N/A	N/A
René Leprohon	13/13	6/6	N/A	N/A	7/7	8/8
Louise Martel	13/13	6/6	N/A	N/A	7/7	N/A
Jack Siemiatycki	13/13	N/A	N/A	6/6	N/A	8/8

- BoD: Board of Directors
- AC: Audit Committee
- GEC: Governance and Ethics Committee
- HPRC: Health Protection and Research Committee
- HRC: Human Resources Committee
- SCRPC: Special Committee for the Recruitment of the President and CEO

1. The Chair of the Board is an ex officio member of all Board committees.
2. Jean-François Bergeron ceased to be a director on May 31, 2021.
3. 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.
4. Stéphane Borreman attended one of the special meetings of the Audit Committee.
5. Jean-Simon Denault assumed his duties as a Board member on December 9, 2021. He became a member of the Health Protection and Research Committee effective January 14, 2022.
6. Jacques Farcy became a member of the Board of Directors on October 11, 2021.
7. Paul Furfaro was a member of the board of directors from June 1, 2021, until October 10, 2021.
8. One of the special meetings of the Board of Directors consisted solely of a closed session involving only independent members. The President and Chief Executive Officer did not attend the meeting.

## Members of the Board of Directors

### Directors' Compensation

2021-2022 fiscal year  
(in Canadian dollars)

Johanne Brunet	\$54,505.00
Céline Blanchet	\$25,259.04
Stéphane Borreman	\$21,831.00
Jean-Simon Denault	\$4,967.01
Jean-Claude Dufour	\$26,823.00
Marie-Claude Guay	\$21,207.00
Martine Lapointe	\$23,079.00
René Leprohon	\$32,123.04
Louise Martel	\$27,443.04
Jack Siemiatycki	\$24,015.65
<b>Total</b>	<b>\$261,252.13</b>

### Compensation Paid to the Five Most Highly Compensated Officers

2021-2022 fiscal year  
(in Canadian dollars)

Name	Title	Annual base salary	Base salary paid	Annual bonus program <sup>1</sup>	Other forms of compensation <sup>2,3</sup>	Separation allowance	Total
Jacques Farcy	President and Chief Executive Officer	\$305,000	\$140,769 <sup>4</sup>	N/A	\$5,426	\$-	\$146,195
Jean-François Bergeron	President and Chief Executive Officer	\$297,395	\$51,472 <sup>5</sup>	N/A	\$19,253	\$-	\$70,725
Paul Furfaro	Vice-President, Store Operations	\$210,450	\$218,140 <sup>6</sup>	N/A	\$17,619	\$-	\$235,759
Pietro Perrino <sup>(7)</sup>	Secretary General and Director, Legal Services and Government Relations	\$198,883	\$198,883	N/A	\$750	\$-	\$199,633
Robert Dalcourt	Vice-President, Finance	\$186,300	\$186,300	N/A	\$17,438	\$-	\$203,738
Geneviève Giroux	Vice-President, Demand, Product Management and Supplier Relations	\$180,550	\$180,550	N/A	\$11,063	\$-	\$191,613
Normand Mc Kenzie	Vice-President, Human Resources	\$180,550	\$147,218 <sup>8</sup>	N/A	\$18,653	\$177,000	\$342,871

- The SQDC does not award bonuses to its employees.
- 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.
- The vice-presidents participate the PPMP with an annual pension accrual rate of 2% up to the maximum eligible salary set by Retraite Québec. In addition, the President and Chief Executive Officer of the SQDC has participated in the RRAS, under which he has an annual pension accrual rate of 3% on his salary.
- Jacques Farcy assumed his duties on October 11, 2021.
- Jean-François Bergeron left his position on May 30, 2021.
- Paul Furfaro's salary includes compensation for service as interim president and chief executive officer from June 1, 2021, to October 10, 2021.
- Pietro Perrino's compensation is paid by the Ministère du Conseil du Québec and billed in full to the SQDC.
- Normand Mc Kenzie left his position on January 18, 2022. A separation allowance was paid to him.

