



Annual
Report
2024

The SQDC is our
people



For
responsible
consumption

79%

of Québécois
agree with the
SQDC's mission

\$259 million
to the Québec treasury

Cover photo

Nancy Carrier
Interim Assistant Manager
at the Québec –
Quatre-Bourgeois store

**For
responsible
consumption**

This, the first year of its new strategic plan, saw the Société québécoise du cannabis (SQDC) advancing its mission to migrate cannabis users from the illegal market to the legal market and retain them there without encouraging or commodifying cannabis use.

A total of 122.5 metric tons of cannabis was legally sold in fiscal 2023–2024, generating comprehensive income of \$104.1 million, all of which was remitted to the Québec government and paid into the Fonds de lutte contre les dépendances, the fund to counter dependency. To this amount can be added tax revenues in the form of consumer and excise taxes valued at \$217.3 million (\$154.7 million and \$62.6 million respectively to the provincial and federal governments). In all, the SQDC paid some \$321.4 million to the two levels of government, including \$258.8 million to the Québec treasury.

Through its responsible and transparent approach, the government corporation has once again demonstrated its legitimacy within Québec society: 79% of Québécois now say they agree with the organization's mission.

As it closes its 2023–2024 fiscal year, the SQDC continues proving the relevance of its model through its profitability and determination to carry out its mission while maintaining a focus on health protection.



Contents	
Highlights	2
Message from the Chair of the Board of Directors	4
Message from the President and Chief Executive Officer	5
Management Committee	6
Mission/Values/Vision	8
Review of Activities	10
Finance	44
Financial Review	46
Financial Statements	50
Notes to the Financial Statements	59
Governance	88
Report of the Board of Directors	90
Board Committees	92
Effectiveness and Performance Evaluation Measures	95
Members of the Board of Directors	98
Policy on the Use and Quality of the French Language	108
Access to Information and the Protection of Personal Information	110
Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis	111
Schedules	117
Social Responsibility Report	124

Highlights

Highlights of fiscal 2023-2024

Fiscal year ended March 30, 2024
(in thousands of Canadian dollars and in kilograms for volume sales)

Financial results

Sales	662,080
Gross margin	214,021
Net expenses ¹	109,906
Comprehensive income	104,115

Financial position

Total assets	135,884
Property, plant and equipment, intangible assets and right-of-use assets	68,549
Shareholder's equity	27

Sales by network

Stores	622,054
SQDC.ca transactional website	40,026
Total	662,080

Sales by product category

Dried flowers	552,984
	97,918 kg
Other products (oils, sprays, etc.)	109,096
	24,560 kg
Total	662,080
	122,478 kg

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

Message from the Chair of the Board



For the Société québécoise du cannabis, fiscal 2023-2024 was marked by the arrival, in November 2023, of its new President and Chief Executive Officer, Suzanne Bergeron. The Board of Directors is pleased to welcome Ms. Bergeron as head of the company and as a member of the Board, to which she will bring enlightened leadership and unique expertise. I offer her my warmest wishes.

At the end of the first year of the company's second strategic plan, I am delighted with the progress our teams have made toward implementing its new action plan. Through the initiatives it takes, the SQDC continues to demonstrate how closely it listens to customers and the Québec public. It is by building a relationship of trust with each member of its ecosystem that the SQDC will succeed in playing its important role as a legal retailer of recreational cannabis and fulfill its mission of converting illegal market users.

The efforts made by all its teams have once again proved the SQDC's added value for Québec society. Driven by its objective of protecting consumers' health, the company also contributes to the dynamism of local economies, with its 98 stores generating more than 1,200 good jobs in every region of the province.

This year, the Board of Directors supported and provided sound guidance to the teams in implementing the SQDC's new strategic plan. In close collaboration with the Management Committee and SQDC stakeholders, the Board also ensured the company was being run efficiently and effectively.

As part of its collective commitment, the SQDC proudly continued its work to capture the illegal market. It now claims a 63% share of the overall market. In addition, the company paid no less than \$321.4 million to the two levels of government, namely \$258.8 million to the Québec government and \$62.6 million to the federal government, confirming the active role it plays in our economy."

I offer my sincere thanks to all members of the Board of Directors for their commitment to the company's sustainability, with an increased focus on health protection. I also want to express my gratitude to the members of the Management Committee for their outstanding contribution to the organization and their leadership of their teams. In addition, I want to thank Jacques Farcy for his support as President during the first three months of the fiscal year and Robert Dalcourt, Vice-President, Finance, who assumed the role of President and Chief Executive Officer on an interim basis. Last but not least, I thank and congratulate all the employees of the SQDC for their drive and discipline in fulfilling the company's mission, which is to sell cannabis with a focus on health protection in order to convert users to the legal market without encouraging use. I look forward with enthusiasm to the next chapter in our collective story!

A handwritten signature in black ink, appearing to read 'Johanne Brunet'. The signature is fluid and cursive.

Johanne Brunet
Chair of the Board of Directors



Message from the President and Chief Executive Officer

It is with great joy that, as the new President and Chief Executive Officer of the Société québécoise du cannabis, I am writing to you today to present our annual report for fiscal 2023-2024. This year, we are celebrating not only the operational and financial benefits of our organization but also the fifth anniversary of the legalization of cannabis in Québec and the rest of Canada.

This pivotal year was marked by, among other things, the publication last spring of our second strategic plan, whose vision—that of being your trusted destination for cannabis—will guide our decisions through 2026. It is a vision I already have the pleasure of seeing our store and head office teams bring to life every day.

Now that our store network is well established in every region of Québec, I am fortunate to work with teams committed to providing customers—the heart of our business—with the guidance, simplicity, quality-price ratio and choice they seek while staying within the legal framework that governs us. Working shoulder to shoulder this year, we focused on implementing new initiatives for better guiding and advising customers, including expanding the coverage of our 90-minute delivery service and offering new products and sizes.

This key orientation of our strategic plan—serving our customers—remains resolutely guided by our mission to convert users from the illegal market to the legal market (that is, the SQDC) without encouraging use. To do so, we will continue consolidating our position as Québec's sole retailer of recreational cannabis.

"Fiscal 2023, the year of our fifth anniversary, was notable for the evolutionary changes made to our strategic orientations and the strengthening of our commitment to better guide and advise our customers."

Due to the engagement of the members of its teams, the SQDC reported sales of 122,478 kilograms of cannabis, totalling \$662.1 million, this year. All told, we paid some \$321.4 million to the two levels of government in fiscal 2023-2024. The SQDC is thus an active contributor to the Québec and Canadian economies and to cannabis research and prevention efforts and the fight against the adverse effects of psychoactive substances, in accordance with the *Cannabis Regulation Act*. This substantial contribution and the company's health protection objective are an integral part of our mission, matter deeply to us and motivate the members of the organization.

Beyond these tangible accomplishments, I want to note the exceptional dedication of our collaborators across Québec and the constant support of our producer partners, which has been apparent to me since taking up my position. I also want to express my sincere thanks to our ministerial partners and to the Management Committee, all of which contribute to our success. Lastly, I offer a special word of thanks to my colleagues at the SQDC, whose daily discipline makes our mission a reality beneficial to all Québec. Together, we will continue to make the Société québécoise du cannabis your trusted destination for cannabis. For my part, I am overjoyed to be part of the big SQDC family and take on this mission with it.

I hope you enjoy reading this report!

Suzanne Bergeron
President and Chief Executive Officer

Management Committee

"Joining this remarkable management team this year has been a great honour. I have the pleasure of working daily alongside inspiring, engaged and empathetic leaders who embody the SQDC's values and guide our teams in fulfilling our mission and implementing our new strategic plan."

Suzanne Bergeron
President and Chief Executive Officer



Robert Dalcourt

Vice-President,
Finance

Suzanne Bergeron

President and
Chief Executive
Officer

Josée Laliberté

Vice-President,
Persons and
Culture,
and Interim
Vice-President,
Operations

Geneviève Giroux

Vice-President,
Demand, Product
Management and
Supplier Relations

Eve Larrivée

Vice-President,
e-Commerce

Harry Raphaël

Vice-President,
Information
Technology

Pietro Perrino

Secretary General
and Director,
Legal Services
and Government
Relations

Éliane Hamel

Vice-President,
Social
Responsibility,
Health
Protection and
Communication

The SQDC's mission

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

Strategic orientations

— Engage our teams

Foster the engagement of our teams by further developing its culture of proximity, collaboration, learning and continuous feedback.

— Serve our customers

Migrate consumers from the illegal markets to the legal market through a varied, relevant and accessible offer, a buyer's journey marked by simplicity, a suitable quality-price ratio and a sound advisory service.

— Raise the SQDC's profile

Act with a view to protecting Québecers' health by assuming our essential role within the cannabis ecosystem and in society through our ethical, responsible and environment-friendly practices.

Values

Vision

— Responsibility

Responsibility forms the basis of who we are as a company. At all times, we place customers' health at the centre of our actions. We advise and support them to reduce the risks related to cannabis use. We are also committed to efficiently and effectively managing our business so our profits can benefit all Québécois. In addition, we have adopted the principles of sustainable development to limit our impact on the community and grow our value for Québec.

— Simplicity

We strive to make the right choices and solve problems at the source. Every day throughout the company, our determination to keep our processes simple and do things differently guides our decision-making.

— Proximity

At the SQDC, the notion of proximity is pervasive. Whether it is between colleagues, with our partners or through guiding customers, we establish a relationship of trust so we can all go further together.

— Excelling

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

Be your trusted destination for cannabis





Léa Lemoine
Advisor at the
Saint-Nicolas store

Valérie Gravel
Manager
at the Sainte-
Anne-de-Beaupré
store

Review of Activities

Background



Fiscal 2023-2024 marked the fifth anniversary of the legalization of non-medical cannabis in the country and, therefore, the fifth year of the existence of the Société québécoise du cannabis (SQDC). In the intervening half decade, the cannabis market in Canada, both legal and illegal, has been transformed: customers' expectations, social acceptability and the economic reality in which the players do business have changed significantly.

Federal law, specifically the *Cannabis Act*, allows access to cannabis in Canada by regulating its production, distribution and sale. The main responsibilities of the federal government are to establish the criminal and penal offences for the unauthorized production, distribution and sale of cannabis and the promotion and propagation of misleading claims about cannabis and health. The federal government is also responsible for defining the strict requirements governing producers that grow cannabis and make cannabis products. More broadly, the Canadian government is also mandated to establish the rules and standards applicable to the entire industry, which apply to, among other things, the types of cannabis that can be sold, packaging and labelling requirements and the banning of certain ingredients from commercial products. Through this legal framework, the federal government aims to restrict young people's access to cannabis products, protect health and public safety, discourage criminal activity by establishing a clear framework for criminal penalties and, at the same time, lighten the cannabis-related burden placed on the criminal justice system.



Rujiing Li
Analyst, Business
Strategy

Keven Rousseau
Advisor, Social
Responsibility



To each its own model

Within the Canadian legal framework, the provinces and territories are responsible for determining, with respect to the distribution and sale of cannabis, the particular form that these activities will take in their respective jurisdictions. Each is mandated to establish the rules governing cannabis sales and the location and operation of stores and to determine which entities are authorized to sell cannabis. The provinces and territories are also able to impose additional restrictions, such as raising the minimum age for buying cannabis products, further limiting the quantity that can be possessed and defining the locations where cannabis use is allowed, and pass additional laws governing cannabis for personal use.

From these legal frameworks specific to each territory and province has emerged a range of approaches and unique models. It goes without saying that the various models implemented have directly impacted the reality of the market as we know it today. For example, in the province of Alberta, where the provincial government is mandated to accredit companies and regulate the industry, cannabis retailers are private organizations. For its part, New Brunswick has a hybrid model, with the government being responsible for wholesale distribution and online sales.

A different approach in Québec

Since legalization, cannabis in Québec has been regulated not only by federal law but also by the province's legal framework, as set forth in the *Cannabis Regulation Act*. The SQDC is the only entity authorized to distribute and retail cannabis in Québec, which it does with a focus on health protection. It should be noted that the province's cannabis laws tighten the relevant federal regulations. For example, the legal age for possessing and buying cannabis has been raised to 21, compared with 18 or 19 in other provinces. Without a medical exemption, growing cannabis for one's own use is also prohibited, whereas up to four plants per person are allowed elsewhere. The places where use is allowed are also restricted, with cannabis smoking banned in most indoor and outdoor public spaces. In terms of products, in contrast to what is allowed in other provinces and territories, Québec specifically bans edibles in the form of candy, desserts, sweets and chocolates as well as topical products. The THC content of the products sold in the province may not exceed 30%, which figure also applies to concentrates. Lastly, due primarily to a notice issued by the Directeur national de la Santé publique (DNSPQ) in 2019, Québec is the last province, along with Prince Edward Island, not to sell vaping products.

Although the SQDC does not sell cannabis vaping products, according to a recent survey, the *Enquête québécoise sur le cannabis 2023* published by the Québec government on October 12, 2023, 31% of cannabis users have used this type of product, up 12% from last year. This is an established trend that the SQDC can no longer ignore, given its mission to move users away from the illegal market.

Income growth between fiscal 2021-2022 and 2022-2023

	Income 2022-2023 ⁽¹⁾	Growth between 2021-22 and 2022-23
Québec	\$602 million	+0.2%
Alberta	\$619 million	+13%
British Columbia	\$486 million	+15%
Ontario	\$1.5 billion	+25%

(1) The financial data used are for the 2022-2023 fiscal year, as the income for the other provinces is not yet known for fiscal 2023-2024.

The first five years of legalization saw the legal cannabis industry in Canada take shape and lay the groundwork for converting the illegal market. In Québec, the SQDC opened nearly 100 stores across the province and developed a transactional website that features several delivery options. Its product offer has been improved due to a better understanding of customers' expectations. Above all, the company has successfully communicated its mission and thereby greatly improved its social acceptability, a key success factor for carrying out its mandate. Today, the SQDC has achieved an illegal market conversion rate of 62.8%, meaning that 37.2% of cannabis purchases in the province are still made on the illegal market. The challenge in coming years? To capture the remaining market shares, which will be especially difficult due to the legal framework currently in effect.

62.8%

Illegal market conversion rate

Publication of the Annual Report 2024 marks the close of a very special year for the Société québécoise du cannabis (SQDC).

The first year of implementation of its new strategic plan

Renewed vision

Be your trusted destination for cannabis

Driven by a new vision, that of being your trusted destination for cannabis, the SQDC developed initiatives based on the three orientations of its strategic plan and aimed at reaching the new targets. The core of the plan? *Serve our customers*, the second and most important strategic orientation, for it is thus that we will continue realizing mission.

Fiscal 2023–2024 was marked, among other things, by adapting the product offer with new categories, by implementing and maintaining initiatives aimed at the professional development and well-being of the organization's members, by the launch of a new social responsibility plan for the coming three years and by the upgrading of several structuring systems to improve the organization's efficiency.

The first woman president to head the SQDC

In November 2023, **Suzanne Bergeron** was appointed President and Chief Executive Officer. Known for her empathetic and human leadership style and fine strategic spirit, she has since guided the company's teams in advancing the company's development.

A significant milestone was reached: five years of existence for the organization

October 17, 2023, was the fifth anniversary of the organization created in 2018 to sell cannabis legally in the province with a focus on health protection. After five years of existence, 62.8% of users have migrated to the legal market.

The SQDC owes these accomplishments mainly to its teams, who realize the organization's mission. Actually, no fewer than 105 members of the SQDC—the so-called builders—have been part of the organization since day 1. It was thus natural for this day to take place in a spirit of proximity and especially pride in all the work accomplished to date and in the company's promising future.



In this year that saw the fifth anniversary of the Société québécoise du cannabis (SQDC), the company more than ever valued the essential contribution made by its teams toward fulfilling its mission. **It is the members of these teams that, every day, make this mission a reality, driven by the constant desire to do things better.** The 2023-2024 fiscal year was an opportunity for the SQDC to go even further with initiatives to ensure the well-being of its employees and provide them with an environment and tools that let them reach their full potential. In this way, the company hopes to attract and retain a diverse set of talents that will enable it, among other things, continue its business.

