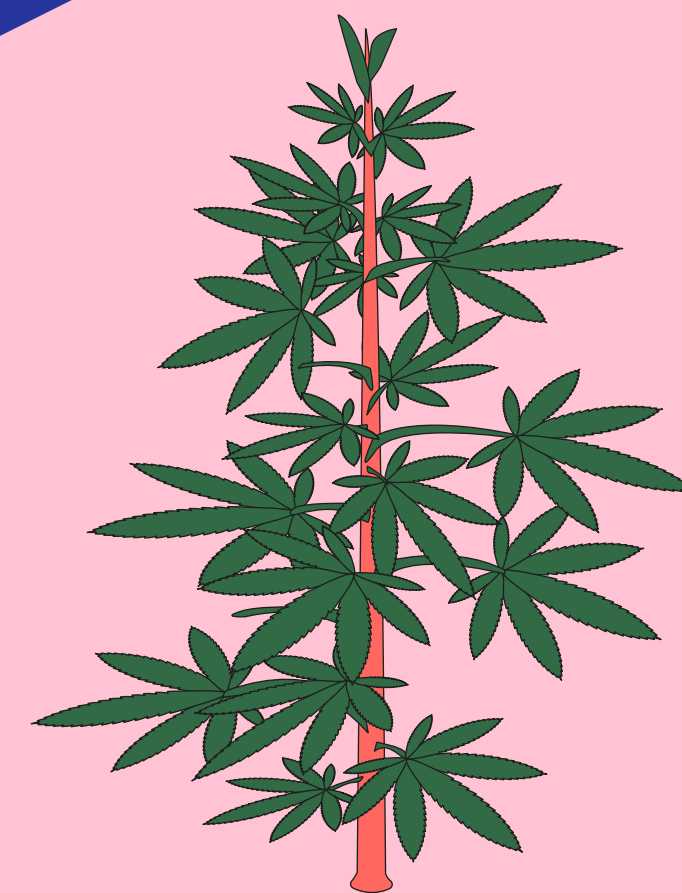
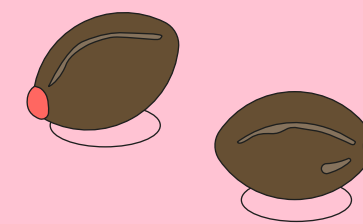
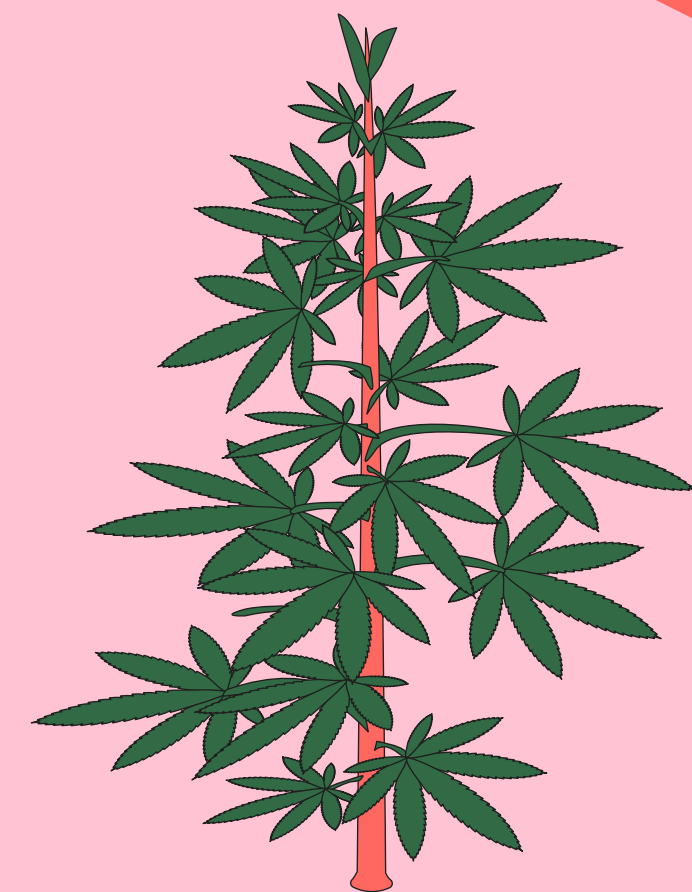
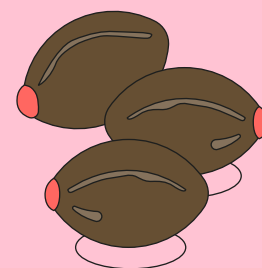


Recreational Europe

PUBLISHED BY FIRST WEDNESDAYS



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international

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CHAPTER THREE

Future Visions

Executive Summary

A Great Reprioritisation has happened in liberal democracies over the last decade. We've seen the 'liberalisation' of issues once deemed to be questions of morality become questions of evidence and equality.

With a brutal war currently waging within the borders of Europe, it feels strange to be writing about liberalisations and freedoms - but part of the shock of the war in Ukraine is the feeling that it bucks the progressive trend of the last 20 years.

Issues of right-to-die, abortion and gay marriage have won referendums, found a place in legislation, and changed the cultural landscape from Portugal and Ireland to Germany and the Netherlands, and previously stigmatised issues like sex and mental health have found a place in mainstream conversation. A theme of agency and bodily autonomy runs through these causes.

Policymakers and the public are now also edging towards a more progressive view on drugs, particularly when it comes to cannabis.

EUROPE'S TRAJECTORY

We produced 'Recreational Europe' to cut through the noise surrounding cannabis legalisation. The topic, once characterised by polarised viewpoints, is quickly becoming a more tame, bureaucratic conversation around civic priorities.

This once-hypothetical scenario is fast becoming a reality. Between 2017 and 2022 there were a number of notable reforms or pledges to reform across European nations. The Netherlands, Luxembourg, Germany, Switzerland and Malta are some we explore in detail in this report. European cannabis reform has become a question of how, not if. Now is the time to pay attention.

To explore the dynamics of European attitudes towards cannabis we've launched The European Cannabis Legalisation Tracker: The first ever nationally-representative, pan-European public opinion poll. We discovered that more than half of Europeans (55%) support legal cannabis sales to over 18s, and almost 30% of Europeans are interested in trying it. We aim to repeat

this poll annually to track public opinion against policy developments.

To understand the potential of this sector, from a social and entrepreneurial perspective, we analysed how legalisation has played out in the US and Canada. From small and imperfect first markets, multi-billion dollar industries have emerged.

What was once a conversation dominated by discussions about product diversion and youth access has become one of branding, data-driven insights, and the empowerment of those harmed by prohibition. Just as Colorado and Washington ushered in the first wave of US legalisation in 2012, New York is now setting the standard - putting minority business owners and entrepreneurs with cannabis-related criminal records to the front of the queue for licences. It took 10 years to get there. Hopefully Europe can get to that point faster.

HONEST CONVERSATIONS

At Hanway, our mission is to mainstream the cannabis sector. We're proud of the balanced work we publish and the debates we inspire. We believe that these conversations are best had in the open and backed by evidence, rather than in the dark or polarised by partisanship.

It is not often that you find corporations willing to have conversations about the pitfalls and challenges of a sector - and we're grateful to our sponsors Ince, Curaleaf International and Cansativa for obliging

our requests to get into the details of some of these issues.

Some of what we uncovered requires further investigation. Social justice polled low on the priorities of Europeans when it comes to legalisation. We have to ask ourselves why, and what we can do to change this.

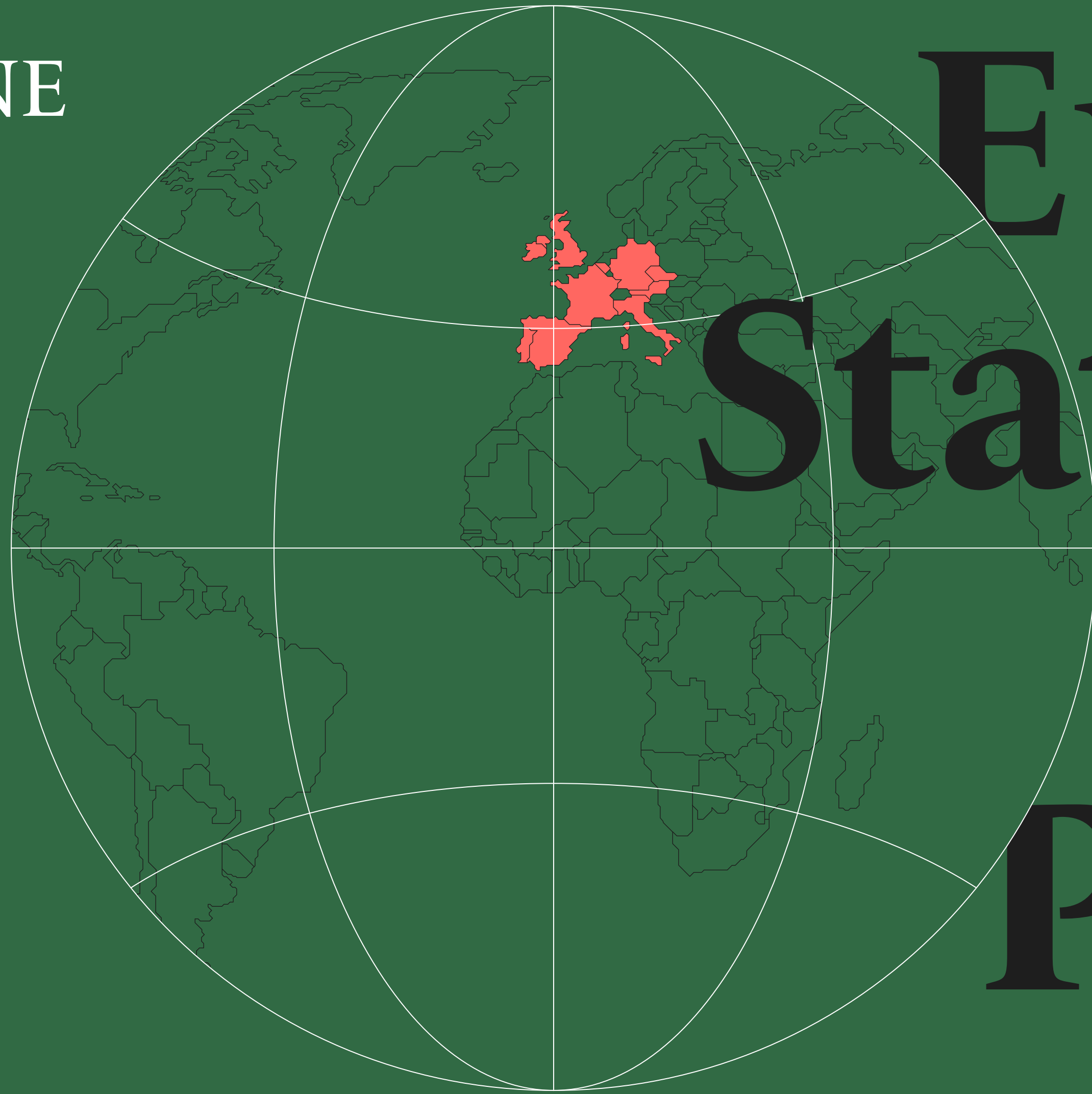
Not a single person we spoke to for this report was blasé about cannabis use, even when championing its positive personal and policy outcomes. Yes, excitement abounds, but the people leading this charge are by and large responsible and thoughtful people.

I conclude with an idea echoed throughout the report: Tolerance is the most important virtue one can tap into when approaching legalisation. Whether you support or oppose further reform, we all have to live alongside each other. A system that is too punitive or too lax only serves to hurt or isolate your neighbours.

Legalisation is a tool, not an end goal. It should look to create a society that is tolerable for those who love cannabis and those who despise it. We hope this report provides a framework for thinking about some of those elements less-discussed in Europe.

