

REPORT - 2022

Cultivating Environmental, Social And Governance Leadership

Our Third Annual Environmental,
Social and Governance (ESG) Report

For the year ended December 31, 2022



October, 2023

Message from our Interim CEO & CFO

We are guided by our vision to make the Best Cannabis on Earth and for the Earth. This drive to constantly strive for the best is at the heart of everything we do.

I am pleased to present to you our Environmental, Social, and Governance (ESG) Report for 2022. This report reflects our commitment to transparency, sustainability, and responsible business practices. At Rubicon Organics, we believe that by integrating ESG considerations into our operations, we can drive long-term value for all stakeholders of our business from our customers to team members and shareholders.

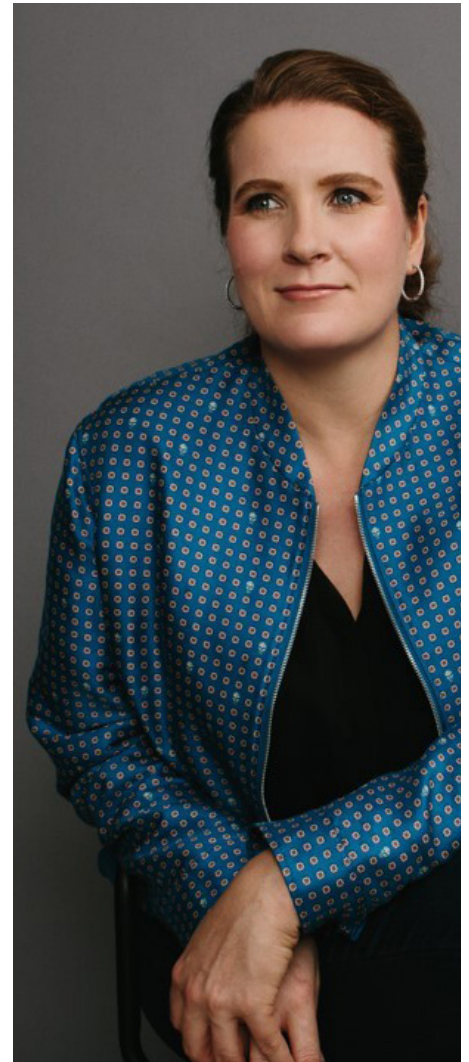
Rubicon Organics has taken an ESG leadership position in the cannabis sector, being the first cannabis company to issue a report and we are proud to now issue our third annual report. Whilst our targets are ambitious, we are holding ourselves accountable through measuring and reporting our ESG journey. We believe we are setting industry standards and building a strong and resilient cannabis industry in Canada.

Our ability to achieve our vision starts with our people. Governance by our Board of Directors sets the tone for the

standard to which we hold ourselves. Our engaged and diverse team drives our sustainability performance, supported by strong governance and culture, committed leadership and our vision, mission and values.

Built on a team with nearly two decades of experience in the cannabis industry, we are proud to be a different kind of cannabis company. We have been on a journey of becoming a sustainable business since our company's inception in 2015. As one of a small group of organic certified Licensed Producers in Canada, we measure our success not just in terms of our financial performance, but also based on our impact on the environment, how we operate our business, our contributions to local communities, commitment to the well-being and advancement of our employees, and the value we place on fostering diversity and inclusion.

2022 was another successful and eventful year, with many challenges and achievements:



¹Hifyre data for flower and pre-roll products covering the period of January 2022 through December 2022.

²Hifyre data for premium flower & pre-rolled products covering the period of January 2022 through December 2022.

October, 2023

- We delivered \$35.5 million in net revenues in 2022, which is an increase of 57% compared to the prior year. Revenue growth in 2022 versus the prior year was driven primarily by the expansion of 1964 Supply Co TM. We also acquired Wildflower Brands Inc. and grew distribution for Wildflower-branded CBD topical products. By the end of 2022, Rubicon had over 120 SKUs in markets across Canada.
- We achieved 2.4% ¹ in overall market share in 2022 of flower and pre-rolls, up from 1.8% in 2021. In the premium segment of the Canadian cannabis flower and pre-roll market, we achieved a 6.3% ² market share in 2022, down from 7.8% in 2021 as we diversified our portfolio, but also reflecting the growth in the overall market.
- We completed the BC Hydro power upgrade to the Delta facility in September 2022; connecting the facility to the power grid. Reducing the use of natural gas generators and decreasing our energy usage by 13.4% and our greenhouse gas emissions by 19%.
- We completed a greenhouse climate system upgrade with the commissioning of six new HVAC units, coupled with genetic innovations and improved cultivation conditions, that are expected to increase both quality and yield during 2022.
- We continued to build our workforce, hiring 92 people in 2022 while seeking continued diversity and representation. 86% of all new hires were from an underrepresented group, as well 81% of promotions were employees from an underrepresented group. Our pay equity continues to trend in the right direction and we're pleased where we landed 2022.

I am proud of our achievements in 2022 and know there is still much more for us to do in order to build a more inclusive and sustainable business. ESG is an ongoing journey and as we continued to accelerate our business operations in 2022, we have seen a decrease in our use of resources and our very proud of our progress. By tracking our results, we continue to hold ourselves accountable as we strive to become the global brand leader in premium organic cannabis products. I thank you for your trust and support and I am inspired and excited as we work toward realizing our mission of growing the Best Cannabis on Earth and for the Earth in 2023.

Sincerely,

Margaret Brodie

1) Hifyre data for flower and pre-roll products covering the period of January 2022 through December 2022.

2) Hifyre data for premium flower & pre-rolled products covering the period of January 2022 through December 2022.



OUR ASPIRATION:

Our mission is to grow the Best Cannabis on Earth, for the Earth. Our vision is to be a global brand leader in premium organic cannabis products.

These statements combined speak to our obsession with quality, our passion for sustainability, and our ambition to have a positive impact on our planet, our people, our consumers, and our partners in the value chain.

SUSTAINABILITY

GROWTH

FREEDOM

IMPACT

OUR VALUES

As an organic cannabis producer, environmental sustainability is naturally part of our DNA. The next stage of our journey is to fully integrate our sustainability strategy into every element of our business, from operations to marketing. We know that everything we do has an impact on our planet, and we strive to reduce our impact and challenge ourselves to create positive change.

