



Environmental,
Social, Governance

ESG Report

2024





Table of Contents

Introduction	3
What is ESG?	4
The World Economic Forum Framework	5
ESG Committee Overview	6
About urban-gro	8
ESG Approach	9
Environmental	10
Social	14
Governance	20
Upcoming	29

Introduction Letter

On behalf of urban-gro, Inc., it is my pleasure to present our inaugural Environmental, Social, and Governance (ESG) report. At urban-gro, maximizing shareholder value is a top priority, and we recognize the critical role that sustainable and responsible business practices play in shaping a resilient and prosperous future. This report reflects our commitment to transparency and the integration of ESG principles into our core business strategies.

In an era where businesses are increasingly evaluated not only for their financial performance but also for their impact on the environment, society, and governance structures, urban-gro is proud to embrace its role as a conscientious corporate citizen. This report is a testament to our dedication to making a positive contribution to the world around us.

Key Highlights of the report includes:

- 1. Environmental Stewardship:** Details on our efforts to minimize our ecological footprint, reduce carbon emissions, and promote sustainable resource management.
- 2. Social Responsibility:** Insights into our initiatives to foster diversity and inclusion, ensure the health and safety of our employees, and contribute to the well-being of the communities in which we operate.
- 3. Governance Practices:** An overview of our governance structures and policies aimed at maintaining ethical conduct, transparency, and effective oversight.

As we navigate the opportunities and challenges of the 21st century, urban-gro is committed to aligning its business practices with global sustainability goals and ethical standards. By sharing this ESG Report, we aim to provide stakeholders, investors, and the wider community with an understanding of our ESG priorities and the approach we are taking to create lasting value for all our stakeholders.

We invite you to review the details of our ESG initiatives and welcome any feedback or questions you may have. Let's work together to continue building a sustainable and responsible future.

Thank you for your ongoing support and partnership.



Bradley Natrass

Chairman of the Board and
Chief Executive Officer



David Hsu

Board Member, Chairman
ESG Committee

What is ESG?

ESG Refers to the Environmental, Social, and Governance Factors that Influence a Company’s Operations, Practices, and Performance

In this inaugural ESG report, urban-gro is not formally aligning to a specific framework, but rather, is using the World Economic Forum (WEF)’s Stakeholder Capitalism Metrics as a guide for our reporting. We recognize the evolutionary nature of ESG regulations and believe that the WEF’s framework based on the four pillar principles of Planet, People, Prosperity, and Governance serves as a sound baseline to guide our ESG journey.



Planet

We work with clients and stakeholders to responsibly manage natural resources and reduce Greenhouse Gas (GHG) emissions through sustainable design.



People

Tracking and reporting on Diversity, Equity, and Inclusion (DEI) initiatives like hiring practices, pay equity, and health and safety fosters a more inclusive and equitable workplace.



Prosperity

A commitment to supporting the social vitality of our communities paired with a spirit of innovation delivers against our goals for a prosperous future.



Governance

The definition of governance is evolving but the principles of agency, accountability, and stewardship continue to be vital for good governance.





The World Economic Forum (WEF) Framework

Straightforward, Globally Recognized Framework

As previously outlined, urban-gro is not formally aligning to a sustainability framework but is utilizing the WEF framework as a guide for reporting. In evaluating options, WEF presented as a notable option for several reasons, including:

Pathway to ISSB Standards: The WEF Stakeholder Capitalism Metrics (SCM) are seen as a “readiness tool” for reporting on the International Sustainability Standards Board’s (ISSB) inaugural standards—IFRS S1 and IFRS S2. By reporting on the WEF SCM now, urban-gro is establishing a pathway to transition to these standards in the future, if desired.

Global Application: Endorsed by the World Economic Forum, the WEF SCM are accepted internationally and are applicable across all industries and geographies.

Simplicity: The WEF SCM are designed to be easily understood and accessible for companies of all sizes, limiting undue reporting burden.

Interoperability: The WEF SCM incorporates insights from various other sustainability frameworks and guidelines, offering a consolidated set of guidelines informed by industry best practices.

Support for Risk Management: Unlike frameworks with limited scope, the WEF SCM inclusion of supply chain management can help identify and mitigate a broader range of ESG-related risks.



ESG Board Committee Overview

The decision to form urban-gro's Environmental, Social, and Governance (ESG) Board committee was driven by a recognition of the increasing importance of sustainable, ethical business practices, and responsible governance in the modern business landscape. The ESG Committee is a standing committee comprised of three independent Board members. In partnership with the urban-gro Board of Directors, the ESG committee aims to:

- 1. Strengthen the alignment of our corporate values:** The ESG committee reflects a commitment by urban-gro's leadership team to align business practices with our core values.
- 2. Align stakeholder expectations:** With accountability to a diverse set of stakeholders, including investors, clients, partners, employees, and communities, we understand the increasing prioritization of ESG considerations as we deliver overall value to our shareholders and stakeholders. The formation of this dedicated committee reflects our responsiveness to this expectation and commitment to transparency.
- 3. Manage risk:** We recognize that ESG-related issues can pose risks to business operations and reputation. urban-gro established this committee to systemically identify, assess, and manage these risks. This proactive approach helps safeguard against potential adverse impacts.
- 4. Compliance:** The complex and evolving regulatory landscape means that establishing an ESG committee helps us to stay informed of regulatory changes, ensure compliance, and mitigate risks.

ESG Board Committee Overview, Continued

5.

Support investor relations: It's understood that the influence of ESG factors on investment decisions is prevalent. The formation of a committee signals to the investor community that we understand this association and are committed to creating long-term value.
6.

Enhance the brand: ESG commitment and awareness is a key component of our brand identity. By forming a committee, we are demonstrating a strategic effort to enhance brand association with responsible business practices and corporate citizenship.
7.