## 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. At the same time, the company convened its Permanent Language Policy Committee and, with the Office québécoise de la langue française (OQLF), continued with the linguistic analysis of its operations.



## 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 market and fight the illegal market while maintaining a constant focus on health protection. That is why, in addition to growing its store network and competitive offer, the SQDC has incorporated its main sustainable development-related strategic orientations into the plan.

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



## 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 impact in health, ethics, the community and the environment. It allows the SQDC to meet its obligations under the Sustainable Development Act and contribute to the efforts made as part of the Gouvernement du Québec's Stratégie gouvernementale du développement durable 2015-2020.

The report on the results of the SQDC Social Responsibility Plan 2021-2023 for its second year of application is appended to this annual report.

# Access to Information and the Protection of Personal Information

## Report on access requests received

The Société québécoise du cannabis (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 2021-2022, 30 requests were handled and 28 requests were received<sup>1</sup>. 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	Types of request handled during the fiscal year		
	Access requests		
	Administrative documents (number)	Personal information (number)	Correction (number)
0 to 20 days	18	1	3
21 to 30 days	11	0	0
31 days or longer (if applicable)	0	0	0
<b>Total</b>	<b>26</b>	<b>1</b>	<b>3</b>

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

### Number of requests handled, by type and decision

Decision made	Access requests			Cited sections of the Act
	Administrative documents (number)	Personal information (number)	Correction (number)	
Accepted (entirely)	10	0	0	
Partially accepted	5	0	0	9, 15, 21, 22, 23, 24, 27, 28, 29, 37, 39, 53, 40, 86.1, 87, 88
Refused (entirely)	9	1	0	9, 15, 21, 22, 23, 24, 27, 37, 39, 53, 86.1, 87, 88
Other <sup>1</sup>	2	0	3	
<b>Total</b>	<b>26</b>	<b>1</b>	<b>3</b>	

1. The two administrative document cases classified as "other" are ones in which the requested documents did not exist. The other cases are related to abandoned requests.

#### 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

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

- "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;
- "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;
- "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;
- "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 complete against them;
- "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;
- "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;
- "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;
- "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:
- a) where the contract or matter in question is discussed; or
  - b) 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 hold 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:
- the holding of interests through a mutual fund in whose management the director does not take part directly or indirectly;
  - the holding of interests through a blind trust on whose composition the beneficiary has no right of review;
  - 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;
  - 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;
  - 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
  - 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:
- give advice and support to the Société and any director faced with a situation that he deems to be a problem;
  - deal with any inquiry about this Code; and
  - 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.
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 assert 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.

### Chapter 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 whose term of office is not of fixed duration who is elected to a public office is entitled to leave without remuneration for the duration of his first elective term of office.

#### Chapter 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.

#### Chapter 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:

- (a) preventive measures, specifically, rules concerning the declaration of interests held by a public office holder;
- (b) identification of situations of conflict of interest; and
- (c) 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.

#### Chapter 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 \_\_\_\_\_

\_\_\_\_\_  
Member of the Board of Directors

## 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 <sup>1,2</sup> 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. f): "... 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 2022

**It is with great enthusiasm that the Société québécoise du cannabis (SQDC) presents its second Social Responsibility Report, which provides an update on the progress of the initiatives taken under the company's Social Responsibility Plan 2021-2023.**