Engage our teams



Strategies

- Develop and employer brand and an organizational culture 2.0
- Focus on developing our teams while remaining true to our mission
- Attract and retain a diversity of talent
- Upgrade our structuring systems





Camille Dupautet
Technician,
Real Estate
Administration

Alexander Bove
Director, Real Estate



Strategy

Develop an employer brand and an organizational culture 2.0

— A culture of collaboration and proximity

A point of pride for the company is unquestionably its unique culture, which has developed gradually over the years and arises out of the organization's four core values: simplicity, excelling, proximity and responsibility. This year, the SQDC broke ground on project that will enable it to evolve this organizational culture to ensure it reflects the company's teams and forms a key part of its strategies to attract and retain talent.

For example, the SQDC values and recognizes contributions by individuals and groups. In addition to its *Les Sommités* annual recognition initiative, the company has improved its *Appreciation de la contribution* program, which aims to foster a feedback culture based on each team member's strengths and contributions.

Josy Paulino
Advisor, Labour
Relations and OHS

" At the SQDC, the *Appréciation de la contribution* initiative is part of daily life! Through it, we celebrate the value of each person, not only as a team member but also as a human."

Mélissa Moreau

Store manager and member of the working committee on the *Appréciation de la contribution* initiative

Another part of its effort to attract, retain and engage exceptional talent, a project to define the employer brand was launched this year. In recent months, the organization has carried out a diagnosis examining employees' needs and expectations among other things. Employees were asked to contribute to the process by expressing themselves in discussion groups and interviews. The process allowed the SQDC to better understand its strong points and identify opportunities for improvement, which will soon lead it to introduce its employer brand.

81%

Overall job satisfaction rate

Since the signing of the collective agreement in 2022, the SQDC has worked to establish a joint process with the Confédération des syndicats nationaux (CSN), which represents 18 stores in the network. Based on communication and respect, this collaborative employer-union approach fosters the building of an atmosphere of trust and, thus, the development of effective practices for resolving potential issues. Workshops and seminars were held early in the fiscal year prior to the announcement to company teams of the actions to be taken in the coming fiscal year to further this collaboration.

On November 21, 2023, the SQDC and the employees represented by the Canadian Union of Public Employees (CUPE-5454) signed new collective agreements, putting an end to the labour dispute and resulting in a gradual return to regular operations. The company thanks its employees for the work performed so rigorously during the dispute, which enabled the company to continue doing business.

Karl Turgeon
Manager at the
Saint-Nicolas store

Alicia Visquez
Advisor at the
Saint-Nicolas store





Strategy

Focus on developing our teams while remaining true to our mission

At the SQDC, we cultivate talent

Keen to develop tomorrow's talent and leaders, the SQDC has adopted a modern knowledge and skills development approach since its earliest days. This can especially be seen in its *Cultiver les talents* ecosystem, which encompasses an array of personal and group development initiatives.

For example, the *Propulsion* leadership training program, created in collaboration with the Université de Sherbrooke, returned this year and was offered to a larger pool of managers.

131

managers obtained *Propulsion* certification this year.



Continuous training is also a key part of the development process at the SQDC. Information content is regularly offered to employees so they can update their knowledge. An example of this is the *Soif de culture* initiative, a series of articles published on the company's internal platform that provides more exhaustive coverage of cannabis culture topics and to which the company's *Génies en herbe* initiative is closely related. Set up by store network employees, the latter initiative also encourages advisors to consolidate their acquisition of knowledge through summaries and quizzes.

"Génies en herbe is first and foremost a project run by the stores for the stores. The SQDC's credibility is closely tied to its expertise in guiding customers, and *Génies en herbe* is a way of raising the bar even higher. It's a pleasure to be able to develop our company as a team! "

Jean-Michel Blanchette

Regional director and member of the *Génies en herbe* working committee

Also launched this year was the *Enraciner les talents* program aimed at prompting employees to take charge of their development in preparation for the potential challenges of tomorrow. Among other things, the initiative focuses on developing a talent pool that includes successors to senior management. An explicit aim is to structure transversal opportunities and make them more accessible to team members, who will be able to put their knowledge and skills to use in other parts of the company and further their own development in the process.

23
**Enraciner
 les talents
 opportunities
 were seized.**



Strategy

Attract and retain a diversity of talent

An organization where you achieve your potential

The SQDC strives to provide a healthy, safe and inclusive work environment in which development is valued.

This year, in preparation for implementing its equity, diversity and inclusion action plan, the SQDC sketched a portrait of the current situation through a summary diagnosis. An employment equity program was also introduced in fiscal 2023-2024; through it, the organization has set up a process to better reflect the diversity of the population in its workforce and foster inclusion. At the same time, the SQDC encouraged employees to state their preferred pronoun in their email signatures and on their name tags in stores. The overall goal is to create a climate of inclusiveness and openness for all. Since drafting its Strategic Plan 2024-2026, the SQDC has also decided to adopt, in all its official corporate publications (strategic plans, social responsibility plans, annual reports, etc.) a gender-neutral and inclusive writing style.

This experience let me reach my personal development objectives and, in return, give the best of myself."

Benoit Moubarak

Store manager temporarily serving as Partner, People and Culture, in the *Enraciner les talents* program

In other words, a diversity of talent is found throughout the company and many are those who want to put their skills to use. The company will continue along the same lines in the coming years to better enable employees to excel every day.

Soraya Succès
 Executive Assistant





Strategy

Upgrade our structuring systems

Technological optimizations to improve the experience

The SQDC's obligations include optimizing the efficiency of its operations. This year, the company invested in technology solutions that will enable it to achieve this objective. It worked to implement three new systems that improve not only process efficiency but also the employee experience it provides to team members. Implementing these high-added-value projects involved significant interdepartmental collaboration and mobilizing the members of the various teams around these structuring upgrades.

For example, the first phases of the rollout of a new integrated human resources information system (HRIS) were embarked on this year. Allowing several aspects of the employee experience and record to be consolidated, such as schedules and pay information, the new system will also play a key role in improving the management, control and protection of personal information. The complete rollout will be finished by the end of the 2024 calendar year.

At the same time, a project to implement a new version of the checkout system, which will make work easier by delivering a much improved user experience to store network employees, will be completed by the summer of 2024. New functions added to the system will, among other things, allow advisors to benefit from simplified navigation, improved access to information and greater autonomy in managing their operations.

Lastly, the first steps toward developing a business intelligence system were taken this year. The system will enable the SQDC to group together all its data in order to have a broader vision of the information and will guide the company's decisions on future projects. In that way, the initiative will benefit not only the organization's teams but also its customers and the entire industry.





Vincent Nicolas
Director,
Data Science

Serve our customers



Strategies

- Dynamize the customer experience
- Expand our market coverage
- Develop a relevant product offer while carrying out our health protection mandate
- Maintain a quality-price ratio attuned to our customers



Émilie Jutras
Advisor at
the Québec –
Beauport store





Serving customers is the heart of the mission of the Société québécoise du cannabis (SQDC) because that is what enables it to capture the illegal market.

Since 2018, the market, along with consumers' expectations, have undergone a transformation. In this changeable business segment, the SQDC strives to adapt to these changes while also remaining in compliance with its legal framework and mandate to protect public health. As things currently stand, one fact is undeniable: the expectations of some users cannot currently be met by the legal market in Québec (for example, vaping products and products with THC content over 30%).

The strategic thinking that preceded the drafting of the Strategic Plan 2024-2026 allowed the company to develop four customer promises based on what customers consider a priority and important: providing a selection and service they appreciate; delivering a shopping experience marked by simplicity; offering a satisfactory quality-price ratio; and offering sound guidance. These pillars shaped all our customer initiatives during the fiscal year.

Strategy

Dynamize the customer experience



This year, the SQDC continued its efforts to deliver an effective omnichannel customer experience that encourages informed and responsible use.

A simplified shopping experience that is also well guided

To convert customers to the legal market, it is no longer enough simply to be accessible. This reality has led the SQDC to rely on its strengths, namely the simplicity and efficiency of its shopping experience and the quality of the guidance it provides.

As part of its continuous improvement process, the company explored ideas for improving its current shopping process on SQDC.ca, where more payment and delivery options have been added as has product information, and in stores. In the store network, for example, several pilot projects were run in fiscal 2023-2024 to test various sales floor layouts. Another facet of the omnichannel strategy, the in-store pick-up service for online orders, which is available at every point of sale in the network, is gaining popularity with customers, more and more of whom are using it.

The guidance toward responsible use that is provided at the SQDC is a draw for customers, one that differentiates the SQDC from the illegal market. This year once again, the company ensured that the assistance was provided in compliance with its sales ethic, whose principles include refusing access to stores to any person under 21 and the systematic refusal to sell products to persons who are intoxicated or are attempting to buy on behalf of minors. Access to the SQDC.ca website is also reserved for people age 21 and older. In addition, when orders are delivered, the identity and age of the person who takes and signs for the delivery are checked yet again.

Through the guidance they provide in stores and via the online chat service, advisors are central to the customer experience. All of them take initial training and this year underwent a review of the skills and knowledge they have acquired.

This year, more information on customers and their characteristics were added to the curriculum. An annual evaluation, which must be passed by all employees who sell cannabis, lets the company make sure its employees have mastered the concepts. As continuous training is also a core part of the employee experience at the SQDC, information content like that for the *Soif de culture* initiative mentioned earlier is also distributed.

“ Online chat is a very important part of the customer support offered at the SQDC. Our role is to guide people who are unable to drop by a store or who prefer this shopping method toward responsible use.”

Antony Larivière

In-Store and Chat-Based Advisor

14,307
hours
of training taken every year



In addition to that offered by advisors, guidance is provided by the SQDC's Customer Relations Centre (CRC). This year, the CRC was once again mandated to answer questions on a wide range of subjects related to responsible cannabis use. The organization also maintains a presence on social media platforms, where it dispenses useful information to customers and builds bonds of trust with them by engaging in dialogue—yet another inducement for them to stay in the legal market.

“Our social media platforms are an essential point of contact for getting feedback from our customers, feedback that enables us to constantly improve our service, products and approach. Our ultimate goal is to build close and trusting ties with our online community.”

Mengjin Li
Social Media Manager

The information content published by the SQDC is another essential tool for guiding customers who want to learn more on their own. For example, a pilot project currently underway in some stores in the network is testing the use of touch-screen terminals as a sales-floor advisory tool. Also, the information section of SQDC.ca has been continuously improved. This year, the company took on topics including the legal framework applicable to cannabis-infused edibles and the particularities of a new product subcategory.

309,806

visits to the information section of the website

Accessibility, crucial to our mission

Ensuring its product offer is accessible has been a key concern for the SQDC since its creation. Though accessibility per se is no longer sufficient, it remains one of the keys to converting consumers to the legal market. With a network of nearly 100 stores, one of which was opened during the fiscal year, the SQDC is now present in each of Québec's administrative regions. During the fiscal year, it worked to prepare for opening new stores that will help optimize accessibility for customers in the years to come.

Accessibility of the offer also depends in no small part on the delivery services available on the SQDC.ca website. Customers can select the service best suited to them from among several options geared to different types of customers and needs, including standard delivery, same-day express delivery and even, in some areas, 90-minute delivery. This year, the company expanded the 90-minute service to the municipalities of Granby, Gatineau and Hull.

Number of visits to the website	6,194,618
Percentage of the public with access to a same-day or faster delivery option ¹	68.7%

(1) Includes the same-day and the 90-minute delivery services.

Strategy

Develop a relevant product offer while carrying out our health protection mandate

A diversified and adapted catalogue

Since its creation, the SQDC has worked to evolve its product offer to better meet customers' expectations while staying in compliance with the applicable legal framework. Accordingly, the product management approach and different-offers-in-different-stores model were maintained this year. Today, 45 of the network's stores have an expanded product catalogue. This gives the SQDC the possibility of testing customer interest in certain products before adding them to the regular, network-wide planogram.

More broadly, across the store network and on the website, additions and adjustments were made to the product catalogue with the aim of satisfying customers even more. Among the additions were several products in the ready-to-eat category that resulted from specific innovations developed by producers that supply the SQDC.

"My experience at the SQDC is analogous to the role we play in Procurement: I feel like I've found my spot at the right place and at the right time. Similarly, the ultimate goal for our team is for the product offer to thoughtfully meet customers' expectations and also be at the right place at the right time. It's as simple as that!"

Isabelle To
Manager, Procurement

A product catalogue innovation introduced this year was to offer large formats (sizes) at more competitive prices. This approach arises from the SQDC's determination to continue migrating large-format users to the legal market. Though this product category is appreciated on the illegal market, it is not one in which the SQDC has been competitive until now. By selling cannabis products in 28 g formats for prices starting at \$89.90, the SQDC is meeting the expectations of these customers while also leading them to adopt lower-risk behaviour.



Mathieu Gascon
Communication
and Event Advisor



Strategy

Maintain a quality-price ratio attuned to our customers

A fair and balanced pricing strategy

Offering optimal value for money while not commodifying use is one of the key customer promises of the new strategic plan. Product prices also reflect the quality of the advice, the environment and the products offered at the SQDC, all favouring safer use. This year once again, the organization further refined its pricing strategy to ensure it remains fair and balanced. The strategy needs to allow the company to be competitive with the illegal market while also ensuring that the prices of the legal cannabis products it sells reflect their quality and are not incentives to purchase. For example, the per-gram price of dried cannabis flowers ranges from \$3.21 to \$15.69.

67%

Rate of satisfaction with the promise to charge a fair price for the product selected by the customer

Sandra Dubois
Advisor at the
Québec –
Val-Bélair store



des
les

Raise the SQDC's profile



Strategies

- Play our essential health protection role in the cannabis ecosystem
- Be an evolving, balanced presence for citizens
- Bring our CSR process to fruition





Manon Coumes
Analyst,
e-Commerce
Logistics

Eve Larrivée
President,
e-Commerce



It is by communicating its mission and acting as a transparent and responsible corporate citizen that the Société québécoise du cannabis (SQDC) will continue to conduct its operations to the best of its ability, always bearing in mind the imperative of protecting users' health.

Strategy

Play our essential health protection role in the cannabis ecosystem

An ongoing engagement with the industry...

This year, the SQDC once again demonstrated its relevance in the Québec cannabis ecosystem by playing a leading role with many of the stakeholders involved.

In fiscal 2023-2024, the company continued consolidating its relationships with its industry partners. Aligning needs with how business is done is imperative for the company to be able to realize its mission. For example, last September, members of the SQDC team made a presentation at the Expo Cannabis, the biggest event bringing together the players in the Québec industry. To explain its approach and model, the SQDC covered the first years of legalization, the developments since and the main orientations of its strategic plan, especially the one focused on customer service.

The SQDC also collaborated with the Association Québécoise de l'Industrie du Cannabis (AQIC) in arranging supplier meetings in May and December. The meetings were an opportunity for the company to demystify the ins and outs of the process for getting products into the catalogue and to provide a look at what has been accomplished and at coming projects.

To properly carry out its mission, the SQDC needs to maintain a close dialogue with its stakeholders in order to take into account their concerns, challenges and issues and to explain the company's various practices to them. To create opportunities for discussion and sharing with players in the municipal, health, public security and environmental sectors, the organization was present at one of the annual public health days, where it took part in theme activities on cannabis and vaping. The company also sat on several committees, including the Comité ACCÈS Cannabis, the Table interministérielle sur les dépendances and the Comité interministériel de développement durable of the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs du Québec. The company also held meetings with various front-line public health groups and spoke at conferences on social responsibility and sustainability initiatives. In addition, it worked throughout the fiscal year to strengthen ties with the business community and retailers and build relations with the university sector by, among other things, presenting the SQDC model to groups of university students.

The key stakeholder in the SQDC Strategic Plan 2024-2026 is indubitably the company's customers. Driven by its new vision to be their trusted destination for cannabis, the SQDC took advantage of opportunities to address them and clarify its approach. These included maintaining an open dialogue on its social media platforms and giving interviews to media, blogs and other platforms that reach SQDC customers.

23

Number of activities in which the SQDC actively took part

... but also with Québec society

Among the functions of the Société québécoise du cannabis, that of contributing financially to the Fonds de lutte contre les dépendances, the fund to counter dependency, remains key. By ensuring its financial stability, the SQDC rightly continues to contribute to all of Québec society.

The company's dividends and the provincial portion of the excise taxes it collects are remitted in full to the Fonds de lutte contre les dépendances. Most of the amount goes to the Fonds de prévention et de recherche en matière de cannabis, the cannabis prevention and research fund created by the Ministère de la Santé et des Services sociaux and used to fund monitoring and research activities and programs regarding the effects of cannabis on public health, cannabis use-related therapeutic treatments and programs and activities aimed at preventing the adverse effects of cannabis and promoting health.