Boost innovation and efficiency: Formation of the ESG committee serves to enhance the exploration and implementation of sustainable business practices which can lead to cost savings, improved resource efficiency, and competitive market advantage.
8.

Boost employee engagement: Commitment to ESG values resonates with our urban-gro employees who prioritize working for a socially responsible organization. It reinforces urban-gro's commitment to fostering a positive workplace culture, attracting top talent, and promoting employee engagement.
9.

Create long-term value: By committing to sustainable business practices, urban-gro aims to create enduring value for stakeholders through the integration of sustainability into our strategic goals.
10.

Adapt to changing trends: We acknowledge the importance of staying on the leading edge of evolving expectations. The formation of our ESG committee demonstrates a commitment to proactively addressing emerging trends in corporate responsibility.



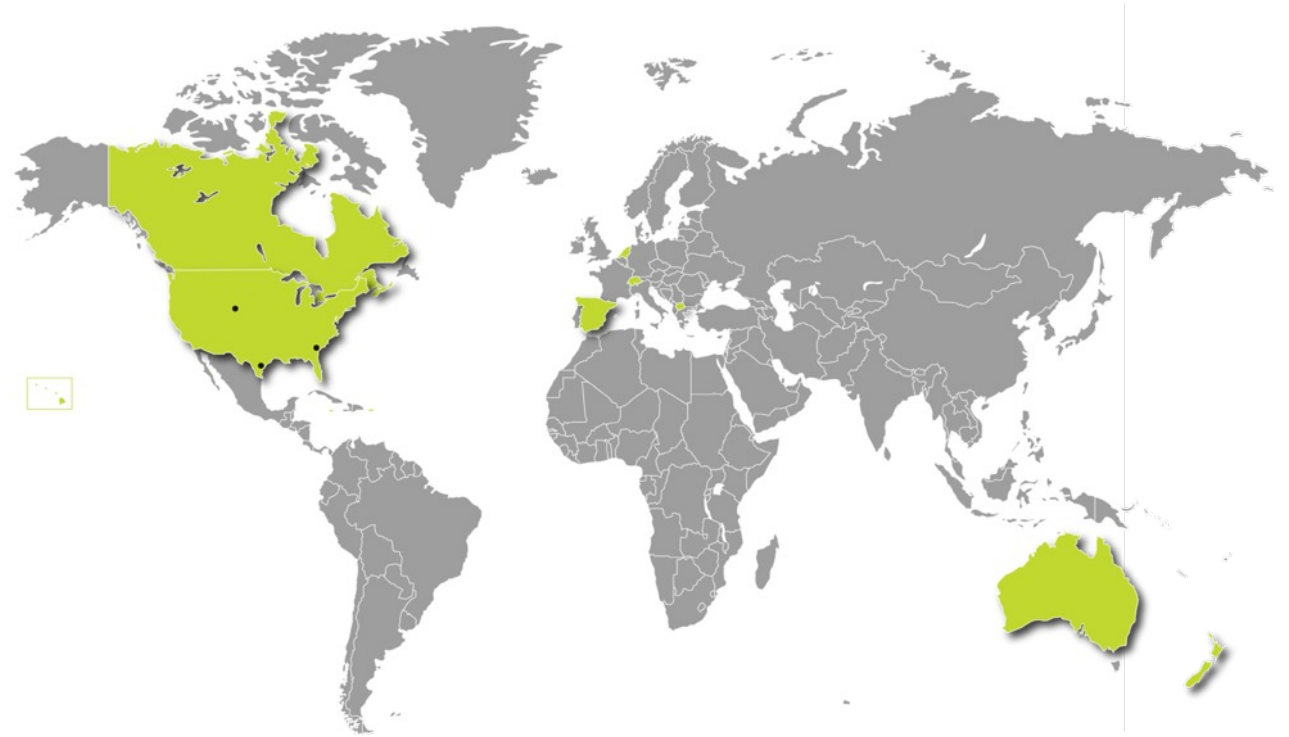


About Urban-Gro

urban-gro, Inc.® (Nasdaq: UGRO) is an integrated professional services and Design-Build firm. We offer value-added architectural, engineering, and construction management solutions to the Controlled Environment Agriculture (“CEA”), industrial, healthcare, and other commercial sectors.

Innovation, collaboration, and creativity drive our team to provide exceptional customer experiences. With offices across North America and in Europe, we deliver *Your Vision – Built.*

Learn more by visiting www.urban-gro.com.



Our Purpose

At urban-gro, our commitment to purposeful action is at the core of our operations. We believe that extraordinary product quality and client service can only be achieved through a genuine dedication to our vision and values. Our company culture revolves around several key principles, including a client-centric approach, a steadfast commitment to honoring our promises, fostering innovation, simplifying complexity, attracting top talent, and promoting a cohesive team spirit.

Our unwavering commitment to our clients and employees extends to the communities in which we operate. We actively seek opportunities to make a positive impact on at-risk populations by providing financial and in-kind donations to organizations dedicated to creating meaningful change.

Furthermore, by focusing our design-build approach on building optimization, we ensure that our solutions not only align with our clients' goals but contribute to a more sustainable future. We will continue to prioritize the efficiency and long-term performance of our best-in-class solutions to further demonstrate this commitment to sustainability.



ESG Approach

urban-gro has partnered with an ESG service provider to proactively embark on our corporate ESG journey. While we are not formally aligning to a specific framework, we are using the World Economic Forum (WEF)'s Stakeholder Capitalism Metrics as a guide for our reporting.

