



**SWISS WATER DECAFFEINATED COFFEE INC.**  
**Annual Information Form**

**For the Year Ended December 31, 2023**  
March 13, 2024

# SWISS WATER DECAFFEINATED COFFEE INC.

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### CORPORATE STRUCTURE

Swiss Water Decaffeinated Coffee Inc. (“Swiss Water” or the “Company”), is a company amalgamated under the *Canada Business Corporations Act* and its common shares are listed on the Toronto Stock Exchange under the symbol ‘SWP’. The Company’s registered office is located at 7750 Beedie Way, Delta, British Columbia, Canada, V4G 0A5.

Swiss Water is a result of an amalgamation, which occurred on September 28, 2018, between Ten Peaks Coffee Company Inc. (“Ten Peaks”) and its 100% owned subsidiary, Swiss Water Decaffeinated Coffee Company Inc. (“SWDCC”). At the time of the amalgamation, the Company’s symbol on the Toronto Stock Exchange was changed from TPK to SWP.

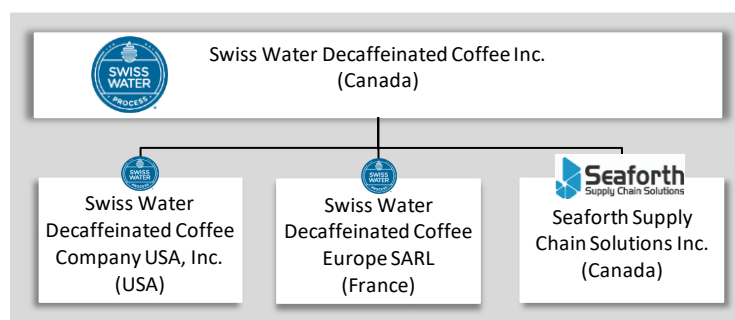
Ten Peaks was established through a strategic reorganization effective January 1, 2011 (the “Reorganization”), pursuant to a plan of arrangement (the “Arrangement”) involving key entities, including, Ten Peaks, Swiss Water Decaffeinated Coffee Income Fund (“the Fund”) and SWDCC. In response to legislative changes governing the taxation of income trusts in 2011, which rendered the income trust structure less advantageous, the Fund, through the Arrangement, transitioned from an income trust structure to a corporate framework.

Pursuant to the Arrangement, all of the Fund’s then outstanding units were exchanged, on a one-for-one basis, for common shares of Ten Peaks. As part of the Arrangement, the Fund was amalgamated into Ten Peaks and all of the Fund’s assets and liabilities were assumed by Ten Peaks. Following the Arrangement, the common shares of the Company began trading on the Toronto Stock Exchange under the symbol TPK.

The information herein pertaining to Swiss Water includes details about the Fund before the completion of the Reorganization and Arrangement, to the extent applicable, unless stated otherwise in the context. Furthermore, any mention of “common shares” and “shares” should be read as “units” for periods preceding January 1, 2011, reflecting the terminology applicable during that timeframe.

### Intercorporate Relationships

Swiss Water is the parent company of three wholly-owned subsidiaries: Seaforth Supply Chain Solutions Inc. (“Seaforth”) established under the *Canada Business Corporations Act*; Swiss Water Decaffeinated Coffee Company USA, Inc. (“SWUS”), incorporated under the laws of the State of Washington; and Swiss Water Decaffeinated Coffee Europe SARL (“SWEU”) which was incorporated under the laws of France. The operations of Swiss Water and Seaforth are based in the city of Delta, British Columbia, Canada. SWUS conducts its activities in the USA, while SWEU operates in Bordeaux, France.



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### GENERAL DEVELOPMENT OF THE BUSINESS

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#### Swiss Water and its Subsidiaries

Swiss Water Decaffeinated Coffee Inc. is the Canadian parent company, specializing in the production of chemical-free decaffeinated coffee. The Company's core focus revolves around ensuring the highest quality in the decaffeination process. This central objective is complemented by the support of its subsidiaries: Seaforth, responsible for the efficient management of coffee storage and handling operations; SWUS and SWEU, each managing sales and marketing functions of the business. This strategic alignment across its subsidiaries enables Swiss Water to deliver excellence at every stage of the coffee decaffeination, storage and distribution process.

#### Swiss Water Decaffeinated Coffee

Swiss Water exclusively owns the Swiss Water® trademark and operates a decaffeination business using the Swiss Water® Process, a chemical-free method of decaffeination. The business of decaffeination using the Swiss Water® Process was established nearly forty years ago.

Swiss Water, as the primary operating entity, has maintained a consistent business focus over the years. The core of its operations centers on the chemical-free decaffeination of green coffee, utilizing the proprietary Swiss Water® Process. Within this singular business segment, Swiss Water carries out the decaffeination process for coffee owned by customers under “toll” arrangements. Additionally, the Company procures its own premium quality Arabica coffee beans, which it decaffeinate and subsequently sells to the specialty coffee trade, as a part of the “non-toll” or “regular” business.

The Company's first state-of-the-art production line in Delta, British Columbia, was successfully completed in 2020, with its inaugural run of commercial-grade coffee in September 2020. In 2023, the Company finalized the construction of its second production line in Delta. Since the third quarter of 2023, this second production line has been fully operational, further enhancing the Company's capacity and efficiency in meeting the evolving demands of the market. Both Swiss Water® Process production lines were built using the latest technologies and equipment.

#### Seaforth Supply Chain Solutions

The Company's subsidiary, Seaforth, commenced operations in 2012, offering essential green coffee handling and storage services to coffee importers and roasting companies that either receive or store green coffee within the Metro Vancouver area. Swiss Water is the largest customer for Seaforth. Currently, Seaforth operates with a team of 22 employees, conducting its activities from a leased warehouse located in Delta, British Columbia.

As at the date of this Annual Information Form, Seaforth's operations were not material to Swiss Water's overall financial performance, as such, the subsequent section, "Description of the Business," predominantly focuses on the core business activities of Swiss Water.

#### Swiss Water USA and Swiss Water Europe sales and marketing

The Company's SWUS subsidiary operates as the dedicated marketing arm for Swiss Water. In 2019, Swiss Water expanded its presence by establishing the SWEU subsidiary, targeting growth opportunities in the

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European market. Both entities, SWUS and SWEU were created with the specific aim of capitalizing on the expanding markets in North America and Europe. As of the date of this Annual Information Form, neither SWUS nor SWEU holds significant assets.

## DESCRIPTION OF THE BUSINESS

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### General Overview of Swiss Water's Business

Swiss Water, with its headquarters situated in Delta, British Columbia, Canada, manages a specialized 100% chemical-free water process coffee decaffeination facility. This facility, covering approximately 128,000 square feet on 5.9 acres of land, was completed in 2020. Within this property, two newly constructed, state-of-the-art Swiss Water® production lines are housed. The first production line was completed in 2020, and the second production line was completed during the third quarter of 2023.

Swiss Water® Process and the Swiss Water's decaffeination plant are certified organic by the Organic Crop Improvement Association Canada. Swiss Water's decaffeinated coffee offering also carries Kosher certification, annually verified by the Orthodox Rabbinical Council of BC. The Company's Halal certification is confirmed by the Montreal Certification Authority, World Halal Food Council. Swiss Water's Quality Management System is verified by NSF International to meet FSMS (Food Safety Management System) and aligns with ISO FSSC 22000 standards. The Company provides Fairtrade certified decaffeinated, Rainforest Alliance, UTZ, and 4C-certified coffees. The Swiss Water® Process, distinguished as the only consumer-branded decaffeination process globally, holds significant recognition within the specialty coffee trade and among consumers.

Swiss Water® Process decaffeinated green coffees are distributed to leading specialty roaster retailers, specialty coffee importers, and commercial coffee roasters throughout North America. Internationally, Swiss Water reaches customers via regional distributors, with a strategic focus on capturing the premium specialty coffee segment.

Swiss Water comprises a dedicated team of 79 full-time employees, all situated in Canada. Additionally, SWUS, its subsidiary in the United States, is supported by two full-time employees, while SWEU, the subsidiary in France, also has two dedicated full-time employees.

### The Swiss Water® Process

The Swiss Water® Process uses a unique, proprietary, multi-stage process that maintains the flavor of green coffee beans. The 100% chemical-free process has been developed through years of refinement and capital investment and requires substantial technological and operational expertise. The Swiss Water® Process uses fresh water from British Columbia's coastal mountains.

The Swiss Water® Process starts with premium quality green coffee beans, which are soaked in water to saturate the water with soluble coffee solids including caffeine. This liquid is known as "green coffee extract" or "GCE". The Company's sustainable process is built around natural, renewable elements. The Company creates our GCE just once, with fresh water and all the soluble solids within green, unroasted coffee beans. After the initial creation of the GCE, the GCE is continuously refreshed using fresh water on a regular basis. Next, the GCE is decaffeinated with activated carbon, which is specially formulated to adsorb virtually nothing but caffeine. For decaffeination, green coffee is immersed in GCE until there is no more than 0.1% of caffeine remaining in the coffee beans. Over time, this effectively decaffeinate the

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green coffee, as caffeine migrates naturally from the coffee beans into the GCE. The caffeine is then removed from the GCE through a proprietary carbon filter system, while the carbon is regenerated to remove all caffeine so that it can be reused. Since the GCE is rich in soluble coffee solids such as amino and chlorogenic acids, only the caffeine migrates. This process allows the caffeine to be removed with minimal disruption of flavor chemistry.

The Swiss Water® Process is a chemical free method that uses only pure water and carbon, as opposed to chemical decaffeination methods that use methylene chloride or ethyl acetate. Because Swiss Water does not add chemicals, more than 80% of the water used in its process can be safely returned as clean water to local waterways. The lack of harmful chemicals also keeps the Company's employees safer, mitigates environmental contamination risk, and keeps potentially harmful residue out of the final cup of coffee.

Swiss Water believes in the inherent sustainability of its organic-certified decaffeination process. Completely devoid of added chemicals, the Swiss Water® Process was created to provide an alternative to the various methods employed by competitors, which often rely on chemical solvents for decaffeination. This commitment underscores Swiss Water's dedication to providing a sustainable and chemical-free choice for decaffeination.

## Industry Overview

### The Coffee Industry

The United States is the largest coffee consuming country in the world and a key geographic market for Swiss Water. According to the National Coffee Association's ("NCA") 2023 US Coffee Data Trends Report, 63% of the population drinks coffee daily, making coffee the most consumed beverage, outpacing water, soft drinks, and tea.

Specialty coffees are premium varieties of coffees, particularly Arabica. Specialty coffee beverages include coffee brewed from high-quality coffee as well as coffee drinks such as espressos, cappuccinos, and lattes. The NCA study notes that a significant, 41% of the population, was drinking specialty coffee "in the past day".<sup>1</sup>

### Decaffeinated Coffee

Of coffee drinkers, 7% drank decaffeinated coffee in the prior day, and 11% drank decaffeinated coffee in the past week.<sup>2</sup>

The NCA report indicates that younger consumers are driving the decaf drinking trend, with consumption in the 18-39 age group showing the strongest growth, with more than 13% having drank decaffeinated coffee in the past week. These same consumers are driving the growth of specialty coffee and new segments such as cold coffee.<sup>3</sup> This is also the same segment of consumers driving the strong growth of the no/low-alcohol category, which has strong parallels with decaffeinated coffee, including the reasons

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<sup>1</sup> The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

<sup>2</sup> The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

<sup>3</sup> Studylogic U.S. Coffee Consumption Panel Data, 2018-2023.

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for engagement in these categories to benefit the consumer's physical and mental health.

Decaffeinated coffee growth from 2019 to 2023 outpaced regular coffee (5-Year CAGR). Out-of-home consumption has been the growth engine for coffee, including decaffeinated coffee, leading up to the declaration of the COVID-19 pandemic, when At-Home consumption naturally increased due to Centres for Disease Control and World Health Organization guidance to stay at and work from home. In the second half of 2021, as vaccinations became more widespread, public health measures were lifted and consumers started to resume activities outside of the home, that trend started to reverse and continued through the end of 2023. The single-serve pod format continues to be a strong driver of growth for specialty decaffeinated coffee, as it allows consumers the ability to have one more cup of coffee in the afternoon.<sup>4</sup> In Western Europe, where decaffeinated coffee represents 13% of cups consumed, the trends are similar.<sup>5</sup>

The market for decaffeinated coffee is divided into decaffeinated with and without the use of chemical solvents. According to statistics prepared by management, more than 60% of worldwide decaffeination capacity uses chemical decaffeination methods, including methylene chloride processing and ethyl acetate processing (sometimes called the "sugar cane" process). Direct chemical processing is the most prevalent method employed, whereby green coffee beans are soaked in these chemical solvents to remove caffeine. Global capacity is moving toward less chemical solvent based methods and more chemical free volume, reflecting the demands and preferences of consumers.