From seed to store



CULTIVATION



HARVEST



DRYING



TRIMMING



CURING



TESTING



PACKAGING



TRANSPORT



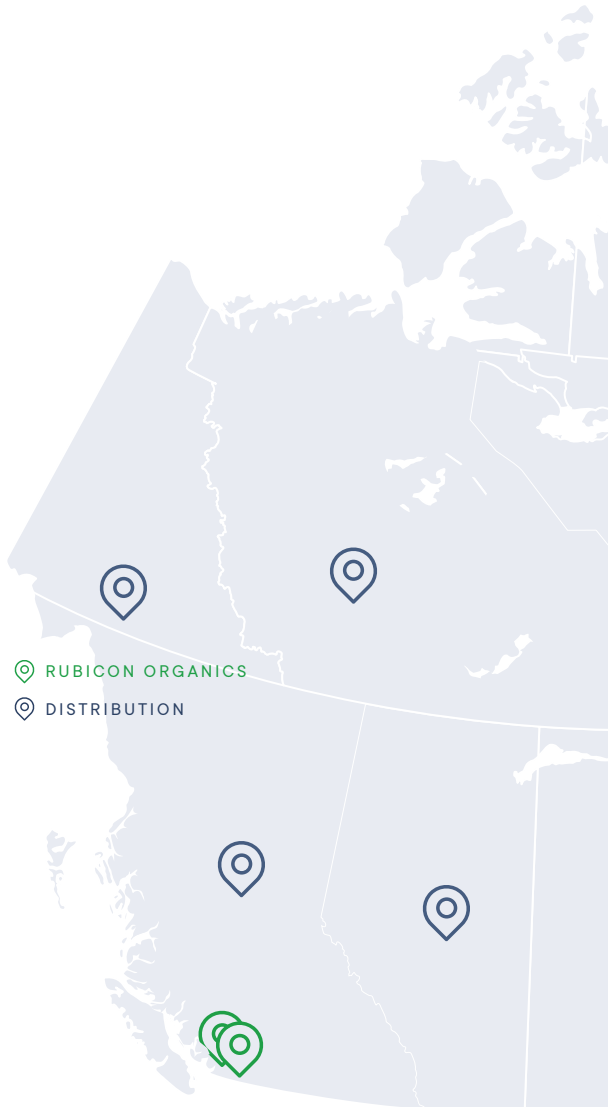
SALE

About Us

Built on a team with nearly two decades of success in the cannabis industry and led by a top team with rich global experience in consumer products, legacy cannabis cultivation and professional advisory services, we are a proud producer of “BC Bud”, a term known around the world that is synonymous with top-quality cannabis. Rubicon Organics Inc. (Rubicon Organics) is Canada’s leading premium organic cannabis products company. Through our wholly owned subsidiary Rubicon Holdings Corp, a Licensed Producer, we cultivate, process, and sell organic certified, sustainable produced, and super-premium cannabis products. Our cannabis is grown in a state-of-the-art 125,000 square foot hybrid greenhouse located on a 20-acre farm in Delta, BC, Canada, a heritage farming region with mild climate and abundant sunshine where fruit and vegetables have been grown commercially for over a century.

We are focused on achieving industry-leading profitability through innovation and the development of brands and cannabis 2.0 products, including our flagship super-premium brand Simply Bare™ Organic, our premium flower and hash brand 1964 Supply Co™, our concentrate brand LAB THEORY™, and our mainstream brand Homestead Supply Co™ as well as our recently acquired wellness brand in Canada, Wildflower™. We have national distribution in Canada covering 97% of the addressable population. In 2022, we expanded

to Newfoundland and Labrador and Northwest Territories. As we grow our business and continue to build our brand portfolio, we are focused on strong governance to manage the pace of rapid growth, leading and developing our people on their path to success and stepping up sustainability initiatives that touch all aspects of our business.



📍 RUBICON ORGANICS

📍 DISTRIBUTION

SIMPLY
bare
ORGANIC

19
64

HOMESTEAD
CANNABIS
SUPPLY

* wildflower



LAB THEORY™

About this Report

In 2020, we created our first holistic sustainability strategy (the “Strategy”) and took the next step in our journey to embed sustainability more formally into different areas of our business. This ESG report outlines our strategy and commitments again, tracks our progress in 2022 and speaks to our journey towards our long-term goals and ambitions. It follows our fiscal year of January 1 to December 31, 2022, with additional information on activities after the fiscal year where appropriate. The reporting scope, including all data and metrics, covers Rubicon Organics’ direct operations where we have operational control, unless otherwise stated. This includes our Delta,

BC greenhouse (where we grow, process, package and warehouse our cannabis) and the Delta and Surrey houses (housing farm workers). We also lease office space in downtown Vancouver which has been included.

While we do not follow a particular reporting framework at this time, we have borrowed from, and aligned certain aspects of the report with leading reporting frameworks such as the Global Reporting Initiative (GRI) Standards, the Ten Principles of the United Nations Global Compact (UNGC), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). This report follows the GRI’s Reporting Principles for defining report content and report quality.

The objective of this report is to continue to share our journey toward implementing ESG principles transparently and authentically with our stakeholders (the “Stakeholders”), including our successes, challenges, and our plans for overcoming those challenges. We aim for progress over perfection and view this journey as an on-going one.



Materiality and Focus Areas

Building out our ESG governance systems, we conducted a materiality assessment in 2020 to identify key sustainability topics important to both our Stakeholders and our business. In 2022, we reviewed our materiality assessment and continued with the same initial focus. Aligning to GRI guidance, our process followed a three-phased approach:

PHASE I:

Stakeholder identification and mapping.

Engaging with our senior leadership team, we created a list of Stakeholders and identified the Stakeholder groups most relevant and influential to Rubicon Organics: current and prospective employees, consumers, customers, industry groups, local community, regulators, and investors.

PHASE II:

Topic identification.

We conducted an in-depth environmental scan, reviewing Stakeholder feedback received, peer and industry group programs of sustainability leaders outside of our industry, cannabis sector- specific regulations and standards, organic certification standards, sector and sustainability reporting frameworks (SASB, GRI, TCFD, UNGC, United Nations Sustainable Development Goals, World Economic Forum Global Risks Report, Sustainability's Annual Trends Report), global trends and drivers, as well as our own internal programs to create a long list of potentially material ESG topics.

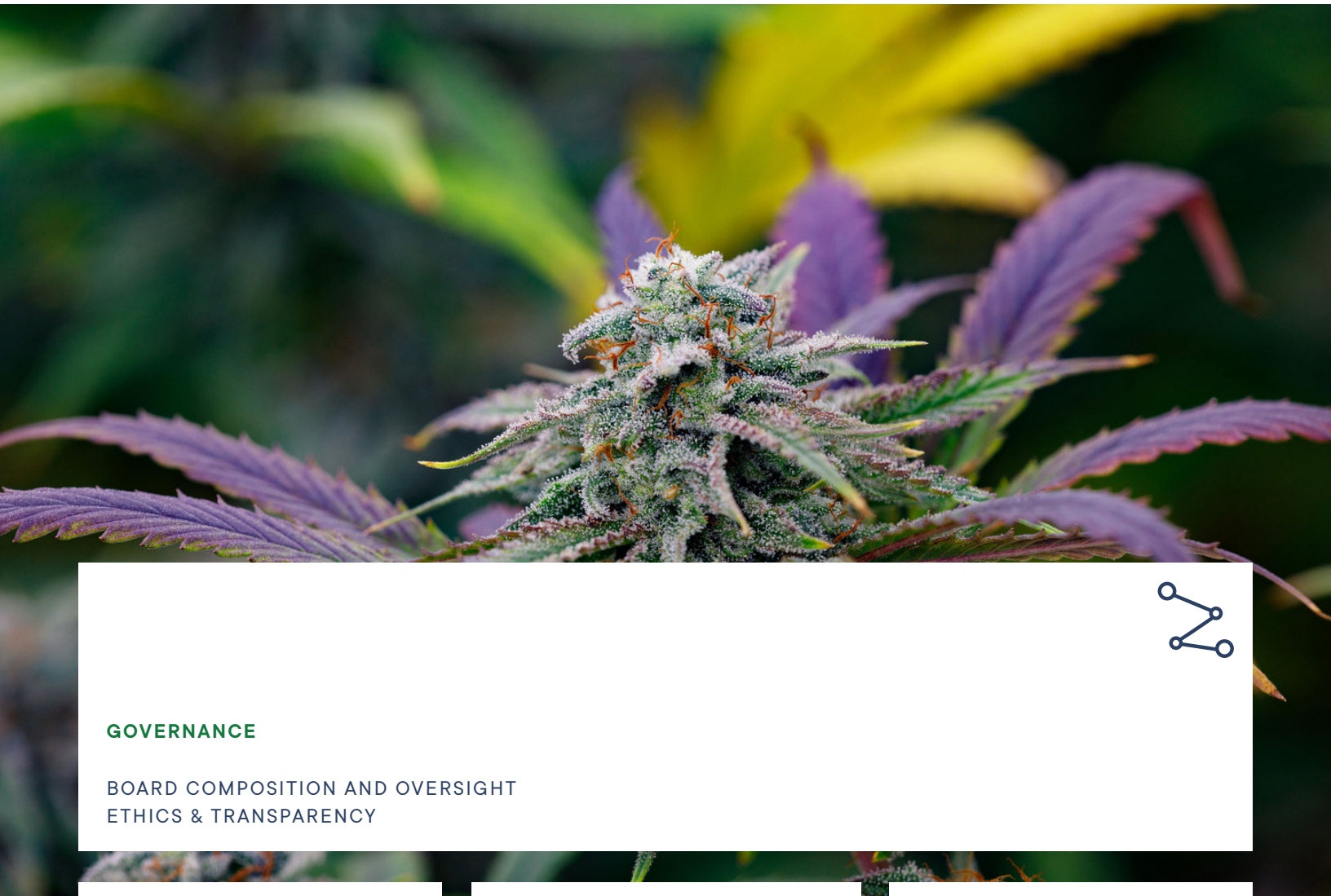
PHASE III:

Prioritization.