Alastair Moore
Founder of The Hanway Company

CHAPTER ONE



Europe State of Play

Introduction

What was once a theoretical idea is now becoming a reality across Europe. Since 2020, announcements that major economic forces are legalising or decriminalising adult recreational use of cannabis are taking place at a frequency that is impossible to ignore.

A wave of social liberalisation combined with landmark reforms over the past decade in the Americas has created the political impetus for policymakers to now discuss how, rather than if, reform should take place on this side of the Atlantic.

With a population of over 530 million, nearly 50% bigger than the combined populations of the US and Canada - the potential scale of the European recreational market is immense.

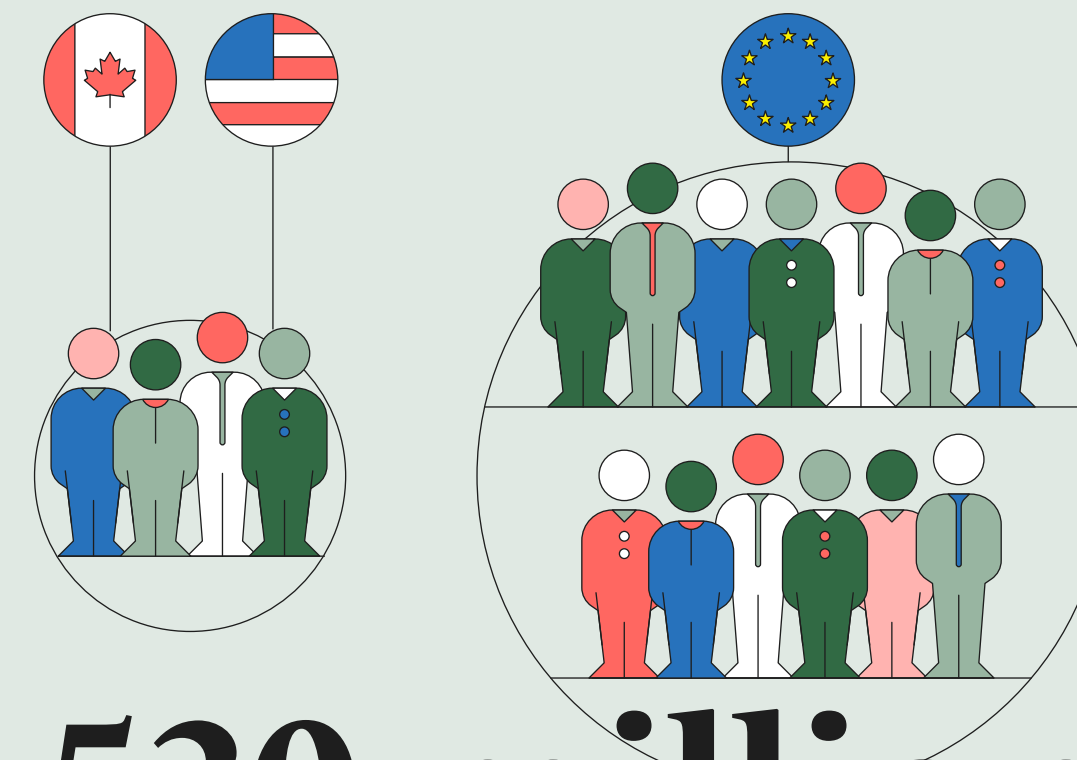
Public opinion has moved faster than policy, and it is now a common consensus among health and drug policy experts that prohibiting legal production and sale of cannabis creates needless risks to society and health. European nations have tried a vast range of tools to fight against the growing illicit market, with tough moral-

ity-based measures having limited impact on consumer demand levels and damaging communities.

Policymakers are in a strong position to learn from the failures and successes of their peers, and Europe is an ideal test bed to implement evidence-based approaches. After decades of policies focused on aggressive criminalisation, prominent European jurisdictions are beginning to move towards alternative solutions – as evidenced by the scientific trials, time-limited pilots, and new legislation appearing across the continent.



Europeans support legalising cannabis sales to over-18s. First Wednesdays nationally representative survey of Germany, France, UK Spain, Italy, Netherlands, Portugal and Switzerland

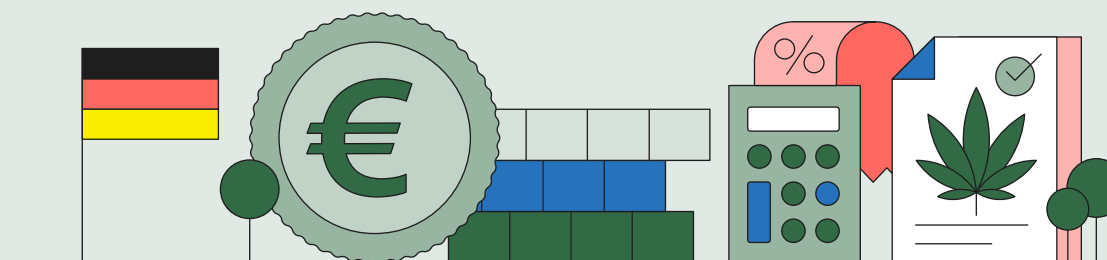


530 million

With a core European population of more than **530m** - nearly 1.5x the combined population of the US and Canada - the potential scale of the European recreational market is immense.



10 commercial production licences available in the Dutch coffee shop experiment

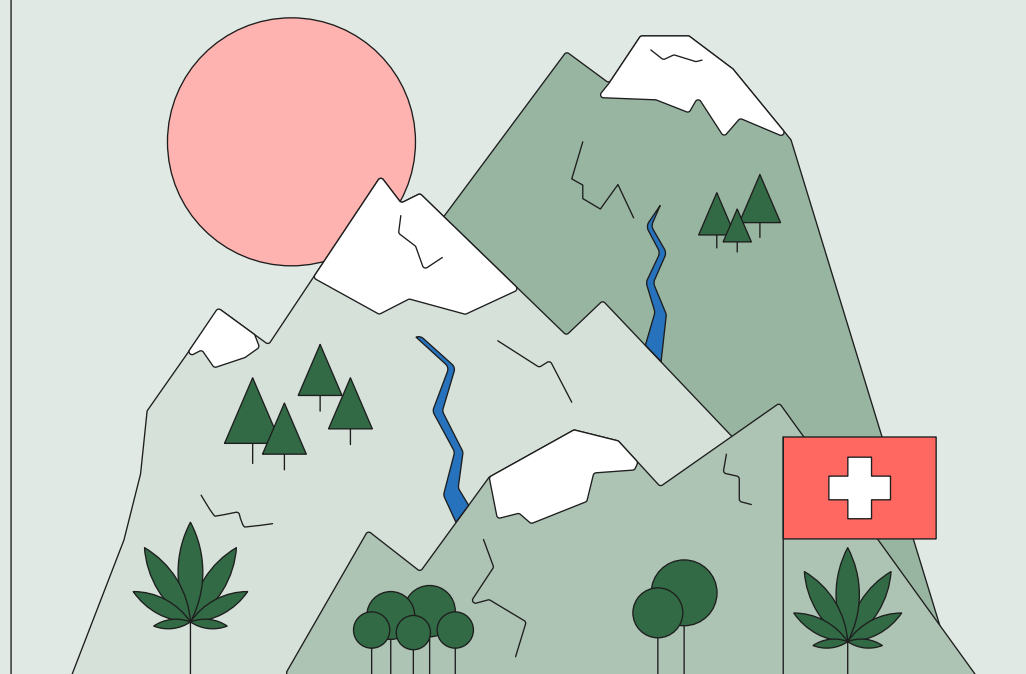


€4.7 billion

Legalisation in Germany could generate **€4.7 billion** from tax revenue and cost savings

“ We're seeing more and more politicians and regulators looking at this as an opportunity. Not just an economic opportunity, but an opportunity to combat the illicit market and to right the mistakes that were made throughout decades of prohibition.

ANTONIO COSTANZO,
CEO at Curaleaf International



Pilot trials in Switzerland are a sandbox for generating recreational consumer data in a highly regulated European country

Models of Control

Cannabis reform encompasses a wide spectrum, with a range of terms that are often used interchangeably. While there are no ‘universal’ definitions of the following concepts, it is helpful to consider both how cannabis is controlled today (from prohibition through to legalisation), as well as the different models of regulation possible within legal cannabis markets.

Some country examples have been given to illustrate the different models, but categorisation is not always clear-cut: The UK, for example, ranges from enforced prohibition to de facto decriminalisation depending on the region and political, police and court priorities.

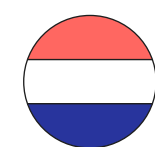
49%

Europeans agree that there should not be criminal penalties for personal cannabis use



Sweden

Prohibition: The default model of cannabis control across most countries. Criminal sanctions apply to a range of activities relating to cannabis possession, cultivation and supply, and are routinely enforced.

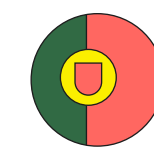


Netherlands

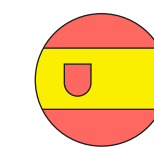


Germany

Depenalisation: A scenario where an action is considered criminal, yet is no longer usually punished. Criminal cases may simply be closed without formal punishment, or decided that it is not in the public interest to prosecute. Initiatives such as diversion, where a police force may decide to refer someone caught with cannabis to a drug education course rather than press criminal charges, are a form of depenalisation.



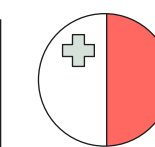
Portugal



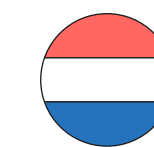
Spain

Decriminalisation: This typically refers to the removal of criminal status from an act. With decriminalisation, the act is still considered unlawful, and other penalties and sanctions can still be given (such as drug confiscation, fines, or mandatory drug education) - but criminal penalties are not applied. An analogy can be drawn with parking fines - a punishment given because an offence was committed, but one that is not criminal in nature.

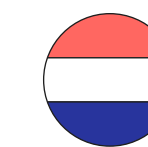
Usually cannabis decriminalisation is applied to possession of small amounts of cannabis for personal or cultivation at home, rather than larger-scale production or supply. Some threshold is usually applied to determine the point at which criminal sanctions start to apply.



Malta



Luxembourg



Netherlands

Legalisation: Legalisation entails making a previously unlawful activity legal. In the context of cannabis, this typically involves removing legal restrictions relating to both production and possession.

In practice, cannabis legalisation also establishes parameters as to what activities and/or products are legal, as well as conditions on who can produce or access them and how. Sanctions, both criminal and non-criminal, can be imposed on companies and individuals who undertake activities outside of that for which the legal framework allows.