Most jurisdictions globally regulate the amount of permissible residual traces of the chemical solvent in the decaffeinated green coffee bean. In Japan and South Korea, methylene chloride is prohibited for use in the decaffeination process. In Canada, roasters must specify on coffee packaging if methylene chloride is used in the decaffeination process. In the U.S., the presence of methylene chloride in decaffeinated coffee has recently come under additional scrutiny. The U.S. Food and Drug Administration ("FDA") has filed two petitions by consumer advocacy groups requesting that the agency rescind approvals of four carcinogenic chemicals being used as food and/or color additives, which includes methylene chloride and specifically cites its use in coffee decaffeination.<sup>6</sup> In addition, a bill has been proposed in California under the Food Safety Act that would prohibit methylene chloride use in the decaffeination of coffee<sup>7</sup>. Methylene chloride is a known carcinogen with the FDA having officially banned non-commercial paint strippers that contain methylene chloride after exposure to the chemical was linked to more than 60 deaths.<sup>8</sup> The chemical also poses hazards to the environment and to workers. In 2017, a series of scientific journals published articles highlighting the risk of methylene chloride to the environment, specifically, its impact in slowing the regeneration of the ozone layer.<sup>9</sup>

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<sup>4</sup> Studylogic U.S. Coffee Consumption Panel Data, 2018-2023.

<sup>5</sup> Studylogic Western Europe Coffee Consumption Panel Data, 2023.

<sup>6</sup> Food Safety Magazine: FDA Files Petitions to Rescind Approvals for Four Carcinogenic Food, Color Additives; January 18, 2024

<sup>7</sup> LegiScan: Legislative Counsel's Digest "California-2023-AB2066-Introduced, February 1, 2024

<sup>8</sup> <https://www.regulations.gov/docket?D=EPA-HQ-OPPT-2016-0231>

<sup>9</sup> New Scientist, "Ozone layer recovery will be delayed by chemical leaks", Fred Pearce, June 27, 2017

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Swiss Water decaffeinate coffees without the use of chemicals. Management believes that the Swiss Water® Process is one of only three third-party 100% chemical free water processes for coffee decaffeination—and that we are the only third party decaffeinator to ensure that neither methylene chloride nor ethyl acetate are introduced to any part of our process. Management anticipates that the market for chemical free decaffeination will continue to grow in the coming years, driven by the continued trend towards health consciousness, awareness of environmentally friendly practices, and demand for sustainability. According to the NCA, 66% of coffee drinking consumers state: “it is important to limit my caffeine intake”. Consumer awareness of health-related issues is increasing the appreciation for food safety, food provenance, and healthier or “better for you” food options. Demand for organic coffee continues to grow and it is the most broadly purchased certification. 39% of consumers say they are more likely to buy coffee that is Certified Organic, and 59% of consumers say they’re more likely to buy coffee if it is grown in an environmentally sustainable way.<sup>10</sup> Furthermore, consumers are becoming increasingly aware of the presence of methylene chloride in many decaffeinated coffees as a result of significantly growing media coverage of this topic.<sup>11</sup>

### Competitive Strengths

Swiss Water’s competitive strengths include the following:

- *100% Chemical Free Method of Decaffeinating Green Coffee* – Swiss Water’s decaffeination production facilities are 100% chemical free, using only time, water, carbon and temperature to extract caffeine from green coffee. The vast majority of competitive decaffeination processes use chemicals such as methylene chloride or ethyl acetate to remove and produce caffeine as a by-product of the process. To our knowledge, there are only two other decaffeination companies globally that exclusively process without the use of chemicals—both of which primarily service their parent company brands rather than sell to third party customers; all others are also offering chemical processing.<sup>12</sup>
- *Consumer Branding* - Swiss Water has been successful in establishing its brand as a leading chemical free processor of green decaffeinated coffee. Consumers and participants in the coffee trade are increasingly aware of the value of the chemical free Swiss Water® Process, which include its quality and taste. Management believes that there is significant potential to continue to broaden consumer awareness of the benefits of the Swiss Water® Process.
- *The Growing Specialty Coffee Market & Organic Coffee market* - The Swiss Water® Process produces decaffeinated green coffee that is targeted at the specialty coffee market. The significant growth in specialty coffee and specialty organic coffee over the past 20 years has created a customer base for higher quality and differentiated products that can be priced at a premium. Specialty decaf continues to grow at a higher rate than total coffee and total specialty coffee. To management’s knowledge, only four other third party processors globally have Organic certification.

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<sup>10</sup> The National Coffee Association “National Coffee Data Trends”, 2023

<sup>11</sup> Meltwater Media Monitoring Service, Traditional Media measured by Reach, 2016-2023

<sup>12</sup> LMC International Global Markets for Decaffeinated Coffee Report 2018



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- *Established Customer Base* - The Swiss Water® Process has an established customer base in more than 60 countries around the globe, including some of North America's largest roasters, roaster retailers and leading coffee brands.
- *Broad Distribution Channels* - Green coffee decaffeinated using the Swiss Water® Process is sold through the coffee market's key distribution channels: roaster retailers, commercial roasters and coffee importers. This ensures that Swiss Water accesses all key segments of the specialty coffee trade and consumer coffee markets.
- *Management Expertise* - Swiss Water is highly regarded in the coffee industry for its senior management team's substantial experience, its close attention to consumer trends in the specialty coffee market, and its in-depth knowledge of green and roasted coffee. In particular, Swiss Water's intense focus on premium product quality and commitment to science-driven innovation as well as data-driven insights is well recognized.

## Business Strategy

Swiss Water aims to maintain and enhance profitability and cash from operations by continuing to pursue the following business strategies:

- *Offer Superior Quality, 100% Chemical Free Decaffeinated Coffees* – Swiss Water supports its premium brand position by offering superior quality coffees. The process begins with the procurement of premium Arabica coffees, recognizing that the quality of the green coffee directly affects the quality of the finished product. Swiss Water then ensures the quality and integrity of the original green coffees are maintained throughout its proprietary production process, leveraging the HACCP (hazard analysis critical control points) system to manage its food safety and quality assurance programs. In addition, proprietary carbon management technology is used to capture caffeine while protecting the coffee's body and flavour characteristics. Crucially, because Swiss Water controls all aspects of caffeine removal, it can ensure that the process is 100% chemical free. Its carbon and green coffee extract never come into contact with methylene chloride or other harsh chemicals. Management believes that this is an important and relevant competitive distinction that underlies Swiss Water's chemical free positioning.
- *Unused capacity to satisfy future growth* – Our newly completed production assets are able to satisfy current demand and provide enough unused capacity to support our medium term growth ambitions. In addition, management is investigating alternatives available to further increase efficiency and throughput to increase capacity further.
- *Continuously Improve the Production Process* – Swiss Water is committed to continuous improvement throughout its production process, and to leading the coffee industry in the science of decaffeination. This dedication empowers Swiss Water to further enhance its proprietary process continually, ensuring the delivery of superior quality coffees to its customers. Through Six Sigma methodologies, statistical process controls, and lean manufacturing initiatives, Swiss Water has dramatically improved its production process, thereby improving production efficiencies while reducing defects. These advancements have generated tangible improvements in the quality of its coffees. Swiss Water® Process decaffeinated green coffees now more closely resemble regular green coffee, which makes it much easier to visually gauge the roast level and stage during the roasting process. Additionally, improvements to Swiss Water's proprietary

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carbon renewal process have resulted in notable improvements at the “cupping”, or tasting, table. Swiss Water® Process coffees have better body and flavour due to better retention of chlorogenic and amino acids (naturally occurring acids and antioxidants in green coffee which form a key part of a coffee’s taste profile).

- *Create Consumer Demand by Developing Brand Awareness* - Strong brand awareness levels, premium quality, and consumer demand encourage retailers to carry decaffeinated coffee products bearing the Swiss Water® Process brand name. Swiss Water strategically invests in regionally targeted initiatives designed to enhance awareness of the Swiss Water® Process brand and its chemical free proposition and to increase demand at the consumer level. These activities include cost effective, regionally targeted media; public relations; customer co-marketing; social media; and/or online communications and selling.
- *Leverage Higher Margin Selling Proposition to Retailers* – As health-aware and sustainability-focused consumers are willing to pay a premium for healthy food options, coffee retailers can improve their margins - particularly on a by-cup or by-drink basis – simply by switching to chemical free Swiss Water® Process coffees. This makes Swiss Water’s sales proposition very attractive and is a key leverage point in its business development program with major roaster retailers and premium street retail accounts. In addition to higher margins, these retailers are ideally positioned to benefit from the significant value-added elements of the Swiss Water® Process brand. These include Swiss Water’s ongoing efforts to build brand awareness, consultative selling, extensive merchandising programs, and web-based merchandising material fulfillment and customer learning tools.
- *Margin Improvement through Cost Management* – Swiss Water is committed to the reduction of operational and overhead expenses during the period in which it is expanding its capacity. This commitment aims to generate additional cash flow, contributing to the attainment of the Company's financing goals.

## Customers and Markets

Swiss Water's sole business segment is the 100% chemical-free decaffeination of green coffee. The United States constitutes its primary geographic market, followed by Canada and other international markets. In the fiscal year ending December 31, 2023, 50 % (compared to 49% in 2022) of sales were to customers in the United States, 29% (compared to 26% in 2022) to Canada, and the remaining 21 % (compared to 25% in 2022) to other countries.

### Toll Processing

In 2023, 27% (2022: 29%) of Swiss Water’s product volume was processed under toll arrangements whereby Swiss Water charges a fee for the decaffeination of green coffee belonging to its customers (its “toll” business). Swiss Water does not take title to the green coffee it decaffeinate under toll arrangements, and therefore the value of this coffee does not form part of Swiss Water’s inventory, revenue or cost of sales. Revenue from toll arrangements consists entirely of processing revenue.

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### Non-Toll Processing

The remaining portion of Swiss Water's volume is comprised of premium grade Arabica green coffees sourced from the specialty green coffee trade. Swiss Water acquires these coffees, performs the decaffeination process, and subsequently sells them to customers through its non-toll or regular business. The value of the green coffee owned by Swiss Water is included in the inventory, and revenue from the regular business comprises both processing revenue and green coffee cost recovery revenue. The cost of green coffee sold under non-toll arrangements is encompassed in Swiss Water's cost of sales.

Swiss Water uses futures contract arrangements (both commodity and foreign exchange hedges) as a risk management measure to mitigate the impact of fluctuations in coffee prices. For further details, please refer to the section titled "Description of the Business — Raw Materials".

### Customer Categories

Swiss Water has three broad customer groups: roaster retailers, commercial roasters and coffee importers.

Roaster retailers are vertically integrated sellers of coffee who operate their own coffee roasting facilities. They supply roasted coffee to their own retail coffee shops and to other food and beverage distribution channels, such as grocery stores.

Commercial roasters, who do not operate their own retail coffee shops, operate coffee roasting facilities. They supply roasted coffee to third party retail coffee shops, grocery stores, the hotel and restaurant trade, and through other food service distribution channels.

Coffee importers purchase green coffee and sell it to smaller roaster retailers and commercial roasters. The coffee importer category is important, as it consolidates Swiss Water's distribution channels and provides access to many smaller commercial roasters and roaster retailers.

### **Marketing and Promotion**

Swiss Water distinguishes itself from other decaffeination providers through a multifaceted approach, focusing on consumer brand awareness and in-depth research into the behavior of decaffeinated coffee consumers. This extensive research serves as the foundation for effective consumer advertising and promotion efforts and forms the cornerstone of Swiss Water's targeted marketing strategy. Additionally, it guides the consultative services provided to customers.