We grouped the topics identified and engaged with internal and external Stakeholders on their considerations and their expectations of us as a company. Based on the environmental scan and Stakeholder feedback, we selected the most material topics for Rubicon Organics according to the following five factors:

- Impact on our business
- Degree of Stakeholder concern
- Perceived performance
- Level of control or influence
- Societal/environmental impact

The resulting material topics form the scope of Rubicon Organics' Strategy and this ESG report. We review identified topics periodically with our Stakeholders to keep a pulse on the changing landscape.



GOVERNANCE

BOARD COMPOSITION AND OVERSIGHT
ETHICS & TRANSPARENCY



ENVIRONMENT

ENERGY AND CLIMATE
WATER STEWARDSHIP
WASTE REDUCTION
SUSTAINABLE PACKAGING
LOCAL ECOSYSTEM IMPACT



PEOPLE

HEALTH & SAFETY
TALENT ATTRACTION & RETENTION
DIVERSITY & INCLUSION
PAY EQUITY



COMMUNITY

RESPONSIBLE SOURCING
CANNABIS COLLABORATION
LOCAL COMMUNITY IMPACT

Strategy

Our Strategy is based on the materiality assessment described on page 7 and covers our operations and supply chain as a Licensed Producer and brand. The Strategy defines our focus areas and objectives for the next several years. It builds on our strengths and lays the foundation for addressing good governance and sustainability in a comprehensive fashion so we can enhance our position as a leading provider of premium cannabis and achieve meaningful progress in the areas we and our Stakeholders care most about.

Our Strategy has four interconnected pillars (Governance, Environment, People and Community) that ladder up to our mission to grow the Best Cannabis on Earth, for the Earth. Underpinning these is a constant drive towards best practices in governance and execution of ESG, as we believe that good governance is vital for achieving and actioning the ESG goals we are setting for ourselves, and ensuring we build a successful and well-run business that is sustainable in the long run.

Within each of the four pillars, there are high-level objectives that address the material topics most relevant to that pillar, alongside Key Performance Indicators (KPIs) and time-bound targets that enable us to measure progress and course-correct as needed.

The Strategy is designed to provide meaningful longer-term direction while still allowing us to be nimble and change course as needed; thus providing both a long term view and flexibility to evolve over time. For example, we will always care about climate change, but programming to address the issue and targets against it will change over time as our business evolves, and technology and external factors change. We will periodically review the KPIs and targets and adjust them to ensure that they remain current and meaningful.



THE FOUR PILLARS OF OUR STRATEGY

01

BEST GOVERNANCE

02

BEST FOR THE ENVIRONMENT

03

BEST FOR OUR PEOPLE

04

BEST FOR OUR COMMUNITY

ESG Oversight

We aim to hold ourselves to the highest standards of governance, sustainability and ethical business practices. The ESG topics covered in this report form a core component of our Board of Directors' and executive team's evaluation of risks and opportunities and longterm performance. Rubicon Organics' Board has overall responsibility for stewardship of the Company, which includes enterprise risk oversight.

We are committed to reporting transparently on our ESG topics through a combination of this annual ESG report together with our other publicly available continuous disclosures. This report is reviewed and approved by the Board.

We note that ESG is an evolving area and are committed to reviewing our practices on an ongoing basis and updating them as we continue to learn and progress.



OUR FOCUS AREAS

Governance

We understand that preserving the trust of our Stakeholders is paramount to our long-term success. We must operate all facets of our business with integrity, from our Board of Directors and our executive team to our workforce and our supply chain. We hold ourselves to the highest ethical standards and strive for full compliance with applicable laws and regulations.

Board Composition and Oversight



Our Board has adopted a formal mandate setting out its stewardship responsibilities, including for the management of our Board, the appointment of management, strategic and business planning, monitoring of financial performance, financial reporting, risk management, oversight of our policies and procedures, communications and reporting, and compliance.

The Board, and each of its sub-committees, periodically conduct a self-evaluation to assess their effectiveness. In addition, the Board periodically considers the mix of skills and experience that the directors bring and assesses whether the Board has the necessary composition to perform its oversight function effectively.

ABOUT OUR BOARD

Rubicon Organics is overseen by a majority independent Board of Directors who have:

- A reputation of integrity and ethical behaviour;
- Demonstrated ability to exercise judgment and communicate effectively;
- Financial knowledge;
- Prominence in their area of expertise;
- Experience relevant to our operations;
- Sufficient time to dedicate to the Board and sub-committee work.

The individuals together have the right mix of skills, diversity, background, and experiences to bring strong oversight and challenge Rubicon Organics. The directors bring valuable insight, perspectives, and expertise to the Board to steward Rubicon Organics and safeguard both the Company and shareholders' interests.

2022 BOARD FACTS

4 PERSON BOARD

50%

Board Gender
Diversity

50%

Independent
Board

THREE SUBCOMMITTEES

Audit Committee:

2 independent directors and
1 executive director

Compensation Committee:

2 independent directors and
1 executive director

Nomination and Governance Committee:

2 independent directors and
1 executive director

Our executive team provides regular in-depth business strategy and performance updates to the Board, including ESG issues.

"Board Facts" as at December 31, 2022

Ethics

As we continue to grow at a rapid pace, we work diligently to ensure our commitment to integrity and ethical behaviour remains at the core of how we conduct business. Our Code of Business Conduct & Ethics (the "Code") provides guidance to our directors, officers, and employees on ethical and responsible behaviour, alongside our Whistleblower, Insider Trading, and Disclosure policies (the "Policies"). We regularly refresh the Code and the Policies to reflect the evolution of our programs and expectations.

The objective of the Code is to provide guidelines for enhancing our reputation for honesty, integrity and the faithful performance of undertakings and obligations. The Code addresses conflicts of interest, use of company assets, inventions, use of Company email and internet services, disclosure, corporate opportunities, confidentiality, fair dealing and compliance with laws. As part of our Code, any person subject to the Code is required to avoid any activity, interest (financial or otherwise), or relationship that would create or appear to create a conflict of interest.

Our Code and Policies reinforce that everyone is empowered to speak up or seek advice without fear of retaliation. Employees can share their concerns or questions with their supervisor or another member of the management team directly or contact the Chair of our Audit Committee either openly, confidentially, or anonymously.

Upon joining Rubicon Organics and annually thereafter, every employee must certify that they understand and will comply with the Code and the Policies.

Our directors are responsible for monitoring compliance with the Code, regularly assessing its adequacy, interpreting the Code in any particular situation, and for approving changes to the Code from time to time.

Transparency

Our commitment to strong corporate governance and transparency is exhibited by our [disclosures](#) in Rubicon Organics' Annual Information Form and Management Information Circular for the Annual General Meeting of Shareholders, which can be accessed at www.rubiconorganics.com or through the SEDAR website at www.sedar.com. These provide detailed information on Board structure and composition, executive compensation, and other key governance topics.

Environment

Our commitment to environmental stewardship focuses on minimizing any negative environmental impact by reducing our use of resources, including energy consumption, water use, waste management, packaging, and more.