Financial impact of the SQDC's business activities

(in millions of Canadian dollars)

For Québec	2022-2023	2023-2024
Dividend	\$94.9	\$104.1
Excise tax ¹	\$77.8	\$88.7
Total contribution to the Fonds de lutte contre les dépendances²	\$172.7	\$192.8
QST	\$60.0	\$66.0
Total for Québec	\$232.7	\$258.8

For Canada	2022-2023	2023-2024
Excise tax ¹	\$26.0	\$29.5
GST	\$30.0	\$33.1
Total for Canada	\$56.0	\$62.6

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



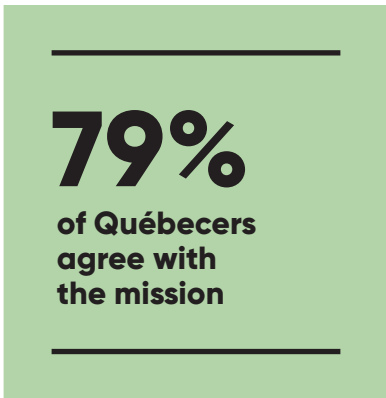
Strategy

Be an evolving, balanced presence for citizens

— An approach based on proximity to and transparency with the public

As a Québec government corporation, the Société québécoise du cannabis has given itself the mandate of being an evolving, balanced presence for the province's citizens. Being one will allow the company to make its mission clearer to the public. Relying on transparency and proactivity, it works to ensure a majority of Québécois agree with its mission, which is crucial to the company's ability to carry out its mandate.

To accomplish this, the company publishes its financial results every quarter and presents an overview of the major initiatives implemented during the period. It also grants interviews to mainstream media, allowing it to inform the public about its mission, its products and their effects, its practices and its approach aimed at responsible sales and lower-risk use. Above all, it strives to be a good corporate citizen, a responsible employer and company, one that recognizes the importance of its 1,173 employees as ambassadors of the organization, its values and its mission. The company therefore works to equip employees for the purpose, in particular through the code of ethics and extensive information content.



“In the run-up to legalization, social acceptability was far from assured. It was by working diligently, rigorously and effectively to fulfill our mission and by being transparent with our stakeholders and the public that our mandate came to be recognized as legitimate and relevant to Québec society.”

Éliane Hamel

Vice-President, Social Responsibility, Health Protection and Communication

Strategy

Bring our CSR process to fruition

— Act responsibly

The Société québécoise du cannabis recognizes the importance of being a responsible corporate citizen. As a government corporation, doing so contributes directly to the achievement of the objectives of the government sustainability strategy, the Stratégie gouvernementale de développement durable 2023-2028 du Québec. Responsibility is also at the centre of the Strategic Plan 2024-2026 and all the resulting initiatives, unsurprisingly as it is one of the company's core values.

A disability inclusion action plan was published this year. It is yet another way for the company to make itself more accessible, whether at its physical points of sale or on its transactional website.

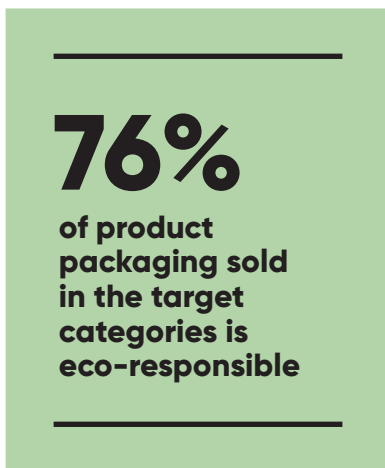
By way of example, store signage was adapted this year to improve the experience provided to the disabled. In addition, SQDC.ca was upgraded to meet the latest government-issued accessibility standards.

This year, the company also began implementing its Social Responsibility Plan 2024–2026. Guided by its values of simplicity, proximity, responsibility and excelling, the SQDC defined its objectives and priority actions in corporate social responsibility (CSR), which will involve its stakeholders as well as its teams. The initiatives to be implemented during the new three-year period will be structured around the plan's four main orientations.

Environment

This pillar embodies the SQDC's determination to minimize the impact of its activities on the environment.

This year, the SQDC embarked on the process for obtaining *ICI on recycle+* attestation by structuring its residual materials management practices. In the areas of eco-responsible packaging and the circular packaging economy, both major focuses of the plan, the company continued encouraging suppliers to go even farther in their own process. A notable example of this was in March 2024, when it offered producers an eco-design training session developed by Éco Entreprises Québec. The company also continued its cannabis packaging recovery program with its Québec recycling partner to give a second life to these containers.



Governance

The SQDC has adopted sound governance practices and, thus, responsible business practices that mitigate exposure to cybersecurity risk and other risks. Making employees aware of the importance of being security-minded when it comes to computer channels and tools and protecting personal information is a major thrust of the plan. This year, the SQDC ran a three-phase cybersecurity training program that focused on the security of home office environments and on phishing via smartphones and text messaging.

“The cybersecurity training modules at the SQDC aim to change employees’ behaviour around phishing techniques. By raising awareness, we’re seeking to strengthen our front-line defence—our teams—against cybercriminals.”

Harry Raphaël

Vice-President, Information Technology



Community

The SQDC plays a major role in the legal cannabis ecosystem but also, more broadly, in Québec society. This pillar covers the responsible initiatives that will lead it to realize its mission while focusing on public health and encouraging the local economy.

Among other things, the SQDC maintained its Québec Grown initiative. Limited to certain categories, this identifier is found on products at least 65% of whose cannabis was grown in Québec. Customers interested in buying locally can easily identify and select the products concerned. Incidentally, the number of Québec-based producers with products in the SQDC catalogue has grown from 26 last fiscal year to 40 this year.



Team

The SQDC's team members are what enable the company to carry out its mission in a diligent and disciplined manner. That is why the SQDC has adopted a process to continuously improve both the employee experience and the environment in which its employees work.

The SQDC has especially done so by making it a priority to provide an inclusive and equitable work environment reflective of diversity. Accordingly, during the fiscal year it launched a process to develop and adopt an equity, diversity and inclusion action plan.





**Tanya
Léonard-Cusson**
Coordinator,
Operations





Simon Thorn Deblois
IT Director,
Business Application
Development

Alex Robitaille
Coordinator,
Communications




Strategic Plan 2024–2026

Summary table of last year's results




Engage our teams

Strategy	Overall indicator	2023–2024 target	2023–2024 result
Develop and employer brand and an organizational culture 2.0	Employees' overall satisfaction with their job	70%	81% 
Focus on developing our teams while remaining true to our vision	Employees' satisfaction with opportunities for personal development and contributing to the SQDC's success	65%	71% 
Attract and retain a diversity of talent	Employee net promoter score	10	18.3 
Upgrade our structuring systems	Number of projects implemented since the launch of the Strategic Plan	1	1 

Serve our customers

Strategy	Overall indicator	2023–2024 target	2023–2024 result
Dynamize the customer experience	Overall level of customer satisfaction	69%	86% 
Expand our market coverage	Annual sales in metric tons	124 MT	122 MT
Develop a relevant product offer while carrying out our health protection mandate	Level of satisfaction with the promise to provide access to products and services desired by customers	56%	76% 
Maintain a quality-price ratio attuned to our customers	Level of satisfaction with the promise to charge a fair price for the product selected by the customer	54%	67% 

Raise the SQDC's profile

Strategy	Overall indicator	2023–2024 target	2023–2024 result
Play our essential health protection role in the cannabis ecosystem	Number of activities in which the SQDC actively takes part	10	23 
Be a balanced, evolving presence for citizens	The public's level of support for the SQDC's mission	75%	79% 
Bring our CSR process to fruition	Percentage of CSR plan objectives reached	100%	100% 



Mengjin Li
Social Media
Manager





Julie Richard
Assistant to the
President and Chief
Executive Officer
and to the Vice-
President, Finance

Martin Labrecque
Director, Finance

Finance

Financial Review

This report reviews the operations of the Société québécoise du cannabis (SQDC) for the year ended March 30, 2024, its financial position and its cash flows as at that date.

This 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 23, 2024.

2023-2024 Highlights

Fiscal 2023-2024 marks the SQDC's fifth anniversary and the early stages of the implementation of its second strategic plan, whose initiatives will enable the SQDC to accomplish its mission.

For the fiscal year ended March 30, 2024, the SQDC recorded a sales volume of 122,478 kg of cannabis, an increase of 15.0%, compared with the previous fiscal year (106,526 kg in fiscal 2022-2023). The SQDC therefore captured 62.8% of the market in fiscal 2023-2024. The company's sales increased by 10% compared to fiscal 2022-2023 and generated a total of \$662.1 million.

During the 2023-2024 fiscal year, various situations impacted the SQDC's activities, thereby affecting the volume and price of products sold. It is also worth noting that there were 53 weeks in fiscal 2023-2024 as opposed to 52 weeks in the previous fiscal year.

The SQDC experienced a pronounced seasonal impact during summer 2023, which resulted in an increase in sales and, consequently, its capturing of the market.

Following the resolution of the labour conflict involving the Canadian Union of Public Employees (CUPE) on November 13, 2023, a gradual return to normal activities in the 24 stores affected by strike action helped to increase sales from last year.

High inflation rates in recent months appear to have affected consumers' purchasing power, which explains the growing demand for lower-cost products. To meet the needs of its customers, the company has expanded its offer by adding a category of large-format products at more competitive prices. This initiative contributed to capturing a share of consumers who were previously supplied by the illegal market. However, the combination of high inflation and this initiative led to a decrease in the average selling price of a gram of cannabis across all products (taxes included). Specifically, the average price decreased approximately 4.0% or \$0.26 compared with the previous fiscal year.

The increase in sales is also explained by the opening of stores that were added to the network during the previous year and had a full year of sales in fiscal 2023-2024.

With regard to net expenses, the SQDC maintained sound control of operating expenses while investing in strategic projects to ensure alignment with the objectives of its strategic plan. The company adapted the business hours of certain stores based on traffic and optimized security to improve efficiency while remaining relevant to its customer base. For their part, structuring systems are comprised of value-added technological solutions that will have a positive impact on customers, the employee experience and the industry.

As at March 30, 2024, the company's well-established network consisted of 97 stores in all regions of the province. After five years in operation, a number of store leases expired in fiscal 2023-2024 and the SQDC took advantage of the opportunity to reassess the relevance of its store locations. As a result, one store lease was not renewed, bringing the number of open stores from 98 to 97 as at March 30, 2024. The company also invested in mapping assessments of various regions of the province to identify market opportunities for strategically expanding its network. Despite constraints related to zoning and acceptability in some municipalities, these preparatory steps have laid the groundwork for opening about 10 new stores in fiscal 2024-2025. The SQDC believes this expansion will not only enhance accessibility for customers but also allow the company to realize its mission.

Overview of results

For the fiscal year ended March 30, 2024, the SQDC reported net earnings of \$104.1 million, compared with \$94.9 million for the preceding year. Entirely remitted to the Ministère des Finances du Québec in the form of a dividend, the sum will be reinvested mainly in cannabis-related prevention and research.

In addition, the company's operations generated consumer and excise tax revenue estimated at approximately \$217.3 million (\$154.7 million to Québec and \$62.6 million to the federal government). For fiscal year 2023-2024, the SQDC is therefore remitting \$321.4 million to the two governments, including \$258.8 million to the Québec government (see page 37 of this annual report).

Sales

The SQDC's sales for the fiscal year ended March 30, 2024 totaled \$662.1 million, the equivalent of 122,478 kg of cannabis, compared with \$601.9 million and 106,526 kg of cannabis in the preceding fiscal year.

The SQDC recorded 16.1 million transactions (13.9 million transactions in fiscal 2022-2023) with an average sales price of \$6.22 per gram (taxes included and all products taken together), compared with \$6.48 per gram (taxes included and all products taken together) in fiscal 2022-2023.

— By sales network

Store network sales totalled \$622.1 million, compared with \$567.8 million in fiscal 2022-2023. In terms of volume, store sales totalled 114,804 kg, compared with 100,254 kg in the preceding year.

For their part, sales made on the SQDC's website totalled \$40.0 million (\$34.1 million in fiscal 2022-2023), for a total volume of 7,674 kg (6,272 kg in fiscal 2022-2023).

Cost of products sold and gross margin

In fiscal 2023-2024, the cost of products sold amounted to \$448.1 million (\$412.0 million in fiscal 2022-2023). The company generated gross profits of \$214.0 million (\$189.9 million in fiscal 2022-2023).

Net expenses

Net expenses include operating expenses, administrative expenses and net finance (income) costs and other income. For the year ended March 30, 2024, net expenses totaled \$109.9 million (\$94.9 million for fiscal 2022-2023). As a percentage of sales, these net expenses account for 16.6%, compared with 15.8% in fiscal 2022-2023.

Employee compensation, which is the SQDC's largest net expense category, totalled \$56.6 million. This item accounts for 51.5% of total net expenses. As a percentage of sales, employee compensation was 8.5%.

Building occupancy expenses and other operating expenses are the next two largest net expense categories. Building occupancy expenses totalled \$28.9 million or 26.3% of net expenses and 4.4% of sales. Other operating expenses totalled \$18.0 million or 16.4% of net expenses and 2.7% of sales.

Lastly, delivery, merchandising and other expenses totalled \$6.4 million or 5.8% of net expenses and 1.0% of sales.

Investments

Capital investments amounted to \$5.6 million during the year. Most of these investments were related to introducing new IT functionalities within the company and to the upgrading and relocation of stores.

Financial position

As at March 30, 2024, the SQDC had total assets of \$135.9 million, compared with \$134.4 million as at March 25, 2023. Cash stood at \$42.6 million. The company has few accounts receivable because all sales are paid by cash, debit or credit card. The inventory totalling \$23.7 million is the stock of products available for purchase. Non-current assets in the form of property, plant and equipment, intangible assets and right-of-use assets at net value total \$68.5 million.

Current liabilities totalled \$105.7 million (\$101.6 million as at March 25, 2023). Accounts payable and accrued liabilities amounted to \$45.2 million. The \$52.1 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 amount of \$1.0 million due to the Société des alcools du Québec (SAQ) under the shared services agreement is for expenses in the last period. The \$2.8 million in taxes payable and the \$4.6 million in the current portion of lease obligations are the residual amount of current liabilities. Totalling \$30.2 million, non-current liabilities consist of lease obligations and the supplementary pension plan.

Cash flows

During the year ended March 30, 2024, the SQDC's operating activities generated sufficient cash to support investing and financing activities. Specifically, with \$123.3 million in cash flows generated by operating activities, the company was able to spend \$6.1 million to acquire property, plant and equipment and intangible assets, repay \$5.3 million in lease obligations and pay \$54.9 million for the balance of the dividend from the preceding fiscal year and \$52.0 million as a portion of the fiscal 2024 dividend.

As a result, the company's Statement of Cash Flows shows a net increase of \$5.0 million.

Outlook

The SQDC's management is satisfied with the results for the fiscal year ended March 30, 2024.

This year, the company turned the page on a new chapter in its story with the implementation of its 2024-2026 Strategic Plan. This plan focuses on mobilizing the company's teams, optimizing guidance offered to its customers and showcasing its mission with a view to becoming Québécois' trusted destination for cannabis.

More than ever, the SQDC has placed its customers at the centre of its priorities by offering them an experience based on four pillars: choice, guidance, price-quality ratio and simplicity. Several initiatives focused on these pillars were implemented across the network and more will be introduced in the coming years. The SQDC also aims to respond to shifts in customer demand to continue carrying out its mission to capture the illicit market while maintaining a focus on health protection.