Much of the essential groundwork to achieve our ESG goals was begun in 2023 including:

- Formation of an ESG committee comprised of independent board members, with key internal stakeholders as advisors
- Creation of an ESG Committee Charter
- Launch of a Materiality Assessment to gauge stakeholder interests and priorities (employees, board members, investors, clients, and vendors surveyed)
- Completion of a Board Diversity Matrix
- Preparation of a Board Skills Matrix
- Incorporation of environmentally conscious in-office practices
- Revision of policies and practices guided by WEF framework
- Time and monetary donations to benefit our local communities

In 2024, we aim to continue building on this momentum by:

- Focusing our ESG initiatives and reporting on the material topics identified in our inaugural Materiality Assessment
- Further integrate ESG considerations into our overall business strategy
- Continue to engage and involve stakeholders and our local communities
- Roll out updated policies and practices
- Remain actively engaged in our communities
- Complete a board skills matrix



Environmental

Greenhouse Gas Emissions	11
Taskforce on Climate-Related Financial Disclosures (TCFD) Implementation	12
Land Use & Key Biodiversity Areas	12
Water Consumption	12
Recycling & Single-Use Plastics	13



Environmental

Greenhouse Gas (GHG) Emissions

At urban-gro, we aim to be a part of the solution to the climate challenge by helping our clients to improve the efficiency of their operations and reduce the carbon footprint of their production and distribution processes. Notably, we've worked with dozens of clients in the Controlled Environment Agriculture (CEA) sector to replace aging and inefficient equipment like lighting and HVAC. Accounting for approximately 38% and 51% respectively¹ of overall energy consumption in a CEA facility, lighting and HVAC system upgrades have a material impact on both the environmental footprint and Operating Expense (OpEx) of a facility. Integration or optimization of whole-building management systems further drives efficiency and cost savings by allowing operators greater control over energy consumption. Additionally, as a part of the retrofit process, urban-gro works with clients to identify and apply for eligible rebate programs and incentives.

Beyond helping to reduce our clients' footprints, we recognize the importance of measuring and reducing our carbon footprint as well. We have not yet begun measuring or reporting on our GHG emissions, largely due to our small size and the early nature of our operations; however, as we grow and add resources, or if the results of future stakeholder materiality assessments emphasize growing interest in this metric, we will further investigate regular GHG emissions monitoring and reporting.

¹Kowley, N. (2017) SWEEP, A Budding Opportunity: Energy Efficiency Best Practices for Cannabis Grow Operations



Environmental

Task Force on Climate-Related Financial Disclosures (TCFD) Implementation

As we consider conducting our first GHG inventory, we recognize the importance of aligning our reporting practices with internationally recognized standards. As a result, we are carefully considering the appropriateness of implementing the recommendations of the TCFD.

Given the recent announcement that monitoring responsibilities will transfer from the TCFD to the International Financial Reporting Standards (IFRS) Foundation in 2024, however, we are readily anticipating the changes that this transfer will have to climate-related reporting standards. Ultimately, we believe that waiting to see the results of this impending transfer will be the most effective path forward.

Land use and Key Biodiversity Areas

As an integrated professional services and construction Design-Build firm, urban-gro does not directly use land for purposes other than office and facility buildings. As none of these are located inside or close to any Key Biodiversity Areas (KBAs), we do not consider further disclosure on our land use to be material to the Company.

Water Consumption

We recognize that water is an incredibly valuable resource, and although we have yet to begin monitoring our water use, we attempt to limit the consumption of water both at the Company and in the CEA facilities that we help to create.

At the Company, water is primarily used for human consumption and plumbing and is not withdrawn at a level that would be considered a material impact on the local ecosystem. This is important to maintain given that according to the World Resource Institute’s Water Risk Atlas in 2023, three of our six office locations were situated in areas with a medium to high overall water risk, with the other three situated in a low to medium water risk area.

At the Controlled Environment Agriculture (CEA) level, we are aligned with industry best practices around CEA, which include a focus on water conservation and reuse. Complex Environment Systems for CEA include irrigation distribution and a complete line of water treatment and wastewater reclamation systems. Our solutions aim to improve the efficiency of these systems wherever possible.

Environmental

Recycling and Single-Use Plastics Reduction

urban-gro operates six offices around the world and we recognize the importance of environmental consciousness in these physical locations. Each of our offices follows a recycling protocol and provides reusable cups, dishes, and cutlery to reduce the waste caused by single-use items. These practices contribute to reducing environmental impact, conserving resources, and fostering an eco-friendlier workplace culture. Our recycling programs help to reduce the amount of waste generated in our offices and include paper, cardboard, plastic, glass, aluminum, and electronic waste.

Engaging employees in recycling also fosters a sense of environmental responsibility. In office kitchens, the reduction of single-use plastic decreases the damaging impact associated with their production and disposal. Despite an up-front investment, the use of reusable dishware is not only cost-effective; it improves employee well-being and health and affords the opportunity to further promote our brand image and enhance loyalty.





Social

Overview	15
Diversity & Inclusion	16
Wage Level	17
Pay Equality	17
Governance Body Composition	17
Health and Safety	18
Training Provided	18
Rate of Employment	19



Social Overview

We recognize the importance of a diverse workforce and the positive organizational impact of hiring and promoting from underrepresented communities. These priorities will be represented as we work to refine and grow our recruiting program in 2024. Other community impact and engagement include work with the following organizations:

Charities:

We are proud supporters of Teens for Food Justice ("TFFJ"), an organization that is catalyzing a youth-led movement to end food insecurity in one generation through high-capacity, school-based hydroponic farming. The urban-gro team was instrumental in the build-out and commissioning of the group's first in-classroom vertical farm in the Denver area. Our team donated time, horticultural expertise, financial support, and equipment procurement. Now fully functional, urban-gro horticulturalists and plant scientists provide quarterly check-ins and manpower support during school breaks to ensure that the farm remains efficient and productive. We are thrilled to support TFFJ and look forward to working with them in the future on other vertical farms.