Energy and Climate

APPROACH & COMMITMENTS

As a greenhouse grower, our energy use and resulting carbon emissions are the greatest contributors to our environmental footprint. Recognizing the urgency of the climate crisis, we are working on aligning our business with the aim of the Paris Agreement, an international treaty on climate change, to limit global temperature rise to well-below 2°C above pre-industrial levels. The recent power upgrade allowed the greenhouse to draw its electricity from the grid and eliminated the use of natural gas generators, which significantly reduced our carbon footprint going forward. In 2023, we plan to continue to be run solely through BC Hydro and will not plan to supplement with generators, unless needed due to local power outage.

PERFORMANCE

Energy Use

Our greenhouse has been outfitted with full-spectrum LED lights in all of our growing areas. These lights mimic natural sunlight, growing healthier plants with higher yields, and use up to 60% less energy than conventional grow lights. We installed thermal curtains in all our greenhouse growing compartments. These curtains provide shade to the plants when required and help us retain heat inside the greenhouse during the colder months, reducing the need for cooling in summer and heating in winter. In 2022, our energy consumption decreased by 13.4% to 98,053 GJ (2021 – 113,243 GJ) due to the BC Hydro project transition in September 2022 reducing our natural gas consumption. When viewed in relation to revenues, our energy consumption per dollar of revenue decreased by 29.8% to 2.76 MJ/\$ revenue (2021– 3.93 MJ/\$ revenue).



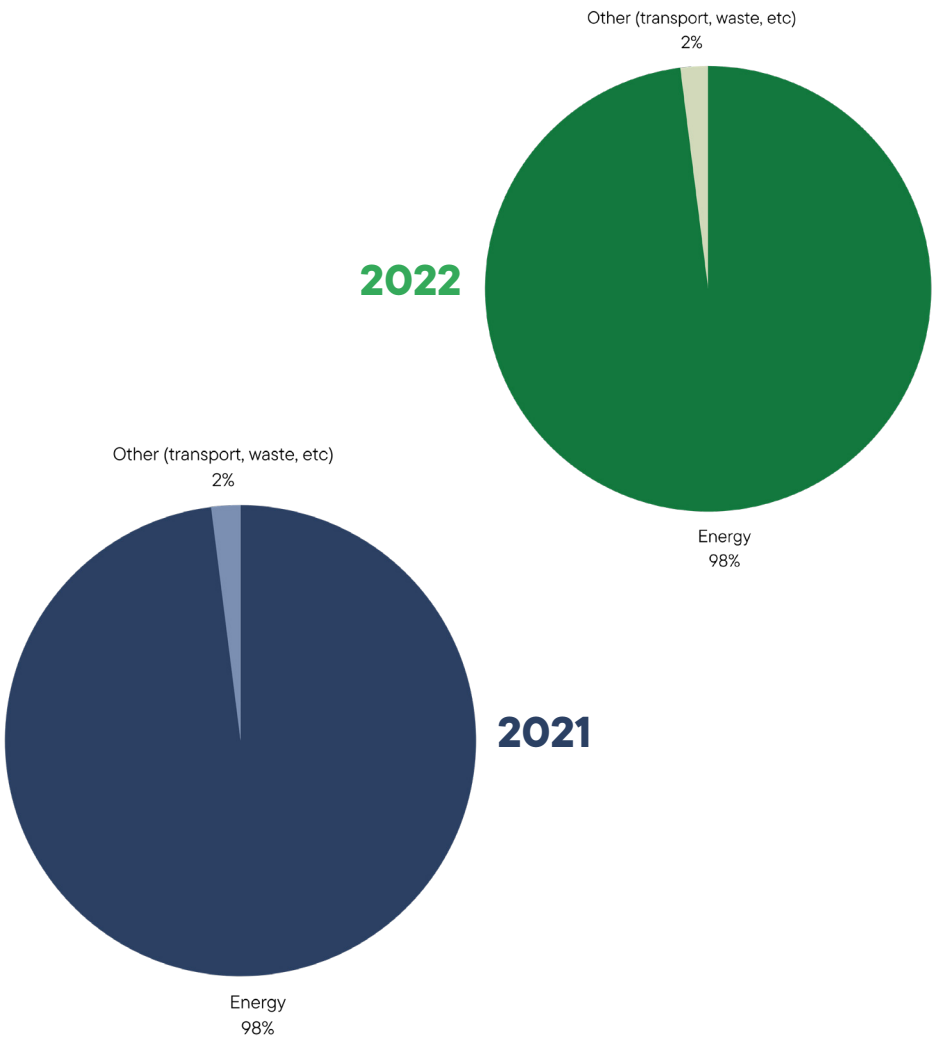
Carbon Footprint

To better understand our carbon footprint, we mapped out our greenhouse gas inventory and established systems to track and analyze our energy consumption and resulting carbon emissions following the Greenhouse Gas Protocol. We created an inventory of our Scope 1 and 2 emissions from natural gas, fuel, and electricity use, as well as our Scope 3 emissions from outbound transport and waste sent to landfill¹. In 2022, we continued to work with [Radicle Climate Smart](#), a program focused on helping small and medium sized enterprises measure and reduce their carbon emissions.

In 2022, our total carbon footprint decreased by 19.1% to 3,983 tonnes of CO₂e (2021 – 5,923.4 tonnes of CO₂e). Consistent with last year, energy consumption accounted for 98% of the Company’s carbon footprint (2021 – 98%).

2022 and 2021 Carbon Footprint Details (tCO₂e)

	2022	2021
Delta Greenhouse / Farmhouse	3,814.9	4,781.1
Surrey House ²	15.4	22.6
Vancouver Office ²	152.7	119.7
Total Carbon Footprint (tCO ₂ e)	3,982.96	4,923.4



¹Scope 1 emissions include all direct emissions such as fuel combustion from vehicles or gas boilers. Scope 2 emissions are indirect emissions from electricity purchased and used, and Scope 3 emissions are all other indirect emissions, such as travel, procurement, transport, and waste.

²No consumption data available. Estimate based on square footage.

NEXT STEPS

As natural gas is the primary contributor to our carbon footprint, the Company focused on reducing its reliance on natural gas generators. With our BC Hydro grid connection in September 2022 we were able to begin drawing electricity from the grid reducing natural gas by 24% in 2022 as electricity is much more efficient than natural gas generators. It will also significantly cut down our carbon footprint as close to 95%³ of British Columbia’s electricity is generated from renewable sources such as hydro, wind, and biomass, which have a very low carbon footprint.

In the future, we plan to start tracking more emissions sources such as air travel and employee commuting as part of our inventory to provide a more comprehensive account of our overall carbon footprint, but we view this as a mid-term goal. 2023 will allow us to set a new baseline as we will have a full year with BC Hydro and we can set more ambitious targets for 2024.

³ www.cer-rec.gc.ca/en/data-analysis/energy-commodities/electricity/report/2016canadian-renewablepower/provincecanadasrenewable-power-landscape-2016-energy-marketanalysis-british-co-lumbia.html

2022 Total Energy Consumption (GJ)					
	Delta Greenhouse	Delta farmhouse	Surrey house	Vancouver Office	Subtotal
Natural Gas	66,926	219	168	168	67,516
Gasoline	428				428
Diesel	756				756
Propane	89				89
Electricity	28,764	106	178	215	29,264
2022 Total Energy Consumption (GJ)					98,053

2021 Total Energy Consumption (GJ)					
	Delta Greenhouse	Delta farmhouse	Surrey house	Vancouver Office	Subtotal
Natural Gas	88,608	223	168	203	89,202
Gasoline	256				256
Diesel	590				590
Propane	59				59
Electricity	22,641	101	178	215	23,136
2021 Total Energy Consumption (GJ)					113,243



Water Stewardship



APPROACH & COMMITMENTS

We are committed to protecting our water systems. With water making up more than 90% of fresh cannabis weight, it is clear that we have an imperative to use it as effectively as possible. With only one main water meter installed at our Delta greenhouse, we currently do not have enough data granularity to set an informed water use reduction target.