Choice of Terminology

There is plenty of industry debate on the most accurate or appropriate terminology to use when discussing cannabis. A brief outline of the terminology used by First Wednesdays in this report:

'RECREATIONAL' VS 'ADULT-USE' CANNABIS:

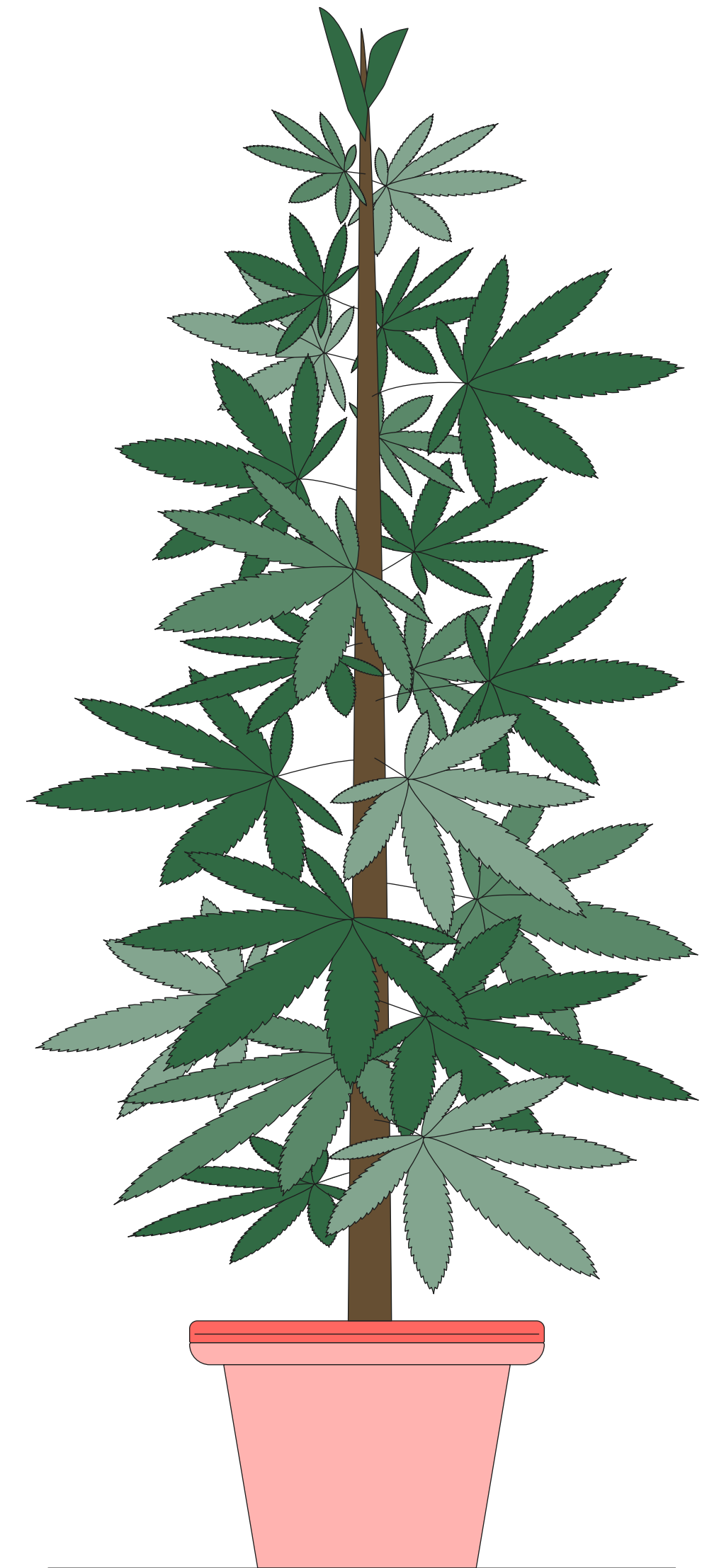
- The use of **'adult use'** as an alternative term for **'recreational'** cannabis has grown in popularity, predominantly across North America. Advocates suggest that the term is more 'neutral' in tone while emphasising the age-gated nature of sales, and reflects a broader set of use cases (e.g. to help with sleep or anxiety) than 'recreational' implies.
- In Europe, meaningful discussion around cannabis is still in its infancy. The term 'recreational' is much more broadly used and understood, while the meaning of 'adult-use' may not be clear to some. Given the European focus of this report and the desire to make it accessible to all

readers, we have opted to use the term 'recreational cannabis' rather than 'adult-use' throughout.

- A further reason for this decision is First Wednesday's belief that cannabis use is more than simply a public health issue that requires management. We believe that legal and properly-regulated access to cannabis can provide safe and responsible enjoyment to those who use it, and can support wider social benefits, to the benefit of those who consume and those who don't alike. For that reason, rather than seek to 'destigmatise' cannabis use with alternative terminology, we embrace the term 'recreational' and the pursuit of leisure and pleasure that it implies.

'VARIETIES' VS 'CULTIVARS' VS 'STRAINS':

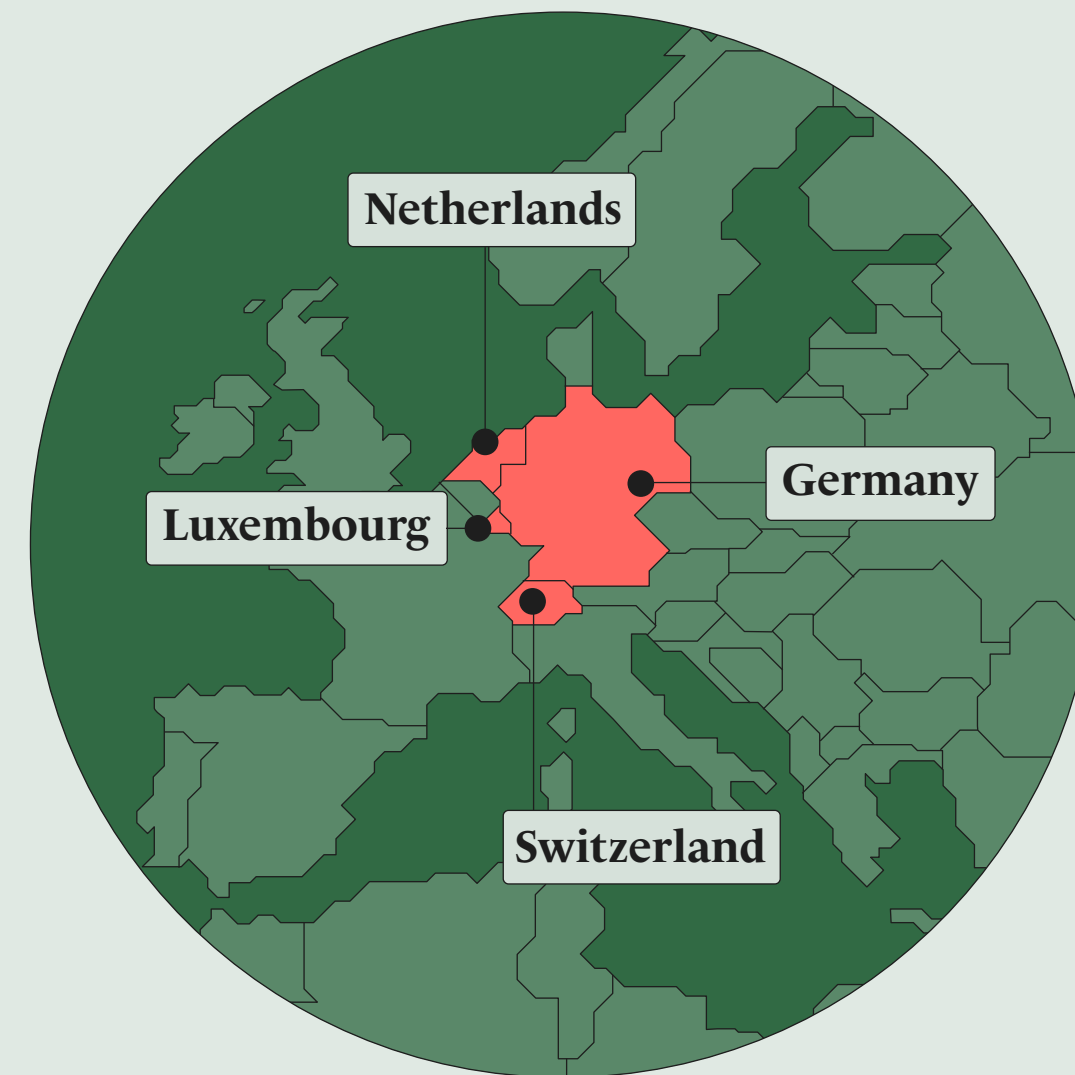
- Multiple terms are available to describe cannabis varieties, which are often used interchangeably in non-technical settings and with overlapping definitions.
- **'Strains'** is commonly understood by the layman, but is not technically correct. A 'strain' refers to a genetic variant within a microorganism, but is not often used to describe plants.
- **'Cultivars'** refers to 'cultivated varieties', which have been purposefully selected and developed by humans for their characteristics, such as hybrids.
- **'Varieties'** is a less specific term that refers to naturally-occurring landrace varieties as well as 'cultivated varieties'.
- For consistency and ease of understanding, we have used the term 'variety' throughout the report.



On the Ground

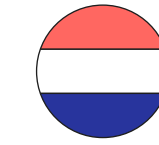
This chapter explores the countries that are implementing recreational reform right now in Europe, examining the current state of play in four European hotspots. Looking through a political, logistical and commercial lens, we uncover the country-specific catalysts that led to landmark change, and paint a picture of how the markets are likely to function.

Over the same time frame of analysis, a number of important reforms have been achieved in Europe's medical and hemp sectors. Aside from where policy is closely linked, these developments are not covered in this report.



Netherlands

On the Ground



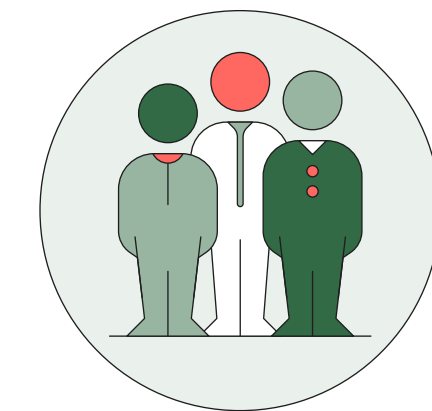
Deep roots of Europe's legacy cannabis market can be found in the Netherlands. A quasi-legal recreational market has existed in the horticultural capital since the mid 1970s, and Amsterdam is globally recognised as the cannabis tourist hub of Europe - although recently contested by Barcelona's social club scene.

The sale and on-site consumption of cannabis in coffeeshops is permitted, but not technically legal - falling under 'gedoogbeleid', a formal tolerance policy. Estimates place annual revenues from the country's coffeeshops at around €1 billion, with €400 million contributed each year in taxes to the treasury.

The origins of reform in the Netherlands trace back to an influential change in policy in 1976 that differentiated 'soft' and 'hard' drugs. The measure was intended to separate the cannabis market to prevent users coming in contact with hard drugs through the illicit market. The policy worked by its own measure of success, as the number of new hard drug users fell - and a thriving decriminalised consumer cannabis market

began to scale up over the following decades.

Despite its head start, no legally-produced recreational cannabis has yet been sold in the Netherlands and the country is still grappling with how to balance supply and demand with wider societal concerns. The tolerance policy has facilitated crime in the Netherlands and encouraged illicit production due to the backdoor problem, where sales are tolerated but production remains a criminal and policed offence.

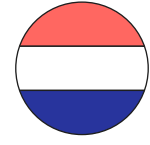


45-54

Dutch age group most in favour of legalisation

Netherlands

On the Ground



Criminal prosecutions for money laundering and large scale raids on producers clog up the justice system, while consumers remain unable to purchase safe, regulated products. Lack of control over product safety is a particular health risk as medical cannabis patients in the Netherlands receive no health care reimbursement and pay for prescriptions out of pocket, so many patients turn to coffeeshops for supply.