Financial Statements

Financial certification by the President and Chief Executive Officer and the Vice-President, Finance

We, Suzanne Bergeron, President and Chief Executive Officer, and Robert Dalcourt, Vice-President, Finance, of the Société québécoise du cannabis, hereby certify the following:

1. **Review:** We have reviewed the financial statements, the annual financial review and the press release presenting the annual results (hereinafter collectively the "Annual Filings" of the Société québécoise du cannabis ("the Company") for the year ended March 30, 2024.
2. **No misrepresentations:** Based on our knowledge, having exercised reasonable diligence, the Annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Annual Filings.
3. **Fair presentation:** Based on our knowledge, the financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the Annual Filings.
4. **Responsibility:** We are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for the Company within the meaning of the *Act respecting the governance of state-owned enterprises*.
5. **Design:** Subject to limitations specified in this document and as applicable, in paragraphs 5.2 and 5.3, as at financial year end, we included as follows:
 - a) Designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - i) material information relating to the Company is made known to us by others, particularly during the period in which the Annual Filings are being prepared; and
 - ii) information required to be disclosed by the Company in its Annual Filings filed or submitted by it under legislation is recorded, processed, summarized, and reported within the time periods specified in this legislation; and
 - b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in International Financial Reporting Standards (IFRS).
- 5.1 **Control framework:** The control framework management that we used to design the effectiveness of ICFR is the one proposed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013.
- 5.2 **Significant ICFR weaknesses related to the design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Evaluation:** We, the undersigned, performed the following:
 - a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's DC&P at the financial year end and the Company has disclosed in its financial review our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's ICFR at the financial year end and the Company has disclosed in its financial review the following information:
 - i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - ii) the elements of each significant weakness relating to operation existing at the financial year end: N/A
7. **Reporting changes in ICFR:** The Company presented in its annual financial review any changes to its ICFR during the accounting period beginning on March 26, 2023 and ended on March 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.
8. **Reporting to the Company's auditors, Board of Directors or Audit Committee:** We have disclosed, based on our most recent evaluation of ICFR, to the Company's auditors, and the Board of Directors or the Auditor Committee of the Board of Directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.



Suzanne Bergeron
President and Chief Executive Officer



Robert Dalcourt
Vice-President, Finance

Montréal, May 23, 2024

Management's Responsibility for Financial Information

The following financial statements have been prepared by the management of the Société québécoise du cannabis ("the Company") and approved by its Board of Directors. Management is responsible for the information and representations contained in these financial statements and in the other sections of the annual report. The financial statements have been prepared according to the policies and procedures established by management in compliance with International Financial Reporting Standards (IFRS) and reflect management's best judgment and estimates based on the information available on May 23, 2024.

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

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

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



Suzanne Bergeron
President and Chief Executive Officer



Robert Dalcourt
Vice-President, Finance

Montréal, May 23, 2024

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Société québécoise du cannabis ("the Company"), which comprise the statement of financial position as at March 30, 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 consists of information included in the 2024 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 2024 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 IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the *Auditor General Act* (CQLR, c. 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.

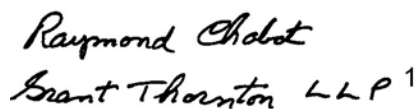
For the Auditor General of Quebec,



Patrick Dubuc, CPA auditor
Assistant Auditor General

Montréal, May 23, 2024

Raymond Chabot Grant Thornton LLP¹



¹CPA auditor, public accountancy permit no. A127023

Montréal, May 23, 2024

Statement of Comprehensive Income

for the year ended March 30, 2024

(tables in thousands of Canadian dollars)

	2024	2023
Sales (Note 6)	\$662,080	\$601,911
Cost of products sold (Note 6)	448,059	412,034
Gross margin (Note 6)	214,021	189,877
Selling expenses	87,770	75,689
Administrative expenses	23,583	19,687
Operating results	102,668	94,501
Net finance (income) costs and other income (Note 9)	(1,447)	(441)
Net income for the year	104,115	94,942
Other comprehensive income		
Item that will not be subsequently reclassified to net income		
Revaluation of the defined benefit obligation of the pension plan (Note 17)	(25)	–
Comprehensive income for the year	\$104,140	\$94,942

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

Statement of Changes in Equity

for the year ended March 30, 2024

(tables in thousands of Canadian dollars)

	Share capital	Retained earnings	Other comprehensive income	Total equity
Balance as at March 26, 2022	\$2	\$-	\$-	\$2
Net income for the year	-	94,942	-	94,942
Other comprehensive income (Note 17)	-	-	-	-
Dividend	-	(94,942)	-	(94,942)
Balance as at March 25, 2023	2	-	-	2
Net income for the year	-	104,115	-	104,115
Other comprehensive income (Note 17)	-	-	25	25
Dividend	-	(104,115)	-	(104,115)
Balance as at March 30, 2024	\$2	\$-	\$25	\$27


Statement of Financial Position

as at March 30, 2024

(tables in thousands of Canadian dollars)

	March 30, 2024	March 25, 2023
Assets		
Current assets		
Cash	\$42,557	\$37,607
Trade and other accounts receivable (Note 10)	94	141
Inventories (Note 11)	23,740	22,736
Prepaid expenses	944	317
	67,335	60,801
Property, plant and equipment (Note 12)	33,179	35,804
Intangible assets (Note 13)	3,454	3,113
Right-of-use assets (Note 14)	31,916	34,691
	\$135,884	\$134,409
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	\$45,176	\$39,743
Taxes payable	2,762	1,754
Dividend payable (Note 8)	52,115	54,942
Due to the SAQ (Note 24)	1,042	753
Current portion of lease obligations (Note 18)	4,634	4,370
	105,729	101,562
Defined benefit obligation (Note 17)	71	50
Lease obligations (Note 18)	30,057	32,795
	135,857	134,407
Equity		
Share capital (Note 19)	2	2
Retained earnings	-	-
Other comprehensive income	25	-
	27	2
	\$135,884	\$134,409

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 30, 2024

(tables in thousands of Canadian dollars)

	2024	2023
Operating Activities		
Net income for the year	\$104,115	\$94,942
Items not affecting cash:		
Amortization of property, plant and equipment	6,340	5,421
Amortization of intangible assets	1,506	1,579
Depreciation of right-of-use assets	4,794	4,428
Defined benefit obligation expenses	46	50
Remeasurement of a lease	(25)	-
Interest paid under lease obligations	800	727
	117,576	107,147
Net change in non-cash working capital items (Note 21)	5,674	(5,484)
Cash flows from operating activities	123,250	101,663
Investing Activities		
Additions to property, plant and equipment (Notes 12 and 21)	(4,456)	(6,669)
Additions to intangible assets (Notes 13 and 21)	(1,634)	(785)
Cash flows used in investing activities	(6,090)	(7,454)
Financing Activities		
Repayment of lease obligations	(4,468)	(3,962)
Interest paid under lease obligations	(800)	(727)
Dividend payment	(106,942)	(75,709)
Cash flows used in financing activities	(112,210)	(80,398)
Net increase in cash	4,950	13,811
Cash, beginning of year	37,607	23,796
Cash, end of year	\$42,557	\$37,607

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

Notes to the Financial Statements

Year ended March 30, 2024
(tables in thousands of Canadian dollars)

Notes to the Financial Statements

Year ended March 30, 2024

(tables 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 Notre-Dame Street East 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 to be an associate instead. As a government corporation, the company is exempt from income tax.

2

Fiscal year

The SQDC’s fiscal year ends on the last Saturday of March. Accordingly, its fiscal year ended March 30, 2024, had 53 weeks of operation (52 weeks for the fiscal year ended March 25, 2023).

3

Material 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 23, 2024.

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.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

Revenue recognition

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

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing 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.

Classification and measurement of financial assets

The company's financial assets are all classified and categorized as amortized cost.

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.

Generally, financial assets are classified based on the business model for managing financial assets and the financial asset's contractual cash flow characteristics.

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

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

Classification and measurement of financial liabilities

The company's financial liabilities are all classified and categorized as amortized cost.

Financial liabilities are initially recognized at fair value and, when applicable, adjusted by the transaction costs. 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."

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

Financial instruments (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.

Inventories

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

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."

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

Intangible assets

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

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

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

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

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

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 licenses	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."

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

Depreciation of financial assets

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

Impairment of non-financial assets

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

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

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 (hereafter the "commencement date").

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

The right-of-use asset is amortized over the shortest period between the useful life of the underlying asset and the term of the lease on a linear basis, such terms ranging from 5 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.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

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

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

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

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

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

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

Employee benefit plans

Pension plans

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

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

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

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

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.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

3 Material accounting policies (cont.)

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.

4

New or Revised Standards, Amendments or Interpretations

New standard applicable as of March 26, 2023

IAS 1–Presentation of Financial Statements

On February 12, 2021, the IASB published an amendment to IAS 1, Presentation of Financial Statements. The amendment, *Disclosure of Material Accounting Policy Information*, requires entities to disclose material accounting policies rather than significant accounting policies.

The implementation of these amendments did not have an impact on the company's financial statements.

Standards that are not yet effective and that have not been early adopted by the company

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

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

5

Use of estimates and significant judgments

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

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

The main judgments, assumptions and estimates are explained below:

Internally developed software and research expenses

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

Useful life of depreciable assets

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

Impairment of non-financial assets

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

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

Measurement of leases

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

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

6

Sales, cost of products sold and gross margin

	2024			2023		
	Stores	Web ¹	Total	Stores	Web ¹	Total
Sales	\$622,054	\$40,026	\$662,080	\$567,764	\$34,147	\$601,911
Cost of products sold	421,353	26,706	448,059	389,060	22,974	412,034
Gross margin	\$200,701	\$13,320	\$214,021	\$178,704	\$11,173	\$189,877

1. Web sales consist of all sales conducted through the SQDC.ca website, including Pick-Up in Store sales and 90-minute delivery service, for stores that offer these services.

7

Employee compensation

Employee benefits consist of the following:

	2024	2023
Selling expenses		
Salaries and other employee benefits	\$36,848	\$29,337
Employee benefit costs and pension plan contributions	8,284	6,450
	45,132	35,787
Administrative expenses		
Salaries and other employee benefits	9,509	7,469
Employee benefit costs and pension plan contributions	1,997	2,151
	11,506	9,620
	\$56,638	\$45,407

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

8

Dividend

For the fiscal year ended March 30, 2024, the dividend declared by the SQDC was set by the Ministère des Finances du Québec. The dividend is remitted in its entirety to the Fonds de lutte contre les dépendances, the fund to combat dependency, and reinvested primarily in cannabis-related 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 Ministère also determines the terms and conditions of payment.

As at March 30, 2024, \$52.0 million of the \$104.1 million declared dividend was paid before the end of the fiscal year. The residual amount of \$52.1 million is still payable.

9

Net finance costs (income) and other income

	2024	2023
Interest paid under lease obligations	\$800	\$727
	800	727
Less finance income and other income:		
Interest on cash	(2,228)	(1,147)
Other income	(19)	(21)
	(2,247)	(1,168)
	\$(1,447)	\$(441)

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

10

Trade and other accounts receivable

	March 30, 2024	March 25, 2023
Corporate accounts receivable	\$83	\$103
Other receivables	11	38
	\$94	\$141

11

Inventories

	March 30, 2024	March 25, 2023
Dried cannabis products	\$23,563	\$22,382
Related products	170	346
Work-in-process inventory	7	8
	\$23,740	\$22,736

The cost of inventory sold during the fiscal year is recognized as an expense under "Cost of products sold" in the Statement of Comprehensive Income.

The cost of products sold is comprised solely of inventory.

No inventory has been pledged to secure liabilities.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

12

Property, plant and equipment

	Leasehold improvements	Furniture and equipment	IT equipment	Total
Cost				
Balance as at March 26, 2022	\$28,402	\$7,376	\$7,695	\$43,473
Acquisitions ¹	4,044	2,026	755	6,825
Disposals	(235)	(24)	–	(259)
Balance as at March 25, 2023	\$32,211	\$9,378	\$8,450	\$50,039
Acquisitions ¹	2,446	912	357	3,715
Disposals	(796)	(274)	(188)	(1,258)
Balance as at March 30, 2024	\$33,861	\$10,016	\$8,619	\$52,496
Accumulated depreciation				
Balance as at March 26, 2022	\$5,354	\$1,298	\$2,421	\$9,073
Depreciation	3,173	850	1,398	5,421
Disposals	(235)	(24)	–	(259)
Balance as at March 25, 2023	\$8,292	\$2,124	\$3,819	\$14,235
Depreciation	3,787	1,132	1,421	6,340
Disposals	(796)	(274)	(188)	(1,258)
Balance as at March 30, 2024	\$11,283	\$2,982	\$5,052	\$19,317
Net carrying value				
Balance as at March 25, 2023	\$23,919	\$7,254	\$4,631	\$35,804
Balance as at March 30, 2024	\$22,578	\$7,034	\$3,567	\$33,179

1. Property, plant and equipment, with a value of \$1.6 million, were in progress as at March 30, 2024 (\$2.0 million as at March 25, 2023), 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 30, 2024.

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

	2024	2023
Selling expenses	\$6,080	\$5,077
Administrative expenses	260	344
	\$6,340	\$5,421

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

13

Intangible assets

	Acquired software and licences	Internally developed software	Total
Cost			
Balance as at March 26, 2022	\$7,015	\$748	\$7,763
Acquisitions ¹	785	–	785
Balance as at March 25, 2023	\$7,800	\$748	\$8,548
Acquisitions ¹	1,847	–	1,847
Balance as at March 30, 2024	\$9,647	\$748	\$10,395
Accumulated depreciation			
Balance as at March 26, 2022	\$3,338	\$518	\$3,856
Depreciation	1,430	149	1,579
Balance as at March 25, 2023	\$4,768	\$667	\$5,435
Depreciation	1,425	81	1,506
Balance as at March 30, 2024	\$6,193	\$748	\$6,941
Net carrying value			
Balance as at March 25, 2023	\$3,032	\$81	\$3,113
Balance as at March 30, 2024	\$3,454	–	\$3,454

1. Intangible assets valued at \$0.7 million were in progress as at March 30, 2024 (no intangible assets in progress as at March 25, 2023).

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

	2024	2023
Selling expenses	\$443	\$211
Administrative expenses	1,063	1,368
	\$1,506	\$1,579

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

14

Right-of-use assets

	Total
Cost	
Balance as at March 26, 2022	\$41,354
Acquisitions	5,597
Disposals	(225)
Balance as at March 25, 2023	46,726
Acquisitions	2,208
Remeasurements	(189)
Disposals	(252)
Balance as at March 30, 2024	\$48,493
Accumulated depreciation	
Balance as at March 26, 2022	\$7,832
Depreciation	4,428
Dispositions	(225)
Balance as at March 25, 2023	12,035
Depreciation	4,794
Dispositions	(252)
Balance as at March 30, 2024	\$16,577
Net carrying value	
Balance as at March 25, 2023	\$34,691
Balance as at March 30, 2024	\$31,916

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

	2024	2023
Selling expenses	\$4,698	\$4,336
Administrative expenses	96	92
	\$4,794	\$4,428

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

15

Borrowings

The SQDC has been authorized to establish a borrowing regime, valid until June 30, 2026, that will enable it to borrow, on a short-term basis or through a line of credit with financial institutions or the Ministre des Finances, an amount not exceeding \$45 million. As at March 30, 2024, the entirety of the regime was available (also entirely available as at March 25, 2023).

16

Accounts payable and accrued liabilities

	March 30, 2024	March 25, 2023
Accounts payable	\$34,464	\$30,980
Accrued liabilities	2,704	4,044
Employee compensation and benefits payable	8,008	4,719
	\$45,176	\$39,743

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)



Employee benefits

Pension plans

SQDC employees are members of either the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (RRPE) or the Pension Plan for Senior Management (RRAS). These multiemployer plans are defined benefit plans with guaranteed retirement and death benefits.

As at January 1, 2024, the RREGOP contribution rate was reduced from 9.69% to 9.39% of the eligible payroll and the rate for the RRPE and RRAS, which is part of the RRPE, remained unchanged at 12.67% of eligible payroll. The contributions paid by the employer are equal to the employee contributions.

The SQDC's contributions, including the amount of compensation to pay to the RRPE and RRAS, charged to income until December 31, 2023, total \$1,620,000 (\$1,444,000 in 2023). The SQDC's obligations under these government plans are therefore limited to its employer contributions.

Defined benefit pension plans

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

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

The present value of the DBO is calculated using a discount rate determined by reference to market yields of high-quality corporate bonds. The estimated term of the high-quality corporate bonds is consistent with the estimated term of the DBO. A decrease in market yield on high quality corporate bonds will increase the DBO.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

17 Employee benefits (cont.)

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

	March 30, 2024	March 25, 2023
Discount rate	5.00%	5.00%
Inflation rate	2.10%	2.00%
Rate of compensation increase	4.00%	4.00%
Increase in maximum pensionable earnings	2.85%	2.75%
Life expectancy (in years):		
Male, age 65 at reporting date	89.9	89.9
Female, age 65 at reporting date	90.8	90.7

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

Actuarial risks

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

Market risks

Interest rate risk

Interest rate risk is the risk with the greatest potential impact on the statement of financial position and results.