The Company targets key regional markets based on various factors, taking into account factors such as the concentration of coffee roasters and the level of specialty coffee market development in the identified regions. The ongoing investment in the development of the Swiss Water® Process brand involves targeted national and regional media efforts, public relations initiatives, and co-marketing activities with customers. These endeavors aim to stimulate consumer-level demand, fostering increased retailer interest in carrying Swiss Water® Process decaffeinated coffee.

To drive future growth, Swiss Water's strategy includes sustained marketing and promotion efforts against specific target audiences in key geographies.

### Competition

Competitive decaffeination processing is segregated into two broad categories: chemical and chemical free. Management estimates that more than 60% of worldwide decaffeination processing is chemical decaffeination. The balance is chemical free decaffeination. In the chemical free decaffeination market, water-based processing has become the predominant method available. Swiss Water is the largest supplier of water process decaffeination. The largest global decaffeinator based in Bremen, Germany, Coffein Compagnie, now offers water process decaffeination, as does Descamex in Mexico.

The largest third party chemical decaffeimators are based in Germany and Mexico. They include Coffein Compagnie, Mexico-based Cafiver S.A. de C.V., and Descamex. The third party decaffeinator with the highest chemical free capacity is Hermesen GMBH, which uses both methylene chloride and carbon dioxide and is based in Bremen, Germany. Coffein Compagnie has launched a new water processed decaffeinated product into the market. It is unclear, whether this product is manufactured internally or by a third party. Descamex has also announced its' intention to build another water decaffeination plant in Brazil that would primarily enable the export of lower cost Brazilian coffees.

### Production

#### Processing Facility in Delta, British Columbia, Canada

The Company's state-of-the-art Delta production facility in Delta BC is strategically located between two shipping ports, the Fraser Surrey Docks and GCT Canada/ Delta Port, which are within 15 and 22 kilometers, respectively, of the Delta production facility. This location is also within two kilometers of its Seaforth coffee storage facility. The Delta plant is also located within easy access to the South Fraser Perimeter Road, a four-lane highway that improved roads and bridges to transport people and goods in Metro Vancouver.

At this location, the Company's facility occupies approximately 128,000 square feet and is built on approximately six acres of leased land. Currently, the facility accommodates two production lines and serves as the Company's headquarters. Notably, the location has been strategically chosen to allow for ample space, facilitating future expansion. The infrastructure is designed to support the construction of a maximum total of four production lines.

The construction of the Delta facility began in 2016, with the building structure completed by 2018. Following this, Swiss Water reached a significant milestone with the completion of the first production line in 2020. Subsequently, the second production line commenced commercial production in the third quarter of 2023. Both production lines are exclusively dedicated to producing high-quality decaffeinated commercial-grade products. Operating 24 hours a day, seven days a week, Swiss Water's Delta processing facility is supported by an in-house maintenance program, designed to minimize non-scheduled interruptions for repairs.

The Delta location operates under a leased arrangement, initially set for five years and renewable at Swiss Water's discretion in five-year increments, up to a total of 30 years. The lease commenced in July 2018. Under the lease, Swiss Water has multiple options to buy the land and building at specified future dates starting at the end of the second five-year term. The buy-out value will be determined through an appraisal process, aligning with the fair market value of the property, subject to specified maximum and minimum values agreed upon in the lease contract.

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### Processing Facility in Burnaby, British Columbia, Canada

In the second quarter of 2023, the lease for the Burnaby location expired and Swiss Water exited the premises. Fully utilized assets, mostly over 30 years old, were disposed of, while a small number of newer production assets were salvaged for future use. The land was restored and returned back to the landlord. Burnaby's capacity was replaced with a 40% larger capacity, abovementioned facility, in Delta.

### Storage Facility and Distribution

Before the decaffeination process, green coffees are stored in Seaforth's Delta warehouse, located approximately two kilometers from Swiss Water's decaffeination facility, also in the city of Delta. Seaforth handles the local transportation of coffee to and from Swiss Water's production facility. Once the decaffeination is completed, the finished goods are either shipped directly to Swiss Water's customers or transferred to Seaforth's facility, which functions as Swiss Water's local distribution center.

From Seaforth's certified organic warehouse, finished goods are transported by common carriers to third-party coffee distribution centers across Europe and North America for customer pick-up. Seaforth's handling and warehousing operation is certified organic by Ecocert Canada.

### Quality Assurance

A key objective of Swiss Water is the continuous enhancement of the quality of its decaffeinated coffees. Swiss Water employs the HACCP (hazard analysis critical control points) and Prerequisite Program system to manage its food safety and quality assurance programs. All green coffee delivered to Swiss Water's processing facilities is weighed and inspected and is subject to rigorous internal quality control evaluations. Each lot of green coffee processed is continually monitored throughout the decaffeination process, and a certificate of analysis is prepared for each lot. A sample from each lot is also roasted, brewed and cupped to ensure quality. There have been no product recalls or material quality problems.

### Raw Materials

Swiss Water's primary raw material is premium green coffee including organic, fair trade coffee and Rain Forest Alliance. Green coffee is sourced through coffee importers from coffee-producing countries in Central and South America, Africa and Asia. Swiss Water focuses on conscious sourcing with 35% of the Company's coffee holding such certifications.

Prices are based on the New York 'C' coffee commodity price, ("NY'C"), plus a quality differential. The NY'C' comprises futures prices that serve as a benchmark for the coffee industry, and that are negotiated between traders on the Intercontinental Exchange in New York. Both the NY'C' price and quality differential fluctuate in response to fundamental commodity factors that affect supply and demand, such as weather, political policies, and labour contracts in major coffee-producing countries.

For regular orders, the cost of green coffee accounts for a significant portion of Swiss Water's cost of sales. Accordingly, Swiss Water has hedging strategies in place to minimize the impact of movements in coffee prices between the time the green coffee is purchased and the time the decaffeinated green coffee is sold to its customers (an average of three months). To hedge the purchase of each lot of coffee, Swiss Water sells a futures contract. As coffee is sold to customers, Swiss Water liquidates the hedge position. These transactions are effected through the Intercontinental Exchange in New York.

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Under toll processing arrangements, Swiss Water is not exposed to commodity price fluctuations because Swiss Water does not take title to the green coffee being processed. Swiss Water maintains insurance coverage in respect of its customers' green coffee while the beans are in Swiss Water's possession.

### Employees and Labour Relations

Swiss Water has 45 full-time employees engaged in a variety of staff, line and management positions. The team includes sales, procurement, and customer service personnel who have significant green and roasted coffee sales expertise and knowledge, logistics personnel to ensure the efficient flow of coffee into and out of production, and various operations staff who schedule and oversee production.

Investment in the continued improvement in knowledge regarding premium green and roasted coffee is an integral part of the growth of Swiss Water. This expertise is well established and acknowledged as critical to the management of green coffee product quality.

Swiss Water's salaried personnel have experience in the areas of premium brand marketing management, distribution channel development, green coffee purchasing and sales, quality control, logistics, operations management, accounting, and finance. Swiss Water encourages and provides financial support for continued professional development in each individual's area of expertise and development of knowledge of premium coffee products. This focus on quality enables the continual enhancement of Swiss Water's premium product positioning and consultative sales support for its customers.

Swiss Water has 32 full-time and two part-time individuals employed as process operators, laboratory staff, warehouse personnel and maintenance technicians. Process operators, an integral part of Swiss Water's successful operations, are highly skilled with an average length of service of 20 years.

The United Food and Commercial Workers Union ("UFCW") represents Swiss Water's non-salaried employees. Swiss Water and UFCW have agreed upon a collective agreement that expires in December 2024. There have been no strikes or work stoppages, and labour relations are considered to be good.

### Environment and Social Responsibility

Swiss Water has a long history and multi-faceted approach toward the environment and social responsibility.

#### **Environment**

Swiss Water pays careful attention to resource usage and returns 80% of water intake to the local municipality with nominal treatment required. Over the past ten years, the Company has taken steps to reduce gas use through process and operational improvements. Notably, our state-of-the-art facility in Delta, BC, showcases operational efficiencies, particularly in the usage rate per pound of coffee processed, spanning water, gas, and electricity. This commitment underscores Swiss Water's proactive approach to sustainable practices.

**COFFEE SUSTAINABILITY CERTIFICATION.** Swiss Water sources green coffee from coffee importers in Central and South America, Africa, and Asia. The Company places a strong emphasis on conscious sourcing, with 35% of its coffee holding certifications, as a commitment to sourcing coffee sustainably. Specifically, 24% is certified organic, 16% of the Company's coffee is certified as fair trade, and 13% carries

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the Rainforest Alliance certification. This commitment to certifications reflects Swiss Water's dedication to ethical and sustainable practices in its coffee sourcing.

**FREE FROM ADDED CHEMICALS.** The Swiss Water® Process was originally conceived out of demand from coffee brands for a chemical free alternative to methylene chloride decaffeination. The Company has proudly been the only decaffeinator exclusively focused on a chemical free process. The Swiss Water® Process is built around the sustainable elements of water and carbon and is organically certified. GCE, which the company uses for the removal of caffeine from green coffee, is a living, sustainable solution that is created only once with the advent of each production line and reused ongoing. The carbon used to remove caffeine from the GCE is regenerated and reused across multiple batches.

**WATER CONSERVATION.** While every decaffeination process uses water, Swiss Water's process results in minimal water waste. The Company carefully manages water usage so that 80% is returned clean to local rivers and streams. Because Swiss Water does not use chemicals in its process, nominal treatment of water is required.

**NATURAL GAS.** The Company has maintained the efficiency gained from earlier process improvements and has experienced lower natural gas consumption per pound in the past eight years.

**ELECTRICITY.** The Company's electricity usage has been on a consistent downward trend, with a remarkable 63% reduction in energy use in the past decade. The downward trend is a result of innovation and investment in energy-efficient equipment that has earned the Company rebates from the utility provider. To increase energy efficiency, the Company installed insulation into piping and ductwork when building the new production lines. In addition, in 2023, Swiss Water contributed over \$0.7 million (CAD) to a mandatory BC and Canada carbon tax, which is invested in emission reduction projects, helping to make traditional industries cleaner and stronger.

**CARBON REGENERATION.** The Company continues to use carbon more efficiently, with its attrition rate decreasing by more than 50% since 2009, even as the Company continues to expand capacity and grow.

**AIR EMISSIONS and WASTEWATER.** Swiss Water operates under an air emissions permit and a wastewater permit issued by Metro Vancouver. The Company believes that it is in substantial compliance with all applicable requirements of these permits. Each month, Swiss Water uses an outside third-party lab to collect and analyze samples to track compliance with the wastewater limits specified in its permit. Swiss Water is in compliance with the allowable limits. It is Swiss Water's practice to promptly respond to environmental issues and fully cooperate with Metro Vancouver. Swiss Water has not incurred any penalties, fees, or reprimands from environmental regulatory authorities. The Company aims to exceed minimum environmental compliance to minimize its impact on the environment and to continue to enhance sustainability practices.

### ***Social responsibility***

Swiss Water believes in supporting communities and the planet and does so by striving for greater diversity, by contributing donations and through sponsorships.

**DIVERSITY.** Swiss Water proudly embraces diversity within its workforce, comprising over 100 individuals from varied nationalities, ethnicities, ages, genders, sexual identities, opinions, and values. Among the team, there's a sense of pride about the Company's role in supporting environmental sustainability, social

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consciousness and diversity. Results from a voluntary, anonymous employee survey indicate 57% identifying as male, 43% identifying as female, and approximately 8% identifying as being part of the LGBTQ2S+ community. Respondents self-identified the following ethnicities: 55% Caucasian, 39% Asian, 2% Black/African descent, 2% Hispanic/Latino, and 2% representing multiple other ethnicities. Age diversity is well-balanced, with 50% of individuals under 44 and 50% over 45, fostering an inclusive and dynamic workplace.

**GROUNDS FOR HEALTH.** Since 2004, Swiss Water has had a close relationship with Grounds For Health, an international non-profit focused on reducing cervical cancer among women in coffee-growing regions. Over time, the Company has contributed nearly \$460K in corporate and employee contributions, driven by both internal fundraising efforts as well as individual donations.

**WORLD COFFEE RESEARCH.** Swiss Water has been a proud supporter of World Coffee Research (WCR) since its inception. WCR's dedication to collaborative agricultural innovation is focused on improving the sustainability of coffee as a global crop. The Company is also a part of WCR's Checkoff Program, which enables roasters with whom the Company works to donate a set amount directly to WCR per pound of green coffee purchased through Swiss Water.