Associations and Organizations:

We are currently members of good standing in several industry organizations and trade groups such as the Georgia City-County Management Association (GCMA), The Georgia Chapter of APPA (GAPPA), American Hort, Association for Vertical Farming, the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE), the National Cannabis Industry Association (NCIA), the National Cannabis Roundtable (NCR), and the Global Cannabis Network Collective (GCNC). Born out of the cannabis industry, NCIA and NCR are dedicated to sensible regulation, criminal justice reform, social equity, and community reinvestment.

Social

Diversity and Inclusion

At urban-gro, we believe that fostering a diverse and inclusive workplace is not only good corporate governance but a foundational pillar of our culture. We are committed to promoting an environment where all individuals are respected, valued, and empowered to reach their full potential, regardless of their background, identity, or experiences.

As part of this commitment to diversity, we have chosen to begin disclosing our employee gender demographics on an annual basis. Based on the self-reported data available, in 2023, we had a gender breakdown of 29.2% female and 70.8% male employees. Having recently upgraded our Human Resources software, we anticipate more robust reporting capability in 2024.

Currently, we are evaluating how to best establish a more formal diversity and inclusion policy or program within the Company to not only celebrate the differences in our current workforce but also ensure that diverse candidates are considered equally for future job openings. In the spirit of this commitment, the company introduced a ‘floating holiday’ in 2024 that allows each employee flexibility and choice when it comes to observing holidays. The introduction of the Floating Holiday aims to empower each of our team members to celebrate meaningful moments in a way that aligns with their values and beliefs. At urban-gro, we understand that the workplace reflects the world around us, and we want to ensure that everyone feels valued and respected.



Social

Wage Level

Our commitment to equitable compensation practices starts at the top. In 2023, our CEO earned 4.52 times the median salary of all employees at urban-gro. By maintaining a relatively low¹ CEO-to-employee pay ratio, we aim to set an example of responsible corporate governance, highlighting the importance of narrowing income disparities and creating a more equitable workforce.

Pay Equality

Our compensation philosophy is rooted in the principle of pay equality, which is not only core to our values but critical in recruiting and retaining a talented workforce.

Health and Safety

We recognize that our employees’ well-being extends beyond the workplace, and we are proud to provide all qualifying employees with the opportunity to participate in our tax-qualified 401(k) plan, with the Company matching dollar for dollar up to 4% of the employee’s salary. We do not publicly disclose other employee benefits currently.

Governance Body Composition

Board Composition: We have a strong and diverse Board made up of leaders from a variety of fields that help guide our overall efforts. We publish our Board Diversity Matrix on our website at ir.urban-gro.com as well as within our proxy materials each year.

urban-gro, Inc. Board Diversity Matrix as of May 1, 2023				
Total Number of Directors		6		
Part I: Gender Identity	Female	Male	Non-Binary	Undisclosed
Directors	2	4	0	0
Part II: Demographic Background				
African American or Black	0	0	0	0
Alaskan Native or Native American	0	0	0	0
Asian	1	1	0	0
Hispanic or Latinx	0	0	0	0
Native Hawaiian or Pacific Islander	0	0	0	0
White	1	3	0	0
Two or More Races or Ethnicities	0	0	0	0
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

¹CEO pay slightly declined in 2022: But it has soared 1,209.2% since 1978 compared with a 15.3% rise in typical workers’ pay. (n.d.). Economic Policy Institute. <https://www.epi.org/publication/ceo-pay-in-2022/>

Social

Health and Safety

As a professional services company offering Design-Build and services solutions with construction and warehouse facilities, we acknowledge that we are generally at an increased risk for health and safety concerns compared to a fully office-based company. To mitigate this risk, we have implemented measures to safeguard the health and well-being of our employees and other individuals involved in our operations.

As we reported in OSHA’s Form 300A, we had zero recordable injuries resulting in no days away from work in 2023.



Training Provided

We believe that our workforce is one of our most valuable assets, and, as a result, investing in employee training and development is an investment in the future of the Company. We are in the process of expanding our professional development training modules and will provide aggregated data on this when available. A list of the company-offered safety training programs in 2023 is outlined below.

Training Plan Summary			
Jan	HazCom	July	Heat Illness Prevention & Active Shooter
Feb	Blood Borne Pathogens	Aug	Hearing Conservation
Mar	Material Handling & Safe Lifting	Sept	Emergency Preparedness & Fire Prevention
April	Electrical Safety	Oct	Walking-Working Surfaces
May	Ergonomics	Nov	Incident Reporting & Hazard Recognition
June	PPE & Voluntary Respiratory Protection	Dec	Driving Safety/Winter Safety



Social

Rate of Employment

We understand that recruiting, motivating, and retaining talented and highly qualified employees and directors is critical to the Company's plans and ability to successfully operate our business.

In 2023, we employed an average of 188 employees. We are working to compile the data to report on the total number and rate of new employee hires and employee turnover so that we can better understand the dynamics of our employment rate.

One way that we demonstrate our commitment to recruiting and retaining the highest talent is through our competitive broad-based equity incentive program. Our compensation philosophy is weighted towards providing broad-based equity incentive awards, in addition to salary or wages, under the belief that this helps to retain employees and aligns their interests with those of the stockholders by allowing employees to participate in the longer-term success of the Company. We believe that equity awards motivate our employees to contribute to the Company's long-term success.