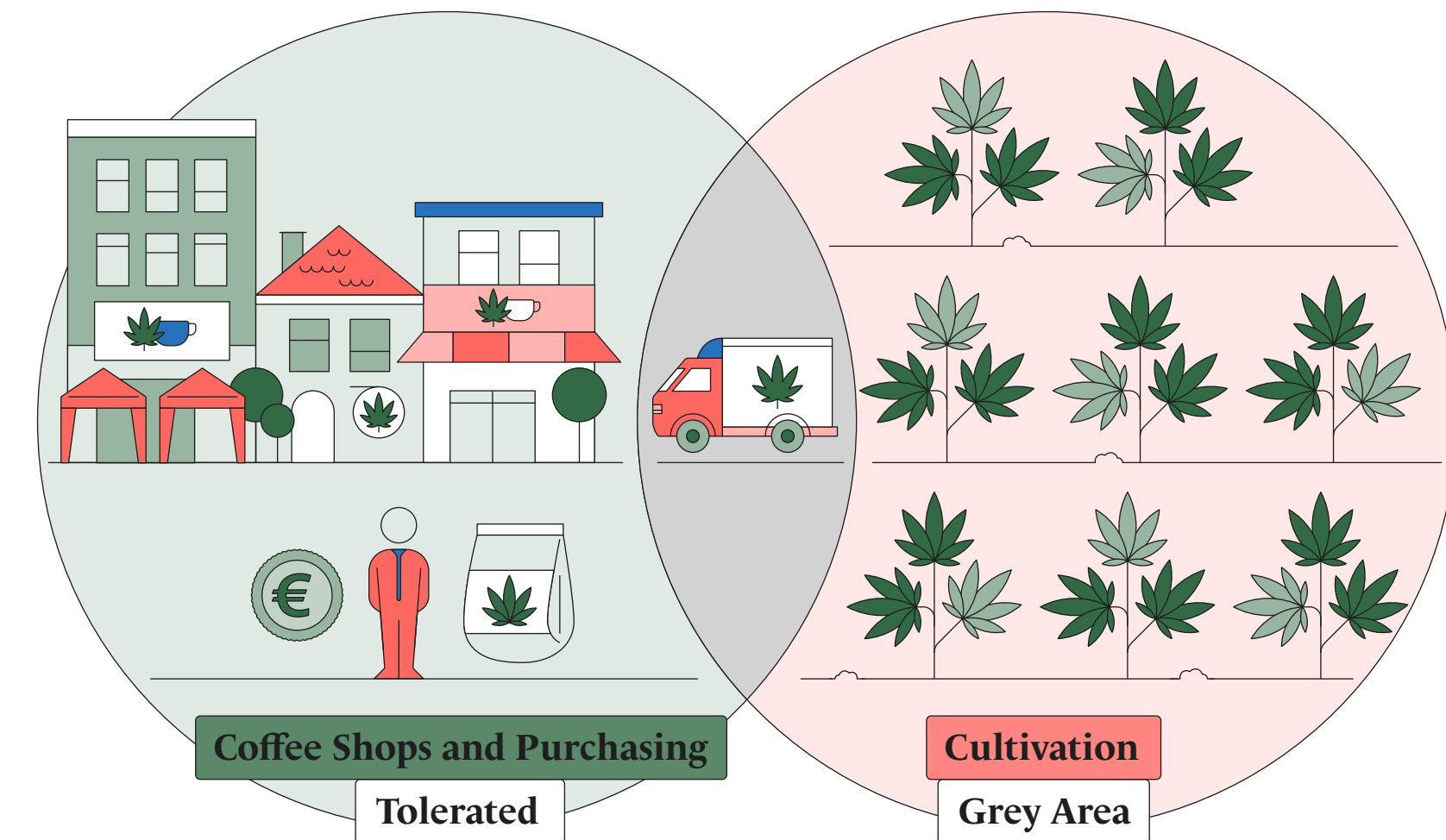
Attempts to curb excess tourism have been trialled through bans on non-resident access - a 'weed pass' scheme was trialled and dropped in 2012 that intended to transition coffeeshops into closed clubs with registered members. Since 2013, coffeeshops can only be legally used by Dutch residents, although implementation and enforcement of this policy differs by municipality. Cities from Maastricht to Den Bosch have banned tourists from their coffeeshops due to heavy traffic from neighbouring countries.

Following years of pressure at municipal

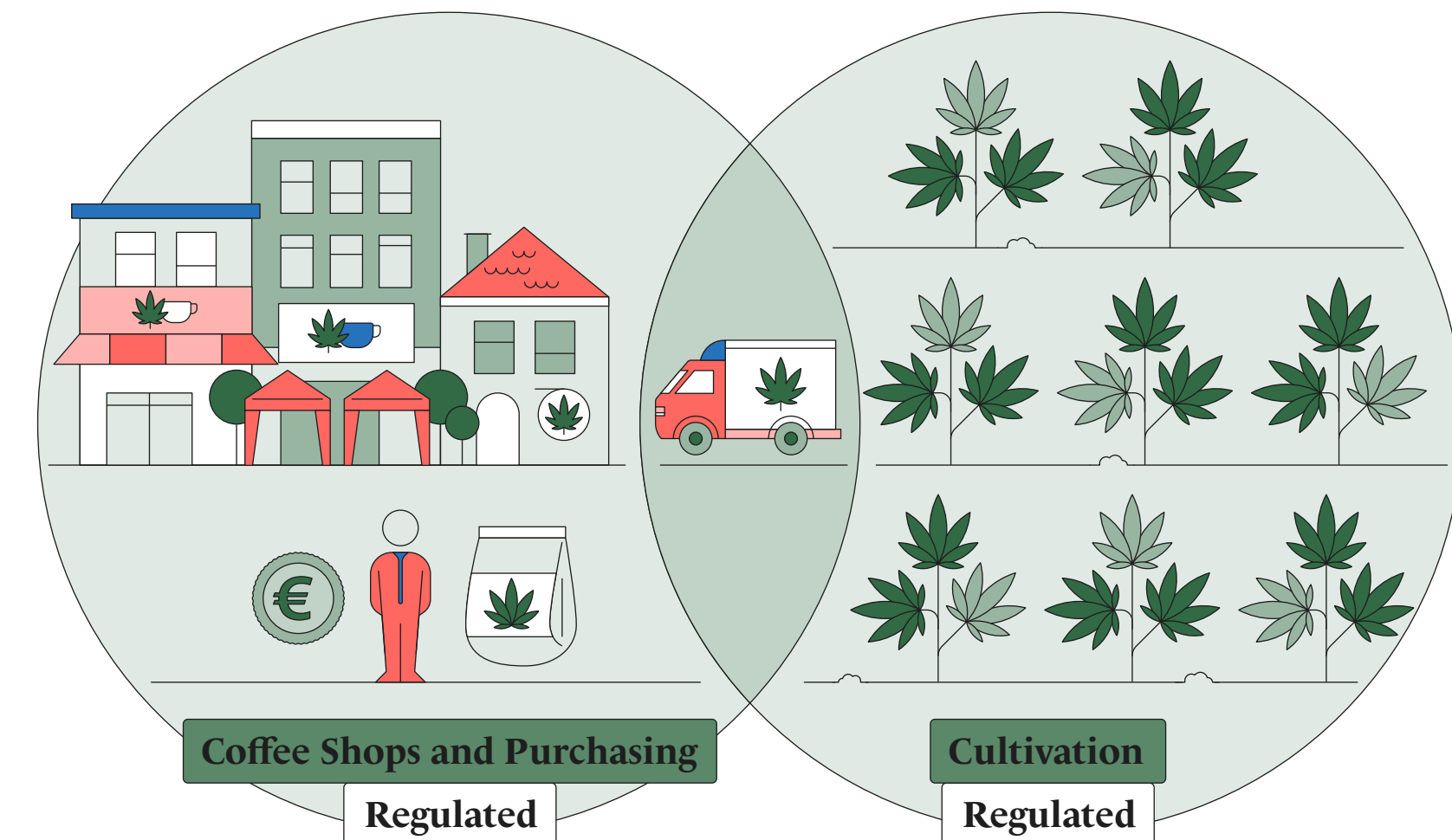
levels, a national plan was implemented to explore a legal solution to the backdoor problem - the 'Closed Coffeeshop Circuit Act' was passed by parliament in 2017 to licence the production of cannabis on a limited trial basis. Despite the societal hazards of facilitating organised crime, the measure was a contentious move and passed by a narrow 77 - 72 majority. The experiment is set to last for four years, when its results will be evaluated to inform national policies.

Ten companies were awarded provisional commercial cultivation licences through a competitive government tender by the Ministry of Public Health. 147 applications were received from aspiring producers, which the government narrowed down to 51 candidates. The final ten were selected by a lottery draw. Out of the Netherlands' 570 coffeeshops, the ten producers will be able to serve around 74 stores located across participating municipalities, while illicit supply will be retained in non-participating coffeeshops for comparison.

OUTSIDE OF EXPERIMENT

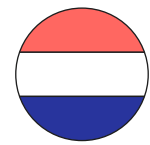


INSIDE OF EXPERIMENT



Netherlands

On the Ground



The licensed producers must pass the Government's screening process, known as the 'Bibob', and guarantee they have an annual production capacity of 6,500 kg, based on the government's demand projections. Official estimates assume an average turnover of 1 kilogram per coffeeshop per day, of which 20% is hashish, making up a total 56 tonnes of cannabis per year for the experiment.

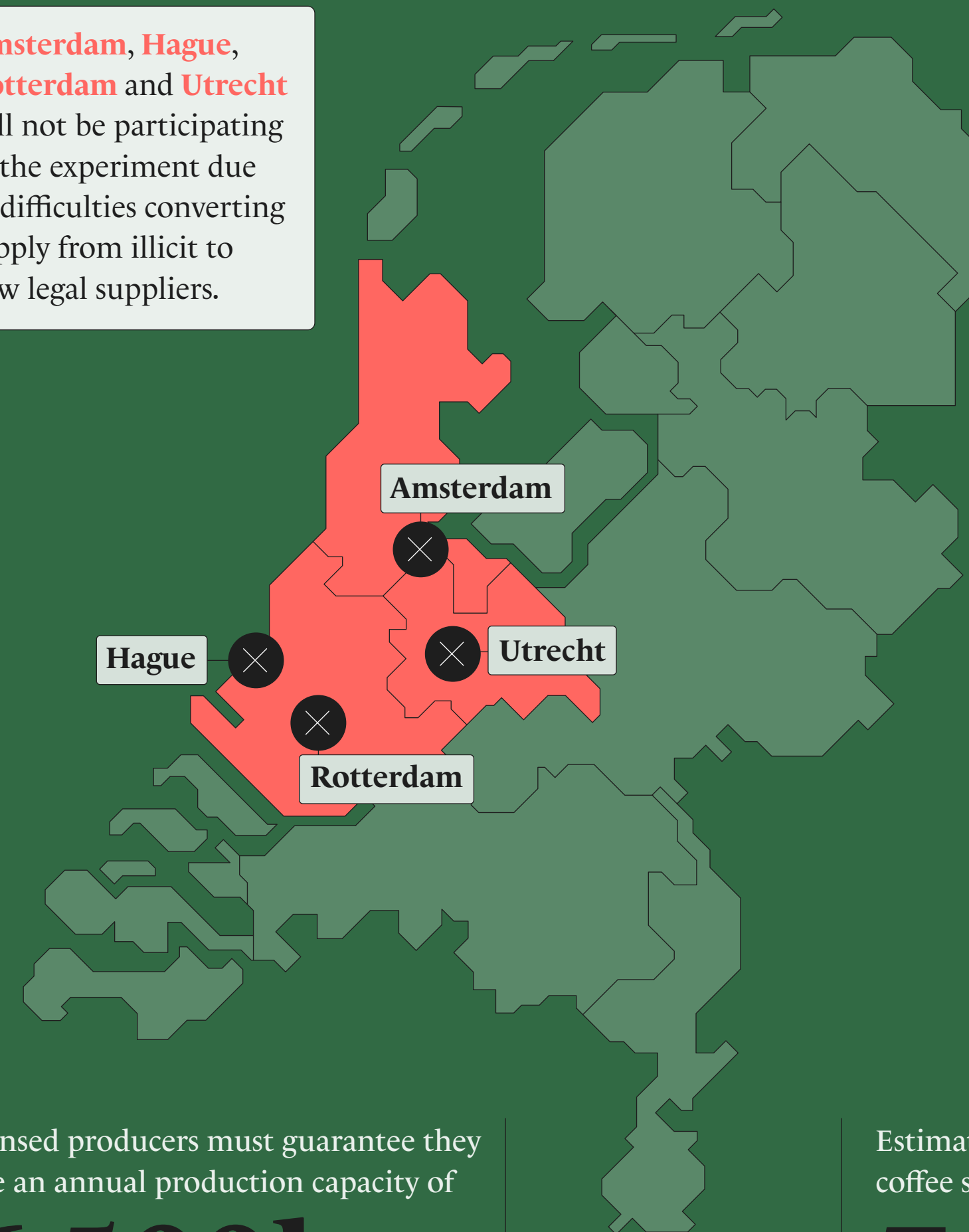
The highest concentration of coffeeshops and levels of demand are found in cities. Amsterdam alone is home to around 30% of coffeeshops nationwide according to 2021 data from the Ministry of Public Health. However, the cities of Amsterdam, the Hague, Rotterdam and Utrecht will not be participating in the experiment due to difficulties converting supply from illicit to new legal suppliers - despite being major hubs for cannabis tourism.