**TIM HORTONS® FOUNDATION.** Since 2014 Swiss Water has been a sponsor of the Tim Hortons® Foundation Camps, which create programs designed to change the way young people from low-income families see themselves and the opportunities that exist for them. In addition to sponsorship, the Company's employees have also volunteered at Tim's camps.

## Intellectual Property

Swiss Water has intellectual property consisting of registered and unregistered trademarks and trade names and proprietary knowledge regarding the Swiss Water® Process. Over many years this unique process has been refined and optimized through research and development. Swiss Water's registered trademarks include the "Swiss Water® Process" name and design and wordmarks tied to the "Swiss Water" name and brand. The marks are registered in Canada and the US, as well as other strategic geographies, including those with high decaffeinated coffee consumption. Swiss Water routinely updates its filings as changes are made to its design marks in order to maintain its intellectual property rights in all relevant jurisdictions.

## Capital Expenditures

Purchases of capital equipment vary from year-to-year, based on the needs of the business. Swiss Water estimates that \$450,000 is required to be spent annually in order to maintain the existing production lines. Annual maintenance costs can fluctuate significantly from year to year as not all equipment repairs can be reasonably foreseen.

Capital investments are also made from time to time to expand production capacity. To meet growing demand, between 2016 and 2023 the Company built a state-of-the-art production facility, which consists of a building and two highly efficient production lines. Cash capital expenditures amounted to \$19.9 million in 2023, \$26.0 million in 2022, and \$15.0 million in 2021. These investments underscore the Company's commitment to staying at the forefront of technological advancements and meeting the evolving needs of its growing customer base.



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Other capital expenditures are made as required. For example, in the past five fiscal years, Swiss Water has made capital investments to expand its warehousing capabilities, and also to update the Company's information technology infrastructure and information systems. Costs for these expenditures in the last two years are included in the totals noted above.

### **Borrowings**

The Company financed capital expenditures for a portion of the new production facility, and its production line in Delta by raising funds through debt. In addition, the Company has a Credit Facility and a foreign exchange facility guarantee available for its operations.

#### Construction Loans ("Term Loans")

During 2021 and 2022 the Company entered into a pari passu construction loan with the Business Development Bank of Canada ("BDC") and Farm Credit Canada ("FCC"), expanding Swiss Water's borrowing capacity up to \$57.0 million. The purpose of these construction loans was to assist with financing the new production facility and its two production lines in Delta, BC. The borrowing capacity consists of fixed rates and variable rates interest loans. The fixed rate construction loans entail: a) up to \$22.5 million at a fixed interest rate of 4.38% and b) up to \$10.0 million at a fixed rate of 4.38%. The remainder of the loan is at variable rates, where FCC's rate is based on a 'variable personal property rate' minus 0.75% whilst BDC's variable rate is based on a variable BDC floating rate' minus 1.5%. Until July 1, 2024, only interest is payable monthly, whereas, between July 1, 2024, and the maturity date of June 1, 2034, the Company is required to make monthly installments that will consist of both principal and interest. These loans are secured by select assets and equipment at the Delta production facility. Of the \$57.0 million borrowing capacity, the balance owing as at December 31, 2023, was \$57.0 million.

#### Debenture with Warrants

In 2021 Swiss Water renegotiated its 2016, \$15.0 million unsecured convertible debenture with an existing shareholder and replaced it with a \$15.0 million debenture with warrants that matures at a later date than the existing convertible debenture. The debenture with warrants requires interest only payments at 9%, plus 1.5% interest in kind payable at maturity. The 9% rate is subject to reaching a specific covenant threshold, in excess of these, the interest rate increases to 12.5 % per annum. The debenture matures on October 31, 2024. The lender holds warrants that allow the lender to purchase up to 2.25 million common shares at a price of \$3.33 per share.

In 2022 Swiss Water renegotiated further the debenture with warrants with the lender in order to increase a senior debt covenant limit and to provide Swiss Water with the option to prepay the debenture and interest in full prior to the maturity date. In exchange, the lender received security on the debenture, the warrants exercise date was extended from October 31, 2024 to April 30, 2026 and the amended agreements allow the warrant holder to elect a cashless exercise option whereby the lender may elect to receive, upon exercise, such number of shares that is equal to the difference between the \$3.33 exercise price and the fair market value of the shares at the time of exercise. All other terms such as interest on the debenture, repayment terms, debenture's maturity date of October 31, 2024, the warrant exercise price of \$3.33, and the outstanding number of warrants, 2.25 million, remained the same.

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### Credit Facility – with a Canadian Bank

In 2022 Swiss Water renewed its existing Credit Facility. On renewal, the borrowing capacity of the facility increased from \$30.0 million to up to \$51.25 million, depending on the Company's Borrowing Base (as defined in the Credit Facility). Up to \$45.0 million is provided by a large Canadian bank and \$6.25 million from Export Development Canada ("EDC"). Amounts can be drawn in either Canadian or US dollars and can be used to fund capital expansions and operations.

The Credit Facility's Borrowing Base margins eligible inventories, accounts receivable, considers equity margin and gains and losses in the commodity hedging account, and the foreign exchange contract facility. It has multiple variable interest rate options and it does not have to be repaid until October 19, 2025 or an event triggering default. The Company is not required to repay any balance outstanding until maturity, as long as the outstanding balance is not in excess of the Borrowing Base.

This Credit Facility has multiple interest rate options depending on the currency the loan is drawn on. As at December 31, 2023, the outstanding balance owing was \$26.9 million and the interest is based on a variable rate using Canadian Prime Rate plus an acceptance fee.

As part of the Credit Facility, the Company has a US\$8.0 million foreign exchange and commodity futures contract facility, which allows the Company to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with the bank with a maximum term of up to 60 months.

The Credit Facility can be extended, subject to lenders' approval. There is a risk that the Company may not be able to extend or renew the Credit Facility or renew on the same credit terms at the time of maturity. The Credit Facility is secured by substantially all of the Company's assets except for assets pledged under the Construction Loans agreements described above and security noted under Debenture with Warrants.

### Credit Facility with EDC

EDC also provided a credit facility to support the abovementioned Credit Facility, for borrowings of up to \$6.25 million. The EDC Credit is to be used for the purpose of providing additional liquidity to finance the Company's operations, should it be needed. The lender of the abovementioned Credit Facility with a Canadian bank is the administrative agent for the EDC Credit and all security and guarantees held by the lender of the Credit Facility as security for the Credit Facility are also held as security for the EDC Credit. Amounts drawn on the EDC Credit bear interest at the Canadian Prime Rate plus 1.5% per annum. The EDC Credit is subject to certain fees. The EDC Credit will terminate on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) the second anniversary of the effective date November 22, 2024, and (iii) the maturity date under the Credit Facility. Bank may in its sole discretion, renew the EDC Credit for a maximum of five successive one-year periods after the first anniversary of the effective date. As at December 31, 2023, no amounts were drawn on EDC Credit.

### Foreign Exchange Facility Guarantee with EDC

In 2020 the Company entered into a Foreign Exchange Facility Guarantee to cover margin requirements in relation to foreign exchange and commodity futures contract facility. The lender of the Credit Facility amended the credit agreement to recognize the Foreign Exchange Facility Guarantee provided by a third party, a Canadian Crown corporation. The facility guarantees a maximum aggregate liability of \$6.0 million

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and is valid until May 31, 2024. This Foreign Exchange Facility Guarantee can be renewed beyond the expiry date, at the discretion of the third party. There can be no assurance that the Guarantee will be renewed, consequently limiting the Company to available credit in case of extreme swings in foreign exchange.

### **Risks Factors**

Summarized below are the risks related to Swiss Water's business, the coffee decaffeination industry in general, and to Swiss Water's structure.

#### ***Risks Related to the Business and the Coffee Decaffeination Industry***

##### Leverage and Restrictive Covenants

As at December 31, 2023, Swiss Water had outstanding borrowings due to third parties including a secured \$57.0 million Construction Loan, a secured \$26.9 million Credit Facility and a secured \$15.6 million Debenture with Warrants. Subject to restrictions outlined in these instruments, the Company may also incur significant additional indebtedness in the future, some of which may be secured debt. This may have the effect of increasing our total leverage.

In response to rapid growth, and/or increased coffee prices Swiss Water may as required, initiate discussions with parties to increase its working capital lines or seek more efficient solutions to address coffee price fluctuations. To support this effort and allow more efficient credit mechanisms to be put in place, the Company regularly reviews its current credit capacity including expansion of working capital facilities, enhancing hedging facilities, reconsidering senior debt limits and opportunities for raising new capital.

The degree to which Swiss Water is leveraged could have important consequences to shareholders and the Company's other stakeholders, (i) Swiss Water's ability to obtain additional financing for working capital and capital expansions; (ii) a portion of Swiss Water's cash flow from operations is expected to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for dividends that may be paid by Swiss Water; (iii) a portion of Swiss Water's Credit Facility and construction loans have a variable rate of interest, which exposes Swiss Water to the risk of increased interest rates; (iv) increased vulnerability to a downgrade of our credit ratings, which could adversely affect our cost of borrowings and funding, liquidity and access to capital markets; (v) exposure to risks related to fluctuations in foreign currency as we earn most profits in US\$ and substantially all of our debt is denominated in Canadian dollars. Swiss Water's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on Swiss Water's future cash flow. This is subject to the operations of Swiss Water's business, prevailing economic conditions, prevailing interest rate levels, financial, competitive, business and other risk factors, many of which are beyond its control.

There is no assurance that we will generate cash flow from operations or that future debt or equity financings will be available to enable us to pay our indebtedness or to fund operations or future expansion. Consequently, we may need to refinance all of or a portion of our debts on or before their maturity. There is no assurance that we will be able to refinance any of our indebtedness nor assurances that the refinancing will have favorable terms. An inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could result in a material adverse effect on our financial condition.

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Swiss Water's credit facility agreements contain restrictive covenants that limit the discretion of Swiss Water's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Swiss Water to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility agreements contain financial covenants that require Swiss Water to meet certain financial ratios. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could lead to the acceleration of repayment of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that Swiss Water's assets would be sufficient to repay that indebtedness in full.

### Customer Concentration

In 2023, revenues from three major customers of \$58.9 million (2022: \$56.6 million) represented 35% (2022: 32%) of Swiss Water's total revenues for the year. Three major customers represented 42% of total accounts receivable as at December 31, 2023 (2022: 50%).

### Supply Chain and Transportation

Green coffee is grown in tropical regions and is typically transported to the Metro Vancouver region in containers by ocean-going vessels. Coffee arriving from origin must pass through the Port Metro Vancouver. Failure by the Company's transportation providers to deliver products on time, or at all, could result in lost sales. The Company currently relies upon third-party transportation providers for its product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and climate events, which may impact the ability of providers to provide delivery services that adequately meet the Company's shipping needs.

In 2023 and 2022, strikes negatively impacted shipments of goods through the Port of Vancouver. Commencing in 2020 and continuing through 2022, the COVID-19 pandemic and climate events caused disruption in the supply chain deliveries from their origin and to customers. These types of delays related to reliance on third party logistics facilities and operators can cause Swiss Water to lose sales. Increased costs are also incurred when Swiss Water has to purchase green coffee from warehouses in other North American cities when green coffee is delayed in arrival from the origin.

Swiss Water relies heavily on the supply chain to transport coffee from origin to Swiss Water and then from Swiss Water to customers. Any acts of war or terrorism, a pandemic or climate events, such as severe flooding and wildfires, may cause disruptions in the supply chain and other delays in our ongoing business. Any significant disruptions in our ongoing business may impact our ability to generate cash flows from operations which in turn may impact our ability to pay our suppliers, employees and creditors.

### Foreign Exchange Fluctuations

Coffee is traded in US dollars, as buyers and sellers reference the NY'C' coffee price when entering into contracts. As a result, the majority of the Company's revenues are denominated in US dollars, while a significant portion of its expenses and cash outflows occur in Canadian dollars. Therefore, Swiss Water's financial results are affected by any significant fluctuation in US-Canadian exchange rates. In accordance with its 'Foreign Exchange Risk Management Policy', Swiss Water uses financial instruments to manage

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its currency risk based on estimates of its net US dollar (“US\$”) cash flows up to 60 months in advance. Swiss Water purchases forward contracts to sell US dollars at fixed future dates and exchange rates, which allow management to reliably predict how much Canadian currency Swiss Water will receive for its US\$ sales. In addition, Swiss Water purchases forward contracts to buy US dollars for green coffee purchase commitments which will later be sold to certain Canadian customers in Canadian dollars.