Changes in the present value of the defined benefit obligation are reported as follows:

	March 30, 2024	March 25, 2023
Defined benefit obligation, beginning of year	\$50	\$-
Items recognized in net income		
Employer current service cost	41	48
Interest on the defined benefit obligation	5	2
Total items recognized in net income	46	50
Items recognized in other comprehensive income items		
Actuarial (gains) arising from changes in economic assumptions	(2)	(12)
Actuarial (gains) losses from changes in the pension plan experience	(23)	12
Total items recognized in other comprehensive income items	(25)	-
Defined benefit obligation, end of the year	\$71	\$50

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

17 Employee benefits (cont.)

Defined benefit obligation expenses recognized in the Statement of Comprehensive Income and as other comprehensive income items are as follows:

	March 30, 2024	March 25, 2023
Expenses recognized in net income		
Cost of services rendered during the year	\$41	\$48
Interest on the defined benefit obligation	\$5	2
Expenses recognized in net income	\$46	\$50

	March 30, 2024	March 25, 2023
Items recognized in other comprehensive income items		
Net actuarial (gains) on the pension plan DBO	\$(25)	\$-
Items recognized in other comprehensive income items	\$(25)	\$-

The duration of the pension plan DBO as at March 30, 2024 is 22.4 years (26.1 years as at March 25, 2023).

Sensitivity analysis

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

	2024	
	Increase of 1%	Decrease of 1%
Change in the significant actuarial assumption – Discount rate		
(Decrease) increase in pension plan DBO	\$(13)	\$18

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

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

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

18

Lease obligations

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

	Total
Cost	
Balance as at March 26, 2022	\$35,530
Lease obligations additions	5,597
Lease obligation repayments	(3,962)
Balance as at March 25, 2023	37,165
Lease obligations additions	2,208
Remeasurements	(214)
Lease obligation repayments	(4,468)
Balance as at March 30, 2024	\$34,691

The lease obligations are presented in the Statement of Financial Position as follows:

	March 30, 2024	March 25, 2023
Current portion	\$4,634	\$4,370
Non-current portion	30,057	32,795
	\$34,691	\$37,165

As at March 30, 2024, the future minimum lease rentals are:

	Less than one year	One to five years	More than five years	Total
March 30, 2024				
Disbursements	\$5,342	\$22,014	\$10,178	\$37,534
Financing charges	(708)	(1,789)	(346)	(2,843)
Lease obligations	\$4,634	\$20,225	\$9,832	\$34,691

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

19

Shareholders' 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 (MFQ) and the SAQ. The SQDC's authorized share capital consists of 100,000 shares (one Class A share and 99,999 Class B shares) having a par value of \$100 million. The amount issued and paid was \$2,000 (two shares):

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

- held by the SAQ; and

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

- held by the MFQ.

20

Capital management

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

The SQDC is not subject to any other requirements concerning the use of outside sources of financing.

The capital structure, as defined by the SQDC, was as follows:

	March 30, 2024	March 25, 2023
Equity	\$27	\$2
Dividend payable	52,115	54,942
	\$52,142	\$54,944

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

21

Information on the cash flows statement

	2024	2023
The net change in non-cash working capital items breaks down as follows:		
Trade and other accounts receivable	\$47	\$(38)
Inventories	(1,004)	(2,236)
Prepaid expenses	(627)	(47)
Accounts payable and accrued liabilities	6,182	(3,790)
Taxes payable	1,008	713
Due to the SAQ	68	(86)
	\$5,674	\$(5,484)
Non-cash investing activities:		
Acquisitions of property, plant and equipment financed by:		
Accounts payable and accrued liabilities	\$660	\$1,409
Due to the SAQ	221	-
	\$881	\$1,409

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

21 Information on the cash flows statement (cont.)

Reconciliation of liabilities from financing activities

	Liabilities		Equity	Total
	Dividend payable	Lease obligations	Retained earnings	
Balance as at March 26, 2022	\$35,709	\$35,530	\$-	\$71,239
Items not affecting cash:				
Lease obligations additions		5,597		5,597
Interest paid under lease obligations		727		727
From cash flows:				
Lease obligation repayments		(3,962)		(3,962)
Interest paid under lease obligations		(727)		(727)
Dividend paid	19,233		(94,942)	(75,709)
Other changes related to equity			94,942	94,942
Balance as at March 25, 2023	\$54,942	\$37,165	\$-	\$92,107
Items not affecting cash:				
Lease obligations added		2,208		2,208
Interest paid under lease obligations		800		800
Reassessment of a lease		(214)		(214)
From cash flows:				
Lease obligation repayments		(4,468)		(4,468)
Interest paid under lease obligations		(800)		(800)
Dividend paid	(2,827)		(104,115)	(106,942)
Other changes related to equity			104,115	104,115
Balance as at March 30, 2024	\$52,115	\$34,691	\$-	\$86,806

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

22

Fair value of financial assets and liabilities

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

23

Financial instrument risk management

Financial risk management objectives and policies

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

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

Financial risks

Market risk

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

Interest rate risk

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

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

As at March 30, 2024, the cash balance was \$42.6 million and bore interest at the financial institution's preferred rate less two basis points. The amount due to the SAQ as at March 30, 2024, 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.

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

23 Financial instrument risk management (cont.)

Financial risks (cont.)

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

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

	March 30, 2024		March 25, 2023	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Accounts payable and accrued liabilities	\$37,168	\$-	\$35,024	\$-
Dividend payable	52,115	-	54,942	-
Due to the SAQ	1,042	-	753	-
	\$90,325	\$-	\$90,719	\$-

Notes to the Financial Statements

Year ended March 30, 2024

(tables in thousands of Canadian dollars)

24

Related party transactions

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

Entities controlled by the Québec government

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 Management Committee.

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

	2024	2023
Salaries and short-term benefits	\$2,400	\$2,246

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, 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.

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

	2024	2023
Transactions		
SAQ shared services	\$5,879	\$5,387
Other services and reimbursements	1,926	1,166
	\$7,805	\$6,553
	March 30, 2024	March 25, 2023
Account balance		
Due to the SAQ	\$1,042	\$753

Quarterly Information

Years ended March 30, 2024, and March 25, 2023

(in thousands of Canadian dollars)
(unaudited figures)

	2024				
	Fiscal year 53	Q4 13	Q3 16	Q2 12	Q1 12
Number of weeks					
Sales	\$662,080	\$166,198	\$201,600	\$151,657	\$142,625
Cost of products sold	448,059	112,686	135,160	102,975	97,238
Gross margin	214,021	53,512	66,440	48,682	45,387
Selling expenses	87,770	23,140	26,089	19,048	19,493
Administrative expenses	23,583	5,233	7,679	5,050	5,621
Operating results	102,668	25,139	32,672	24,584	20,273
Net finance (income) costs and other income	(1,447)	(429)	(365)	(362)	(291)
Net income	104,115	25,568	33,037	24,946	20,564
Other comprehensive income	(25)	(25)	-	-	-
Comprehensive income	\$104,140	\$25,593	\$33,037	\$24,946	\$20,564
Sales by network¹					
Stores	\$622,054	\$156,934	\$189,262	\$142,319	\$133,539
Online	40,026	9,264	12,338	9,338	9,086
	662,080	166,198	201,600	151,657	142,625
Sales by category					
Dried flowers	\$552,984	\$137,228	\$167,674	\$127,665	\$120,417
Other products (oils, sprays, etc.)	109,096	28,970	33,926	23,992	22,208
	\$662,080	\$166,198	\$201,600	\$151,657	\$142,625
Other information					
Number of stores	97	97	98	98	98
Number of kilograms	122,478	32,090	37,215	27,498	25,675
Number of transactions ¹	16,098,000	4,124,000	4,901,000	3,641,000	3,432,000

1. The figures are rounded to the nearest thousand.

Quarterly Information

Years ended March 30, 2024, and March 25, 2023
(in thousands of Canadian dollars)
(unaudited figures)

	2023				
	Fiscal year 52	Q4 12	Q3 16	Q2 12	Q1 12
Number of weeks					
Sales	\$601,911	\$136,454	\$187,317	\$139,106	\$139,034
Cost of products sold	412,034	93,632	127,763	95,257	95,382
Gross margin	189,877	42,822	59,554	43,849	43,652
Selling expenses	75,689	17,893	21,565	17,459	18,772
Administrative expenses	19,687	5,245	5,951	4,164	4,327
Operating income	94,501	19,684	32,038	22,226	20,553
Net finance (income) costs and other income	(441)	(340)	(158)	(45)	102
Net income and comprehensive income	\$94,942	\$20,024	\$32,196	\$22,271	\$20,451
Sales by network¹					
Stores	\$567,764	\$126,320	\$176,631	\$132,520	\$132,293
Online	34,147	10,134	10,686	6,586	6,741
	\$601,911	\$136,454	\$187,317	\$139,106	\$139,034
Sales by category					
Dried flowers	\$508,941	\$115,101	\$157,967	\$117,502	\$118,371
Other products (oils, sprays, etc.)	92,970	21,353	29,350	21,604	20,663
	\$601,911	\$136,454	\$187,317	\$139,106	\$139,034
Other information					
Number of stores	97	97	92	90	89
Number of kilograms	106,526	24,518	33,242	24,378	24,388
Number of transactions ²	13,915,000	3,171,000	4,334,000	3,178,000	3,232,000

1. There has been an amendment to the legislation governing the cannabis gram equivalency calculation for beverages. Q1 and Q2 volumes were adjusted to reflect the new reality.
2. The figures are rounded to the nearest thousand.

History since the legalization of cannabis

Years ended the last Saturday of March

(in thousands of Canadian dollars)
(unaudited figures)

	2024	2023	2022	2021	2020	2019 ¹
	Fiscal year 53	Fiscal year 52	Fiscal year 52	Fiscal year 52	Fiscal year 52	Fiscal year 24
Number of weeks						
Sales	\$662,080	\$601,911	\$600,545	\$537,236	\$311,572	\$71,271
Cost of products sold	448,059	412,034	434,854	403,466	240,615	58,081
Gross margin	214,021	189,877	165,691	133,770	70,957	13,190
Selling expenses	87,770	75,689	73,348	56,591	36,179	8,653
Administrative expenses	23,583	19,687	16,288	10,902	8,371	9,490
Operating income	102,668	94,501	76,055	66,277	26,407	(4,953)
Financial contribution of the Government of Quebec	-	-	-	-	-	(4,889)
Net finance costs (income) and other income	(1,447)	(441)	346	(227)	111	(64)
Net income	104,115	94,942	75,709	66,504	26,296	-
Other comprehensive income	(25)	-	-	-	-	-
Comprehensive income	\$104,140	\$94,942	\$75,709	\$66,504	\$26,296	\$-
Net sales by network						
Stores	\$622,054	\$567,764	\$564,374	\$486,754	\$285,908	\$57,591
Online	40,026	34,147	36,171	50,482	25,664	13,680
	\$662,080	\$601,911	\$600,545	\$537,236	\$311,572	\$71,271
Net sales by category						
Dried flowers	\$552,984	\$508,941	\$515,713	\$484,247	\$287,976	\$62,994
Other products (oils, sprays, etc.)	109,096	92,970	84,832	52,989	23,596	8,277
	\$662,080	\$600,911	\$600,545	\$537,236	\$311,572	\$71,271
Other information						
Number of stores	97	97	87	66	41	13
Number of kilograms ²	122,478	106,526	106,488	91,529	46,863	9,922
Number of transactions ³	16,098,000	13,915,000	13,364,000	10,568,000	7,746,000	1,527,000

1. For the 2019 fiscal year, the SQDC was created on June 12, 2018 (giving a total of 292 days for its fiscal year ended March 30, 2019), but only began operations on October 17 (i.e. 24 weeks of operation).

2. There has been an amendment to the legislation governing the cannabis gram equivalency calculation for beverages. Fiscal 2021-2022 volumes were adjusted to reflect the new reality.

3. The figures are rounded to the nearest thousand.





Charlotte Domingue
Analyst,
Procurement

Isabelle To
Head, Procurement

Governance

Report of the Board of Directors

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

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

The Board of Directors held four regular meetings and four special meetings in fiscal 2023-2024. On November 27, 2023, Suzanne Bergeron began her term as President and Chief Executive Officer of the SQDC. Ms. Bergeron's appointment was recommended by the Board at the end of a rigorous selection process. The Board had designated Robert Dalcourt, Vice-President, Finance, to ensure interim management and continue implementing the Strategic Plan 2024-2026, which the Board adopted last fiscal year.

At the four regular meetings held during the fiscal year, the Board reviewed management's report on its strategic orientations and management of the company's business. Assisted by its committees, the Board took a special interest in the business objectives of the Strategic Plan 2024-2026, including the means for countering the slowing capture rate of the illicit market and that market's presence in sales of vaping products, cannabis candies and extracts whose THC content exceeds 30%. 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. A closed session attended only by the independent members was held at the end of each meeting.

The Board approved the company's operating and investment budgets before the beginning of the fiscal year and conducted follow-up following receipt of the quarterly report on the work of the Audit Committee. The Board of Directors monitored the company activities over which it exercises oversight, including employee remuneration, the renewal of collective agreements, results and other financial indicators, succession planning, contracting practices and contract approvals and risk management. The Board studied and approved the changes to be made to the company's practices. At fiscal year-end, the Board also evaluated its own functioning.

Composition of the Board of Directors

As provided in the *Act respecting the Société des alcools du Québec* and the *Act respecting the governance of state-owned enterprises (AGSE)*, the directors of the Société québécoise du cannabis are appointed by the Board of Directors of the Société des alcools du Québec (SAQ), based on the expertise and experience profile defined by the SQDC Board of Directors. Four permanent observers attend Board meetings but are not entitled to vote; these observers are respectively designated by the Québec ministers of Affaires municipales, of Régions et de l'Occupation du territoire, of Finances, of Santé et des Services sociaux and of Sécurité publique du Québec.

As at March 30, 2024, the SQDC Board of Directors had 11 members, six of whom were women and five men and one of whom was under 35 years old when appointed. All except the President and Chief Executive Officer qualify as independent members. The directors come from the Montréal, Laurentides, Montérégie and Capitale-Nationale regions. The Board has access to internal and external resources for carrying out its activities.

To ensure its smooth functioning and to guide its member recruitment efforts, the Board has, in conformance with the AGSE, drawn up an exhaustive profile of the expertise and experience expected of its members. The areas of expertise include governance, finance, risk management, human resources and labour relations, public health, drug dependence, social intervention and youth issues, education and communication, managing medium- to large-sized organizations, operations management, retailing, real estate, international resources, laws and regulations and government operations. Board members are also expected to be involved in the search for candidates who, in terms of diversity, skills and experience, will be complementary to the Board's current composition.



Geneviève Biard
Accounting
Technician

Board Committees

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

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

Activity Report of the Governance and Ethics Committee

The focus of the Governance and Ethics Committee of the Société québécoise du cannabis is oversight of the company's policies and practices in the areas of governance, society and the environment. The committee's terms of reference also include establishing the SQDC's business and contract management policies and overseeing their implementation.

The committee defines and recommends to the Board of Directors the expertise and experience profile used in appointing directors and develops the standards of ethical conduct for SQDC employees, directors and business partners. The committee ensures the company maintains the highest standards in this regard.

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

In fiscal 2023-2024, the committee performed its role to review and oversee the integrity of the company's contract and real estate processes and the related compliance and risk prevention controls put in place. It analyzed the company's contract universe based on the scale and risk posed by contracts and analyzed and recommended approval of goods and service acquisitions for which the Board is responsible.

In fiscal 2023–2024, the committee led the evaluation of the Board’s operation and the annual review of the expertise and experience profile for directors. Its work also extended to the orientation and training given to directors and to Ms. Bergeron as the company’s new President and Chief Executive Officer. In addition, the committee considered the strategies and risks affecting, among other things, the company’s reputation, its communications and the quality of its interactions with its stakeholders.

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 appropriate, efficient and effective. The committee is chaired by Louise Martel, FCPA, and has four independent members, three of whom are members of the Ordre des comptables professionnels agréés (CPAs). In fiscal 2023–2024, the Audit Committee held four regular meetings and three special meetings. A closed session was held at the end of each meeting.

Each quarter, management reported to the committee on its understanding and management of the main risks facing the company. It also ensured the appropriateness of the measures put in place to manage and mitigate each of these risks and communicated with management on the priorities in this area.

