

HLS Therapeutics Inc. Fighting Against Forced Labour and Child Labour in Supply Chains Report (2023)

ABOUT THIS REPORT

HLS Therapeutics Inc. ("HLS", "we", "our" or "us") has prepared this report (the "Report") being submitted pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") for the financial year ended December 31, 2023 (the "Reporting Period").

This Report describes the steps taken to enhance transparency in our supply chains by outlining the steps taken during the 2023 financial year to prevent and reduce the risk that forced labour or child labour ("**Modern Slavery**") is used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. This has been done in accordance with the reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

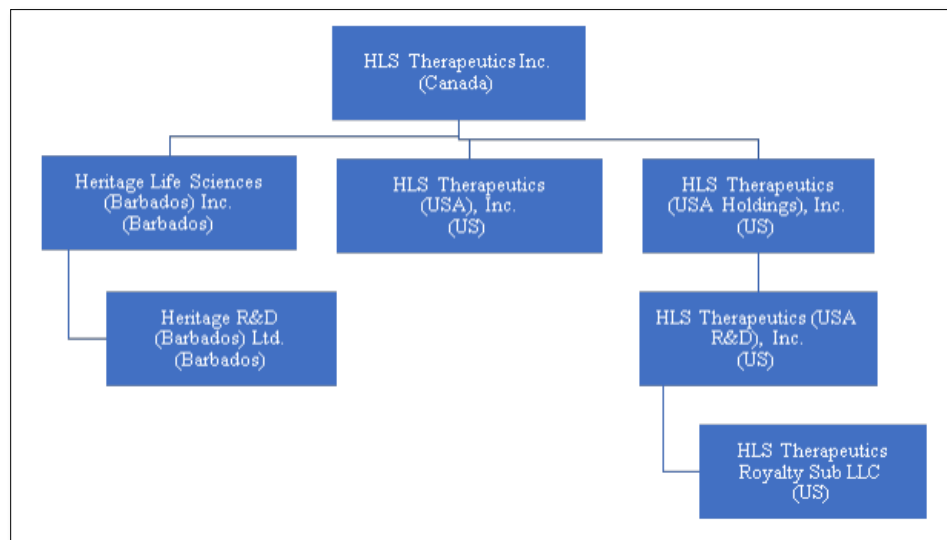
HLS does not report under similar legislation in any other jurisdiction.

COMPANY STRUCTURE, ACTIVITIES AND SUPPLY CHAIN

Company Structure

HLS is a pharmaceutical company. We are publicly traded on the Toronto Stock Exchange (TSX: HLS). HLS is incorporated under the laws of Ontario, and headquartered in Etobicoke, Ontario with additional offices in Montreal, Quebec, Philadelphia, Pennsylvania, Mt. Laurel, New Jersey, and St. James, Barbados.

HLS owns subsidiaries incorporated in Barbados and the United States. The following diagram illustrates HLS' intercorporate relationships, including its subsidiaries that account, individually, for more than 10% of HLS' consolidated assets or revenues, or together, for more than 20% of our consolidated assets or revenues. All subsidiaries are wholly owned, directly or indirectly, by HLS:



Activities

HLS is a Canadian-headquartered, North America-focused specialty pharmaceutical company focused on commercializing clinically differentiated pharmaceutical products in the speciality central nervous system (CNS) and cardiovascular (CV) markets. HLS' current product portfolio includes Clozaril (a specialty CNS therapeutic) for the Canadian and U.S. markets, Vascepa (a CV therapeutic), and the MyCare Products (a line of Point-of-Care Device and Antipsychotic Reagents) for the Canadian market. HLS also holds a diversified portfolio of royalty interests on global sales of three different healthcare products which, in effect, provides HLS with income based on worldwide sales of such products. HLS's experienced management team has a long and proven track record of successfully sourcing, developing and commercializing drugs in a variety of therapeutic areas at all stages of their life cycle throughout North America and internationally. For the financial year ended December 31, 2023, HLS had 91 employees and generated revenues of US\$61.5 million.

Supply Chains

HLS has three products in its portfolio: (i) Clozaril, (ii) Vascepa, and (iii) MyCare Products. HLS purchases its products from third-party contract manufacturers or its licensors. In 2023, HLS sourced products and inputs domestically and internationally, including from Canada, the United States, Spain, Korea, New Zealand, the Netherlands, France, Belgium, and Switzerland.