PERFORMANCE

In our greenhouse, we use drip irrigation, which is widely considered the most water-efficient way of irrigating a crop. Drip irrigation means that water is pumped through irrigation tubes and drip emitters to each plant directly multiple times a day. We have scales in each growing compartment to measure pot weight. This allows progressive weight ranges to be set through the growing cycle so sufficient water is provided without overwatering.

In 2022, water usage at the Delta greenhouse increased by 16.1% to 31,716 m³ (2021- 27,399 m³), primarily due to the significant growth of our production volumes during the year. When viewed in relation to revenues, our water usage intensity decreased by 6% to 0.89 L of water per dollar of revenue (2021 – 0.95 L / \$ revenue).

NEXT STEPS

In 2023, we plan to install submeters in our greenhouse to better understand and manage our water consumption. The

submeters will show us how much water we draw for different applications such as irrigation, pot washing, and our boilers so we can take more targeted actions toward reducing our water use and set a more informed target.

In addition, we are evaluating the feasibility of collecting and recycling the abundant rainwater for further use on our site. Greater Vancouver occasionally experiences drought conditions where businesses are asked to ration their water usage. Not only would the use of rainwater reduce our environmental impact, but it would also provide our business with secure access to a water supply. This is an area of on-going planning and review.

Waste Reduction

APPROACH & COMMITMENTS

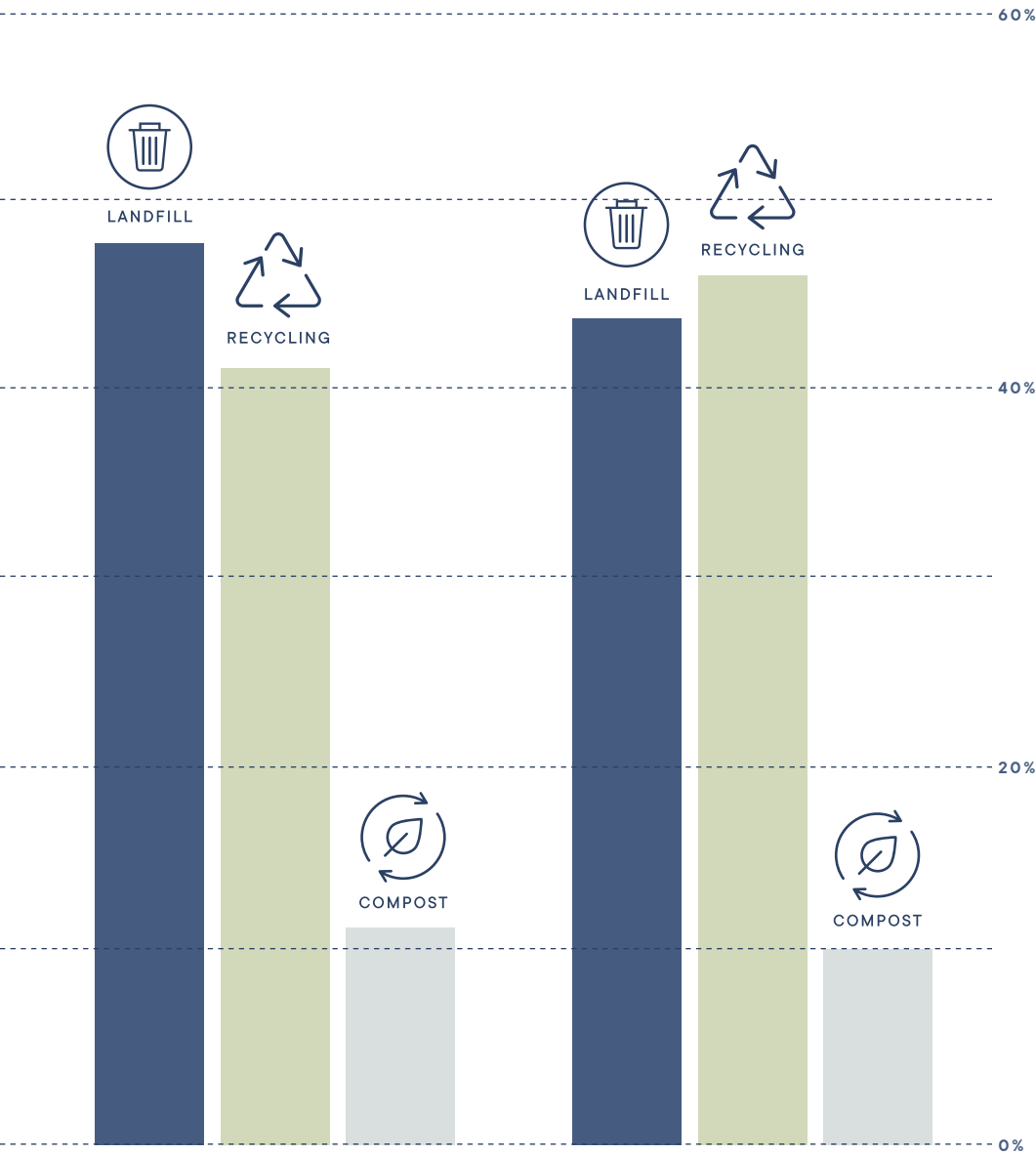
There are three types of waste streams we generate in our Delta greenhouse: organics, recyclables, and landfill waste. Our goal is to divert 50% of waste from our greenhouse from landfill in 2022 by recycling and composting, increasing to 80% waste diversion by 2025. We currently do not have access to waste data from any of our other facilities.

PERFORMANCE

In 2022, we generated a total of 239 tonnes of waste, a reduction of 12% (2021 – 273 tonnes). We have a recycling program for cardboard, mixed containers and some plastics, and compost all our crop waste. In 2022, our waste diversion rate was 56% (2021 – 53%), which was well above the Canadian average of 28% diversion ¹.

NEXT STEPS

We are continuing to grow towards our longer-term goal of 80% by 2025. We are working closely with our warehousing team to better understand their specific waste streams. Using this data, we plan to create an action plan for diverting high-volume or easy-to-divert materials and improving our diversion rate.

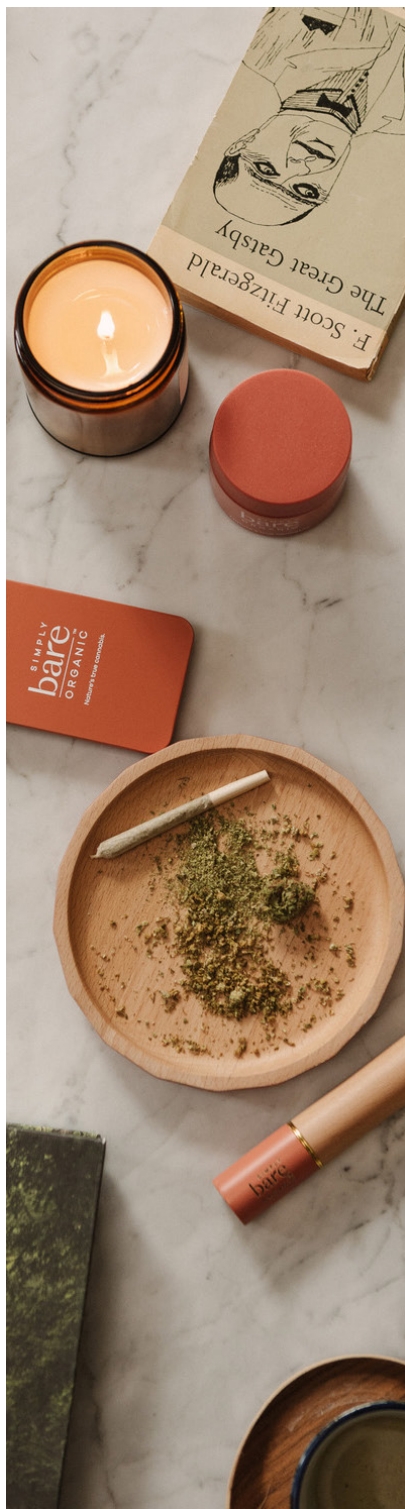


2021 WASTE STREAMS BY DESTINATION

2022 WASTE STREAMS BY DESTINATION

¹www.canada.ca/en/environment-climate-change/services/environmental-indicators/solid-waste-diversion-disposal.html

Sustainable Packaging



APPROACH & COMMITMENTS

Cannabis packaging needs to balance different requirements: labelling, safety, product quality, branding, and sustainability all factor in when we choose packaging for a product, alongside availability, cost, and operational considerations. From our brands' inception, we have included sustainability as a core consideration when assessing and selecting the right packaging for our products. We are now taking this a step further. In 2020, we set a bold goal of having 100% of our packaging be circular by 2025, either via reusable or recyclable packaging, but that has now been reassessed (refer below in 'Next Steps').