On receiving the report of the chair of the Financial Disclosure Committee each quarter, the committee also checked that the Financial Disclosure Policy had been properly applied. The committee monitored the strategies to ensure optimal use of resources, examined the budget for the fiscal year and compared the quarterly results with the budget. It looked at the factors, risks and orientations likely to influence the SQDC’s financial results and studied the resulting forecasts established by financial management. The Audit Committee also approved the interim financial statements for fiscal 2023–2024. The committee members held a closed session with the Vice-President, Finance, at the end of each of the committee’s regular meetings.

Drawing inspiration from best practices and despite the SQDC technically not being subject to regulation 52-109, the committee ensured that the control compliance process required under the regulation was completed and that the related certifications were issued by the President and Chief Executive Officer and the Vice-President, Finance.

Internal audit activities are carried out by the SQDC’s internal audit service under the direct authority of the Audit Committee. In fiscal 2023–2024, the committee approved the new internal audit plan. It also monitored and oversaw ongoing audit projects and the implementation of action plans when applicable. At each regular meeting, the committee met with the Director of Internal Audit in a closed session and with no members of management present. Among the purposes of these sessions was to insure internal auditors’ independence from management. The sessions were also an opportunity to review any activity likely to have an adverse impact on the SQDC’s financial position.

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 committee approved the Financial Review section in the 2023 and 2024 annual reports and the news releases reporting on the SQDC’s financial results.¹ The Audit Committee also met with the external auditors in a closed session after each regular committee meeting and assured itself of their independence. The fee for the 2023–2024 annual audit mandate for these financial statements is \$57,250.

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.

1. The financial statements and annual report for the fiscal year ended March 30, 2024, were approved by the Board of Directors at its May 23, 2024, meeting.

Activity Report of the Human Resources Committee

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

Each quarter, the committee was briefed on the main human resources developments at the SQDC and the related strategic objectives. On these various occasions, the committee considered employee engagement, occupational health and safety, staffing, diversity, labour relations, recruitment, remuneration and employee benefits. In particular, the committee conducted oversight on the new means taken by the company to strengthen its succession planning programs, skills development and growth opportunity creation for all SQDC employees.

Following the appointment of Jacques Farcy as President and Chief Executive Officer of the SAQ in June 2023, the committee recommended to the Board the measures required for choosing a successor as head of the company and the designation of one or more executive officers to lead the company in the interim. The committee proposed the modalities of the selection process, including the creation of a special committee dedicated to the task. The special committee considered the expertise and experience profile defined by the Board and completed an exhaustive, rigorous selection process that ultimately settled on Suzanne Bergeron to take on the duties of President and Chief Executive Officer of the SQDC. In the fall of 2023, basing itself on the conclusions of the selection committee, the Human Resources Committee recommended that the Board appoint Ms. Bergeron.

During the fiscal year, the committee carried out its duties regarding remuneration and the other work conditions of all SQDC employees. On completing an in-depth study, the committee recommended the adoption by the Board of renewal of the collective agreements covering part of its in-store advisors and pay increases affecting all non-unionized personnel at the SQDC.

Generally speaking, the committee also assisted with the selection and departure of senior officers, the related conditions and evaluating members of senior management.

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

Activity Report of the Health Protection Committee

The Board of Directors created the Health Protection Committee in addition to the three committees specified in the *Act respecting the governance of state-owned enterprises* to ensure that the SQDC takes the necessary measures to convert consumers to the legal cannabis market while maintaining a focus on health protection and not encouraging use.

The Health Protection Committee is chaired by epidemiologist Jack Siemiatycki, Ph. D. The committee is comprised of six independent members with expertise in public health and related fields. During the fiscal year, the committee met four times and held a closed session limited to independent members at the end of each meeting.

In fiscal 2023-2024, the committee examined the decision-making processes for company projects, particularly those related to the second orientation of the SQDC Strategic Plan 2023-2026, which aims to better serve SQDC customers by relying on guidance and aligning the product offer and customer experience with customers' needs. The committee especially considered the means to use to convince regular users to prioritize the SQDC for their cannabis purchases.

The committee also looked at trends and at the progress on research into the main cannabis products sold on the illegal market for which the SQDC offers no alternatives. A special focus was on the growing use of vaping products among cannabis users and on the risks related to the composition of illicit vaping products.

The committee carried out an evaluation of its operation. After each of the committee meetings, the chair reported on the committee's work to the Board of Directors.

Effectiveness and Performance Assessment Measures

Background

The *Act respecting the governance of state-owned enterprises* contains a provision requiring the Board of Directors to evaluate its effectiveness and performance every three years, by comparing them with those of similar organizations. To meet this legal requirement, the SQDC carried out a benchmarking process in fiscal 2022-2023.

At the end of a call-for-tenders process, the SQDC awarded this contract to the KPMG firm. The contract had two parts: (1) evaluating the SQDC's performance and effectiveness compared with preceding fiscal years, and (2) assessing the SQDC's performance in comparison to similar companies in fiscal 2022-2023.

To do this, KPMG selected a group of peers consisting of four organizations involved in the sale of cannabis in their province, of other Québec government corporations and of private companies relevant for the purpose of comparison with the SQDC. Selection was based on comparability criteria and the organization's willingness to contribute transparently to the benchmarking process. The data used were from the fiscal years 2018-2019 to 2022-2023, allowing comparison with the years the SQDC has been in operation.

Lastly, in collaboration with KPMG, 22 indicators were determined for use in the benchmarking process, namely five on the strategic dimension, eight on overall financial performance, two on the customer experience dimension and three on ESG performance. Of these indicators, some are unique to the SQDC, others are applicable to the entire cannabis industry and still others are less sensitive to the business segment. This argues for prudence in drawing conclusions from the process due to the unique nature of the SQDC's mission, which is not easily comparable to those of the other government corporations and organizations.

Highlights of the KPMG benchmarking

KPMG notes that, despite all being covered by a federal act, the provinces have adopted different approaches to regulating the cannabis industry. Québec's legislative framework includes a number of restrictions not found in the other Canadian provinces.

The report also mentions that, despite the notion of public health incorporated into the mission statements of some comparable organizations, the SQDC is the only organization whose mission statement specifically mentions not encouraging cannabis use. Analysis and comparison of the SQDC's performance against those of its peers takes into account the differences in the strategic objectives of the comparable organizations.

It should be stressed that, for these reasons, no organization is perfectly comparable to the SQDC, given the unique and social character of the SQDC's mission.

Generally speaking, the KPMG report concludes that the SQDC nearly doubled its illegal market capture rate between fiscal 2018-2019 and 2022-2023. KPMG also notes that the online side of the business is bigger at the SQDC than at the comparable organizations. The benchmarking process did point to various improvement paths. Actually, under its current strategic plan, the SQDC is already taking action to improve its performance in the identified areas, a process that will continue in its next strategic plan.

In the area of financial performance, specifically margins and earnings, the conclusion to be drawn from the KPMG report is that, despite slower sales growth and a labour dispute that reduced the opening hours of **approximately 25% of SQDC stores, both gross and net margins are on the rise**. In addition, between the 2021-2022 and 2022-2023 fiscal years, the SQDC saw stronger gross earnings growth, up 14.6% over the year, and a 25.4% greater increase in net earnings over the same period than the average of the comparable organizations. The SQDC stresses that, in considering these results, the operational context, which was impacted by rapid growth (the expansion of the store network), the pandemic and a labour dispute, should be borne in mind.

Regarding the financial performance of online sales, the KPMG report shows that **the SQDC stands apart from its peers with some 5.7% of overall sales taking place on its website in fiscal 2022-2023**, as opposed to the average of 2.3% for the other selected government-run cannabis corporations. More precisely, the SQDC's ratio of online sales to total dollar sales is 142% higher than those of its counterparts in other Canadian provinces. Additionally, KPMG notes that the SQDC is the only one of the government bodies studied to offer same-day delivery in some regions. However, the main criticisms expressed by online users include how the products are presented (no photo), the lack or inaccuracy of product information and the unavailability of certain products.

As for the governance and social responsibility aspects of performance, the KPMG report shows that, between fiscal 2021-2022 and 2022-2023, **the percentage of products sold at the SQDC with the Québec Grown identifier was stable, going from 42% to 41% of overall sales**. However, KPMG notes that the SQDC was two times better than the average of the three other government cannabis corporations for which fiscal 2022-2023 data were available. Moreover, despite the stability of the local products sold by the SQDC in fiscal 2022-2023, the number of local products included in the company's catalogue was up from fiscal 2021-2022. Specifically, in fiscal 2021-2022, local products formed 35% of the SQDC's overall product offer, compared with 40% in fiscal 2022-2023 and 44% in the second quarter of fiscal 2023-2024. Lastly, the share of Québec-based suppliers has remained stable over time, hovering between 53% and 54%.

Indicators taken from the KPMG report and change in performance and benchmarking

Among the selected indicators, some are unique to the SQDC, others are applicable to the entire cannabis industry and yet others are less sensitive to the business segment."

Excerpted from the KPMG report

Indicator	Change in performance	Benchmarking
Number of stores per 100,000 inhabitants	Improvement	Below-average performance
Sales growth	Stable	Below-average performance
Net earnings growth	Improvement	Above-average performance
Gross margin	Improvement	Comparable performance
Online sales	Stable	Above-average performance
Local product sales	Stable	Above-average performance

Province/Territory	Stores per 100,000 inhabitants
QC	1
ON	11
NL	5
PE	2
NS	5
NB	4
MB	13
SK	15
AB	21
BC	9
YT	13
NT	13
NU	2

Average 8.8

- 87%

Key

- Improvement/Above-average performance
- Stable/Comparable performance
- Deterioration/Below-average performance

1. As the three Canadian territories have a population totalling less than 100,000, their number of stores in the chart appears higher than the actual number in operation. For example, the Yukon has six stores for a population of nearly 45,000. Converting the figure to a base of 100,000 inhabitants expands the number of stores to around 13.

Due to the unique nature of the SQDC's mission, some indicators could not be used for benchmarking purposes.

Members of the Board of Directors



Chair of the Board of Directors

- Appointed on August 23, 2018, for a two-year term
- Term renewed until August 22, 2027
- Independent member



Director

- Appointed on November 27, 2023, for a five-year term

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 also holds a seat on the boards of Laurentian Bank, the TCI Group and Letanda.

President and Chief Executive Officer

- Société québécoise du cannabis (SQDC)
-

With a McGill-HEC Montréal Executive MBA, governance training from the IGOPP (Institute for governance of private and public organizations) and an Executive Leadership Certificate from Cornell University, Ms. Bergeron has more than 20 years' experience in strategic planning, talent development and business management.

Prior to her new role, Ms. Bergeron worked for 18 years at Sodexo, a global provider of restaurant, facility and equipment management services in more than 50 countries, eventually becoming president of Sodexo Canada and global talent director. Through her active contribution, she helped make Sodexo a leading business partner in its industry and a world-renowned employer of choice.

Relying on aware and empathetic leadership, Ms. Bergeron is known for her ability to create innovative solutions based on human needs.



**Céline
Blanchet**

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

- Appointed on August 23, 2018, for a four-year term
- Term renewed until September 30, 2026
- Independent member

**Vice-President, Corporate Affairs and
Strategic Development**

- DeSerres Inc.

Holder of a law degree from Université Laval, Céline Blanchet is a member of the Barreau du Québec and holds a certificate in corporate governance qualifying her for the title Administratrice de sociétés certifiée (ASC).

Ms. Blanchet has been Vice-President, Corporate Affairs and Strategic Development, at DeSerres for more than 15 years. Before that, she served as senior manager of public affairs at Laurentian Bank of Canada.

Ms. Blanchet has chaired the board of directors of the Conseil québécois du commerce du détail (CQCD) and the Le Chaînon organization. She formerly held seats on the boards of directors of the Société des alcools du Québec (SAQ), the Fonds d'intervention économique régional d'Investissement Québec (IQ FIER Inc.) and the Conseil du patronat du Québec (CPQ).

Ms. Blanchet is a director of Merinov and a member of the Canadian Bar Association, the Institute of Corporate Directors (ICD) and the Association des économistes du Québec (ADEQ).



**Stéphane
Borreman**

Director

- Appointed on October 19, 2018, for a two-year term
- Term renewed until October 18, 2026
- Independent member

Emergency physician

- McGill University Hospital Centre
- CIUSSS des Laurentides

Corporate director

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

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

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

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



Director

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



Director

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

Vice-President

Sales, Banking Sector

- Alithya

Chair of the Board of Directors

- Réseau Action TI
-

Corporate director

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' experience in finance and information technology, Ms. Lapointe has worked as an executive at several major institutions, including the Desjardins Group, Laurentian Bank and National Bank. She has continued her career as an information technology advisor and digital transformation consultant, enabling her to play a role in the transformation of large organizations, including Revenu Québec, Canadian National, Air Canada and Hydro-Québec.

Today she holds the position of Vice-President, Sales, Banking Sector, at consulting firm Alithya.

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

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 (CMC) from the Insurance Institute of Canada. A retired KPMG partner, he headed the firm's internal audit and corporate risk management practice for more than a dozen years.

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

Over the years, Mr. Leprohon 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 chairman of the 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
- Term renewed until September 30, 2026
- Independent member



Jack Siemiatycki

Director

- Appointed on August 23, 2018, for a two-year term
- Term renewed until September 29, 2026
- 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.

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 at the Université de Montréal

- École de santé publique de l'Université de Montréal

Holder of a master's in statistics and a PhD in epidemiology from McGill University, Dr. Jack Siemiatycki is known in scientific circles for having developed novel and influential research methods in occupational etiology of cancer and for results concerning a wide variety of possible environmental carcinogens. He is also known for the results of his studies on causes of cancer in the workplace and the risk of developing brain cancer from using cellular telephones. He has also 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, Management Consulting Services – Transformation and Innovation

- CGI

Holder of an MBA from HEC Montréal, a Bachelor of Arts in foreign language, literature and linguistics from Bishop's University, a certificate in design thinking from IDEO U and a Sustainability Leadership: Innovation for Growth certification from the University of Toronto – Rothman School of Management, 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.

Ms. Guay 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.

In the course of 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.

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

In 2015, Mr. Dufour was named Quebec food personality of the year by the Conseil de la transformation alimentaire du Québec (CTAQ). He has also received the interprofessional award of merit from the Office des professions du Québec and the Ordre des agronomes du Québec (OAQ) and has been named a Commander of the Ordre du Mérite Agronomique. In 2023, Université Laval awarded him the title of professor emeritus. He is a member of the Ordre des agronomes du Québec.



Director

- Appointed on December 9, 2021, for a three-year term

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

Ministère de la Santé et des Services sociaux du Québec

Horacio Arruda
Sous-ministre adjoint à la Direction générale de la santé publique

Ministère de la Sécurité publique du Québec

Véronyck Fontaine
Directrice générale aux politiques publiques, à la recherche et aux statistiques

Ministère des Finances du Québec

Étienne Paré
Directeur général de l'optimisation des revenus et des politiques locales et autochtones

Ministère des Affaires municipales et de l'Habitation du Québec

Érika Desjardins-Dufresne
Directrice générale de la fiscalité et de l'évaluation foncière

Directors' Attendance at Meetings of the Board and Board Committees

2023-2024 fiscal year

	BoD	AC	GEC	HPC	HRC	SCRPCEO
Number of meetings	8¹	7²	4³	4⁴	7⁵	7⁶
Johanne Brunet⁷	8/8	7/7	4/4	4/4	7/7	7/7
Jacques Farcy	2/3 ⁸	N/A ⁹	N/A ⁹	N/A ⁹	N/A ⁹	N/A
Suzanne Bergeron	2/2 ¹⁰	N/A ⁹	N/A ⁹	N/A ⁹	N/A ⁹	N/A
Céline Blanchet	8/8	N/A	3/4	N/A	6/7	7/7
Stéphane Borreman	8/8	N/A	4/4	4/4	N/A	N/A
Robert Dalcourt	3/3 ¹¹	N/A ⁹	N/A ⁹	N/A ⁹	N/A ⁹	N/A
Jean-Simon Denault	8/8	N/A	N/A	4/4	N/A	N/A
Jean-Claude Dufour	8/8	N/A	N/A	4/4	7/7	N/A
Marie-Claude Guay	8/8	N/A	4/4	4/4	N/A	N/A
Martine Lapointe	7/8	7/7	4/4	N/A	N/A	N/A
René Leprohon	8/8	7/7	N/A	N/A	7/7	7/7
Louise Martel	7/8	7/7	N/A	N/A	7/7	7/7
Jack Siemiatycki	8/8	N/A	N/A	4/4	N/A	7/7

BoD: Board of Directors

AC: Audit Committee

GEC: Governance and Ethics Committee

HPC: Health Protection Committee

HRC: Human Resources Committee

SCRPCEO: Special Committee for the Recruitment of the President and CEO

- Four (4) regular meetings and four (4) short-term meetings of the Board of Directors were held during the fiscal year.
- Six (6) regular meetings and one (1) short-term meeting of the Audit Committee were held during the fiscal year.
- Four (4) regular meetings of the Governance and Ethics Committee were held during the fiscal year.
- Four (4) regular meetings of the Health Protection Committee were held during the fiscal year.
- Four (4) regular meetings and three (3) short-term meetings of the Human Resources Committee were held during the fiscal year.
- Six (6) regular meetings and one (1) short-term meeting of the Special President and Chief Executive Officer Recruitment Committee were held during the fiscal year.
- The Chair of the Board of Directors is an ex officio member of all Board committees.
- Jacques Farcy was President and Chief Executive Officer until June 25, 2023.
- 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.
- Suzanne Bergeron became President and Chief Executive Officer on November 27, 2023.
- Robert Dalcourt was a member of the Board of Directors from June 26, 2023, until November 26, 2023.