Governance

Overview	21
Governance Body Composition	23
Cybersecurity	24
Anti-Corruption Practices	26
Mechanisms to Protect Ethical Behavior	27
Integrating Risk and Opportunity into Business Process	28
Child, Forced, or Compulsory Labor	28

Governance Overview

We have several approaches we utilize to guide us for a successful governance program to ensure that our stakeholders’ best interests are acted upon:

Board Composition:

We have a strong and diverse Board made up of leaders from a variety of fields that help guide our overall efforts. We publish our Board Diversity Matrix on our website at ir.urban-gro.com as well as within our proxy materials each year.

We Currently Utilize Four Board Committees:

- **The Audit Committee** which is focused on internal controls, risk management, and multi-discipline oversight enabled by its charter and structure
- **The Compensation Committee** which is focused on compensation principles, policies, and practices for all employees
- **The Nominating and Corporate Governance Committee** which oversees the Company's corporate governance practices and procedures, as well as, recruits, nominates, and makes recommendations to retain Board members
- **The Environmental, Social, and Governance Committee**, recently created, which is overseeing the Company's approach to ESG practices and procedures



Governance Overview, Continued 1

Guiding Policies

In addition to the committee charters from our Board committees, we have a Code of Business Ethics and Conduct as well as documented policies related to Anti-Corruption / Code of Business Ethics, Whistleblower Policy and Hotline, Enterprise Risk Management, Independent Pay Consultant, and Insider Trading.

Board Committee Charters

[Audit Committee Charter](#)

[Compensation Committee Charter](#)

[ESG Committee Charter](#)

[Nominating and Corporate Governance Committee Charter](#)

Policies

[Code of Business Ethics and Conduct](#)

[Whistleblower Policy and Hotline](#)

Enterprise Risk Management (internal)

Independent Pay Consultant (internal)

Insider Trading (internal)





Governance

Governance Body Composition

Our business and affairs are managed under the direction of our Board, who we believe to provide an appropriate mix of experience and skills relevant to the size and nature of our business. As of February 1, 2024, the Board consists of six directors.

The biographies of these directors, including their tenure on the Board, other commitments, and the specific experience, attributes, and skills that qualified them for this position, are available in our definitive proxy statements as well as on our Investor website.

Diversity and inclusion are crucial in fostering a board that embraces the wide range of perspectives, backgrounds, and experiences necessary for robust decision-making in today's rapidly changing environment. Two of our six directors (33%) are women, and two of our six directors (33%) identify as belonging to an ethnic minority group. The gender identity and demographic background of our directors are reported annually in our SEC filings.

We will conduct a formal board skills matrix in 2024 but currently, we believe that our directors' biographies appropriately reflect their competencies and skills.

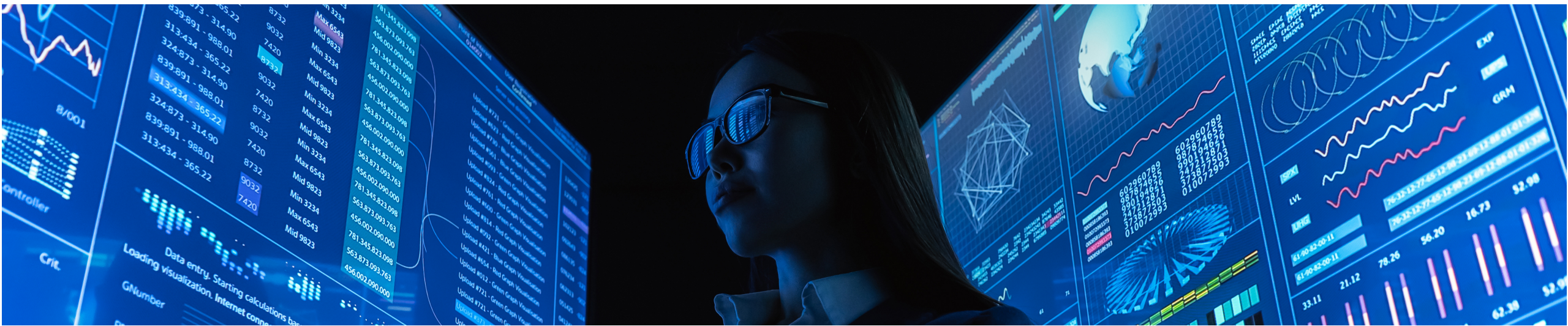
Beyond diversity, the Board recognizes the crucial role that independent directors play in enhancing corporate governance by ensuring accountability and effective oversight. The Board has determined that five of its six directors (83%) are independent as defined by the standards of Nasdaq.

Governance

Cybersecurity

We understand the material effects that cybersecurity has on our business operations and objectives. Various measures are in place to manage the risks of information technology systems damage, disruption, or unauthorized access including employee training, monitoring of systems and networks, maintenance of backup and protective systems, and use of modern endpoint detection and response tools. Operating in a fully cloud-based environment enhances scalability, flexibility, and resilience. Extensive backup and recovery procedures ensure the continuity of our operations in the event of a cyber incident. Third-party consultants support our internal team of technology experts to help preserve data integrity and infrastructure. Mandatory monthly training for all employees provides consistent, ongoing training to educate staff members on topics like breaches, scams, and other cybersecurity risks.

In 2023, we documented over 100 hours of company-wide training hours. Documented cybersecurity policies include requirements around Data Security, Email, Hardware and Software Compliance, Network Security, Password Policy, Patch Policy, Purchasing Policy, and Technology Disposal Policy. The regulatory environment related to information security, data protection, and privacy is increasingly demanding and complex. The secure operation of these information technology systems and networks, and the processing and maintenance of business-critical information, are essential to our operation and strategy execution.