With cash flows hedged in this manner, management can make informed decisions about capital and operating expenditures.

All other factors being equal, Swiss Water’s profitability and cash from operations will be lower when the Canadian dollar appreciates relative to the US\$. Although the profitability and cash flow impacts of such appreciation may be mitigated in the short term through its foreign currency risk management policy, a long-term appreciation of the Canadian dollar will decrease Swiss Water’s long-term profitability and cash generation.

### Coffee Prices and Availability

Green coffee bean prices are subject to substantial price fluctuations, generally caused by multiple factors, including weather, pests that affect coffee plants, political and economic conditions in certain coffee-producing countries, climate change and other supply-related matters. In addition, green coffee prices have been affected in the past and may be affected in the future, by the actions of certain organizations and associations, such as the International Coffee Organization and the Association of Coffee Producing Countries, which have historically attempted to influence commodity prices of green coffee through agreements establishing export quotas or restricting coffee supplies worldwide. A material change in the availability of green coffee supply would materially and adversely affect our business.

When green coffee exports are constrained from one or more countries due to poor crops or other factors, Swiss Water may not be able to secure sufficient high-quality coffee to meet demand, resulting in lost sales. Moreover, Swiss Water’s toll customers may not receive coffee when they require it, resulting in lower toll volumes.

The Company manages risks related to volatility in coffee prices via its Commodity Price Risk Management Policy. The details are described in the ‘Derivatives and Hedging Activities’ section of the annual financial statements for the year ended December 31, 2023. Although there is a policy to mitigate coffee commodity price risks, the volatility in the coffee commodity price affects Swiss Water in a number of ways. When coffee prices rise rapidly, customers tend to reduce their purchases and inventory levels. In addition, sustained increases in coffee commodity prices are passed onto consumers in the form of higher retail prices, which reduces consumer demand. Both factors tend to reduce Swiss Water’s processing volumes and/or sales. Conversely, when the coffee commodity price declines, customers replenish their inventories and reduce retail prices, stimulating demand.

In addition, Swiss Water sells coffee at current market prices. Thus, when coffee commodity prices rise (fall), Swiss Water’s revenue will also rise (fall) even if its processing volumes do not grow. In turn, this increases (decreases) the value of accounts receivable, which may increase (decrease) the credit risk of the business.

Finally, higher coffee prices drive up the cost of coffee inventories, which Swiss Water regularly replaces in order to support its non-toll business. Inventory purchases are funded through Swiss Water’s operating

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line of credit, resulting in increased bank indebtedness when coffee prices rise. This increases the liquidity risk of the business.

### Other Commodity Price Risks

Swiss Water is exposed to other commodity price risks relating to electricity, natural gas and water, where fluctuations in the market price or availability of these items could negatively impact Swiss Water's cash flow and production. While Swiss Water manages such risks by entering into contracts over natural gas that secure supply and predictable pricing, Swiss Water may still be negatively impacted by shortages or disruptions in the supply of natural gas and long term supply and commodity price increases.

### Credit Risk

Credit risk is the risk that counterparties to certain trade and other amounts receivable will not be received when due. Swiss Water is exposed to credit risk with respect to its accounts receivable and derivative financial instruments.

Swiss Water follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. Swiss Water's credit risk has increased, due to a trend in the coffee industry in which large coffee roasters have demanded longer accounts payable terms from their suppliers in order to do business with them. As a result, Swiss Water has extended payment terms to a number of its larger customers.

In addition, Swiss Water manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions. This risk has not changed materially in the past year.

### Competition

Swiss Water faces competition from chemical and other natural decaffeimators. A significant drop in pricing for any of these alternative decaffeination methods could affect the demand for Swiss Water's services. Competition could also arise from the development of alternative processing or agricultural technologies. Furthermore, certain competitors have significantly greater financial resources than Swiss Water.

### Liquidity Risk

Liquidity risk with respect to an asset is the risk that the asset cannot be sold due to a lack of buyers in the market. Liquidity risk with respect to a liability is the risk that a liability cannot be funded when it becomes due.

The primary asset that can be liquidated to fund future obligations is inventory. Swiss Water holds the majority of its green coffee inventory in raw (unprocessed) form, which makes it easier to liquidate should the need arise.

The liabilities consist of accounts payable and accrued liabilities, and borrowings including debenture with warrants, Credit Facility and construction loans. Swiss Water's accounts payable and accrued liabilities are primarily for green coffee purchases, payroll accruals, and other purchases and are generally due

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within 12 months. If Swiss Water's borrowings covenants are breached including repayment of debenture with warrants that is due within 12 months, they are due upon demand. Nevertheless, management believes that so long as Swiss Water complies with the terms of its banks and creditor agreements, it will not face a demand from its lenders. The Credit Facility can be extended, subject to lenders' approval. There is a risk that the Company may not be able to extend or renew the Credit Facility or renew on the same terms at the time of maturity.

In addition, Swiss Water has in place a planning and budgeting process to assist in determining the funds required to support its normal operating requirements on an ongoing basis and its future plans. Swiss Water monitors that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its existing bank indebtedness.

### Product Liability

Swiss Water is subject to potential product liabilities connected with its operations, including liability and expenses associated with product defects. There are no assurances that Swiss Water will always be adequately insured against all such potential liabilities.

### Dependence on Operations

Swiss Water's future ability to pay cash dividends is dependent on its ability to generate cash from its operations and its assets. There can be no assurance regarding the amounts of income generated by and therefore funds available to Swiss Water. The actual amount paid or distributed to Swiss Water, and issued as cash dividends to shareholders by Swiss Water, will depend upon numerous factors including profitability, capital expenditures, determination of taxable income and taxes payable, fluctuations in working capital, and sustainability of margins and capital expenditures. Management is of the view that all expenses to be claimed by Swiss Water and any of its subsidiaries will be reasonable and deductible. However, taxation authorities may take the view that certain expenses should be treated differently for tax purposes, or that income should be imputed to different corporate entities within the group, either of which could materially adversely affect returns to shareholders.

### Capital Investment

The timing and amount of capital expenditures directly affect the amount of cash available to pay dividends to shareholders. Dividends may not be paid at times when significant capital or other expenditures are made. Swiss Water expects to utilize internally generated and external funds to finance the capital costs associated with the new production facility and future growth. Such outflows affect the amount of cash available to pay dividends to shareholders. As significant capital expenditures were incurred in 2019 through 2023, the Company suspended its dividend and there can be no assurance that the Company will declare and pay dividends in the future.

### Restrictions on Potential Growth

The demand for Swiss Water's premium, chemical free decaffeinated coffees has grown substantially since 2009. While the Delta plant has increased capacity, the two decaffeination processing lines have limited production capacity to accommodate additional growth in processing volumes. If Swiss Water does not invest additional capital in additional production capacity, the Company's future growth in cash

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flow will be restricted.

### Catastrophic Events

Swiss Water may be adversely affected by catastrophic events, or the prospect of catastrophic events, including war, terrorism and other domestic and international conflicts, public health issues, including health epidemics or pandemics, and natural disasters such as earthquakes or other adverse weather and climate conditions, including flooding and drought, whether occurring in Canada, the United States or abroad, which could disrupt Swiss Water's operations, supply chain, suppliers or customers or result in political or economic instability. These events could reduce demand for Swiss Water® Process decaffeinated coffee or make it difficult or impossible to receive products from suppliers or ship products to customers.

### ***Risks Related to the Structure of the Company***

#### Dependence on Key Personnel

Swiss Water's success is substantially dependent on the continued services of senior management. The loss of the services of one or more members of Swiss Water's senior management team could adversely affect its operations and financial results and the Company would have to hire additional qualified senior managers. The Company's ability to successfully hire other experienced and qualified senior managers cannot be assured and may be difficult because the Company faces competition for these senior managers from its competitors, its suppliers and other companies operating in its industry. As a result, the loss or unavailability of any of the Company's senior managers could have a material adverse effect on the Company.

#### Employee Attraction, Development and Succession Planning

Swiss Water and its subsidiaries employ full-time employees, which include salaried and union employees, many of whom are covered by collective agreements. The Company's operations and continued growth are dependent on its ability to hire, retain and develop its employees. In addition to a tight labour market in Metro Vancouver, the Company has dealt with continued labour shortages, absenteeism, and employee leaves. Any failure to effectively attract talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could impact the Company's competitive position or result in increased costs, competition for or high turn-over of employees. Any of the foregoing could negatively affect the Company's ability to operate its business efficiently, which in turn could adversely affect the Company's reputation, operations or financial performance.

#### Information Technology Risk

The failure of information technology ("IT") systems or a component of IT systems could, depending on the nature of any such failure, adversely impact Swiss Water's reputation and the results of operations.

Swiss Water's systems, including systems relating to the operation of automated decaffeination processing lines, inventory management, and financial reporting systems, may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of human error, third party suppliers' acts or omissions, natural disasters, telecommunications failures, power failures, computer viruses,



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unauthorized or fraudulent users (including targeted cyber-attacks or cyber intrusions, malware, ransomware, computer viruses and the like), and other operational and security issues.

Targeted attacks on Swiss Water's systems (or on systems of third parties that Swiss Water relies on), failure or non-availability of a key IT system, or a breach of security measures designed to protect such IT systems could result in disruptions to operations, property damage or financial or reputational risks.

Swiss Water has implemented and tested system controls and disaster recovery infrastructure for certain IT systems. As the threat landscape is ever-changing, Swiss Water makes continuous mitigation efforts, including risk prioritized controls to protect against known and emerging threats; tools to provide automated monitoring and alerting; and backup and recovery systems to restore systems and return to normal operations.

Swiss Water's risk and exposure to failures relating to IT cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, Swiss Water may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### Organic Certification

Swiss Water's processing facilities are certified organic under the Canadian Organic Regime (COR) by the Organic Crop Improvement Association Canada, with equivalence to the National Organic Program (NOP) and the European Union (EU) program. Additionally, Swiss Water's Quality Management System holds a Food Safety System Certification FSSC 22000 as issued by NSF International Strategic Registrations. These certifications and equivalences allow Swiss Water to maintain the organic certification of organic green coffees processed at its facilities. Seaforth handling and warehousing operation is certified organic by Ecocert Canada. There can be no assurances that such standards will not change and that Swiss Water and Seaforth will continue to meet the requirements of such standards.

### Shareholder Dilution

The holder of the Company's outstanding \$15.6 million debenture with warrants has the option to exercise the warrants to obtain 2.25 million of common shares of the Company at \$3.33. The issuance of additional common shares upon the exercise of warrants may have a dilutive effect on existing shareholders and an adverse impact on the trading price of the common shares.

### Labour Relations

Swiss Water's plant employees are represented by the United Food and Commercial Workers Union. The current collective agreement expires on December 31, 2024. Failure to agree upon a new collective agreement, strikes, or lockouts could restrict the ability of Swiss Water to operate and to service its customers.

Employees at Swiss Water's subsidiary, Seaforth, were certified with the Teamsters Union in 2016. The first collective agreement was ratified in 2017. The collective agreement expires on May 31, 2026. Failure to agree upon a new collective agreement strikes or lockouts could restrict the ability of Seaforth to operate and to service its customers, including Swiss Water.

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### Intellectual Property Infringement

Among Swiss Water's strategic advantages are brand equity and the proprietary Swiss Water® Process. The process utilizes a number of trade secrets related to improvements to the process that have been made over time. Management has determined that it is preferable to protect these improvements through confidentiality agreements rather than through a patent process. An infringement on Swiss Water's trademark, brand name or trade secrets could have an adverse effect on Swiss Water's business or result in legal expenses.

### Insurance

Swiss Water's operations are subject to customary risks of loss or damage that exist in any manufacturing business. Swiss Water maintains insurance policies with insurers in such amounts and with such coverage and deductibles as it believes is reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect Swiss Water from all material expenses related to potential future claims for personal or property damage. Swiss Water may also be subject to business interruption due to any pandemic where there can be no assurance that the insurer will cover loss impact due to a pandemic.