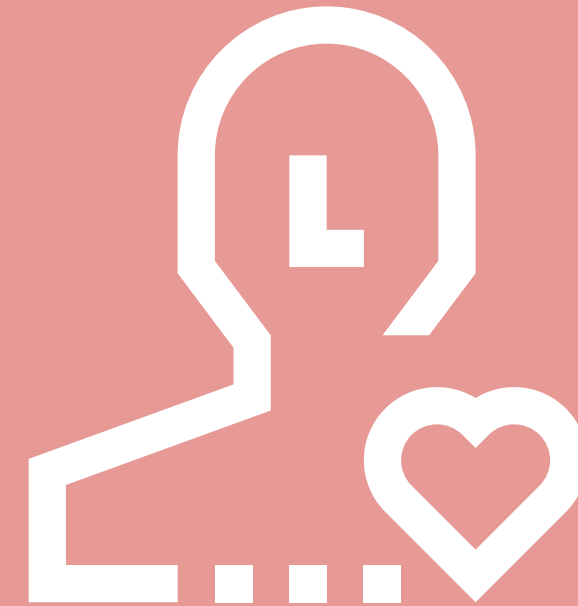
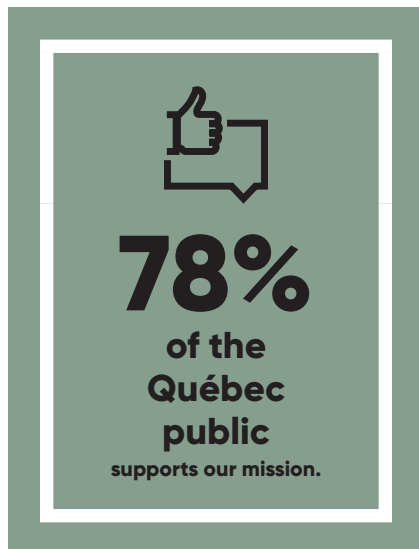
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This second Social Responsibility Report of the Société québécoise du cannabis (SQDC) is one of the ongoing initiatives and processes launched by the company in fiscal 2020-2021. Through its three-year social responsibility plan, the SQDC seeks to consolidate its position as a responsible corporate citizen in Québec society and contribute to the government's sustainable development strategy, the Stratégie gouvernementale de développement durable du gouvernement du Québec. This responsibility, which is one of the SQDC's structuring values, guided each of the company's actions during the second year of the plan's implementation. Among other things, the company worked to protect the health and safety of employees and customers during the COVID-19 pandemic, make the packaging for the products it sells more eco-responsible and improve its responsible procurement practices.


This second report provides an update on our progress regarding the 13 ambitious objectives we aim to achieve by 2023. It bears witness to our leadership in evolving a responsible cannabis industry that is focused on health, ethics, community and the environment.


The SQDC is especially proud that 78% of Québécois now support its mission, that a new *Québec Grown* identifier has been introduced and that 37 metric tons of cannabis product packaging were collected through its in-store recovery initiative.



## Health

Our approach is based mainly on educating and informing. We guide customers toward responsible use and, before expanding our store network, always consult with the communities involved. We also work closely with health sector organizations and take their concerns into account. Any profits made are used to fund initiatives in education, research and preventing harm associated with cannabis use.


Objective	Indicator	2022 target	2022 result
<b>Continue</b> training our store employees to educate customers about responsible cannabis use	Percentage of employees who receive annual training on responsible use	100%	<b>100%</b> 



Employee training is one of the SQDC's main levers for guiding customers toward low-risk use and thus for fulfilling its mission. That is why the company makes a priority of training all employees about cannabis and its components, effects, methods of use and associated risks. The training to be provided is defined by regulation and developed in collaboration with the Ministère de la Santé et des Services sociaux (MSSS) and the experts it mandates.


Training materials and programs are also regularly reviewed and updated to maintain the quality of the advice provided. This year saw the addition of educational activities in the form of simulations around CBD-based products and the needs most frequently expressed by customers. By providing these additional learning opportunities, the SQDC ensures it is properly equipping all its employees to provide service that is based on responsible cannabis use and reflective of the reality on the ground. It should be noted that employees are required to validate their knowledge annually by taking an exam.

Objective	Indicator	2022 target	2022 result
<b>Contribute</b> to advancing knowledge on the health and social impacts of cannabis	Number of Board Health Protection and Research Committee meetings held during the year	2 meetings	<b>6 meetings</b> 



In fiscal 2021-2022, the Health Protection and Research Committee met six times to continue reflecting on issues related to protecting the health of the SQDC's employees and customers and the general public. The committee monitored developments in cannabis knowledge to support the company in educating customers and inform thinking about future areas of research. It played an advisory role regarding the company's communication, education and training strategy while maintaining a focus on health protection.