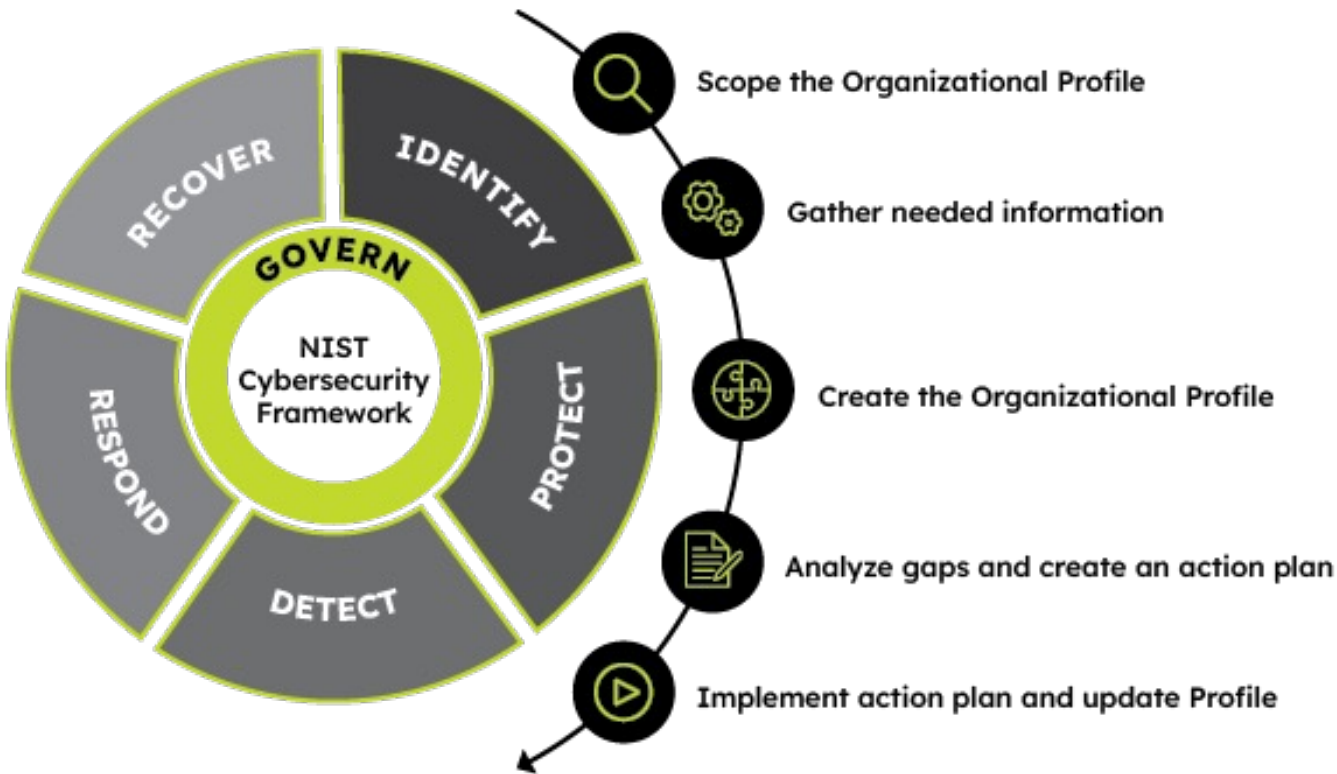
Governance

Cybersecurity – Tools and Strategies

- Internal and external Penetration (pen) testing is completed yearly using third-party consultants. Pen testing provides detailed information on actual, exploitable security threats. By performing pen testing, urban-gro can actively identify critical vulnerabilities and prioritize cybersecurity initiatives.
- Full real-time backups of critical infrastructure have been implemented in file versioning, plus a full nightly backup of all critical information stored in a third-party private cloud. Up to 52 versions of all files, sites, and emails are available.
- Full adoption of the National Institute of Standards and Technology (NIST) Cyber Security Framework 2.0, including scoring and testing tools. More on the NIST framework can be found [here](#).
- Creation of fully developed and reviewed incident, disaster recovery, and Cybersecurity response plans.

Cybersecurity – Employee Policies and Procedures Implemented

- | | |
|---|-----------------------------|
| •Acceptable Use Policy | •Network Security Policy |
| •Company Lifecycle Policy | •Password Policy |
| •Cyber Security Policy | •Purchase Policy |
| •Data Security Policy | •Patch Policy |
| •Email Policy | •Technology Disposal Policy |
| •Hardware and Software Configuration Policy | |



Governance

Anti-Corruption Practices

The Code of Business Ethics and Conduct (the “Code”) guides the ethical business conduct of all Company directors, employees, agents, consultants, contractors, and business partners. The Code is critical to the preservation and enhancement of the business reputation of urban-gro, Inc., and its wholly-owned subsidiaries.

The fundamental and nonnegotiable values and principles contained within the Code include respect for one another, our shareholders and the environment, and a commitment to the health and safety of employees, contractors, and the communities in which we work and live.

The Company’s General Legal Counsel, who also serves as the Company’s Compliance Officer, is available to provide advice and guidance on compliance with applicable laws and regulations and with Company policies and procedures that are designed to facilitate compliance.

We currently do not provide training on the Code but may consider doing so as our operations grow in scale. In 2023, we did not have any reported instances of corruption.



Governance

Mechanisms to Protect Ethical Behavior

To uphold our commitment to high standards of ethical, moral, and legal conduct, we strongly encourage anyone at or connected with the Company to report, in good faith, misconduct of any form without fear of retaliation.

We have established a Whistleblower Policy to outline the procedure for the submission of reports of alleged misconduct and the receipt, retention, and treatment of these reports. The Company’s Audit Committee is responsible for administering this policy.