### Investment Eligibility and Foreign Property

There can be no assurance that Swiss Water's shares will continue to be qualified investments for registered retirement savings plans, deferred profit-sharing plans, registered retirement income trusts, and registered education savings plans or that the shares will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

### Environmental and Regulatory Risks

Swiss Water is substantially in compliance with material government laws and regulations, including all provisions thereunder requiring certain permits to operate its business. However, there can be no assurance that such laws and regulations will not change. Minor exceedances in wastewater generated by Swiss Water's facilities over the limits prescribed in Swiss Water's wastewater discharge permit have been registered in the past. Although these exceedances were promptly addressed and corrected, there is no guarantee that exceedances will not occur in the future, or penalties or other sanctions by regulatory authorities would not be imposed in respect of such exceedances. The facility in Burnaby was also previously utilized by a food processing enterprise and, prior to being operated by Swiss Water, was operated by Kraft. There are no assurances that Swiss Water will not be held responsible for any prior waste discharges and the effect on the environment thereof that occurred when such entities carried on operations in Swiss Water's premises.

## **DIRECTORS AND OFFICERS**

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### **Members of the Board of Directors and Executive Officers**

The name, province or state and country of residence of each of the Directors and Officers of Swiss Water (along with their respective positions and offices held with Swiss Water) and their respective principal occupation is shown in the table below. Note that Frank Dennis and Roland Veit were previously Trustees of the Fund, and as such, the date shown under "Director Since" refers to the date such Director first

# SWISS WATER DECAFFEINATED COFFEE INC.

## 2023 Annual Information Form

became a Trustee of the Fund. The terms of their respective offices expire at the next Swiss Water's annual meeting of shareholders. The Directors' and Officers' biographies are discussed below.

Name and Residence	Offices Held	Director / Officer Since	Principal Occupation - Past 5 Years
Frank A. Dennis British Columbia, Canada	President & CEO, Director	April 2002	President & CEO of Swiss Water
Roland W. Veit <sup>(1)</sup> Florida, USA	Director	September 2007	Co-Founder & Chairman, Paragon Coffee Trading Company
Robert B. Johnston South Carolina, USA	Director	June 2020	Chief Strategy Officer of The InterTech Group Inc.
Donald J. Tringali Arizona, USA	Director	July 2020	Corporate Director and Founder & CEO of Augusta Advisory Group
Nancy L. McKenzie British Columbia, Canada	Director	February 2021	Corporate Director
Alan C. Wallace British Columbia, Canada	Chairman & Director	June 2021	Corporate Director and President, Peloton Advisors Inc.
Justin C. Jacobs Texas, USA	Director	November 2022	Chief Executive Officer, Natural Gas Services Group, Inc. Corporate Director; Managing Director at Mill Road Capital LLC
Iain T. Carswell British Columbia, Canada	Chief Financial Officer ("CFO")	Officer since 2018	Chief Financial Officer, Swiss Water.
Barry Close British Columbia, Canada	Strategic Process Advisor (formerly Vice President, Operations)	Officer since from 2007 to 2023	Strategic Process Advisor; Vice President, Operations, Swiss Water
Owen Horn, British Columbia, Canada	Vice President, Operations	Officer since 2024	Vice President, Operations, Swiss Water; various roles at Chemtrade Electrochem Inc. since 2013, including Plant Manager, Operations Manager, Technical Manager, Production Manager, and Senior Engineer; Technical Safety BC: Technical Leader and Senior Engineer

<sup>(1)</sup> Paragon Coffee Trading Company buys decaffeinated coffee and/or decaffeination services from Swiss Water and it sells green coffee to Swiss Water in the normal course of business.

# SWISS WATER DECAFFEINATED COFFEE INC.

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The Directors of Swiss Water have established an Audit Committee, which is comprised of Ms. McKenzie (Chair), and Messrs. Tringali and Wallace, and a Compensation and Corporate Governance Committee, which is comprised of Messrs. Veit (Chair), Johnston and Jacobs.

### Director's and Officer's Biographies

The biographies of each of the Directors and officers of Swiss Water are as follows:

#### Frank A. Dennis, President and CEO

Mr. Dennis leads Swiss Water with over 30 years of experience in the coffee industry. His background is in packaged goods marketing with Braun Canada and Kraft Foods Canada. Mr. Dennis led the \$300 million Kraft coffee portfolio in the late 1990s and was responsible for the sale of the Swiss Water Division to private equity interests in 2000. As President and CEO of Swiss Water, he has led the growth of the business through a major transition of the operation into a newly constructed facility, overseen the development of the brand in many jurisdictions, and championed the importance of chemical free decaffeination in the industry. Mr. Dennis is highly involved in the specialty coffee industry and has served on several boards, including Grounds For Health, a charity dedicated to reducing cancer in women living in coffee-producing regions, the World Coffee Research Foundation, and the Canadian Coffee Association. Mr. Dennis earned a BA in Economics from the University of Western Ontario, and an MBA from the University of Toronto.

#### Roland W. Veit

A native of Switzerland, Mr. Veit has over 50 years of experience in the coffee industry. He is the Co-Founder and current Chairman of Paragon Coffee Trading Company (Paragon), a medium sized US green coffee importing/trading house. He started his business and coffee career at Nestlé's world headquarters in Vevey, Switzerland in 1972. He also worked for Nestle USA and South Africa, where his main responsibility was green coffee purchasing. In 1978, Mr. Veit left Nestle to work as a coffee trader, first in Johannesburg and then in New York, before co-founding Paragon in 1986. He served on the board of the Specialty Coffee Association of America (SCAA) from 1989 to 1992 and the following seven years on SCAA's International Relations Committee (serving as its Chairman during his last three years). He also served as a board member of the Green Coffee Association of New York (GCA) from 1998 until 2007, including two terms as the Chairman. Until 2022, he also served as a director on the board of Rapid Oxygen Company, a private company.

#### Robert B. Johnston

Mr. Johnston brings extensive public company and related industry experience to Swiss Water having served on the boards of a number of domestic and international companies in the packaging, food and agricultural industries. He is currently the Chief Strategy Officer of The InterTech Group Inc., a leading, private investment company based in South Carolina, USA. Mr. Johnston's previous experience includes serving as Deputy Governor, President and Chief Executive Officer and Vice Chairman of the Hudson's Bay Company. Mr. Johnston is currently a chair of the board of directors of Supremex Inc. and serves as a director of the following public companies: Colabor Group Inc. (and he is a member of the Human Resources Committee), RGCO Resources, and FIH Group PLC (and he is a member of the Human Resources Committee). His prior corporate directorships include Circa Enterprises Inc., Corning Natural Gas Holding Corporation, Produce Investments PLC, Gas Natural Inc., Fyffes Plc, along with the South Carolina

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Community Loan Fund. He holds an MBA Degree from the John Molson School of Business, a Master's Degree in Public Policy and Public Administration, and a Bachelor's Degree in Political Science from Concordia University in Montreal, and has completed the University of Oxford Advanced Management and Leadership Program in the UK. Mr. Johnston also holds the ICD.D designation from the Institute of Corporate Directors.

### Nancy L. McKenzie

Ms. McKenzie's experience as a financial professional spans over 30 years and includes a senior executive position within industrial manufacturing & service businesses, some consumer branded and private label foods sector experience, and articling at a large public practice accounting firm. Her experience comprises large-scale capital project oversight of manufacturing, infrastructure & office facilities as well as marine & industrial equipment acquisition during her 12 year tenure as the Chief Financial Officer at Seaspan ULC. Currently, she is Vice Chair of the Board at Coast Capital Savings Federal Credit Union, a member and prior Chair of the Risk Committee, a member of the Human Resources Committee, and a former member of the Audit and Finance Committee and Nominations and Governance Committee. Additionally, she is an Advisory Board member for BGE Air Quality Solutions Ltd. (a privately owned manufacturing and service business). She recently completed her term on the Board of Governors for the University of British Columbia, where she was Board Chair for 3.5 years and also previously served as Chair of the Finance Committee. Additionally, she has served as a member of the Audit and HR & Governance Committees, and chaired the Nominations Committee at UBC Investment Management Trust Inc.; and was Chair of the Finance and Governance Committee at Western Transportation Advisory Council. She is a Fellow of the Chartered Professional Accountants of BC, holds an Honours Bachelor of Business Administration from Wilfrid Laurier University (Waterloo), and holds an ICD.D designation having completed the Directors' Education Program at the Institute of Corporate Directors.

### Donald J. Tringali

Mr. Tringali is the founder and Chief Executive Officer of Augusta Advisory Group, a US-based boutique financial and business consulting firm providing a full range of executive, operations and corporate advisory services to companies. He has held a variety of C-level executive positions and directorships for public and private companies across many industries. He is the former Chairman of the Board of National Technical Systems, Inc., a leading international testing and engineering firm that was sold to a private equity firm in 2013, and the former Executive Chairman of the Board of Cartesian, Inc., an international telecom consulting company, which was sold to private equity in 2018. Since April 2021, Mr. Tringali has been a director of POSaBIT Systems Corporation (CSE: PBIT) and a member of the Audit Committee. Since April 2023, has been Lead Independent Director of Natural Gas Services Group, Inc (NYSE: NGS) and Chair of the Compensation Committee and a member of the Audit Committee and Nominating and Governance Committee. Mr. Tringali began his career as a corporate attorney in Los Angeles, where he was a partner in a prominent firm representing public and private companies in general business matters and M&A transactions. Mr. Tringali holds a BA in Economics from UCLA and a JD (Juris Doctor) degree from Harvard Law School.

### Alan C. Wallace, Chairman

Mr. Wallace has worked for over 30 years in corporate finance including as Vice Chairman and Managing Director of CIBC World Markets Inc. He is currently the President of Peloton Advisors Inc., a corporate financial advisory firm. Throughout his career, he has worked with both private and public companies in

# SWISS WATER DECAFFEINATED COFFEE INC.

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industries similar and adjacent to Swiss Water's business, including distribution, processing plants, international operations, and branding. Many of these organizations provide perspectives on commodity-based businesses that are relevant to Swiss Water. He brings to the Board extensive experience in capital markets, commodity industries, risk management, mergers and acquisitions, securities regulatory matters, financial and accounting matters, international business, equity and debt financings and corporate strategic planning. He currently serves on the Board and is the Chair of the Audit Committee and a member of the Compensation and Human Resources Committee at Mercer International Inc., a global forest products company. He is also a member of the Advisory Board to Tricor Pacific Capital Inc., a leading Canadian family office that invests in a diverse group of companies. Mr. Wallace holds a Master of Business Administration from the University of Chicago and a Bachelor of Applied Science (Mechanical Engineering) from the University of Toronto and the ICD.D designation.

### Justin C. Jacobs

Mr. Jacobs is currently the Chief Executive Officer of Natural Gas Services Group, Inc., a leading provider of contracted natural gas compression to the oil and natural gas industry. Previously, he was a Management Committee Director of Mill Road Capital LLC, a private investment firm. He was appointed to the Board of Directors of Swiss Water in November 2022. Mr. Jacobs joined Mill Road in 2005, prior to the raising of its first fund; previously, he worked at LiveWire Capital, an investment and management group, and in the private equity group at The Blackstone Group. Mr. Jacobs has been a director at numerous public and private companies, including British Columbia based PRT Growing Services Ltd., Lignetics Inc., and National Technical Systems, Inc. He holds a BSC (Finance & Accounting) from the University of Virginia where he graduated Beta Gamma Sigma, the highest academic distinction in the business program.

### Iain T. Carswell, Chief Financial Officer

As Chief Financial Officer of Swiss Water, Mr. Carswell is responsible for corporate finance, external financial reporting, compliance, risk management, information technology, and investor relations functions of the Company. He is an experienced financial executive in large multisite manufacturing environments and has broad experience in operating in international markets. Prior to joining Swiss Water in 2018, Mr. Carswell spent 15 years with Mars Inc., a global food and confectionery company, most recently as CFO of Mars Turkey. He has been a proven business leader throughout his career and has in-depth knowledge of accounting, financial reporting, risk management, and strategic planning. He holds a Bachelor of Commerce from the University of Edinburgh, and a Master of Science from the University of Stirling. Mr. Carswell is a member of the Chartered Institute of Management Accountants.