PERFORMANCE

While we had previously included sustainability as a criterion for our packaging, we took steps in 2020 to embed sustainability more formally into our innovation and packaging innovation processes. We piloted the use of a packaging Life Cycle Assessment (LCA) tool to understand the environmental impacts of different types of packaging more holistically – from input materials used to manufacturing, transport, and disposal of the packaging. This enables us to make more informed decisions on packaging sustainability. The results surprised us – we compared a non-recyclable mylar bag (a foil lined zip-lock pouch) alongside our durable and recyclable glass containers, and the mylar bag had significantly lower impact in fourteen out of the fifteen impact categories evaluated. The reason? It takes a lot of heat to melt and blow glass, and its heavier weight means higher transport emissions compared to lightweight plastic bags. In the LCA, these impacts outweighed the end-of-life impacts

of recycling the glass versus putting the mylar bag in the garbage. This led us to choose mylar bags exclusively for the new brands we launched in 2021 – 1964 Supply Co™ and Homestead Supply Co™. In 2022, 55% of Rubicon's products were packaged in lower-carbon-footprint mylar bags (2021 – 32%), and we will continue to make these improvements across all brands and SKUs.

NEXT STEPS

In 2023, we plan to analyze all our existing packaging using a packaging LCA tool. This will help us set a baseline and understand where we can improve our footprint. Finally, we will be reaching out to new packaging providers to understand their offerings and see where we can partner to deliver our products in the most environmentally friendly packaging available. Furthermore, we are assessing if our ambitious goal of 100% circular packaging is possible given the current supply chains and products available, but we believe in the on-going pursuit of reducing our packaging waste.

Local Ecosystem Impact

As one of a small group of certified organic LPs in Canada in 2022, we are committed to protecting the local ecosystem by continually enhancing our organic farming practices.

Living soil

We use living soil as our growing medium, which is made up of a community of micro-organisms that work together to break down organic matter to provide readily available nutrition to plants while suppressing disease. We use a proprietary soil recipe that is made from rich ingredients harvested locally from BC's mountains, forests, and the ocean: glacial rock dust, Douglas fir bark, kelp, and fish compost. These ingredients help foster the growth of healthy soil microbiota, which in turn keep the plants healthy and support the development of a rich terpene and cannabinoid profile.

Integrated Pest Management

We work hard to make sure we do not introduce pests into our greenhouse, but growing in a natural environment in living soil means that pests are something we need to actively manage. In addition to relying solely on organic certified pesticides, we use Integrated Pest Management (IPM), an ecosystem-based strategy that combines several techniques for long-term prevention of pests, such as introducing beneficial insects to manage plant pests and diseases, and generally creating unfavourable conditions for the pests so they do not thrive.

Organic certified pest control

Health Canada, the body that regulates cannabis production and distribution in Canada, has set stringent standards for what pest control measures can be used in cannabis cultivation. As an organic producer, we take these standards a step further. Every pest control we use is vetted twice – first by Health Canada and then by the Fraser Valley Organic Producers' Association (FVOPA, our organic certifier) – to ensure that everything that comes in contact with our crops is safe for use in organic production environments.



Organic versus synthetic pest management

Just like in conventional farming, organic growers also need to control pests to keep their crops healthy. Organic farmers have a wide array of options available to support plant health. These include physical controls such as “sticky traps” (paper sheets covered in adhesive that attract flying pests), biological controls using beneficial insects that eat common pests, banker plants which promote the existence of beneficial insects or attract pests away from the crop, and organic certified pest control. To be certified for use in organic farming, fertilizers or pest controls must be derived from natural sources, not synthetically manufactured, and organic certifiers have strict controls in place to ensure that any inputs used by farmers comply with stringent organic certification standards.

Safe cleaning products

Like the pest control measures we use, our cleaning products meet stringent criteria, and every cleaning product we introduce needs to be vetted against Health Canada and FVOPA standards. In 2020, we reviewed all our cleaning products and swapped them out for more environmentally friendly options where available, avoiding aromatic hydrocarbon and halogenated organic solvents linked to neurological problems and increased cancer risk, and antimicrobials such as triclosan associated with developmental, hormonal, and reproductive problems¹. When sourcing a new cleaning product, we always start out with the most benign option, and only move on to harsher cleaners if the first choice is not fit for purpose. Most of the products we use are biodegradable.

¹www.sixclasses.org

People

Our People are essential to our success. We aspire to grow the best team and become a sought-after employer in BC. We are building a culture of safety, high employee engagement, support for diversity, and career growth among our employees. Most importantly, we want our employees to feel safe at work.

Health & Safety

APPROACH & COMMITMENTS

Growing, processing, and packaging cannabis is a labour-intensive process, some of which relies on machinery and equipment that can pose safety hazards if not operated properly. Health & Safety is critical for Rubicon Organics, and we take our responsibility to identify and mitigate health and safety risks seriously.

Our Joint Health & Safety Committee, co-chaired by the Environmental, Health & Safety (EHS) supervisor, brings together representatives from each department to identify and help resolve health and safety issues in a proactive way.

Our goal is to have zero lost time and zero medical aid by 2025. Using WorkSafeBC 2019 injury rate data¹ as a benchmark, our interim goal is to have a Lost Time Incident Rate (LTIR)² of less than three.

PERFORMANCE

Health & Safety

Our policies include Anti-Bullying & Harassment which all staff are trained on as well as Safety onboarding which is additional safety at work training. In 2022, we had all employees conduct a mandatory respectful workplace training module.

In 2022, our LTIR was 0.67, with two Lost Time Injuries the year (2020 – 0.76LTIR). This was a slight decrease from the prior year, we are proud to have met our target of less than three LTIR and will continue to ensure that safety remains our top priority.

In 2022, we were still feeling the impacts of the COVID-19 Pandemic, however without the stress of previous years given that all employees were vaccinated and we were seeing a decrease in absences due to COVID. We continued to follow Provincial Health Guidelines and ensured we were working in a safe manner. COVID-19 wasn't a topic at the Joint Health Safety Committee meetings on a regular basis, but the team ensured they were proactive with any necessary updates. We continue to monitor and update our safety plan and protocols.

The Company continued to give an extra 5 sick days if it was COVID related to encourage employees to stay home with COVID-19 related illness. Masks and RAPID tests were made available to staff to mitigate against the spread of the virus. Teams that worked from home during the pandemic started to come back into the office on a more regular basis. This was mandated by each individual manager, based on team and business needs, rather than a company mandate.



¹ www.worksafebc.com/en/resources/about-us/annual-report-statistics/2019-stats

² $\frac{[(\text{Number of lost time injuries in the reporting period}) \times 200,000]}{(\text{Total hours worked in the reporting period})}$

Talent Attraction and Retention

APPROACH & COMMITMENTS

Our success depends on having the best people on our team. We strive to be one of BC's top employers, and we offer an environment where people feel valued and challenged to bring their best to work every day. We pride ourselves on seeing people differently. We focus on our people's talents, building roles and objectives around our individuals' strengths. We emphasize growing, developing and stretching our people with expanding responsibilities to enable our rapid business growth. We promote our high performers and in 2022, saw 19 internal promotions within the Company, across all levels from hourly to VP.