The committee was also deeply involved in the organizing and holding of the Forum SQDC des partenaires du milieu de la santé, the SQDC forum for health sector partners that attracted more than 120 participants from the health care and public health fields as well as the university and community sectors. Jack Siemiatcyki, Chair of the SQDC's Health Protection and Research Committee, took part as a speaker.

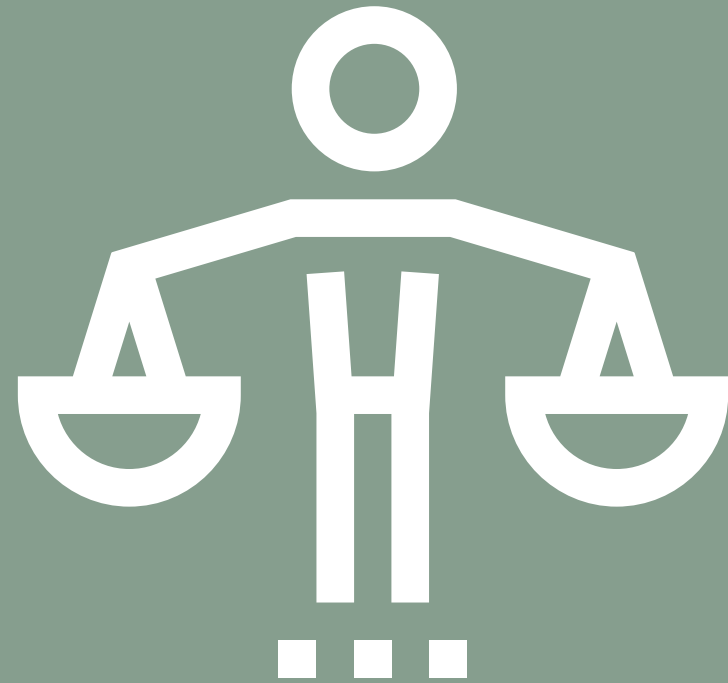
Objective	Indicator	2022 target	2022 result
<b>Develop</b> and maintain relations with health-sector stakeholders	Number of new stakeholders met during the year	6 stakeholders	<b>8 new stakeholders</b> 



Developing long-term relationships with our stakeholders begins with authentic and transparent communication. This year, we strengthened these relationships by continuing to meet with stakeholders to deepen our mutual understanding of the issues around cannabis. These discussions help us, among other things, to take account of stakeholders' concerns in our decision-making and strategic planning.

In fiscal 2021-2022, the SQDC entered into dialogue with more than 20 stakeholders primarily from the health care, public health, environment and education fields and the municipal and government sectors. This was in addition to the organizations taking part in the Forum SQDC des partenaires du milieu de la santé.



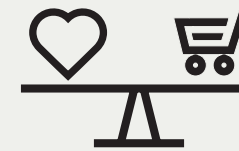


# Ethics

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

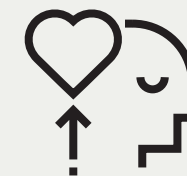
Objective	Indicator	2022 target	2022 result
<b>Maintain</b> the sales ethic	Percentage of security guards and advisors having received sales ethic training	100%	<b>100%</b>



Adhering to a sales ethic is a key aspect of carrying out our mission. For the SQDC, ethics in a sales context means refusing to sell products to persons who are under 21 years of age, whose behaviour is obviously altered by drugs or alcohol or who are attempting to buy products on behalf of such persons.

This is why we have scrupulously maintained our training efforts to ensure that all SQDC security guards and employees have the knowledge and training required to put these principles into practice.

Objective	Indicator	2022 target	2022 result
<b>Increase</b> and sustain employee commitment while attracting and retaining new talent	Overall employee satisfaction level	72%	<b>74%</b>



The feedback obtained through the *Expérience employé 2020-2021* survey of all SQDC employees that was conducted with the help of an outside firm pointed to areas on which to focus in working to maintain and increase the engagement of our employees.