HLS is focused on managing the production and distribution of pharmaceutical products and therefore partners with third-party contract manufacturers or its licensors for the manufacture and supply of the pharmaceutical products in its portfolio. Any products that HLS acquires will need to be manufactured in facilities, and by processes, that comply with the requirements of Health Canada and the FDA, as applicable. HLS and its product suppliers are subject to extensive governmental regulation in connection with the manufacture of any pharmaceutical products. HLS and its product suppliers must ensure that all of the processes, methods and equipment are compliant with the requirements of Health Canada and the FDA. HLS relies on national third-party logistics providers in Canada and the United States to administer the distribution process – from warehousing to order processing, to shipping, invoicing and collection of sales proceeds.

POLICIES AND DUE DILIGENCE

HLS takes a company-wide approach to its modern slavery compliance. HLS has a zero-tolerance approach towards any form of modern slavery, human trafficking, forced or involuntary labour and child labour.

The policies and procedures discussed in this report, including the HLS Code of Conduct (the "**Code**"), apply to all entities in the HLS organization.

Policies

The Code of Conduct

HLS is committed to the maintenance of high ethical standards in all of its dealings. The Code was adopted by the Board of Directors and summarizes the standards that must guide the actions and activities of all HLS full-time, part-time, contract and temporary employees, directors and officers (collectively, "**Personnel**"). All Personnel must follow the Code, together with all applicable laws, regulations and Company policies. All third-party contractors, consultants, agents, and others acting on behalf of, or otherwise representing HLS are expected to follow the

principles outlined in the Code. The Code also applies to all office locations, affiliates and subsidiaries. In some countries, due to local laws or business requirements, the policies discussed in the Code may be supplemented by additional policies or standards to address local requirements. Compliance with laws, regulations, Company policy and other best practices applicable to organizations is critical to HLS' professionalism and corporate success.

The Code was designed to define and clarify legal and ethical expectations that are conditions of continued employment and provide information about potentially challenging situations that may arise during the normal course of business. HLS requires careful adherence to all applicable laws and regulations along with a commitment to high standards of corporate and personal integrity. As a result, HLS expects honest and ethical conduct from all of its Personnel while conducting business. HLS Personnel should ask for help and/or assistance when the ethical or legal thing to do is unclear. In some situations, it may be difficult to know the correct action to take. If Personnel are unsure about what to do, Personnel must seek guidance from those with appropriate expertise, such as a manager or other member of senior management.

HLS operates in a highly regulated industry and is therefore subject to laws and regulations of various countries, provinces, states, and organizations, some of which may also apply across borders. Wherever Personnel conduct HLS business, it is their responsibility to understand the requirements for that location. If local laws and policies are more restrictive than HLS policies and procedures, Personnel must conduct their activities in accordance with the more restrictive local requirements. If the company policy or standard is more restrictive than local law, HLS Personnel must meet company requirements unless there is a prior authorized exception for the Personnel's geographical or functional area. If HLS Personnel are conducting a business activity that includes participants from more than one country, those Personnel shall seek advice on all local laws and policies that may apply to the activity.

HLS respects diversity and the personal dignity of its Personnel. HLS Personnel are expected to treat all other Personnel with respect, integrity, and courtesy. As such, HLS is committed to ensuring that all employee relations are free of discrimination and harassment.

HLS provides an equal opportunity to all individuals without regard to race, color, religion, age, sex, creed, national origin, ancestry, marital status, familial status, sexual orientation, disability, military eligibility or veteran status. Mistreatment of or discrimination against a job applicant or fellow Personnel is unacceptable. As such, HLS prohibits discrimination or harassment of any individual. Discrimination and harassment against colleagues, customers, vendors, agents, consultants or any other third parties are forbidden and subject to discipline, up to and including termination of employment.

Personnel should not tolerate any type of discrimination or harassment and must report these actions immediately to appropriate HLS Personnel or in accordance with the Complaints Reporting and Whistleblowing Policy.

Complaints Reporting and Whistleblowing Policy

The Complaints Reporting and Whistleblowing Policy ("**Policy**") is designed to provide an anonymous, confidential means for reporting sensitive workplace information relating to many issues including: accounting, internal accounting controls or auditing matters, fraud/theft, workplace violence, substance abuse, discrimination, harassment, falsification of company records, conflict of interest, environmental/safety/security violations, malicious damage and violation of regulatory issues. The Audit Committee (the "Audit Committee") of the Board of Directors of the Company ("the **Board**"), which has been delegated the responsibility for

establishing a procedure for confidential and anonymous whistleblowing by employees of the company, including with respect to questionable accounting or auditing procedures, is responsible for the administration of the Policy.