We aim to provide the right compensation, benefits, and recognition to attract and retain employees, and allow them to focus on their strengths and grow their careers in parallel to our business so we can achieve our strategic objectives and vision. We offered unlimited vacation to managers and above for the first time in 2022.

PERFORMANCE

We had a total of 168 employees at December 31, 2022. Previously, we had ended 2021 with 143 employees, which was a 17.5% increase from the previous year. In 2022, we hired 92 people (2021 – 68 people hired), which included 10 Temporary Foreign Workers ("TFWs") from Guatemala (2021 – 4 TFWs hired).

Our employee turnover improved over 2021, ending at 43% (2021 – 58.4%). We saw a drastic decrease in our involuntary turnover rate which was 9.7% (2021 – 25.7%) and our voluntary turnover rate stayed about the same at 32.9% (2021 – 32.7%).

We continue to work on talent retention and attraction. We share our salary data with other industry professionals to benchmark our pay and assure that we offer our talent the appropriate compensation for their work. Goal setting and development were formally rolled out in 2022 with a revised goals and objectives process that was mandated for all employees, as well as a succession planning process that the executive team drove forward. Rubicon wants to ensure that employees are being rewarded for their hard work, either through bonus payouts upon achieving our objectives or through promotions. We were able to see both in 2022.

NEXT STEPS

We continue to conduct exit interviews and informal stay interviews. In 2022, we completed our first company-wide engagement survey. This survey allowed our employees to anonymously share their feelings on their work environment, culture, and a number of other key areas – so that we can continue to shape Rubicon Organics into an organization that meets all our employees' needs. The results from our survey were very positive and we had 72% participation from our employee base and 52% participation from our TFW employees. The TFWs received a translated version of the engagement survey. We have started to implement a number of initiatives within the Company coming out of the employee survey. One of those was the formal roll out of a succession planning process so we can identify development paths for people, as a number of comments coming from the Engagement Survey were around not having a formal development path in certain roles. There were also comments around lack of formal processes and systems. In 2022, we formalized a number of processes, including performance reviews, quarterly check-ins, and meeting structure and timing within the organization. Given the lack of systems internally, we rely heavily on manual processes so we have begun the implementation of an ERP system in 2023.

Diversity and Inclusion

APPROACH & COMMITMENTS

We are committed to fostering an inclusive and diverse culture. We believe that having a diverse workforce helps us attract a broader pool of candidates, improves employee retention, better reflects the diversity of the communities in which we operate, and brings in different perspectives and ideas that contribute to innovation and ultimately our business success.

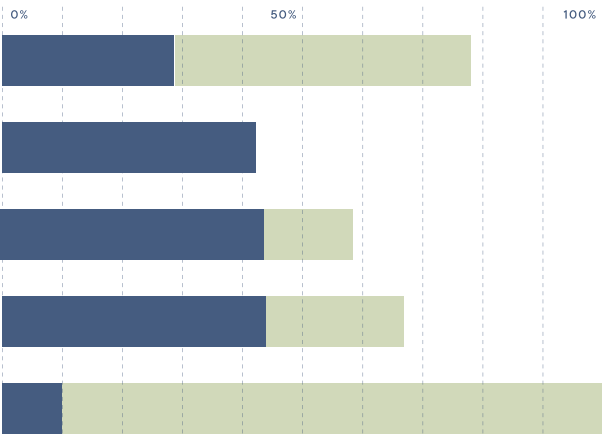
PERFORMANCE

In 2022, 35% (2021 – 29%) of our workforce was female and 80% (2021 – 77%) were members of an underrepresented group. We defined “underrepresented” as women, indigenous people, visible minorities, members of the LGBTQIA2S+ community, and persons with disabilities.

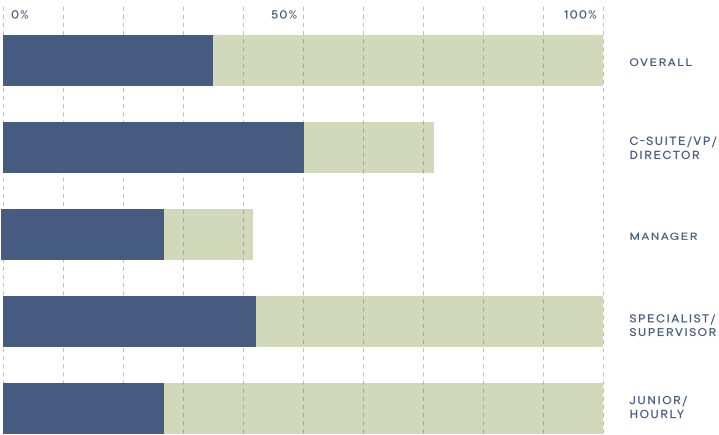
We are very pleased with our diversity results in the overall organization. We were pleased to see the number of females in the organization increase in 2022, as well as the percentage of our employee base that is from an underrepresented group. We continue to monitor the Manager and more junior team members. At the hourly level, the percentage of females continues to be lower than at the more junior levels, due to the fact that this group includes a large number of TFW’s, who are all male and our TFW team members continues to increase. We continue to focus efforts on recruiting from underrepresented groups.

NEXT STEPS

We understand that diversity is much broader than gender, and that gender is not a binary construct. We focus on ensuring that there is representation of women and other underrepresented groups at all levels of the organization. We will have yet to conduct an employee survey to understand how our employees feel about diversity at Rubicon Organics and identify areas we can improve in, so all our employees feel represented, heard, valued, and supported. We also still need to review our definition of diversity to ensure it reflects the diversity of the organization and how people identify. If our definition changes, we will then report diversity statistics based on that definition. We will continue to post on different diversity platforms to help us actively seek out and attract diverse talent.



■ % FEMALE ■ % OTHER UNDERREPRESENTED GROUPS
2021 DIVERSITY STATISTICS



■ % FEMALE ■ % OTHER UNDERREPRESENTED GROUPS
2022 DIVERSITY STATISTICS

Pay Equity

APPROACH & COMMITMENTS

Pay equity is an important measure of equality. Gender pay equity measures the difference between the average earnings of men and women across a workforce. A report by OECD in 2022 showed that Canada has the eighth worst pay gap of a list of 46 countries¹. The report shows Canada’s gender gap at 17.1%.

The CEO pay ratio compares the annual total compensation of a company’s highest paid individual to the median annual total compensation for all employees (excluding the highest-paid individual). We strive to have fair compensation practices in place that are free from gender-based or other discrimination.

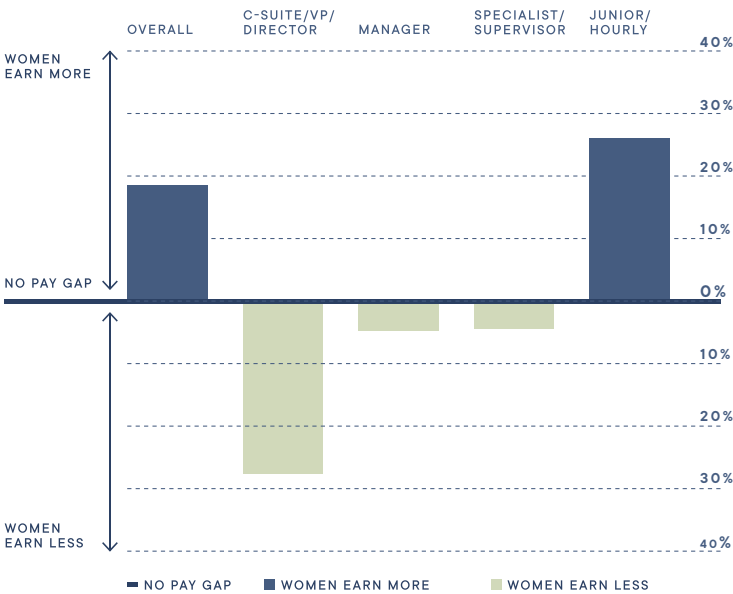
PERFORMANCE

In 2022, we continued to monitor the difference between the average salary of female and male staff at different levels of the organization. Across the organization, the gender wage gap was –16.6% (2021 - 18.9%), meaning that on average, female employees at Rubicon Organics were being paid 16.6% more than men in 2022. In BC, women earned 17% less than men in 2022 (according to 2022 Statistics Canada data²).