Employees are encouraged to talk to their supervisors, managers, Human Resources, and other appropriate personnel to report suspected improper conduct. If they do not wish to report to these personnel (or have reported a concern and feel it was not properly acted upon), concerns may be submitted to the Chairperson of the Audit Committee, Chief Financial Officer, or Privacy Officer by mail via the addresses provided in the Whistleblower Policy.

Alternatively, or in addition, concerns may be submitted to the third-party independent compliance hotline provided to employees.

In addition to employees, any other third party, such as vendors, clients, stockholders, or competitors, may also report a good faith complaint regarding financial malpractice, impropriety, or fraud, including questionable accounting policies or practices, internal accounting controls or auditing matters or other non-compliance with or violation of law, rule, or regulation.

All correspondence may be done confidentially and anonymously. All complaints, regardless of how received, will be provided to the Chairperson of the Audit Committee who shall treat all complaints as outlined in the Whistleblower Policy.





Governance

Integrating Risk and Opportunity into Business Process

Understanding our company-specific risks and opportunities, and the Board’s onus to manage these risks and opportunities, provides insight into the current state of the Company. Our SEC filings outline the general risks that we have identified, as well as those related to our operations, our industry, and our common stock.

We are aware of the need to consider emerging non-traditional risks, including ESG risks, and have identified cybersecurity and climate change as risk factors for the Company. To address and integrate these risks into the company, we have developed internal policies for data protection, cyber security, IP protection, disaster recovery and business continuity, and risk mitigation overall.

We have not yet developed a formal process dedicated to evaluating opportunities available to the Company but are working to determine the most effective way to do so.

Child, Forced, or Compulsory Labor

At urban-gro, we oppose and condemn modern slavery and human trafficking in all its forms. We firmly believe that every individual has the right to live free from exploitation, oppression, and forced labor. As a responsible and ethical organization, we are committed to taking robust measures to prevent and eliminate modern slavery from our operations and supply chains.

As a responsible United States-based company, we understand that our operations may not be inherently at high risk for modern slavery due to the strict anti-slavery laws and regulations in the country. Still, our supply chains could face a modern slavery risk, and we need to prepare ourselves against this risk. As a result, we are editing our Code of Conduct to include a modern slavery statement and may consider adopting a formal modern slavery policy if relevant.



Upcoming

Materiality Assessment	30
Looking Ahead	32



Materiality Assessment

urban-gro's inaugural materiality assessment, launched in December 2023, marked a pivotal step in our commitment to ESG principles. Leveraging our ESG service provider's platform, we ran a double materiality assessment to identify and prioritize the most pressing ESG issues that impact our business, and that our business impacts.

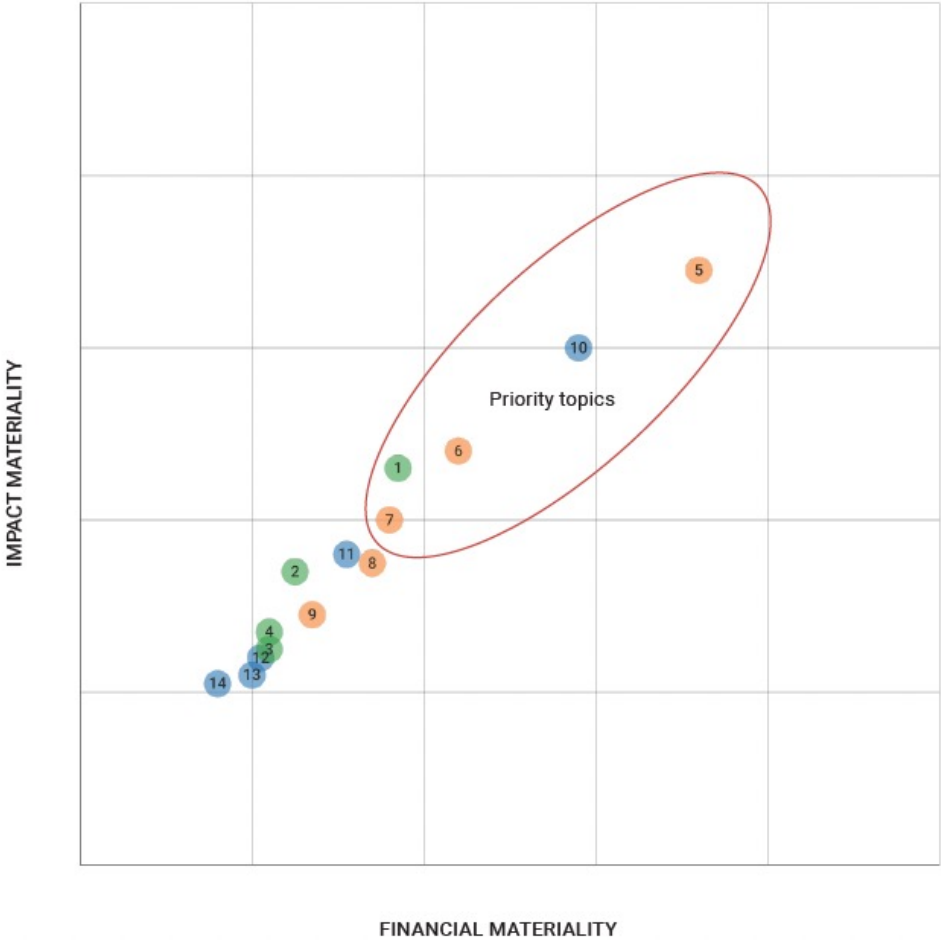
Through a web-based survey, we solicited input from both internal and external stakeholders, including employees, management, our Board of Directors, investors, and vendors. The weighted responses from these groups provided valuable insights into both the external factors influencing our operations and our internal impacts on the wider world.

The decision to conduct a double materiality assessment underscores our proactive approach in anticipation of evolving regulatory landscapes. The assessment revealed 14 material topics where our actions significantly affect the economy, people, and the environment, while also presenting substantial risks and opportunities for our business.