An employee, director or officer of the company (referred to in this policy as “**Complainants**”) wishing to report a complaint using internal means may refer a complaint to the supervision or human resources level, to the appropriate individual in the context, having regard to the position of the individual making such complaint. Supervisors and human resources personnel will treat all disclosures in confidence and will only involve those individuals who need to be involved in order to investigate such complaint.

Alternatively, Complainants may refer a complaint to the WhistleBlower Line, reports of which will only be accessed by one or both of two independent directors, one being the Chair of the Audit Committee and the second being a member of the Audit Committee.

The Company has established its telephone and internet-based WhistleBlower hotline so that complaints of complainants can be reported in an anonymous (if so desired) and confidential manner. A telephone number and a secure website will be maintained for the purposes of receiving complaints on an anonymous basis. The WhistleBlower Line will be available as per the contact details set out in the Policy. All complaints received by the WhistleBlower Line will be forwarded directly to the independent directors, within five business days of receipt, unless it is determined that the complaint is of an urgent nature, in which case, such complaint will be forwarded immediately upon such determination being made. Should a complaint involve the independent directors, such persons will not be sent a copy of the complaint and instead, their copy of the report of the complaint shall be forwarded directly to the Chief Executive Officer.

No complainant who in good faith submits a report under the Policy shall suffer retaliation, harassment or an adverse employment consequence as result of such submission. Any act of retaliation should be reported immediately. A person who retaliates against a complainant who has reported a violation in good faith is subject to discipline up to and including dismissal.

Due Diligence

HLS relies on its policies and procedures to identify and mitigate potential Modern Slavery risks in its supply chain.

POTENTIAL RISKS OF FORCED LABOUR OR CHILD LABOUR IN OUR OPERATIONS AND SUPPLY CHAINS

Potential Risks in Our Operations

We consider the risk of Modern Slavery occurring within our operations to be low considering our mostly Canadian and U.S. workforce, our use of skilled and highly educated labour, the regulated nature of our business, and the policies and procedures that govern our day-to-day operations and employment relationships.

Potential Risks in Our Supply Chain

We recognize that the risks of Modern Slavery can occur in all supply chains. We consider the risk of Modern Slavery occurring within our operations to be low. The key suppliers of our products are located in Canada, the U.S., Western Europe, Korea, and New Zealand, which have a low prevalence of child and forced labour, low risk of vulnerability to child and forced labour, and fairly

robust governmental responses addressing child and forced labour.¹ Our suppliers also operate in a highly regulated environment, and primarily utilize skilled and highly educated labor.

We are not aware of any instances of Modern Slavery in HLS' operations or supply chains. Accordingly, no steps were required to remediate child or forced labour, or the loss of income associated with remediation efforts.

TRAINING, REPORTING CONCERNS AND ASSESSING EFFECTIVENESS

HLS requires that all Personnel, including HLS full-time, part-time, contract and temporary employees, directors and officers, participate annually in training on the Code. As part of this annual training, all Personnel must certify their understanding of and compliance with the principles of the Code and related HLS policies and procedures.

HLS is committed to compliance with all relevant laws and regulations that apply to the company business. If any Personnel know of or suspect a violation of such, in good faith, Personnel are expected to report it to the company immediately. HLS Personnel are also encouraged to report other ethical concerns or issues even if they do not relate directly to a law or company policy, standard or procedure. HLS encourages all Personnel to report any suspected violation to an individual's manager, another member of senior management, via the Compliance Email: compliance@hlstherapeutics.com, or otherwise in accordance with the anonymous reporting procedures in the Complaints Reporting and Whistleblowing Policy. HLS expects its Personnel to report concerns so that the company can evaluate the reports and identify and correct any issues as promptly as possible.

HLS will consider, as appropriate, whether to incorporate specific training about Modern Slavery into future annual training on the Code. We also intend to consider, where appropriate, implementing measures to assess the effectiveness of our processes.

BOARD OF DIRECTORS APPROVAL AND ATTESTATION

This Report was Approved by the Board of Directors of HLS Therapeutics Inc., pursuant to section 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

"Craig Millian"

I have the authority to bind HLS Therapeutics Inc.
Craig Millian
Director, HLS Therapeutics Inc.
June 7, 2024

¹ See Walk Free, Global Slavery Index 2023, available here: <https://www.walkfree.org/global-slavery-index/map>.