Directors' Compensation

2023-2024 fiscal year
(in Canadian dollars)

	Meeting fee for BoD meetings ¹	Meeting fee for Board committee meetings ¹	Annual base compensation ²	Annual total compensation ³
Johanne Brunet	\$5,946	\$26,262	\$21,168	\$53,376
Céline Blanchet	\$3,972	\$9,268	\$14,556	\$27,796
Stéphane Borreman	\$3,972	\$5,296	\$10,587	\$19,855
Jean-Simon Denault	\$3,972	\$2,648	\$10,587	\$17,207
Jean-Claude Dufour	\$3,972	\$6,289	\$10,587	\$20,848
Marie-Claude Guay	\$3,972	\$5,296	\$10,587	\$19,855
Martine Lapointe	\$3,641	\$6,951	\$10,587	\$21,179
René Leprohon	\$3,972	\$12,247	\$14,556	\$30,775
Louise Martel	\$3,310	\$12,247	\$14,556	\$30,113
Jack Siemiatycki	\$3,972	\$6,951	\$10,587	\$21,510
Total				\$262,514

1. In applying Order in Council 610-2006 and its subsequent amendments, the meeting fee for the Chair of the Board for Board meetings and committee meetings is \$991. The meeting fee for directors other than the Chair of the Board for Board meetings and committee meetings is \$662. For special meetings and short meetings, the respective fees are cut by half.
2. The annual base compensation of the Chair of the Board is \$21,168. The annual base compensation of the other Board members is \$10,587. Céline Blanchet, Louise Martel and René Leprohon received a supplement of \$3,969 to their annual base compensation, each having chaired one of the three statutory committees prescribed by the *Act respecting the governance of state-owned enterprises*.
3. No amount was paid to directors in the form of a taxable benefit.

Compensation Paid to the Eight Most Highly Compensated Officers

2023–2024 fiscal year
(in Canadian dollars)

SQDC executives: compensation in fiscal 2023–2024

Name	Title	Base compensation paid	Variable pay and LTPS paid ¹	Pension plan contributions paid by the SQDC ²	Other benefits paid or granted ³	Total compensation for the fiscal year
Suzanne Bergeron⁴	President and Chief Executive Officer	\$105,774	N/A	\$8,049	\$6,881	\$120,704
Jacques Farcy⁵	President and Chief Executive Officer	\$78,972	N/A	\$6,081	\$33,126	\$118,179
Robert Dalcourt	Vice-President, Finance	\$242,488 ⁶	N/A	\$22,390	\$21,028	\$285,906
Pietro Perrino⁷	Secretary General	\$217,000	N/A	N/A	\$43,400 ⁷	\$260,400
Josée Laliberté	Vice-President, People and Culture	\$215,274 ⁸	N/A	\$22,309	\$8,077	\$245,660
Geneviève Giroux	Vice-President, Demand, Product Management and Supplier Relations	\$207,599	N/A	\$22,221	\$15,540	\$245,360
Éliane Hamel	Vice-President, Social Responsibility, Health Protection and Communications	\$200,537	N/A	\$21,930	\$23,760	\$246,227
David Bertrand-Collin⁹	Vice-President, Store Operations	\$175,813	N/A	\$19,277	\$135,438	\$330,528

- The SQDC does not offer a bonus plan, variable pay or a long-term profit-sharing plan to its employees.
- The vice-presidents participate in the PPMP with an annual pension accrual rate of 2% up to the maximum eligible salary set by Retraite Québec. They also qualify for an annual pension accrual rate of 2% of the portion of their salary exceeding the minimum eligible salary through a supplementary pension plan. The President and Chief Executive Officer of the SQDC participates in the RRAS, under which he or she has an annual pension accrual rate of 3% of his or her salary.
- 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.
- Suzanne Bergeron assumed her duties on November 27, 2023. Her annualized base compensation for the fiscal year was \$323,544. In addition, for the fiscal year, the annualized contribution to the pension plan assumed by the SQDC was \$23,587 and the other annualized benefits paid or granted were \$19,878.
- Jacques Farcy left his position on June 25, 2023. His annualized base compensation during the fiscal year was \$323,544. In addition, for the fiscal year, the annualized contribution to the pension plan assumed by the SQDC was \$22,587, while the other annualized benefits paid or granted were \$42,216.
- In addition to his regular duties, Robert Dalcourt assumed those of interim president and chief executive officer between June 26, 2023, and November 26, 2023. As such, he received a 10% pay premium during the period.
- Pietro Perrino's compensation is paid by the Ministère du Conseil exécutif du Québec and billed in full to the SQDC. The other benefits paid or granted, which correspond to the amount billed as such by the Ministère du Conseil exécutif to the SQDC, are set at 20% of the amount billed as salary.
- In addition to her regular duties, Josée Laliberté has served as Vice-President, Store Operations, on an interim basis since February 8, 2024. As such, she received a 10% pay premium during the interim period.
- David Bertrand-Collin left his position on February 5, 2024. A separation benefit of \$125,000 was paid to him. His annualized base compensation during the fiscal year was \$200,167. In addition, for the fiscal year, the annualized pension plan contribution assumed by the SQDC was \$20,883, while the other annualized benefits paid or granted were \$135,643.



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 and 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. The company now holds a francization certificate issued by the Office québécois de la langue française.

During the fiscal year, the SQDC worked to put in place the measures necessary to comply with the new provisions of the Charter of the French Language, which includes preparing the language directive required under the provisions.

The SQDC has 46 positions for which knowledge of a language other than French is required. It has no positions for which a level of knowledge of a language other than French is desirable.

Myriam Laganière
Business Partner,
People and Culture

Strategic Plan 2024-2026

The SQDC Strategic Plan 2024-2026 is at the centre of the actions that the company takes to fulfill its mission and continue capturing the illegal cannabis market, all while working to protect Quebecers' health. Faced with the swiftly evolving expectations of employees, consumers and citizens, the SQDC team has responded with a three-pronged strategy: engage our teams, serve our customers and raise the SQDC's profile.

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

Social Responsibility Plan 2024-2026

Aligned with the orientations of the SQDC Strategic Plan 2024-2026, the Social Responsibility Plan 2024-2026 guides the company's actions to improve its performance in the areas of environment, society and governance. It enables the SQDC to meet its obligations under the *Sustainable Development Act* and contribute to the efforts made as part of the Québec government's *Stratégie gouvernementale de développement durable*.

The results achieved for the first year of the Social Responsibility Plan 2024-2026 will be found at the end of this report.



Access to Information and the Protection of Personal Information

Report on access requests received

The SQDC handles requests for access to documents in conformance with the *Act respecting access to documents held by public bodies and the protection of personal information*. In fiscal 2023–2024, 24 requests were received and 25 requests were processed.¹ The following table presents a detailed breakdown of the requests handled during the fiscal year:

Number of requests handled, by type and processing time

Processing time	Type of request handled during the fiscal year		
	Access requests		
	Administrative documents (number)	Personal information (number)	Correction (number)
0 to 20 days	19	2	0
21 to 30 days	3	1	0
31 days or longer (if applicable)	0	0	0
Total	22	3	0

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

Number of requests handled, by type and decision

Decision made	Access requests		Correction (number)	Cited sections of the Act
	Administrative documents (number)	Personal information (number)		
Accepted (entirely)	9	0	0	
Partially accepted	10	0	0	9, 14, 15, 21, 22, 23, 24, 27, 28, 32, 37, 53, 54
Refused (entirely)	1	1	0	15, 29, 53, 54
Other ¹	2	2	0	
Total	22	3	0	

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

Reasons for refusal

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

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

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

Preamble

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

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

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

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

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

Section 1 – Interpretation

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

- e) **"spouse"** means spouses and persons living as if married for more than one year;
- f) **"board"** means the Société's Board of Directors;
- g) **"contract"** includes a proposed contract;
- h) **"control"** means a temporary ban, applicable to all directors, on dealing in or carrying out a transaction involving the shares of a public or private corporation;
- i) **"embargo"** means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
- j) **"enterprise"** means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
- k) **"enterprise operating in the same business segment"** means an enterprise having a direct or indirect interest in the cannabis field, including an enterprise whose activities are comparable in nature to those of the Société and which may compete against them;
- l) **"related enterprise"** means the Société des alcools du Québec (the "SAQ"), a subsidiary thereof and any legal person or corporation of which shares are directly or indirectly held by the SAQ or a wholly owned subsidiary of the SAQ;
- m) **"immediate family"** means the spouse of a director, the child of the director or of the director's spouse, the director's father, mother, brother and sister, the spouse of the director's mother and father, the spouse of the spouse's mother and father, the spouse of the director's child or any other person for which the director acts as a legal representative or administrator of the property of others;

Code of Ethics and Professional Conduct

for the Directors of the Société québécoise du cannabis

- n) **“confidential information”** means any information regarding the Société or one of its subsidiaries or related enterprises, its directors, officers, employees, partners and suppliers, all personal information unless the information is of a public nature by law as well as any other information related to an industry or sector and all information of a strategic nature, which is not public knowledge;
- o) **“inside information”** means any information not yet known to the public and likely to affect the decision of a reasonable investor or likely to have an appreciable influence on the value or price of the securities of a public or private company, including information concerning an issue of securities, a change in dividend policies, a significant change in the composition of the management team or a significant change relating to the Société’s business. All inside information is deemed to constitute confidential information;
- p) **“Act”** means the *Act respecting the governance of state-owned enterprises* (CQLR c. G 1.02), as amended and modified from time to time;
- q) **“Organization”** means a not-for-profit organization or legal person with a direct or indirect interest in the cannabis field;
- r) **“person”** means any physical or legal person, as determined by the context of the Code;
- s) **“Société”** means the Société québécoise du cannabis;
- t) **“security”** means any security within the meaning of the *Securities Act* (CQLR c. V 1.1) and includes shares, bonds, subscription rights and warrants, partnership shares, private company stock and options, futures contracts or derivatives, except for any government-issued debt instrument, Treasury bonds, term notes and certificates of deposit issued by a financial institution or a government. Any current, eventual or conditional instrument or instrument that confers the right to buy securities is also considered a security.

- 2. In this code, a prohibited action includes any attempt or encouragement to perform such action.

Section 2 – General Provisions

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

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

The rules of professional conduct apply to the directors’ duties and obligations; they clarify and illustrate them in an indicative manner.

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

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

The Société shall take the actions necessary to protect the confidentiality of the information provided by the directors under this Code.

- 6. The directors undertake to cooperate with the Chair of the Board of Directors and comply with the opinions that the Chair may be called upon to give verbally or in writing.

Code of Ethics and Professional Conduct

for the Directors of the Société québécoise du cannabis

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.

Code of Ethics and Professional Conduct

for the Directors of the Société québécoise du cannabis

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

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

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

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

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

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

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

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

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

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

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

Section 5 – Disclosure and Abstention

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

Code of Ethics and Professional Conduct

for the Directors of the Société québécoise du cannabis

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:
- statement of conformance with the provisions of the Code of Ethics and Professional Conduct for the Directors of the Société québécoise du cannabis;
 - 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;
 - 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
 - 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.

Code of Ethics and Professional Conduct

for the Directors of the Société québécoise du cannabis

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.

Schedule 1

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.

Schedule 1

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

Any other gift, hospitality or advantage received shall be returned to the giver or shall be remitted to the State.
15. A public office holder may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for himself or for a third party.
16. In the decision-making process, a public office holder shall avoid allowing himself to be influenced by offers of employment.
17. A public office holder who has left public office shall conduct himself in such a manner as not to derive undue advantages from his previous service with the agency or corporation.
18. It is prohibited for a public office holder who has left public office to disclose confidential information or to give anyone advice based on information not available to the public concerning the agency or corporation for which he worked, or concerning another agency or corporation with which he had a direct and substantial relationship during the year preceding the end of his term of public service.

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

A public office holder of an agency or corporation referred to in the second paragraph may not, in the circumstances referred to in that paragraph, deal with a public office holder referred to therein for one year following the end of his term of public service.
19. The chairman of the board of directors shall ensure that the public office holders of the agency or corporation comply with the ethical principles and rules of professional conduct.

Chapitre III – Political Activities

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

A full-time public office holder who is elected to a part-time public office shall, where that office may make it impossible for him to demonstrate reserve as required, resign from his position as a public office holder.
26. A full-time public office holder who is elected to a part-time public office shall, where that office may make it impossible for him to demonstrate reserve as required, resign from his position as a public office holder.

Schedule 1

Chapitre IV – Remuneration

27. A public office holder shall be entitled, for the performance of his duties, solely to the remuneration related to those duties. Such remuneration may not include, even partially, monetary advantages such as those established, in particular, by a profit-sharing plan based on the variation in the value of shares or on a participation in the capital stock of the enterprise.

28. A public office holder dismissed for just and sufficient cause may not receive a severance allowance or payment.

29. A public office holder who has left public office, who has received or is receiving a severance allowance or payment and who holds an office, employment or any other remunerated position in the public sector during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.

Notwithstanding the foregoing, where the salary he receives is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

30. Any person who has received or is receiving a severance allowance or payment from the public sector and who receives a salary as a public office holder during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.

Notwithstanding the foregoing, where the salary that he receives as a public office holder is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

31. A full-time public office holder who has left public office, who has received so-called assisted departure measures and who, within 2 years after his departure, accepts an office, employment or any other remunerated position in the public sector shall refund the sum corresponding to the value of the measures received by him, up to the amount of the remuneration received, by the fact of his return to the public sector, during that 2-year period.

32. Sections 29 to 31 do not apply to part-time teaching activities by a public office holder.

33. For the purposes of sections 29 to 31, “public sector” means the agencies, bodies, institutions and enterprises referred to in the Schedule.

The period covered by the severance allowance or payment referred to in sections 29 and 30 shall correspond to the period that would have been covered by the same amount if the person had received it as a salary in his former office, employment or position.

Chapitre V – Code of Ethics and Professional Conduct

34. The members of the board of directors of each government agency, body or enterprise shall adopt a code of ethics and professional conduct in conformity with the principles and rules established by this Regulation.

35. The code shall establish the ethical principles and the rules of professional conduct of the agency, body or enterprise.

The ethical principles shall reflect the agency’s, body’s or enterprise’s mission, the values underlying its operations and its general principles of management.

The rules of professional conduct shall pertain to the duties and obligations of public office holders. The rules shall explain and illustrate those duties and obligations in a concrete manner. They shall in particular cover:

- (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.

Chapitre VI – Disciplinary Process

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

The chair of the board of directors is the authority competent to act in respect of any other public office holder.

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

38. A public office holder accused of a violation of ethics or professional conduct may be temporarily relieved of his duties, with remuneration, by the competent authority, in order to allow an appropriate decision to be made in an urgent situation requiring rapid action or in a presumed case of serious misconduct.
39. The competent authority shall inform the public office holder of the violations of which he is accused, of the possible penalty and that he may, within 7 days, provide it with his observations and, if he so requests, be heard regarding the alleged violations.
40. Where it is concluded that a public office holder has violated the law, this Regulation or the code of ethics and professional conduct, the competent authority shall impose a penalty.

However, where the competent authority is the Associate Secretary General referred to in section 37, the penalty shall be imposed by the Secretary General of the Conseil exécutif. Furthermore, if the penalty proposed is the dismissal of public office holder appointed or designated by the Government, the penalty may be imposed by the Government only; in that case, the Secretary General of the Conseil exécutif may suspend the public office holder immediately, without remuneration, for a period not exceeding 30 days.