A four-party coalition agreement published in December 2021 announced that the experiment would be expanded to cover another major city. Unconfirmed rumours of expansion include possible expansion to all municipalities in the country, and extension of the length of the experiment to 6 years.

“ A properly regulated cannabis industry has many benefits. It can provide product quality and transparency, economic relief and prosperity and enables consumers to make educated and informed decisions.

LISA HAAG, *Founder and CEO of M7 Universe*

Amsterdam, Hague, Rotterdam and Utrecht will not be participating in the experiment due to difficulties converting supply from illicit to new legal suppliers.



'Closed Coffeeshop Circuit Act' passed by parliament in 2017 to licence the production of cannabis on a limited trial basis.

Licensed producers must guarantee they have an annual production capacity of

6,500kg

Estimated number of coffee shops taking part

74/570

Experiment duration

4 years

Licences awarded

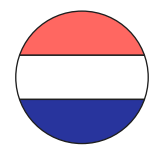
10

Original applications

147

Netherlands

On the Ground



Much like early legal markets in North America, the Netherlands has several teething issues to overcome in the move from legacy to legal supply.

MEETING CONSUMER DEMAND

Coffeeshops and their consumers are accustomed to accessing a wide set of varieties from global origins - ranging from Dutch grown varieties, hashish imported from nearby Morocco, flower shipped over from Spain's thriving grey market, and coveted 'Cali' imports.

The legal experiment suppliers can each supply only 5 varieties, so coffeeshops and suppliers will need to collaborate to make sure the selection is broad enough to encourage consumers to switch from the illicit market. Given that hash represents around 30% of Dutch cannabis consumption, ensuring that hash consumers are accounted for in a legal market is essential.

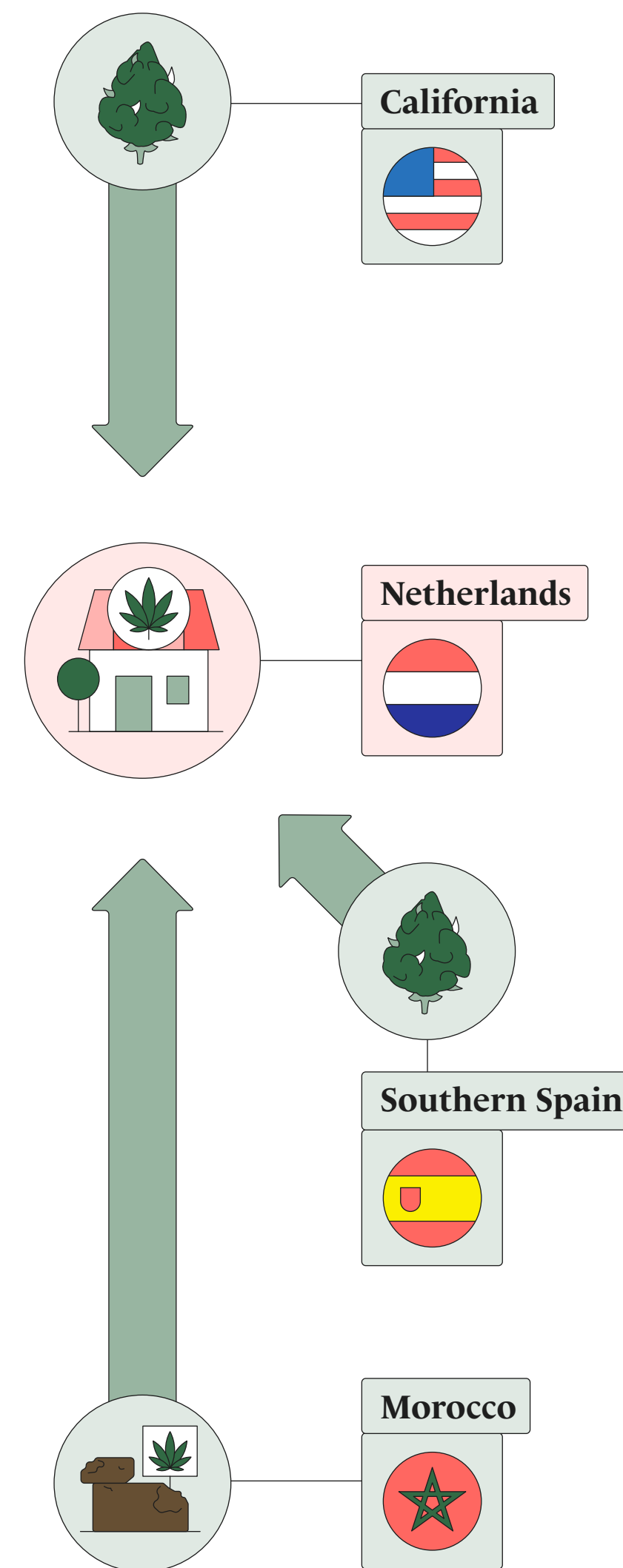
North American brands are planting the seeds of consumer recognition in the

Netherlands. Both Aurora and Village Farms have a stake in the legal coffeeshop experiment from investment into licence holders.

Other recreational brands have tapped into European illicit demand by selling packaging or shipping product illegally. We have heard that surplus legal product from the US is being exported and sold through coffeeshops and Spain's social clubs - for reportedly up to five to ten times the price per kilo than in domestic markets.

We spoke to Felipe Molina, Managing Director at Paradise Seeds, a genetics and brand specialist with deep experience in highly regulated sectors. Felipe is working with licence holders to supply starting material and stabilise their genetics for the experiment. He told us about the shifts he has seen in consumer trends:

SOURCES OF SUPPLY

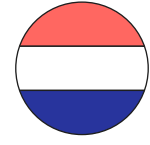


☘ Fifteen years ago, European seed banks were the holy grail of cannabis, but the US is now responsible for the biggest consumer trends in terms of genetics. The most popular strains now originate from US R&D hubs - from Gelato and Zkittles to Runtz - while a lack of innovation is holding back Dutch genetics. A broader understanding of R&D will allow for genetics to be developed for specialised purposes, such as for extraction or home growing.

FELIPE MOLINA,
Managing Director at Paradise Seeds

Netherlands

On the Ground



BECOMING OPERATIONAL

Building a legal recreational supply chain from the ground up requires coordination of multiple components - from fundraising and background checking procedures, to infrastructure and facility kit-outs, to hiring the right master growers and sales teams.

Raising capital to finance large scale facilities has been challenging for many operators - partially due to the Proceeds of Crime Act preventing UK investment in recreational assets, and longer payback periods on investment. Doubts also exist around the ability for the licensed producers to meet the government's sales projections, with a slimmer selection of products on offer and lower traffic in participating coffeeshops than in major cities.

The 'Bibob' process is still underway for several licence holders - an official inves-

tigation to prevent licences being granted to proprietors with links to criminal organisations. Applicants associated with coffeeshops have been well accustomed to the process due to annual audits on store owners, but the process has been longer for those coming from traditional agriculture or horticultural industries without the necessary paperwork.

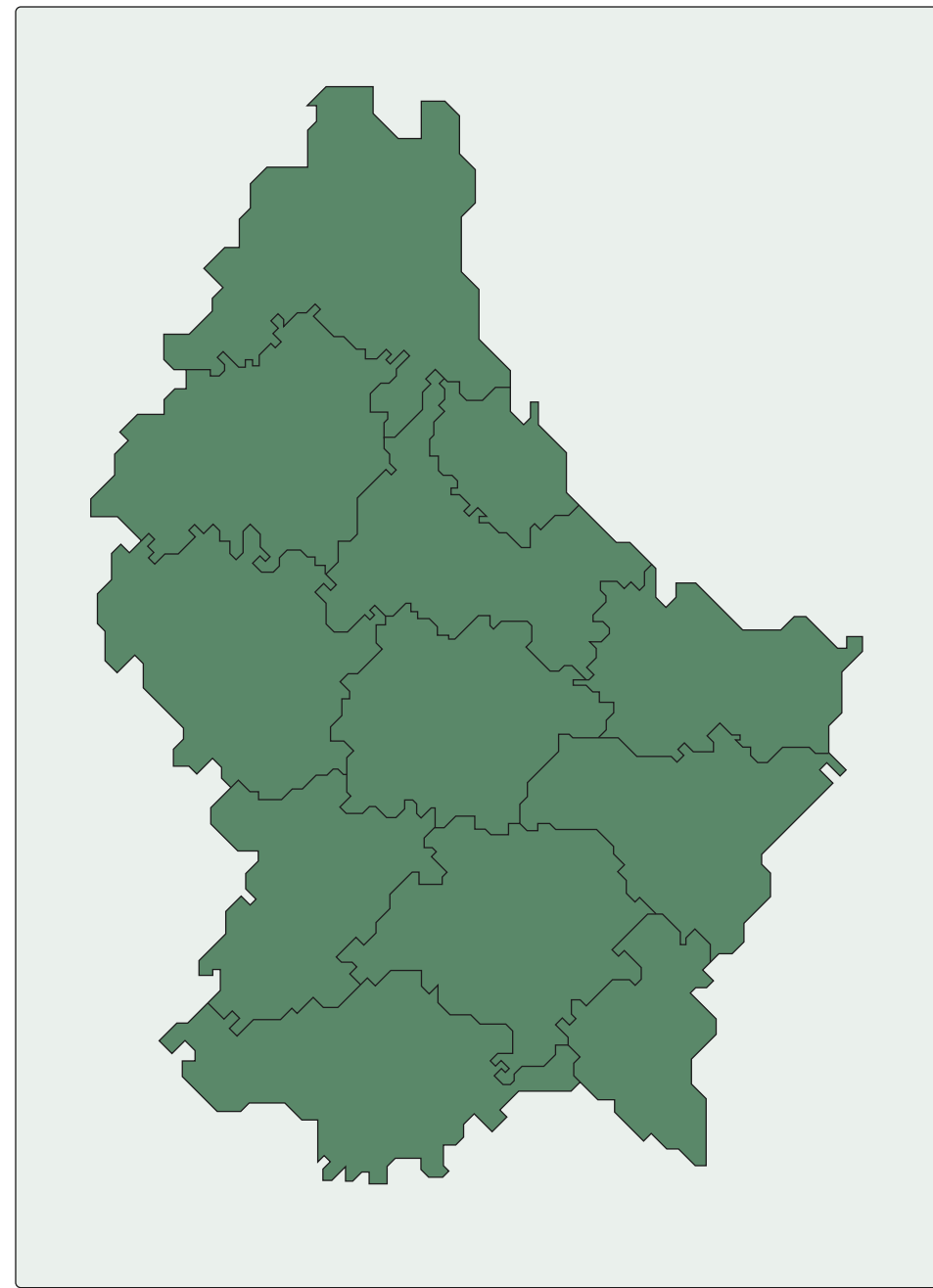
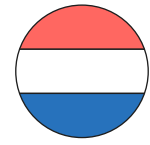
Despite the hurdles left to tackle, the grounds for nationwide legal recreational access are being set in the Netherlands. The government's appointed advisory group, the Knottnerus Committee, stated that it 'considers the experiment a success if it has become clear that a closed cannabis chain is feasible and if the measured effects are favourable or show no deterioration compared to the current situation', forming a strong case for regulation.

“ It's important to remember that this is a four year experiment - and if it's not a success, nobody will have a legal industry to operate in, despite how successful individual companies may be. There needs to be more collaboration amongst all the legal producers, to reach a consensus around how to best serve consumer demand, educate regulators and meet the government's expectations.