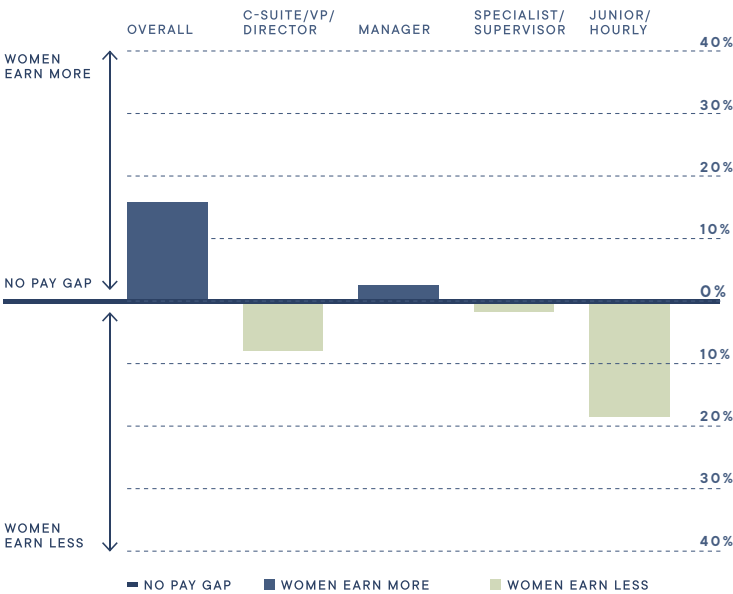
According to the Canadian Centre for Policy Alternatives³, the 2021 CEO pay ratio hit an all time high. The Canadian CEO pay ratio was an average of 243:1. In 2022, our CEO Pay Ratio was 28.5:1 (2021 – 20.0:1) an increase from 2021.

NEXT STEPS

We are pleased with our 2022 results even with an ever so slight decline for our overall employee base. The data of our hourly team members shows that males earn more than their female counterparts. This is due to the fact that our hourly workforce is primarily male and we continue to hire only male temporary foreign workers. We are pleased with the positive change from 2021 to our C- Suite/VP/Director level as well as our Manager and Specialist/Supervisor levels. There continues to be scrutiny in our salary review and promotion process. In 2023, we will continue to monitor our pay gap to ensure we continue the positive changes in 2023.



2021 GENDER PAY GAP - FEMALE VS. MALE SALARIES



2022 GENDER PAY GAP - FEMALE VS. MALE SALARIES

¹ <https://data.oecd.org/earnwage/gender-wage-gap.htm>
² www150.statcan.gc.ca/n1/pub/75-004-m/75-004-m2019004-eng.htm
³ <https://policyalternatives.ca/publications/reports/another-year-paradise>

Community

We believe in the power of community. We want to be a positive force in the communities we live, work, and do business in.

Responsible Sourcing

APPROACH & COMMITMENTS

Producing premium products requires high-quality inputs. We have relationships with suppliers locally and around the globe, spanning inputs such as equipment, soil, packaging, and services. Just like we hold ourselves to high standards when it comes to human rights, labour, health and safety, environmental, and business ethics practices, we expect our suppliers to do the same.

PERFORMANCE

As an organic cannabis producer, all crop inputs used for any organic certified products must meet the criteria as set out in the organic certification standard. We are focused on building a robust supply chain, forging relationships with suppliers that can meet our stringent quality criteria and are aligned with our values, especially around sustainability.

NEXT STEPS

We will continue to work with suppliers whose values are compatible with our own. We are committed to help create a culture of safe and healthy workplaces for the people who make products for or provide services to Rubicon Organics



Local Community Impact

APPROACH & COMMITMENTS

We want to invest in the growth of the communities we operate in and contribute to the health of the local economy by sourcing and hiring from within our communities.

PERFORMANCE

Our greenhouse is located in Delta, with surrounding districts of Surrey and Langley which we consider to be our local community. We have made efforts to hire locally and are proud to have 64% of our workforce living within the local community where we operate (2021 – 43%). Beyond economically supporting our local community, this also helps to continue to reduce the environmental impact of Rubicon Organics as an organization. We continue to do regular daily pickups from a local Surrey transit location with our Company van.

NEXT STEPS

We are pleased to see the percentage of locals has increased in 2022 from 2021. In 2023, we will continue to focus on hiring from the local community when possible. Living, work and being a part of our local community is important to us.



Cannabis Collaboration

We strongly believe in the power of pre-competitive collaboration. Working smartly with peers in our industry and beyond helps us meaningfully address systemic challenges that are too big for any one organization to solve on their own. For example, by coordinating sustainability efforts, we can bring a wider range of perspectives, expertise and resources to the table, and scale more impactful solutions.

More locally in 2021, together with Pure Sunfarms Corporation and Tantalus Labs Ltd. We were a founding member of the Cannabis Cultivators of BC, a non-profit association to work together on cannabis industry issues, including sustainability.

Performance Metrics and Targets

Table: 2022, 2021 & 2020 Governance Performance Metrics	2022	2021	2020
Board gender diversity (% women)	50%	20% ¹	20%
Board independence (# of independent directors)	2 out of 4	3 out of 5	3 out of 5

Table: 2022, 2021 & 2020 Environment Performance Metrics	PERFORMANCE	PERFORMANCE	PERFORMANCE	TARGET
Energy consumption (GJ)	98,053	113,243 GJ	163,023 GJ	
Energy consumption intensity (MJ / \$ revenue)	2.76 MJ/\$	3.93 MJ/\$	5.63 MJ/\$	
Carbon footprint (tCO2e)	3,982.96 tCO2e	4,923.4 tCO2e	2,547.3 tCO2e	Set baseline in 2023
Carbon footprint intensity (kg of CO2e / \$ revenue)	0.224 kg CO2e/\$	0.171 kg CO2e/\$	0.227ee kg CO2e/\$	
Greenhouse water use (m³)	31, 716 m³	27,399 m³	15,269	n/a
Greenhouse water usage intensity (litres / \$ revenue)	0.89 L/\$	0.95 L/\$	1.36 L/\$	Set baseline in 2023
Operational waste generated (tonnes)	239 t	273 t	326 t	
Operational waste diversion rate (% diverted from landfill)	56%	53%	39%	55% in 2022, increasing to 80% in 2025*
Sustainable packaging (% packaging considered sustainable)	55%	32%	N/A	100% by 2025*

*Target under review

Table: 2022, 2021 & 2020 Social Performance Metrics	PERFORMANCE	PERFORMANCE	PERFORMANCE	TARGET
Lost Time Incident Rate (# lost time incidents per 200,000 hours)	0.67	0.76	0	<3 in 2022, zero in 2025
Overall turnover rate (%)	43%	58.4%	27.7%	
Involuntary turnover rate (%)	9.7%	25.7%	8.8%	
Voluntary turnover rate (%)	32.9%	32.7%	18.9%	
Employee gender diversity (% women)	35%	29%	32%	Increase
Employee overall diversity (% underrepresented – women, indigenous people, visible minorities, members of the LGBTQIA2S+ community, persons with disabilities)	80%	77%	78%	Maintain or increase
Gender pay equity (% difference in average salary of male and female staff)	-16.6%	-18.9%	-5.9%	
CEO pay ratio (ratio of annual total compensation of highest paid executive to the median annual compensation for all employees)	28.5 to 1	20.0 to 1	19.6 to 1	
Local hiring (% of workforce living in Delta/Surrey/Langley)	64%	43%	21%	

¹Board observer status takes this to 33%.

Disclaimer

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