One of the main findings of the survey was that team members are looking for personal and career development opportunities that will let them achieve their full potential. In response, we launched *Cultiver les talents* in September 2021. This structuring initiative provides a framework for all our employee personal and professional development programs. Initiatives already underway include the *Propulsion* leadership development course managed by the Université de Sherbrooke and the *Appréciation de la contribution* recognition program.

These initiatives help us maintain a motivating organizational culture that is conducive to developing talent, especially important as the COVID-19 pandemic experience of the last two years has inevitably affected employee morale.

Objective	Indicator	2022 target	2022 result
<b>Provide employees with a healthy, safe workplace</b>	Percentage of stores setting up an OHS committee during the year	100%	<b>74%</b> <sup>1</sup>
	Number of OHS committee meetings held during the year in each store	3 meetings	<b>1.81</b> <sup>2</sup> meetings



1. For the indicator regarding the percentage of stores having set up an OHS committee, stores that opened their doors after January 1, 2022, 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 2021-2022 were considered. Stores that opened during the year were still expected to hold OHS committee meetings at least once every four months.

The SQDC maintained its efforts to properly implement the COVID-19 pandemic-related directives and guidelines of public health official and government authorities. The company applauds the efforts made by its teams, who, for more than two years, have continued to provide quality service while adapting to the procedures in effect at any given moment.

As part of the company's total health perspective, special attention was paid to employees' mental health. Aware of the impact the pandemic can have on mental health, the SQDC continued facilitating employees' access to telemedicine services and to its employee and family assistance program (PAEF). During Mental Health Week, the company encouraged employees to take the *Test qui fait du bien*, a mental and overall health self-assessment tool that provides practical wellness advice and tips.

Regarding the indicators established for this objective, which relate to setting up OHS committees in stores, the survey results are slightly below those of the preceding year. However, the SQDC has put in place additional measures to ensure that health and safety issues will be optimally addressed. Quarterly meetings have been held across the network to discuss the issues. The SQDC also continued the twice-yearly prevention inspections of the workplace performed by each store's managers.

Objective	Indicator	2022 target	2022 result
<b>Put in place a responsible procurement process (goods and services)</b>	Percentage of contracts incorporating eco-responsible criteria	48%	<b>60%</b>



This year, we redoubled our efforts to incorporate responsible criteria into our goods and services procurement process. Applicable to the entire supply chain, this initiative aims to address all sustainable development-related issues.

Our selection of responsible criteria considered the various stages of the life cycles of products and priority services. In addition, a general social responsibility clause was gradually introduced to evaluate suppliers on the basis of their sustainable development management practices.

The SQDC also continued its collective thinking about responsible procurement by launching a process to review its responsible procurement policy. The new version of the policy should be published next year.



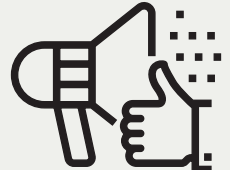
# Community

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	2022 target	2022 result
<b>Raise awareness</b> of the SQDC's mission and relevance	Level of public support for the SQDC's mission	72%	78% 




For the second year running, the SQDC surveyed the general public to measure changes in the level of acceptance and support for the company's mission.

According to this year's results, 78% of respondents—up 4% from last year—look favourably on the SQDC's mission of selling cannabis in compliance with the *Cannabis Regulation Act* and with a focus on health protection to attract and retain users from the illegal cannabis market without encouraging use. These results say much about the social acceptability among Québécois of the current model of a government corporation handling the distribution and sale of cannabis.

The SQDC intends to continue raising awareness of its mission through the public statements of its executives, as part of its ongoing dialogue with stakeholders and by transparently answering questions put to it on its various social media platforms.

Objective	Indicator	2022 target	2022 result
<b>Give</b> a preferred place to Québec-grown cannabis to encourage the local economy	Percentage of cannabis produced by SQDC suppliers that has been grown in Québec	40%	42% 
	Québec-based producers as a percentage of all SQDC producers	20%	53% 



The SQDC is proud to encourage the local economy by giving a place of pride to its Québec partners and to products grown in the province. The company intends to maintain its constant collaboration with current and prospective Québec-based partners.