NIKITA CRETU, *Co-founder at Lumino*

Luxembourg

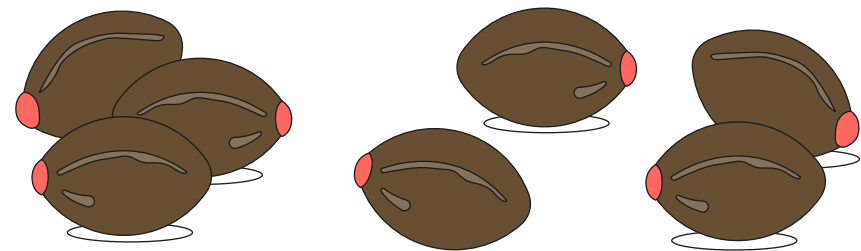
On the Ground



Luxembourg caused shockwaves in 2018 as its coalition agreement announced plans to legalise the production and sale of recreational cannabis - the first European country to propose this degree of landmark reform. The proposal was driven by the youth wings of the three-party coalition of the Democratic Party (DP), Luxembourg Socialist Workers' Party (LSAP) and Greens (Déi Gréng).

The planned framework involved licensing two producers to supply pharmaceutical quality cannabis for distribution through 14 privately-owned dispensaries. Interestingly, both producers would have been required to cultivate from the same site in the small landlocked country. Registered Luxembourg residents would be permitted to purchase up to a monthly 30 gram limit, with a tax framework designed to discourage high-THC products.

Doubts began to be cast once public announcements slowed and government officials expressed a lack of confidence in the planned reform. In September 2021, Justice Minister Sam Tanson refused to confirm that the coalition's agreement



Despite **home growing** being banned in the original scheme, it became the only remaining form of access under the amended legalisation policy.



would go ahead, followed by Health Minister Paulette Lenert informing that full legalisation would be highly challenging under EU legislation and that the government was analysing alternative measures.

National media outlets reported that France was formally opposed to the measures, due to border challenges and the trafficking risk presented by the EU's passport-free Schengen zone.

Although plans were encumbered and the initial draft framework was scrapped, it gave the industry a rare glimpse into what a legal system would look like in a highly regulated European country. Advertising, internet sales and delivery would all have been prohibited under the draft law - in addition to sales to tourists and public consumption.

Residents are permitted to maintain four plants, grown from seed, per household -

so long as not visible to passers-by, plants can reside indoors or outdoors. The government has announced plans to legalise the trade of cannabis seeds at a national level, with no limits on quantity or THC content.

Wider easing of prohibition is still being lobbied for as criminal charges can still be issued for those found in possession of over a ten-day supply of cannabis (deemed around 3 grams), although fines for possession over this quantity have been reduced five-fold.

Longer term, officials plan to implement commercial seed production in Luxembourg - the beginnings of a domestic supply chain. The Minister of Justice hinted in 2021 that the home grow reform is only the first step in the project to legalise recreational cannabis - and further measures could be taken by the end of the current term in 2023.

Switzerland

On the Ground



In September 2020, the Swiss parliament amended its Federal Act on Narcotics and Psychotropic Substances to provide a legal basis for pilot trials to provide a legal supply of recreational cannabis to their participants. This change in law was long-awaited as the cities of Zurich, Basel, Bern and Geneva stated their intention to launch pilot ‘cannabis clubs’ for up to 2000 people in 2016, but the Federal Office for Public Health quashed those plans the following year due to a lack of legislative backing.

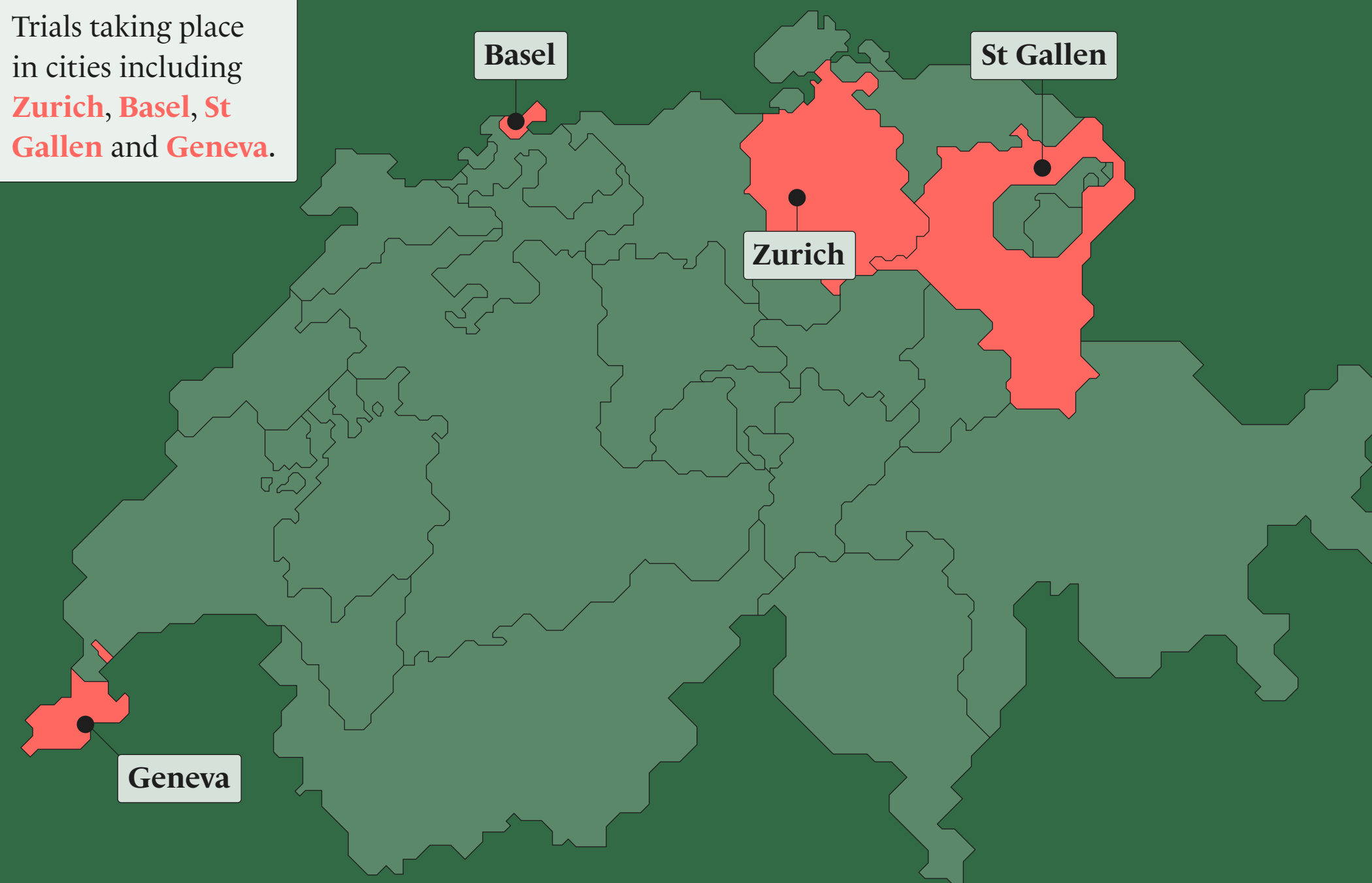
The amendment came into force in May 2021, intended to form the basis for future legal regulation. Various models will be established in parallel across the cantons in Switzerland that have opted into the scheme - collecting indispensable data about Swiss consumption habits across a range of prod-

uct formats and retail outlets.

Each pilot project, essentially a socio-scientific trial, is able to enrol up to 5000 adult participants who can demonstrate their existing cannabis consumption and reside within the canton. Participants must undergo ongoing scientific supervision. Pilot trials are limited to five years in duration, with the possibility of a two year extension if requested by the local authorities.

A complementary parliamentary initiative was proposed by National Counsellor Heinz Siegenthaler, in direct response to the Swiss Federal Commission on Addiction’s recommendation made in 2018 to legalise the cannabis supply chain from seed to sale and consumption. The proposal was co-signed by 40 members of parliament, and is awaiting discussion in Council.

Trials taking place in cities including Zurich, Basel, St Gallen and Geneva.



Study time

5 years

Maximum patients per trial

5,000



European
Cannabis
Legalisation
Tracker

30%

would personally
consider trying
legal cannabis

51%

would be comfortable
with a cannabis store in
their neighbourhood

58%

Swiss support for
legal cannabis
sales to over-18s

Switzerland

On the Ground



National Councilor **Heinz Siegenthaler** was responsible for the parliamentary initiative to regulate recreational cannabis that was approved by the **Public Health Commission of the Council of States**, kickstarting the process of new draft legislation.

We spoke to **Heinz Siegenthaler** to understand what the key motivations and drivers were behind the initiative.

Q What were the key motivators behind introducing legal access for adult-use in Switzerland?

A Prohibition is not backed by the scientific evidence presented by health and addiction experts, and has not been an effective instrument to protect the population and control the market. We need to ensure the population is protected from the dangers of the illicit drug market that remains in the hands of criminals. Through legalisation, we are able to control and regulate the market, guaranteeing safe, high quality products that are traceable.

Switzerland has adopted a ‘four pillars’ approach to drug policy for over 25 years - including prevention, therapy, harm reduction and repression. The latest available figures from 2012 show that only 2-3% of the total 1.3 billion Swiss francs that were allocated for this model were spent on harm reduction. Most of the fund (sourced from tax revenues and specific funds allocated from alcohol and tobacco purchases) was spent on repression and therapy. This needs to change - we need a legal basis for cannabis to state exactly how much should be allocated to harm reduction and prevention.

Q What are the main goals and desired outcomes from the pilot program?

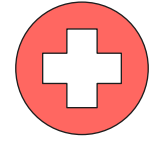
A We need a scientific basis for how we regulate substances so we need to gather data to address the reality of consumption and the associated risks. What does it mean, for example, to be under the influence of cannabis at work or while driving the car? How do consumer behaviours change once they are able to procure substances legally? These are all questions that we need to be able to gather information on.

The upcoming reform builds on Switzerland’s relatively permissive approach to cannabis regulation - especially in the context of a conservative European country. Switzerland was an early adopter of medical cannabis (albeit in limited circumstances) in 2011, decriminalised personal possession of up to 10 grams in 2012, and has previously held two national referendums on legalisation. Switzerland has a unique status as the only European country that enables voters to directly change laws via initiative, as many American states do.

Pilot projects are currently being prepared across the country, including in the cantons of Zurich, Basel, St Gallen and Geneva. Each experiment will vary based on the specific model and focus of study, but we have a fairly clear picture of the core features of the market from published ordinances.

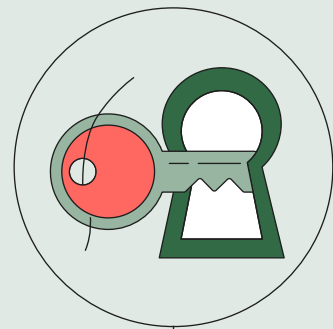
Switzerland

On the Ground



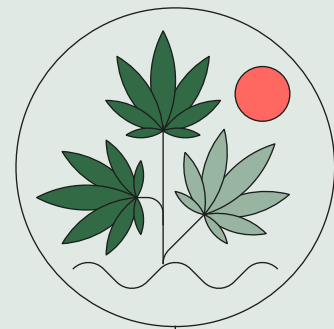
WHAT WE KNOW: THE SWISS PILOT MODEL

Switzerland is a sandbox for generating recreational consumer data within a highly regulated European country.