41. The penalties that may be imposed on the public office holder is a reprimand, a suspension without remuneration for a maximum of 3 months or the dismissal.
42. Any penalty imposed on a public office holder, as well as the decision to temporarily relieve him of his duties, shall be in writing and give the reasons therefor.

Schedule 2

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

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

Signed in _____, on _____

Director

Schedule 3

Declaration of Interest Statements

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

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

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

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

- Treasury bonds or monetary instruments and government (federal and provincial) bonds are not considered as interests in a legal person.
- Art. 31 para. 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



Building a responsible industry





Simon Vézina
Advisor at the
Saint-Nicolas store

Nearly
76%
of packaging now
eco-responsible

46%
of products
now certified
Québec Grown



79%
of the public
in agreement
with the mission

Having completed its first social responsibility plan (CSR plan), the Société québécoise du cannabis has now launched its second CSR plan, covering the period from 2024 through 2026. The plan defines the SQDC's social responsibility priorities, objectives and actions to take while also supporting the company's overall mission. This year, the company is proud to have reached all 13 of the objectives set in the plan.

The objectives of the new CSR plan reflect the SQDC's desire to be an influential player in the cannabis ecosystem when it comes to sustainability. The plan is based on four pillars: environment, governance, community and teams. Through the initiatives inspired by these orientations, the SQDC aims to reduce the environmental impact of its operations, to increase its transparency, ethics and performance, to support the social and economic development of the communities in which it is present and to favour the well-being, engagement and development of its employees.

The report presented in the following pages summarizes the achievements and results obtained for each pillar in 2024. The SQDC is especially proud of the result for eco-responsible packaging. Due to the involvement of its suppliers and various internal teams, nearly 76% of the packaging sold by the SQDC in fiscal 2023-2024 was eco-responsible. What's more, with 46% of its products now qualifying for Québec Grown attestation, the SQDC has deepened its commitment to local procurement. Lastly, the SQDC is pleased to note that the public's level of support for the company's mission continues to grow and reached 79% in 2024.

Contents

Environment	126
Governance	132
Community	136
Teams	139
Summary of Results	143





Environment

The SQDC has the ambition of minimizing the environmental impact of its operations. By focusing on initiatives over which we have operational control, we will succeed in limiting the effects of our activities on the climate while also ensuring the most efficient use is made of resources we require for doing business. For awareness and transparency's sake, we are committed to regularly informing our stakeholders about the progress of our various environmental initiatives.

Objective

Reduce the environmental footprint of containers and packaging

Indicators	2024 target	2024 result
Proportion of containers that meet at least two of the four eco-responsible criteria	45%	76% 
Number of initiatives in place to support eco-responsible measures in the industry	2	2 

Reducing the environmental impact of containers and packaging is essential for the cannabis industry. That is why the SQDC supports all its suppliers in their efforts to switch to more eco-responsible packaging and help grow eco-responsibility within the industry.

This year, the SQDC continued to hold meetings of the Table de concertation sur les contenants et emballages écoresponsables. More specifically, discussions were held with producers about the actions needed for more types of packaging to meet the SQDC's eco-responsibility criteria. For the second initiative taken this year, Éco Entreprises Québec, at the SQDC's request, provided eco-design training to cannabis producers.


The SQDC also continued its efforts to collect data from all its suppliers so it can determine the number of products sold that meet at least two of the company's four eco-responsible criteria. In fiscal 2023-2024, no less than 76% of products sold were considered eco-responsible, compared with 57% last fiscal year and 32% in fiscal 2021-2022. This comfortably exceeds the 45% current-year target.

The company is delighted that cannabis producers are increasingly choosing optimized packaging designs. Such packaging, which does not exceed the weight limits set by the SQDC, helps to reduce the cannabis industry's overall greenhouse gas (GHG) emissions.



Objective

Increase participation in our container and packaging recovery program through better outreach

Indicator	2024 target	2024 result
Packaging recovery rate	3%	4.5% 


As the holder of the monopoly on the legal sale of recreational cannabis in Québec, the SQDC has the duty of implementing sustainable and responsible practices regarding the product containers it puts on the market. This is why the company once again maintained its cannabis container recovery program. Launched in 2020, the program aims to reduce the environmental impact of cannabis use by allowing SQDC customers to bring their empty containers back to a store, where they are collected and transformed by Québec-based company Go Zéro and its partners specialized in the recycling of hard-to-recycle materials. It should be noted that some containers are eligible for selective collection (curbside recycling), which the SQDC program is complementary to, not in competition with.

The SQDC’s container recovery initiatives, particularly its seeking to reduce its ecological footprint and raise customers’ awareness around sustainability issues, say much about the company’s social and environmental commitment. The efforts made to enable customers to use cannabis more responsibly also help strengthen the trust placed in the company.

The SQDC notes that customers are increasingly aware of the recovery program, even if a number prefer to recycle all their packaging through selective collection. As a result, in fiscal 2023-2024, the company recovered 4.5% of the packaging it put on the market, exceeding the target of 3%. The company remains determined to intensify its communication initiatives throughout fiscal 2024-2025 to increase the customer participation rate in coming years and move forward with its efforts to reduce the environmental impact of its business.

Objective

Structure our residual materials management practices

Indicators	2024 target	2024 result
Put in place the processes necessary to obtain <i>ICI on recycle+</i> attestation	Process established	Process established 
Percentage of stores with <i>ICI on recycle+</i> attestation	N/A	N/A

Last year, the company launched its residual management process by joining RECYC-QUÉBEC's *ICI on recycle+* program, under which the SQDC receives personalized guidance and visibility tools for improving the environmental performance of its store network. As a result, the organization will be able to implement concrete measures aimed at improving its existing practices for reducing at source, reusing, recycling and transforming its residual materials in accordance with the 4Rs principle. This initiative is demonstrative of the SQDC's efforts to contribute to Québec's residual materials management policy, the *Politique québécoise de gestion des matières résiduelles*.



Objective

Continue quantifying the company's greenhouse gas emissions

Indicators	2024 target	2024 result
Publication of the GHG quantification report	Publication of the report	Publication of the report
Number of new initiatives put in place to reduce GHG emissions	1	1


Remaining committed to taking action against climate change, the SQDC quantified its GHG emissions. This enabled it to measure the environmental impact of its operations during the 2023 calendar year and to identify improvement paths.¹

As an example of the concrete initiatives put in place, the SQDC began replacing its halogen bulbs with LED bulbs. Because LED bulbs consume less electricity and have a longer lifespan than traditional bulbs, this simple and effective measure allowed the company to save energy and cut its GHG emissions.

1. https://www.sqdc.ca/media/d7593c4c-dd77-44d4-bf07-292feb26cab8/iMvEPA/Olive/Acc%C3%A8s%20info/Publications/BilanGES_SQDC_2023.pdf

Objective

Raise SQDC employees' awareness of using active and public transit

Indicator	2024 target	2024 result
Percentage of employees reached by communications aimed at promoting sustainable mobility	100%	100% 

Determined to reduce its environmental footprint and favour the health and well-being of its team members while helping to make Québec a more sustainable society, the SQDC is committed to raising employees' awareness of active and public transit.

On World Sustainable Transport Day, the company posted an article across its network to highlight means of active and public transit. It also shared a survey on the travel behaviour of government employees in order to make employees more aware of their own behaviour travelling to and from work.

Through this year's actions, the SQDC succeeded in raising awareness about active and public transit among all the employees reached by the communications concerned.





Governance

The SQDC intends to continue its drive to adopt sound governance practices. As part of this process, we plan to identify and mitigate the environmental, social and governance (ESG) risks to which the organization is exposed and give ourselves responsible and exemplary business practices.

Objective

Increase our responsible acquisitions

Indicators	2024 target	2024 result
Percentage of acquisitions with responsible features (goods and services)	20%	73% 
Percentage of acquisitions with responsible features (construction work)	20%	100% 

The Québec government recognizes the influence it has on markets due to its significant purchasing power. It has therefore made available to its various ministries and bodies a responsible sourcing indicators guide for orienting government actions. The guide includes 21 criteria to be considered.


Integrating responsible sourcing criteria into goods-and-services and construction contracts is a process that aims to favour sustainability and reduce the environmental and social impact of public purchases. The advantages of adding these criteria can include supporting local suppliers, promoting ethical practices and helping to reach GHG emission reduction targets.

The Société québécoise du cannabis is pleased that 73% of its new goods and services contracts over \$25,000 include at least one responsible procurement criterion. The rate is 100% for construction work, with two new contracts over \$25,000 having been awarded last fiscal year.



Objective

Increase employees' awareness of cybersecurity and the protection of personal information

Indicator	2024 target	2024 result
Percentage of employees having successfully completed cybersecurity training	80%	90% 

To guarantee the security of its information systems and sensitive information, the SQDC provides several cybersecurity training sessions each year to all its employees at head office and in its stores. In fiscal 2023-2024, 90% of them successfully completed the training modules covering a range of cybersecurity issues, including access control, text-based phishing and social engineering. The company thus exceeded the 80% target set for this year.

Objective

Incorporate the notion of sustainability into the organizational policy development process

Indicator	2024 target	2024 result
Percentage of new organizational policies evaluated for sustainability	100%	N/A

Evaluating the sustainability of organizational policies is used to measure the environmental, social and economic impact of the organization's decisions and actions. The benefits of the process are many: reducing risks, improving performance and boosting the SQDC's legitimacy and credibility.


The target of 100% of policies evaluated does not apply to fiscal 2023–2024 due to the lack of any new organizational policies. However, the SQDC is committed to continuing its efforts to incorporate sustainability into its management practices and organizational culture while also complying with the method recommended by the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs du Québec.

Community

As a leading player in the Québec legal cannabis ecosystem, it is essential that we listen to our community, which is comprised of Québec citizens, our customers and our suppliers. We are therefore determined to fully carry out our mission with a focus on public health. We also want to encourage the local economy while remaining aligned with our mission.

Objective

Increase the number of products available at the SQDC with a Québec product identifier


Indicator	2024 target	2024 result
Percentage of products with a Québec product identifier	42%	46% 

The SQDC continued with its Québec Grown initiative this year. The identifier makes it possible for customers to easily pick out products made from cannabis grown mostly (65%) in Québec. Currently, 46% of the products offered for sale at the SQDC qualify for a Québec product identifier. The company has thus exceeded its target of 42% for the first year of implementation of its CSR plan.



Objective

Raise awareness of the SQDC's mission

Indicator	2024 target	2024 result
Level of public support for the SQDC's mission	75%	79% 

To increase the acceptability of its model by the Québec public, the SQDC needs first to work toward fulfilling its mission by implementing initiatives to convert cannabis users to the legal market. This is how the SQDC will succeed in boosting and maintaining its legitimacy and credibility in Québec society.

With that in mind, the company aimed, in fiscal 2023-2024, to improve the customer experience in its stores and on its website in order to keep the experience a feature of the legal market and eventually capture a larger share of the illegal market, notably by enhancing its product offer and delivery services.

The SQDC also made its mission known on various occasions when speaking to media and in public forums, especially ones involving groups of university students, the business community and organizations in the healthcare field.

In 2024, the level of public support for the SQDC's mission reached 79%, surpassing the current year target of 75%.




Teams

At the SQDC, our teams are our most valuable resource as well as the engine that enables us to carry out our mission. To develop our employees and increase their commitment, we aim to favour a culture of learning and knowledge-sharing through a proximity management approach.



Objective

Train advisors on responsible cannabis use


Indicator	2024 target	2024 result
Percentage of advisors who have demonstrated their knowledge through an annual evaluation	100%	100% 

The objective of training advisors on responsible cannabis use is implicit in the SQDC’s mission of protecting public health by selling quality products while also informing cannabis users of the risks related to use. By training advisors on responsible cannabis use, the SQDC aims to strengthen the educational and preventive role played by its stores and website and to encourage dialogue with customers, the goal being to reduce the negative health impacts of cannabis on individuals and on society.

To measure the attainment of this objective, the SQDC tests the knowledge of its advisors through an annual evaluation. This indicator is used to evaluate advisors’ skill level and ability to convey relevant information adapted to customers’ needs. In 2024, all advisors passed the evaluation on the legal and social aspects of cannabis use. In addition, through its internal communication channels, the company regularly informs its network of the latest advances in the field.

Objective

Provide an equitable and inclusive workplace reflective of diversity

Indicator	2024 target	2024 result
Development of an equity, diversity and inclusion action plan	Scan of the current situation	Scan of the current situation 


The SQDC's objectives include providing a fair and inclusive workplace that reflects the diversity of its customers, its employees and Québec society. To accomplish this, the company this year initiated a process to give itself an equity, diversity and inclusion (EDI) action plan. The plan will aim to identify the issues involved and the opportunities for encouraging EDI in the organization.

A scan of the current EDI situation was carried out in fiscal 2023-2024. It will be used in defining the strategic orientations and concrete actions to be taken in a future action plan for improving inclusivity throughout the organization and thereby helping to create a work climate conducive to personal and professional development and employee engagement and retention while also adhering to the principles of equity and inclusion.



Objective

Encourage team commitment

Indicator	2024 target	2024 result
Overall level of job satisfaction	70%	76% 

In keeping with the first orientation of its strategic plan, the SQDC is determined to encourage the commitment of its work teams. The company constantly strives to strengthen its approach to favour the development of its internal associates and attract and retain talent.

Each year, the SQDC uses its employee experience survey to re-evaluate the effectiveness of its efforts to increase employee commitment. In 2024, the overall job satisfaction rate reached 76%, exceeding the target of 70%.

In fiscal 2023-2024, the SQDC launched its *Enraciner les talents* program, which aims to anchor employees' development and aspirations in the organization's core values and to continue growing as managers, professionals and advisors as well as an organization. The SQDC also maintained its *Appréciation de la contribution* initiative, extended its Propulsion program to include assistant directors and looked after the well-being and personal growth of its teams through various initiatives, including the internal promotion of PAEF, its employee assistance program for employees and their families. The company also launched its process to develop an employer brand, which will be launched in fiscal 2024-2025.

Summary of Results

Social Responsibility Report 2023-2024

Environment	Indicators	2024 target	2024 result
①	Proportion of containers that meet at least two of the four eco-responsible criteria	45%	76% ✓
	Number of initiatives in place to support eco-responsible measures in the industry	2	2 ✓
②	Packaging recovery rate	3%	4.5% ✓
③	Put in place the process necessary to obtain ICI on recycle+ attestation	Process established	Process established ✓
	Percentage of stores with ICI on recycle+ attestation	N/A	N/A
④	Publication of the GHG quantification report	Publication of the report	Publication of the report ✓
	Number of new initiatives put in place to reduce GHG emissions	1	1 ✓
⑤	Percentage of employees reached by communications aimed at promoting sustainable mobility	100%	100% ✓

Governance	Indicators	2024 target	2024 result
①	Percentage of acquisitions with responsible features (goods and services)	20%	73% ✓
	Percentage of acquisitions with responsible features (construction work)	20%	100% ✓
②	Percentage of employees having successfully completed cybersecurity training	80%	90% ✓
③	Percentage of new organizational policies evaluated for sustainability	100%	N/A

Community	Indicators	2024 target	2024 result
①	Percentage of products with a Québec product identifier	42%	46% ✓
②	Level of public support for the SQDC's mission	75%	79% ✓

Teams	Indicators	2024 target	2024 result
①	Percentage of advisors who have demonstrated their knowledge through an annual evaluation	100%	100% ✓
②	Development of an equity, diversity and inclusion action plan	Scan of the current situation	Scan of the current situation ✓
③	Overall level of job satisfaction	70%	76% ✓

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 the photographs for its Annual Report 2024 (in alphabetical order): Jean-Christophe Bettez Martel, Geneviève Biard, Alexander Bove, Nancy Carrier, Manon Coumes, Charlotte Domingue, Sandra Dubois, Camille Dupautet, Mathieu Gascon, Eric Giguère, Valérie Gravel, Émilie Jutras, Martin Labrecque, Myriam Laganière, Eve Larrivée, Léa Lemoine, Tanya Léonard-Cusson, Meng Jin Li, Rujin Li, Gabrielle McDonald, Vincent Nicolas, Jossy Shirley Polino Estraver, Julie Richard, Alex Robitaille, Keven Rousseau, Soraya Succès, Simon Thorn Deblois, Isabelle To, Karl Turgeon, Simon Vézina and Alicia Visquez.

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