Fiscal 2021-2022 saw the introduction, in June 2021, of the new *Québec Grown* identifier, which allows customers to identify products comprised of cannabis grown mostly (65%) in Québec. A rigorous procedure was set up to govern the process of awarding the SQDC's new identifier and facilitate traceability. As at March 26, 2022, some 42% of the cannabis sold (kilogram sales) at the SQDC bear the identifier.

The year was also exceptional when it came to the number of Québec-based producers working with the SQDC. As at March 26, 2022, no less than 53% of all our producers have their head office in Québec, compared with 21% last year.

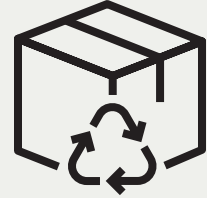


# Environment

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	2022 target	2022 result
<b>Reduce</b> the ecological footprint of our containers and packaging	Percentage of products sold at the SQDC meeting eco-responsible criteria	50%	<b>32%</b>



The environmental footprint of the cannabis containers and packaging sold at the SQDC is a major issue for the company and its stakeholders. This is why we work with producers on a continuous basis to find solutions for reducing it and building a cannabis industry that is even more responsible.

In fiscal 2021-2022, the SQDC continued holding meetings of the Table de concertation sur les contenants et emballages écoresponsables, an issue table on eco-responsible containers and packaging. At subcommittee meetings, Table members established, in the form of a road map, a series of actions aimed at improving packaging performance around four eco-responsible criteria.

In response, the SQDC prepared a list of more than 60 North American manufacturers of packaging for cannabis products. An eco-responsibility assessment form was then developed and has been sent to the manufacturers to determine how well their packaging product catalogue meets the SQDC's eco-responsibility criteria. The results of this process will be shared with our suppliers.

SQDC representatives also went to a sorting centre to hold discussions with the operating team and assess how sortable each type of packaging is. Based on this meeting and discussions with RECYC-QUÉBEC, the SQDC developed a guide designed to educate consumers on how to dispose of cannabis product containers and packaging at home. Consumers were also reminded that they can bring containers and packaging to SQDC stores for recycling. Lastly, the SQDC updated its Suppliers' Guide to include a detailed description of its recommended eco-responsibility criteria.

To evaluate its performance for the indicator established for this objective, the SQDC collected data from all its suppliers to evaluate how well each product meets its recommended eco-responsibility criteria. Analysis of the results showed that 32.5% of the products sold at the SQDC meet at least two of the four criteria, compared with 16% last year. This encouraging increase is mainly due to the increase in the number of packages compatible with the Québec sorting and recycling system, which includes, more specifically, jars made from #2 plastic (HPDE), #5 plastic (PP), metal and glass. The percentage of packaging containing at least 15% recycled content rose sharply from 1% in fiscal 2020-2021 to 19% in fiscal 2021-2022. Lastly, the average distance travelled by packaging—as measured by the distance from the packaging manufacturer's plant to the cannabis producer's door—was cut by more than half.

Environment

Objective	Indicator	2022 target	2022 result
<b>Manage</b> residual materials	Percentage of stores having implemented a used container recovery initiative	60%	<b>100%</b>



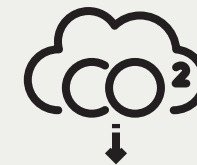
Numerous initiatives to improve residual materials management were launched in fiscal 2021-2022. In all its stores, the SQDC introduced a recovery program for the procedure masks worn by employees in response to COVID-19. Carried out in collaboration with MultiRecycle, the project was very well received by store teams.

The SQDC also continued its initiative to recover container and packaging in its stores. The collected containers and packaging are then recovered by our partner Metro Vert Logistique. To optimize transport, their pick-up is done at the same time as cannabis products are delivered to the store, limiting travel and reducing the related greenhouse gas emissions. The containers and packaging are then stored in the Metro Vert warehouse until they can be shipped to the recycling partner's facility. In fiscal 2021-2022, a total of 37 metric tons of cannabis product containers and packaging were recovered through this initiative.

In February 2022, the SQDC issued a call to the market and interested partners to share their knowledge regarding container recycling and transformation.