### Barry Close, former Vice President of Operations

Heavily focused on achieving operational excellence, Mr. Close was responsible for the quality/productivity of operations and the health/safety of employees at Swiss Water. Mr. Close retired as the Vice President of Operations in late 2023 and currently serves as Strategic Process Advisor to the Company. He brought more than 45 years of experience with technical processes in the manufacturing industry to Swiss Water. He initially joined Swiss Water as the Plant Manager in 2007 and was promoted to VP of Operations in 2010. Prior to that, Mr. Close worked in the premium specialty coated paper manufacturing industry where he managed various aspects of paper manufacturing operations. Mr. Close has completed technical training at Cariboo College (now Thompson Rivers University) in Kamloops, BC, and at the British Columbia Institute of Technology. Additionally, he has trained as an Electrical

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Technologist and on Six Sigma methodologies with the Lean Kaizen process, which promotes everywhere improvement, everybody improvement, and everyday improvement.

### Owen Horn, Vice President of Operations

Mr. Horn started at Swiss Water in his role as Vice President of Operations in January 2024. With over 20 years of engineering and management experience, he brings a wealth of experience overseeing all aspects of large and complex production facilities. Most recently Mr. Horn was the plant manager for a large chemical manufacturing facility managing a workforce of over 120 people. Over the years he has held several leadership roles in engineering, project, operations, and maintenance management. Mr. Horn has ensured compliance with local and federal regulations and has managed implementation and adherence to multifaceted safety programs. This experience is well suited to oversee the operations at Swiss Water. Mr. Horn received Bachelor's and Master's degrees in chemical engineering from McGill University. As he takes on the role of his predecessor, Mr. Horn's blend of leadership acumen and technical proficiency promises to drive Swiss Water toward continued success and excellence.

### **Directors' security holdings and other**

The number and percentage of securities of each class of voting security of Swiss Water beneficially owned, directly and indirectly, or over which control and direction are exercised, by all of the directors and officers of Swiss Water 408,238 shares being 4.4% of the issued and outstanding shares as at December 31, 2023.

None of the directors or officers of Swiss Water is at the date hereof or has been within the past 10 years, a director or chief executive or financial officer of any issuer that, while such individual was acting in such capacity, or after such individual ceased to act in such capacity, was the subject of an event that resulted in a cease trade order or an order that denied the benefit of the relevant issuer access to any exemption under securities legislation.

None of the directors or officers of Swiss Water is at the date hereof, or has within the past 10 years, been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold any of his or her assets.

### **DIVIDENDS AND DISTRIBUTION**

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In 2020, the Company suspended its dividend payments and in the past three fiscal years, no dividends have been declared by the Board of Directors.

Swiss Water's dividend policy is subject to the discretion of the Board of Directors, who review the level of dividends periodically on the basis of a number of factors including Swiss Water's financial performance, future prospects and capital requirements of the business. The amounts and timing of any future dividends may vary depending on, among other things, Swiss Water's earnings, financing requirements, the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* ("CBCA") for the declaration of dividends and other relevant factors. Swiss Water's ability to make cash dividends is dependent upon its assets and its operations.

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### CAPITAL STRUCTURE

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#### Common Shares

The authorized capital of Swiss Water consists of an unlimited number of common shares. The following is a summary of the rights, privileges, restrictions, and conditions attached to the shares of Swiss Water. As of the date hereof, Swiss Water had 9,212,955 common shares issued and outstanding.

Holders of Common Shares are entitled to one vote per share at meetings of Swiss Water's shareholders, to receive dividends if, as and when declared by the Board of Directors and to receive pro-rata the remaining property and assets of Swiss Water upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares. Holders of Common Shares may make use of the various shareholder remedies available pursuant to the CBCA.

#### Preferred shares

In 2022, the Company's Shareholders approved an amendment to the Articles of Amalgamation of the Company to create two new classes of shares, Class A Preferred Shares and Class B Preferred Shares. The Preferred Shares are equity securities that may be treated as a category in between debt and equity as a means to provide financing for the Company. Management does not intend that the new series of preferred shares be listed on a stock exchange, nor would these preferred shares give voting rights to holders. Any creation and issuance of any series of preferred shares are subject to the prior approval of The Toronto Stock Exchange. At this time, terms of the preferred shares, including dividend rates, redemption provision, and similar terms were not yet established.

#### Warrants

The Company issued a debenture with warrants where the holder of the warrants can exercise them and receive up to 2.25 million of Swiss Water's Common Shares. Each warrant is exercisable for one common share of Swiss Water at a price of \$3.33 per share, expiring on April 30, 2026. In addition, Mill Road may elect a 'cashless exercise option' whereby Mill Road would receive a such number of common shares that is equal to the difference between the share price at the time of exercise and the \$3.33 exercise price. These warrants are outstanding as at the date of this Annual Information Form.

### MARKET FOR SECURITIES

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Swiss Water's Common Shares are listed for trading on The Toronto Stock Exchange under the symbol "SWP". The following table sets out the opening, high, low and closing trading prices, and the number of shares traded, during each month in 2023:



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Month in 2023	Open	High	Low	Close	Volume Traded
January	2.40	3.09	2.35	2.80	98,100
February	2.69	3.00	2.55	2.68	58,200
March	2.75	3.00	2.50	3.00	108,300
April	3.00	3.19	2.86	2.89	121,300
May	2.89	2.90	2.66	2.71	62,600
June	2.71	3.02	2.69	2.76	65,300
July	2.76	2.85	2.64	2.85	69,900
August	2.77	2.85	2.50	2.71	55,900
September	2.71	2.80	2.60	2.60	105,700
October	2.61	2.76	2.40	2.40	145,600
November	2.45	2.81	2.40	2.78	92,600
December	2.75	2.85	2.49	2.78	169,700

## AUDIT COMMITTEE

### Audit Committee Charter

Swiss Water's Audit Committee charter is attached as an Appendix hereto.

### Audit Committee Oversight

During the financial year ended December 31, 2023, there was no recommendation of the Audit Committee to nominate or compensate the external auditor of Swiss Water that was not adopted by the Directors.

### Composition of the Audit Committee

Swiss Water's Audit Committee is comprised of three Directors, Ms. McKenzie (Chair), and Messrs. Tringali and Wallace. Each member of the Audit Committee is "independent" and "financially literate" for the purposes of National Instrument 52-110 of the Canadian Securities Administrators ("NI 52-110").

### Education and Experience of the Members of the Audit Committee

The following is a summary of the relevant education and experience of each of the members of the Audit Committee:

A fellow of the Chartered Professional Accountants of BC, Ms. McKenzie is currently the Vice Chair of the Board of Coast Capital Savings Federal Credit Union and a member of the Risk Committee and Human Resources Committee. Ms. McKenzie recently completed a 6 year term at the University of British Columbia where she was the Chair of the Board of Governors from 2020-2023, and previously was Chair of the Finance Committee. Ms. McKenzie's extensive, over 30 years of experience as a financial professional, includes having articulated at a large public practice firm and working in industrial manufacturing service businesses including a tenure of 12 years as the Chief Financial Officer at Seaspan

# SWISS WATER DECAFFEINATED COFFEE INC.

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ULC.

Mr. Tringali has over 30 years of experience in law, business and corporate finance, including overseeing finance operations for public companies, and thus brings considerable experience reviewing the financial performance of similar sized companies. In addition, Mr. Tringali has served as a director of numerous public and private companies. Mr. Tringali holds a degree in economics from UCLA and JD from Harvard Law School.

Mr. Wallace has worked for over 30 years in corporate finance including as Vice Chairman and Managing Director of CIBC World Markets Inc. He brings to the Board and the Audit Committee extensive experience in capital markets, commodity industries, risk management, mergers and acquisitions, securities regulatory matters, financial and accounting matters, international business, equity and debt financings and corporate strategic planning.

The directors of Swiss Water believe that the education and experience of each of the members of the Audit Committee provide such members with:

- an understanding of the accounting principles used by Swiss Water to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals, and reserves;
- experience in analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Swiss Water's financial statements; and
- an understanding of internal controls and procedures for financial reporting.

### Reliance on Certain Exemptions

During the financial year ended December 31, 2023, Swiss Water did not rely on the exemptions set out in sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6, or 3.8 of National Instrument 52-110 – Audit Committees ("NI 52-110"), nor did Swiss Water rely on section Part 8 of NI 52-110.

### External Audit Service Fees

#### Audit fees:

The aggregate fees billed in each of the last two fiscal years for audit services by Swiss Water's external auditors: 2023: \$168,216 MNP LLP (2022: \$293,538 PWC).

#### Audit-related Fees:

Audit-related fees billed for 2023 and 2022 were nil.

#### Tax-related Fees:

In 2023, \$63,398 (2022: \$92,140) in tax-related fees were billed by Swiss Water's former external auditor for tax compliance and tax-related SRED filing in the normal course of business.

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### All Other Fees:

In 2022 and 2023, the Company was billed \$nil by its external auditor for all other fees.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services to be provided by Swiss Water's external auditor. These procedures involve pre-approval of any such services by the Audit Committee Chair if the amount falls below a particular dollar amount, and provided that the terms of such engagement are subsequently reviewed by the Audit Committee. For all other non-audit services to be provided by Swiss Water's external auditor, the Audit Committee must approve the engagement prior to commencing any work in respect of such services.

### **CONFLICTS OF INTEREST**

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Until January 29, 2024, Mr. Jacobs was a Managing Director of Mill Road Capital, the holder of the Debenture with Warrants described above under "Description of the Business – Borrowings - Debenture with Warrants". Mill Road Capital also holds approximately 6.6% of the issued and outstanding shares of the Company. Mill Road Capital has expressed its intention to propose Mr. Jacobs as a Director nominee at the 2024 annual general meeting of shareholders, pursuant to Mill Road Capital's existing nomination right.

Other than the foregoing and as noted in related party transactions disclosed in the comparative financial statements and Management's Discussion and Analysis for its most recently completed fiscal year ended December 31, 2023, which are available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com), to the best of Swiss Water's knowledge, no Director or Officer of the Company or its subsidiaries has an existing or potential material conflict of interest with Swiss Water or any entities controlled by it.

### **PROMOTERS**

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Swiss Water does not have Promoters as defined in Form 51-102F2, section 11.

### **TRANSFER AGENT AND REGISTRAR**

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#### **Transfer Agent and Registrar**

Swiss Water's transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

### **INTERESTS OF EXPERTS**

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#### **Auditors**

In 2022, the auditor of Swiss Water was PricewaterhouseCoopers LLP. Following a request for proposal process, the Board recommended that shareholders appoint MNP LLP as the Company's auditor at the 2023 annual general meeting of shareholders.

MNP LLP is currently Swiss Water's auditor. To management's knowledge, neither MNP LLP nor its partners hold any registered or beneficial interest, directly or indirectly, in any securities or other property

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## 2023 Annual Information Form

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of Swiss Water.

### ADDITIONAL INFORMATION

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Additional financial information is provided in Swiss Water's comparative financial statements and Management's Discussion and Analysis for its most recently completed fiscal year ended December 31, 2023, which are available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). Also, additional information, including directors' and officers' remuneration and indebtedness, principal holders of Swiss Water's securities, securities authorized for issuance under equity compensation plans, and the Notice of Change of Auditor, together with letters from the former auditor and the successor auditor is contained in Swiss Water's information circular issued in advance of our last annual shareholder meeting, in May 2023.

### FORWARD LOOKING STATEMENTS

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This Annual Information Form ("AIF") contains forward-looking statements, including statements regarding the future success of Swiss Water's business and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continue", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedule", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) expectations regarding Swiss Water's future success in various geographic markets; (ii) factors that are expected to impact Swiss Water's performance; (iii) future financial results, including anticipated future sales and processing volumes; (iv) future reintroduction of the dividend; (v) the expected actions of the third parties described herein; (vi) the expected growth in the chemical free decaffeination market; (vii) factors affecting the specialty coffee market including supplies and commodity pricing; (viii) the expected success in building demand for Swiss Water® Process coffees; (ix) expected future investments in capital equipment; (x) the expected cost to maintain the existing production facilities; and (xi) the business and financial outlook of Swiss Water. In addition, this AIF contains financial outlook information that is intended to provide general guidance for readers based on management's current estimates, but which is based on numerous assumptions and may prove to be incorrect. Therefore, such financial outlook information should not be relied upon by readers. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these statements. These risks include, but are not limited to, leverage and restrictive covenants, customer concentration, foreign exchange fluctuations, coffee prices and availability, supply chain and transportation, other commodity price risks, credit risk, competition, liquidity risks, product liability, dependence on operations, capital investment, restrictions on potential growth, catastrophic events, dependence on key personnel, employee attraction, development and succession planning, organic certification, shareholder dilution, labour relations, information technology risk, intellectual property infringement, insurance coverage, investment eligibility and foreign property, and environmental and regulatory risks. These risks, uncertainties and other factors are more particularly described under the heading 'Risk Factors'.