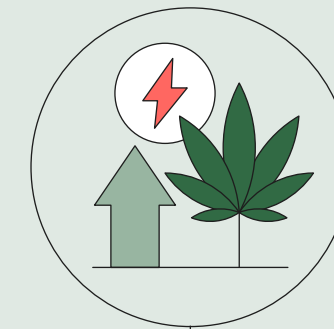
Access

- All retail outlets can be trialled - including pharmacies, specialist shops, cannabis social clubs, online purchases and delivery
- Retail outlets must employ qualified and suitably trained personnel
- No advertising permitted



Products

- Both unprocessed and processed products can be permitted - including flower, hashish, extracts, edibles, and vape products
- Strong preference is given to Swiss organic-grown products
- Cultivation and manufacturing will be performed by local companies under an exceptional licence from the Federal Office of Public Health
- Must be produced to GACP, with limited pesticide residues



Permitted potency

- 20% THC limit in finished products
- Maximum 10mg THC permitted in edibles
- Participants are limited to accessing 10g THC per month



Pricing

- Prices will be roughly equivalent to illicit market cannabis
- No government financing, participants must pay for products
- No tax will be applied on cannabis within the pilot trial framework

“ The outcome of these pilot projects will be interesting to see - a discussion that has been going on for years will be followed by scientific validation or falsification. Is Switzerland ready for its cannabis legalisation? In my opinion, this is a question mark that is superfluous.

GREGORY NÖTHIGER, *Head of Public Affairs at Dr. Borer Consulting*

Switzerland

On the Ground



We spoke to **Dr Julia Joos**, an expert in drug policy and Addiction Officer for the city of Bern who is deeply involved in the pilot project coordinating city level stakeholders in Bern and other cantons.

“ It is important that we are able to control substance quality, promote lower risk forms of consumption, and introduce standardised units of THC, comparable to alcohol volume percentage. I advocate for a strictly regulated health-centred form of legalisation, focused on societal and health protection.

We spoke to **Dr Florian Elliker** and **Dr Niklaus Reichle**, two researchers who are organising the University of St. Gallen (HSG) funded pilot ‘Cannabis in everyday life’, which focuses on how these consumers organise their consumption.

Significant attention is placed on managing the harms of problematic consumption and preventing addiction. While this is essential given the public health ramifications of these issues, studying non-problematic, casual consumers is also necessary for a framework to be successful with the realities of society.

“ Many pilot studies are focused on studying the habits of the 20% of consumers who use cannabis problematically, rather than the 80% of typical consumers. Our model is built to study the current social realities in Switzerland and patterns of buying and consumption - taking a bottom up approach rather than imposing a top down model that may be worse at meeting needs than the illicit market.

The trial will compare multiple retail outlets to find which have the lowest hurdle for transition - people go to pharmacies for specific health purposes that are very different from visiting a headshop.

Alongside the trial, we have also secured funding for research using a similar methodology to study consumption patterns under current illicit market conditions. We hope to be able to transfer participants into the pilot study to get evidence about how their habits change once they can access legal, regulated cannabis.

Germany

On the Ground



Germany became a beacon of excitement when its newly elected 'traffic light' coalition government announced it would legalise recreational cannabis in its 2021 coalition agreement. Many saw the European powerhouse's announcement as a wider signifier of the changing political momentum around drug policy - the impact of a G7 country that is home to Europe's largest economy legalising recreational cannabis is not to be underestimated.

Germany operates Europe's largest medical cannabis market and its government has seen first-hand the taxable revenue and economic benefits of creating a new sector and infrastructure. According to a late 2021 study by Justus Haucap of Düsseldorf Institute for Competition Economics, legalising recreational cannabis in Germany could generate €4.7 billion in fiscal savings from tax revenue and saved costs (including policing, courts, and prisons).

The study bases its projections on an estimated demand of 400 tons, and estimates that 27,000 new jobs could be created. The FDP's election manifesto estimated that applying

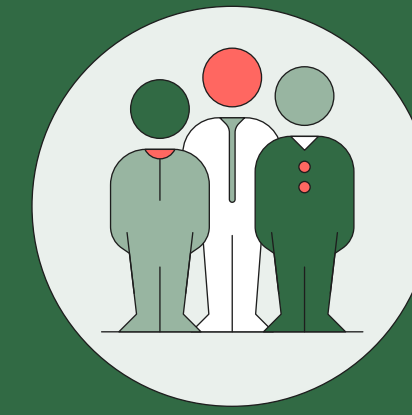
“Germany's legalization of cannabis would be the biggest catalytic event of the decade. As with medical cannabis, we can expect a very different framework to North America.

We're cautious of getting too excited or making predictions on specifics until there's at least a draft law for us to review.

NICK PATERAS, *Managing Director at Materia*

tobacco-style taxation to cigarettes could earn €1 billion annually for the treasury.

Public support for reform has risen significantly according to Infratest Dimap, a German research institute. A recent survey revealed 49 percent of the population are in favour of legalisation - a rise from 30 percent in 2014.



83.24m
Population



44%

support government-regulated stores

29%

support home-grow

26%

support non-profit social clubs

50%

support legal cannabis sales



Europe's
largest
economy

GDP
of
\$3.8T

Germany

On the Ground



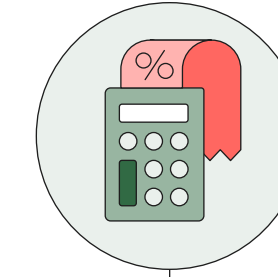
The question of how Germany will supply its upcoming recreational market is on many people's minds. With an import-reliant medical market likely to continue even after Germany's domestic cultivation is able to supply patients with its allocated quotas, European operators from Portugal to the Netherlands see an opportunity to supply the market.

Under current international drug policy agreements, importing cannabis for recreational purposes is legally impossible. Germany could play a pioneering role in renegotiating such international frameworks to make this possible, given that it will already breach the conventions by legalising the production and sale of non-medical cannabis.

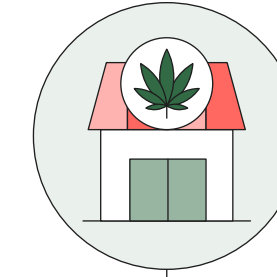
Under the coalition's agreement, the social impact of legalisation will be subject

to review after four years. A bill still needs to be drafted, so concrete details of what the market will look like are scant. Federal Justice Minister Marco Buschmann informed German media that 'there must be producers who are allowed to grow and sell it legally', indicating that a multi-party licensing process will be implemented.

The Green party proposed a subsequently-rejected Cannabis Control Act in 2015, and a further 'CannKG' draft bill in 2018. While also rejected by the Bundestag in 2020, the bill is now widely seen as the starting basis for future legislation. Draft laws discussed in Germany over the past years have formed the blueprint for political discussions, and include provisions for licensed dispensaries that may include pharmacies, and control over the production process from seed to sale.



Taxes on cannabis products should be based on the THC content of each packaging unit, rather than by product weight - the same as alcoholic beverages. The BvCW recommends a taxation of €10 per 1000 mg THC.



Licensed retail outlets with dispensary staffing policies should be introduced with no cap on the number of stores. Mail order provisions are also recommended to service consumers in rural areas where retail outlets are likely to be unprofitable.

It is essential for regulators to learn from the experiences of legal cannabis operators to build a viable and successful framework. The Cannabis Business Industry Association (BvCW)'s 'Towards a German Cannabis Agenda' sets out the upcoming considerations and recommendations from the perspective of the local industry:



The transition from the illicit to the legal market, including the construction of infrastructure and onboarding of key stakeholders including licensing bodies, and policing authorities, is likely to take several years. The government could use several tools to send political signals of change while operations become a reality - like pilot cultivation schemes, home grow legalisation and commercial seed sales.

Germany

On the Ground



We spoke to **Jakob** and **Benedikt Sons**, Co-founders of **Cansativa**, who have been operating in the German medical cannabis industry since 2017, about their recommendations and insights from building the existing ecosystem. Cansativa has an exclusive agreement with Germany's regulatory body to distribute domestically cultivated product, and supplies between two to three thousand pharmacies regularly dealing in medical cannabis.

Q What features of a legal cannabis market do you think it is most important to adopt?

A Jakob Sons. We believe the most important factors are ensuring product availability, at a competitive price compared to the illicit market - we advocate for a price of €10 per gram including any applicable taxes, which is low enough to tackle current black market prices. Youth protection is also essential, and an educational programme and addiction prevention services should be established alongside the legal market.

Q How do you see the role of the medical cannabis industry in a legal recreational market?

A Benedikt Sons. We believe that the front runners will be the cannabis companies that are already active in Germany that have the exposure to the legal market. They know the existing medical cannabis ecosystem, which is likely to be transformed to recreational cannabis rather than a totally new designed system.

We have a medical market that is roughly 15 tons per year, and we're expecting a recreational market of up to 400 tonnes. So there's enough space for those with a track record in the legal industry to develop and scale their infrastructure. We advocate for a clear framework at the federal level of Germany, with corresponding implementation at state level, as with medical cannabis.

Q How can we ensure that medical patients' needs are still met to a high standard when adult-use sales are introduced?

A Jakob Sons. Under the 2017 'Cannabis as Medicine' Act, health insurance companies can refuse to cover the cost of cannabis prescriptions. Patients who do not receive reimbursement may prefer to go to a recreational dispensary or turn to the illicit market instead of medical channels. This creates a genuine risk as those patients would not be monitored under their practitioners care, and may not regularly check in with their doctors. A clear distinction must be maintained between medical treatment and recreational consumption. We are advocating for extending the current medical programme to allow more extensive and less bureaucratic cost reimbursement.

Considerations for Legalisation

As more European countries legalise recreational cannabis, decisions about how the market should operate, which products to permit, where supply will come from, and how to balance international legal obligations become ever-more pressing.

In collaboration with the international law and business services firm Ince Gordon Dadds and cannabis sector advisory firm Hanway Associates, this section explores the major considerations operators are contending with on this side of the Atlantic - highlighting legal, political, financial, and public safety perspectives.

Ince's London solicitors have first-hand experience advising companies on licencing and regulatory submissions, cannabis related IPOs, M&A transactions and intellectual property matters within the sector, so have a deep insight into the opportunities and challenges facing cannabis related businesses.