Lastly, the SQDC has joined Synergie Montréal, enabling the company to explore possible solutions from a circular economy standpoint based on the company's various residual management needs.

Objective	Indicator	2022 target	2022 result
<b>Measure</b> our buildings' greenhouse gas (GHG) emissions	Metric tons of GHG emitted	Annual report published	<b>Annual report published</b>



For the second year running, the SQDC has quantified the greenhouse gas (GHG) emissions of the buildings it occupies, more specifically the direct emissions (scope 1) and indirect emissions (scope 2).

This inventory of GHG emissions covered the period from January 1 to December 31, 2021.

The SQDC still aims to set a realistic GHG emissions reduction target beginning in 2024, when its store network will have reached a certain maturity.

Objective	Indicator	2022 target	2022 result
<b>Outfit</b> buildings eco-responsibly	Percentage of stores integrating eco-responsible design criteria	100%	<b>100%</b>



In fiscal 2020-2021, we defined 15 eco-responsible building criteria to be considered when constructing new SQDC stores. Throughout fiscal 2021-2022, our real estate development team continued its efforts to take the criteria into account in new store design. Each of the new stores meets at least 10 of our 15 eco-responsible building criteria. On average, the 87 stores in the SQDC network meet 12.

The SQDC also began thinking about sustainable mobility at its head office when, in February 2022, it became involved with a local inter-business travel plan, the Plan de gestion des déplacements interentreprises pour le secteur Assomption Sud-Longue-Pointe. Piloted by the Centre de gestion des déplacements de l'Est de Montréal et Lanaudière (CGDEML), the goal is to improve work site accessibility and employee mobility.



## Summary of results Social Responsibility Report 2021-2022

Health	Indicators	Target 2022	2022 result
①	Percentage of employees who receive annual training on responsible use	100%	100% ✓
②	Number of Board Health Protection and Research Committee meetings during the year	2 meetings	6 meetings ✓
③	Number of new stakeholders met during the year	6 stakeholders	8 stakeholders ✓

Ethics	Indicators	Target 2022	2022 result
①	Percentage of security guards and advisors having received sales ethic training	100%	100% ✓
②	Overall employee satisfaction rate	72%	74% ✓
③	Percentage of stores setting up an OHS committee during the year	100%	74%
	Number of OHS committee meetings held during the year	3 meetings	1.81 meetings
④	Percentage of contracts incorporating eco-responsible criteria	48%	60% ✓

Community	Indicators	Target 2022	2022 result
①	Level of public support for the SQDC's mission	72%	78% ✓
②	Percentage of cannabis produced by SQDC producers that is grown in Québec	40%	42% ✓
	Québec-based producers as a percentage of all SQDC producers	20%	53% ✓

Environment	Indicators	Target 2022	2022 result
①	Percentage of products sold at the SQDC that meet eco-responsible criteria	50%	32%
②	Percentage of stores having implemented a used container recovery initiative	60%	100% ✓
③	Metric tons of greenhouse gases emitted	Annual report published	Annual report published ✓
④	Percentage of stores integrating eco-responsible design criteria	100%	100% ✓

**Photo credits**

Most of the photographs in this annual report were taken by Marc-Olivier Bécotte.

The SQDC thanks the employees who agreed to appear in photographs for its Annual Report 2022 (in alphabetical order): Maude Arseneault, Alexander Bove, Georgia Campos, Richard Celzi, Catherine Chartier, Emmanuel Joseph Désir, Félisha Dorcéna, Renaud Dumouchel-Fournier, Julien Fortier, Geneviève Giroux, Marie-Ève Gravel, Laurent Jobin, Simon Joly, Véronique Lasalle-Folot, Valérie Lemaire, Domenico Martello, Bernard Pochic, Mariane Prigent-Bastien, Antoine Prévost-Surprenant, Harry Raphaël, Francis Rême, Lorraine Robillard and Juan Gabriel Saint-Cyr Charles.

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

In the event of a discrepancy between the French-language and English-language versions of this annual report, the French-language version shall prevail

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