The forward-looking statements contained herein are also based on assumptions that management believes are current and reasonable, including but not limited to, assumptions regarding (i) trends in certain market segments and the economic climate generally; (ii) the cost of coffee; (iii) the financial strength of customers; (iv) the value of the Canadian dollar versus the US dollar; (v) the expected financial

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and operating performance of Swiss Water going forward; (vi) the expected expenses and capital requirements of Swiss Water going forward; (vii) the availability and expected terms and conditions of debt facilities; (viii) the potential impact of global events. Swiss Water cannot assure readers that actual results will be consistent with the statements contained in this AIF. The forward-looking statements contained herein are made as of the date of this AIF and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water undertakes no obligation to publicly update or revise any such statements to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.

### APPENDIX: Audit committee terms of reference

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**SWISS WATER DECAFFEINATED COFFEE INC.  
AUDIT COMMITTEE TERMS OF REFERENCE  
(Revised and Approved by the Board: November 30, 2022)**

#### **Establishment of the Committee**

There shall be a Committee of the Board of Directors (the “Board”) of Swiss Water Decaffeinated Coffee Inc. (the “Company”) to be known as the Audit Committee (“Committee”) whose membership, authority and responsibilities shall be as set out in these terms of reference.

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management’s conduct of the Company’s accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Company’s external auditors, including overseeing the audit and interim review of the Company’s financial statements and pre-approving any non-audit services performed by the auditors; and providing an avenue of communication among the external auditors, management and the Board.

#### **Membership**

- (a) The Committee shall consist of at least three members of the Board all of whom shall be independent as determined in accordance with applicable securities laws, rules, regulations and guidelines (“Securities Laws”). In particular, each member of the Committee must be independent of management and free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the member’s ability to act in the best interests of the Company.
- (b) All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. At least one member should have accounting or related financial expertise and should be able to analyze and interpret a full set of financial statements, including notes, in accordance with International Financial Reporting Standards.
- (c) Members will be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or ceases to be a Director.

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- (d) The Board shall appoint one of the Directors elected to the Committee as the Chair of the Committee. In the absence of the Chair of the Committee at any meeting, the members shall elect a Chair from those in attendance to act as Chair of the meeting.
- (e) The secretary of the Committee will be the Chief Financial Officer, the Corporate Secretary, or such other person as is selected by the Committee.

### Procedural Matters

- (a) The Committee shall meet as frequently as required, but no fewer than four times annually and at least quarterly. A majority of the members of the Committee present in person or by telephone or by such other telecommunications device that permits all persons participating in the meeting to speak to each other shall constitute a quorum and the act of a majority of the members at a meeting where a quorum is present shall be the act of the Committee. The Committee may meet in person, by telephone or by such other telecommunications device that permits all persons participating in the meeting to speak to each other and may also act by unanimous written consent of its members. The Committee shall maintain minutes or other records of meetings and activities of the Committee.
- (b) The Chief Financial Officer and the Corporate Secretary shall, in consultation with the Chair of the Committee, develop the agenda for meetings of the Committee. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent possible, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.
- (c) The Committee shall, through its Chair, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the Company's compliance with legal or regulatory requirements in relation to those matters within the Committee's purview, the performance and independence of the external auditors, the performance of any internal audit function and other matters related to the Committee's functions and responsibilities.
- (d) Notice of a meeting of the Committee may be given orally or by letter, electronic mail, facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.
- (e) The Committee may invite such other persons (e.g. the CEO, CFO) to its meetings, as it deems necessary. All other Directors that are not members of the Committee may attend Committee meetings but may not vote.
- (f) The external auditors shall be invited to make presentations to the Audit Committee as appropriate.
- (g) The Committee at any time may, and at each regularly scheduled meeting shall, meet without management present, and shall meet with the external auditors, without management present, at each meeting at which the external auditors are in attendance.

- (h) The Chair, any two members of the Committee, the external auditors, the Chief Executive Officer and the Chief Financial Officer may call a special meeting of the Committee at any time.

### General Responsibilities

- (a) The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and other disclosure documentation required by applicable Securities Laws, and the Company's external auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditors' work.
- (b) Nothing in these terms of reference is intended or may be construed to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Although the designation of a Committee member as being financially literate or having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose any duties, obligations or liability greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation.
- (c) While the Committee has the responsibilities set forth in this charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, manage the Company's exposure to risk, certify or guarantee the internal or external audit of the Company or to determine that the financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations. These are the responsibilities of management and the external auditors, as applicable. The Committee, its Chair and Committee members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities and processes of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

### Specific Responsibilities

The specific responsibilities of the Committee are:

- (a) Internal Control
  - (i) Evaluating whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
  - (ii) Reviewing annually the adequacy and quality of the Company's financial and accounting staffing, the need for and scope of internal audit reviews, and the plan, budget and the designations of responsibilities for any internal audit.
  - (iii) Reviewing annually with the external auditors, any significant matters regarding the Company's internal controls and procedures over financial reporting that have come to their attention during the conduct of their annual audit, and review whether internal control recommendations made by the auditors have been implemented by management.



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- (iv) Establishing procedures to review major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures.
- (v) Establishing procedures for the receipt, retention and treatment of any complaints received by the Company regarding internal controls or auditing matters, including procedures to enable confidential, anonymous submissions to be made by employees of the Company and its subsidiaries concerning questionable accounting, internal accounting controls or auditing matters; reviewing any issues or complaints raised pursuant to such procedures and annually reviewing the Company's Whistleblower Policy as set out in the Company's Code of Business Ethics and recommend any amendments to the Compensation and Corporate Governance Committee.
- (vi) Reviewing and approving any related party transactions outside of the ordinary course of business, or any material amendment thereto prior to the transaction being entered into.

### (b) Financial Reporting

#### General

- (i) Gaining an understanding of the current areas of financial risk and how management is managing these areas of risk effectively.
- (ii) Considering with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- (iii) Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (iv) Reviewing all critical accounting policies and practises used by the Company, including all alternative treatments of financial information under International Financial Reporting Standards that have been discussed with the external auditors.
- (v) Reviewing any legal matters that could significantly impact the financial statements.
- (vi) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of any disagreements between management and the external auditor regarding financial reporting.
- (vii) Reviewing the quarterly CEO and CFO certifications and any sub-certifications from senior management in respect of disclosure controls and procedures and internal controls over financial reporting.
- (viii) Reviewing the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures and any related report by the independent auditors.
- (ix) Receiving the certification from the Chief Financial Officer on compliance with statutory liabilities.
- (x) Reviewing with management and the external auditors the effect of off-balance sheet transactions and structures on the financial statements.

#### Annual Financial Statements

- (xi) Reviewing and recommending to the Board for approval the annual financial statements and Management's Discussion and Analysis and determining whether they are accurate, complete and consistent with the information known to Committee members; assessing whether the financial statements reflect appropriate accounting principles.

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- (xii) Focusing on judgmental areas, for example, those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies; assessing whether such judgments and estimates are reasonable
- (xiii) Meeting with management and the external auditors to review the financial statements and the results of the audit.
- (xiv) Reviewing the other sections of the annual report before its release and considering whether the information is accurate, complete and consistent with members' knowledge about the Company and its operations.
- (xv) Reviewing the post-audit or management letter from the external auditors and management's response and follow-up in respect of any identified issues.

### Annual Information Form, Earnings Releases, Interim Financial Statements, Analysts' Briefings and Other Public Disclosures

- (xvi) Remaining briefed on how management develops the annual information form, earnings releases, interim financial information, MD&A statements, analysts' briefings and other public disclosures and the extent to which the external auditors review such information.
  - (xvii) Assessing the fairness, accuracy and completeness of the interim statements and MD&A disclosures, and obtaining explanations from management and internal and external auditors on whether:
    - Actual financial results for the interim period varied significantly from budgeted or projected results;
    - Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;
    - International Financial Reporting Standards have been consistently applied;
    - There are any actual or proposed changes in accounting or financial reporting practices;
    - There are any significant or unusual events or transactions;
    - The Company's financial and operating controls are functioning effectively;
    - The preliminary announcements and interim financial statements contain adequate and appropriate disclosures; and
    - There are any breaches of debt covenants.
  - (xviii) Reviewing, discussing with management and the external auditors the Company's annual information form, financial statements, MD&A, annual and interim earnings news releases, prospectuses and financial information in other public reports and public filings before the Company publicly discloses them.
  - (xix) Being satisfied that adequate procedures are in place for review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than those referred to above immediately above and periodically assessing the adequacy of such procedures.
- (c) External Audit
- (i) Reviewing the external auditors' proposed audit scope, staffing and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
  - (ii) Approve the fees for the audit and interim reviews to be performed by the external auditors.
  - (iii) Reviewing the qualifications and performance of the external auditors and reviewing the external auditors' report on its internal quality control procedures.

- (iv) Considering the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company and ensuring the rotation of the lead audit partner and the audit partner with responsibility for reviewing the audit in accordance with Securities Laws.
  - (v) Making recommendations to the Board regarding the appointment and reappointment of the external auditors.
  - (vi) Reviewing and approving the employment of any partner, employee, former partner or former employee of the external auditor or a former external auditor.
  - (vii) Ensuring that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
  - (viii) Ensuring that management responds to recommendations by the external auditors.
  - (ix) Pre-approve the retention of the independent auditor for any non-audit service and the fee for such service. The Committee may satisfy the pre-approval requirement if:
    - the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the services are provided;
    - the services were not recognized by the Company at the time of the engagement to be non-audit services; and
    - the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
- The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval

(d) Compliance With Laws And Regulations

- (i) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations (including insider reporting) and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- (ii) Obtaining regular updates from management and the Company's legal counsel regarding compliance matters.
- (iii) Being satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- (iv) Reviewing the findings of any examinations by regulatory agencies.

(e) Compliance With The Company's Code Of Business Ethics

- (i) Ensuring that the Company's Code of Business Ethics is in writing and that arrangements are made for all employees to be aware of its contents.

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- (ii) Evaluating whether management is setting the appropriate “tone at the top” by communicating the importance of the Code of Business Ethics and the guidelines for acceptable behavior.
  - (iii) Reviewing the process for monitoring compliance with the Company’s Code of Business Ethics.
  - (iv) Obtaining regular updates from management regarding compliance and reviewing any issues of non-compliance.
- (f) Reporting Responsibilities
  - (i) Regularly updating the Board about Committee activities and making appropriate recommendations.
  - (ii) Ensuring the Board is aware of matters that may significantly impact the financial condition or affairs of the business.
  - (iii) Reviewing and updating these terms of reference and recommending any amendments to the Compensation and Corporate Governance Committee.
  - (iv) Evaluating the Committee’s own performance on a regular basis.
- (g) Environmental, Social and Governance (“ESG”) Matters
  - (v) At least annually, reviewing with management the type and presentation of the Company’s key ESG disclosures and the adequacy and effectiveness of applicable internal controls relating to such disclosures.
  - (vi) Overseeing key finance-related initiatives related to ESG.

### Authority

The Board grants authority to the Audit Committee, within the scope of its responsibilities, to:

- (a) Study or investigate any matter of interest or concern that the Committee considers appropriate or necessary.
- (b) Seek any information it requires from any employee (and all employees are directed to co-operate with any request made by the Audit Committee) or external parties and review all books and records of the Company.
- (c) Obtain outside legal or other professional advice as deemed necessary and to set and authorize the compensation to be paid to such advisors at the Company’s expense.
- (d) Ensure the attendance of officers of the Company at meetings as appropriate.
- (e) Communicate directly with the external auditors or any internal auditors.
- (f) Delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.
- (g) Approve the Company’s key accounting and finance policies.