We are utilizing the data from the assessment to help inform our ESG approach and considerations. The top five topics identified by stakeholders are:

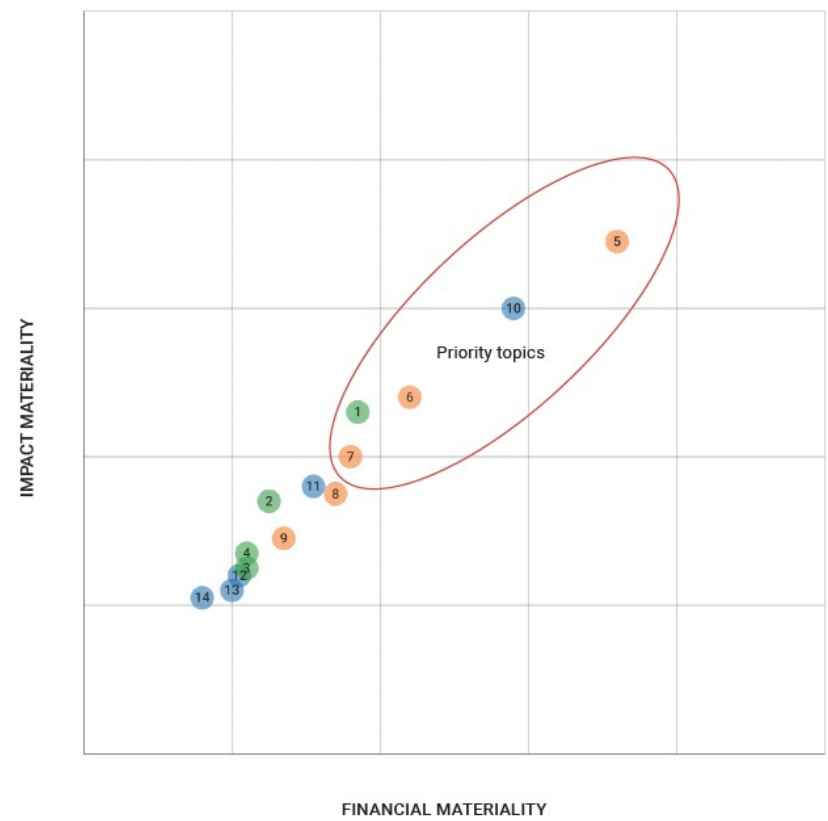
- 1. Data and Cybersecurity
- 2. Business Ethics
- 3. Diversity, Equity, and Inclusion (DEI)
- 4. Energy Management
- 5. Recruitment, Development, and Retention

Detailed Topic Descriptions Available in Appendix



Materiality Matrix

Illustration A. Materiality Assessment Matrix



1. Data and Cybersecurity: Ensuring the protection and integrity of digital systems and sensitive data against cyber threats and breaches.

- Safeguarding against cyber attacks through prevention, detection, and response mechanisms.
- Maintaining confidentiality and trust through robust security measures and ongoing training.
- Recognizing cybersecurity as critical for company survivability and stakeholder confidence.

2. Business Ethics: Managing risks associated with ethical conduct, avoiding fraud, corruption, and conflicts of interest.

- Upholding professional and ethical standards in all business interactions to maintain trust and market confidence.
- Acknowledging ethics as foundational to organizational success and long-term viability.
- Emphasizing ethical leadership and moral principles throughout the organization.

3. Diversity Equity and Inclusion (DEI): Fostering a diverse and inclusive workplace reflective of local talent pools and client diversity.

- Addressing discriminatory practices and valuing diverse perspectives for innovation and success.
- Recognizing DEI as vital for long-term growth, investor compliance, and workplace desirability.
- Committing to DEI initiatives led by top leadership and integrated into hiring, promotion, and cultural practices.

4. Energy Management: Managing energy consumption and environmental impacts, including efficiency and sustainable sources.

- Design and build with sustainability in mind by presenting clients with energy-efficient equipment and solutions.
- Understanding the value of energy management for cost savings and environmental stewardship.

5. Recruitment, Development, and Retention: Prioritizing employee engagement, diversity, and career development to enhance productivity and retention.

- Investing in talent recruitment, retention efforts, and leadership development programs.
- Balancing workforce flexibility with promoting internal talent and fostering long-term employee satisfaction.



Looking Ahead

In recognition of the importance of ESG factors in our business operations and given the importance to our stakeholders and the potential impacts on maximizing value to our shareholders, urban-gro is proactively establishing an ESG baseline to inform the prioritization of future initiatives and comply with the regulatory guidance and requirements issued by the Securities and Exchange Commission (SEC).

Based on the findings of the Materiality Assessment, we will work to develop strategies related to the Environmental, Social, and Governance topics deemed to be most material. These include Data and Cybersecurity, Business Ethics, DEI, Energy Management, and Recruitment / Development / Retention.

As a part of our ongoing commitment to improvement, we will foster a culture of innovation to address ESG opportunities. Through a transparent reporting framework aligned with our priorities, we will aim to maximize shareholder value, amplify positive impact, ensure long-term viability, and enhance our credibility and competitiveness in the evolving landscape of responsible investing.



Safe Harbor Statement

Except for historical information, all the statements, expectations, and assumptions contained in this presentation are forward-looking statements. Forward-looking statements include but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions, or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates, and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in documents that we file with the Securities and Exchange Commission. In addition, such statements could be affected by risks and uncertainties related to, among other things, our ability to effectively execute our ESG strategy. Any forward-looking statements speak only as of the date on which they are made, and except as may be required under applicable securities laws, we do not undertake any obligation to update any forward-looking statements.