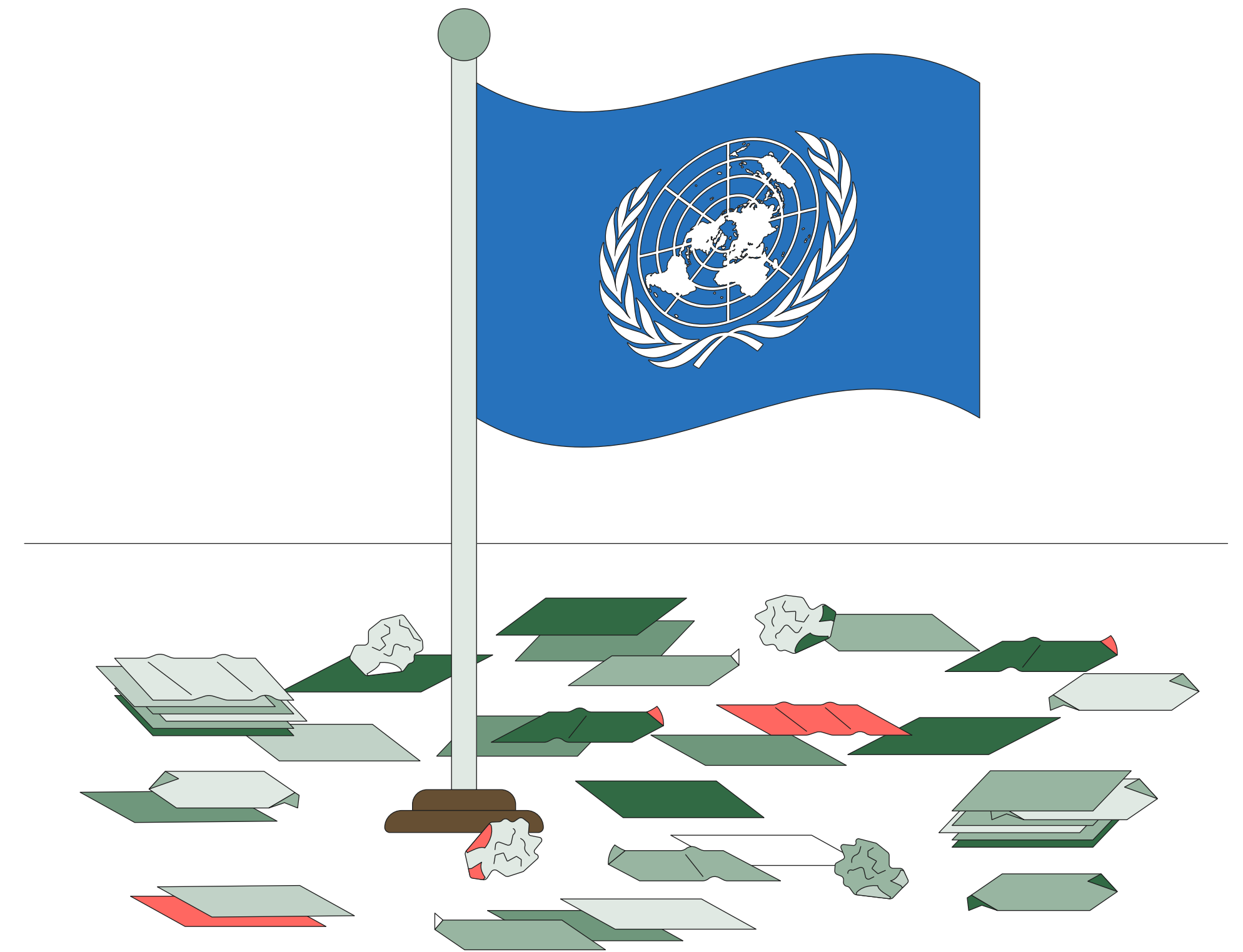


Ince



1. UN Drug Control Treaties

- UN international drug treaties are a major elephant in the room when it comes to meaningful cannabis reform. Almost all nations in the world are signatories to three international treaties that require countries to control drug production and supply in order ‘to limit the use of narcotic drugs exclusively to medical and scientific purposes’
- Combined, the UN treaties establish rules on the production, supply and trade of over 250 psychoactive substances, drug precursors and plants. Cannabis, cannabis resin, THC and its isomers and dronabinol (delta-9 THC) are all scheduled and controlled under these treaties.
- UN treaties allow some flexibility in domestic cannabis regulations - such as an exemption for industrial hemp, and no set severity of punishment for cannabis offences. They have also been interpreted by some countries to allow personal cannabis possession and cultivation, if prohibiting them would in turn violate that country’s constitution.
- However, clear limits remain to what the treaties will allow, with a requirement for countries to criminalise the production, distribution and sale of cannabis - leaving no leeway for legalised, commercial cannabis markets for recreational use.
- The Netherlands, USA, Uruguay and Canada all have cannabis frameworks that contravene the UN treaties and have been publicly condemned by the



International Narcotics Control Board (INCB), the UN drug treaty watchdog. Reform has also provoked strong criticism from countries with a hardline stance on drug prohibition, such as Russia, who have accused legalising countries of hypocritically undermining the rules-based international order. However, with no real prospect of

UN sanctions for breaching treaty obligations, the consequences for doing so are more political than literal.

- As more countries look to legalise, the question of how best to address these treaty tensions grows in importance. A number of options are available, which are outlined at the end of this section.

2. European Union-level Constraints

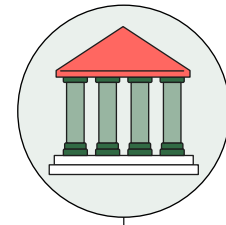
- EU rules and laws form another layer of supranational governance for Member States to navigate.
- Of particular relevance is an European Council 2004 Framework Decision (2004/757/JHA) that requires Member States to make the cultivation, production, distribution, sale, import & export of drugs - including cannabis - a punishable and criminal offence.
- Introduced to establish minimum & maximum penalties across the EU as part of a harmonised approach to drug trafficking, the framework decision risks derailing EU members' attempts at comprehensive commercial cannabis legalisation.
- Personal cultivation, production and possession are explicitly exempted from the scope of the framework, however - leaving clear latitude for European reform in these areas.



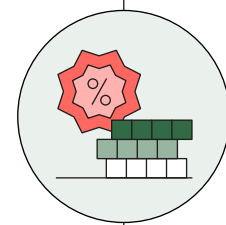
- While UN treaty requirements can be breached without direct sanction, enforcement and commitment mechanisms are stronger at the EU level and include heightened diplomatic pressure and the risk of significant fines.
- Luxembourg's decision to roll back on commercial legalisation is a direct reflection of the challenge of keeping within current EU rules, while the Maltese model of modest reform similarly reflects the reality of EU and UN constraints.
- With Germany anticipated to pursue more comprehensive legalisation, expect growing jurisprudential debate on what exactly EU frameworks can and cannot accommodate - and whether there's political appetite to challenge, reform, reinterpret or simply overlook the current rules.

3. Models of Cannabis Regulation

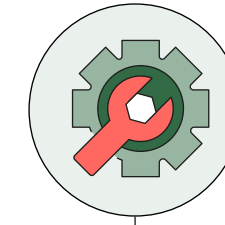
Rules as to where cannabis sites or stores can be situated, restrictions on product types or potency, who is permitted to grow cannabis and where it can be consumed can all be used as tools to shape the market. Legislators can achieve a wide range of outcomes through the model of regulation introduced:



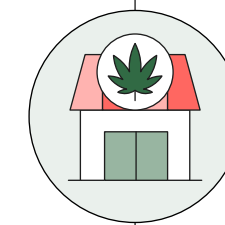
State Production: The government production of cannabis products to supply recreational markets. While there are examples of state-managed or controlled production in medical cannabis, to date no state operations are directly involved in the production of cannabis products for recreational markets.



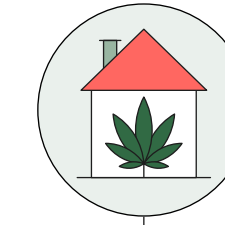
State Sale: Government-owned or managed retail sales of cannabis. This model is prevalent across Canada, where a number of Provincial and Territorial governments are involved in the cannabis supply chain. Examples of government involvement include the wholesale of products for onward supply to private or government stores, exclusive rights to online sales, and government-owned retail stores.



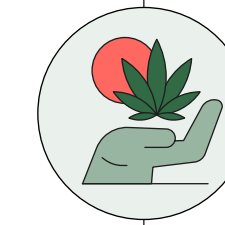
Commercial Production: Cultivation and manufacturing of products by private companies. There is scope for significant variation within this model: The number of permitted operators may be tightly fixed by government and awarded by tender, as per German cultivation within medical markets. Alternatively, a more free market approach can be adopted, with production licences awarded to any operator that meets the regulatory criteria (on security, site and product quality etc). Product formats and potency may also be fixed, as in Uruguay, and production quotas, canopy or facility size restrictions may also be imposed.



Commercial Sale: This can take place through retail stores, usually stores or 'dispensaries' specifically authorised to sell only cannabis products. Retail sales can also include online ordering with postal delivery and courier delivery by local stores, subject to ID verification and age checks on delivery. Alternatively, sales can be managed through other channels such as pharmacies, as per the case in Uruguay.



Home Grow: Some jurisdictions may opt to legalise the personal possession and cultivation of cannabis, but still seek to prevent wider forms of at-scale or commercial production. Restrictions may still apply as to the visibility of any plants grown, and landlords and building owners may still be able to restrict cannabis cultivation and use.



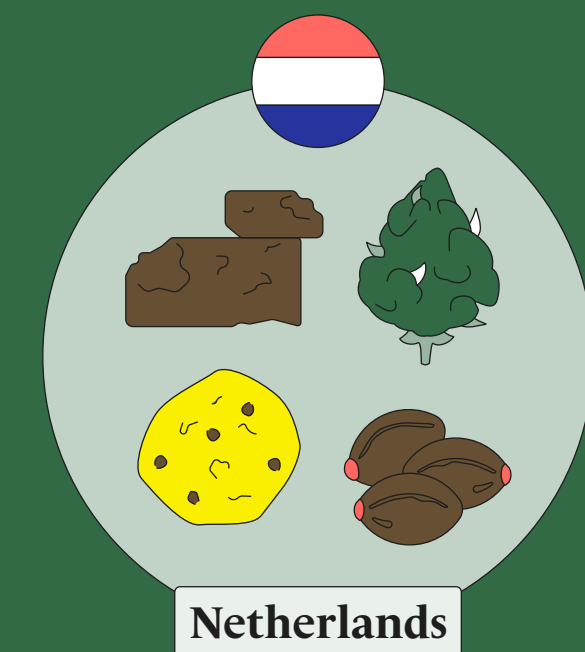
Co-operative / Not-for-profit Production: Adapted from models existing under decriminalisation/ toleration, co-operative production or 'Cannabis Social Clubs' allow an association to cultivate cannabis on behalf of its members and supply it to them. Membership registration is required, with potential limits on the number of members that a group can have, and how much cannabis each member can purchase. Membership or product fees can be charged to cover the costs of labour, resources and production, but associations must be registered non-profits.

4. Product Format Roll-out

- As recreational markets develop across Europe, legal and physical infrastructure needs to account for the broad set of product formats that consumers are accustomed to. Flower still holds the title for the most popular format across Europe and North America, but regulators need to consider how edibles, concentrates, vapes, and beverages fit into new frameworks.
- Some argue that a staged approach, such as the Cannabis 1.0 and 2.0 model adopted in Canada, would allow for producers, consumers, wider society and authorities to adapt in stages, scaling up to more advanced formats as the market develops. Conversely, limiting consumer choice and offering no regulated route for access to these formats could seriously hamper conversion from the illicit market - and may just be kicking regulatory concerns down the line.
- Pilot project organisers in the Swiss experiment are permitted to include

any product formats in their trials if approved. The Dutch coffee shop experiment permits the production of flower and hash, but no other concentrates like shatter or wax can be manufactured.

- Countries such as Luxembourg, which will initially be legalising only home cultivation, could become a welcome home for small-batch extraction and edible making kits - given the lack of formal, regulated access to these formats.
- Consumer use patterns mature and adapt alongside the market as it develops, so both regulators and producers need to remain nimble to accommodate evolving demand.
- So far, the prospect of new cannabis formats is not a major draw for Europeans - our polling finds that even amongst Europeans who support legalisation, only **26%** considered new product formats to be a benefit of legalisation.



5. Pricing and Taxation

- Taxable revenues are often seen by government and voters as a key benefit of introducing a regulated framework, but excessive taxation is a quick fire way to hamper the market before it has a chance to be successful. A fine line needs to be struck between supporting the commercial viability of the market, illicit market capture, and government incentives to maximise tax revenue and avoid promoting consumption.
- Current consumers typically do not struggle with availability of illicit market cannabis and are often happy with the quality of product they can obtain, so price remains the key driver for many when considering switching to legal supply.
- As seen in some European medical cannabis markets, governments may implement state control over pricing, either by mandating a set price or minimum and maximum price controls. Several tax mechanisms could be implemented, ranging from a fixed rate to a tax based on THC content or unit weight.
- Some argue that tobaccos' tax framework should be applied to cannabis, often facing backlash from the industry about the negative impacts of such a stance. An indication of the impact this could have can be seen in Belgium, where following the application of tobacco taxes to CBD flower in 2019, the number of CBD retailers reportedly fell almost tenfold from dramatic declines in margins.
- If supplying commercial legal markets becomes an unprofitable venture, the taxation model should be subject to question. In states like California, where taxes can reach 50% and wholesale prices are dropping, legal producers are allegedly resorting to 'double dealing' into the illicit market to subsidise legal sales - a case study that should not be overlooked by Europe.

Robert Jappie, Partner at Ince, specialising in Life Sciences and Cannabis Regulation for the UK and Europe, told us that

“ There are lessons to be learned from North America about getting the balance right between generating tax revenue for the public purse and disincentivising companies from engaging in the legal regime. Tax regimes in states like California were so onerous and complex that some cannabis operators were struggling to make decent margins. Many companies turned their back on the legal regime, as it was far less hassle to grow and sell in the illicit market than engage in the regulated environment.

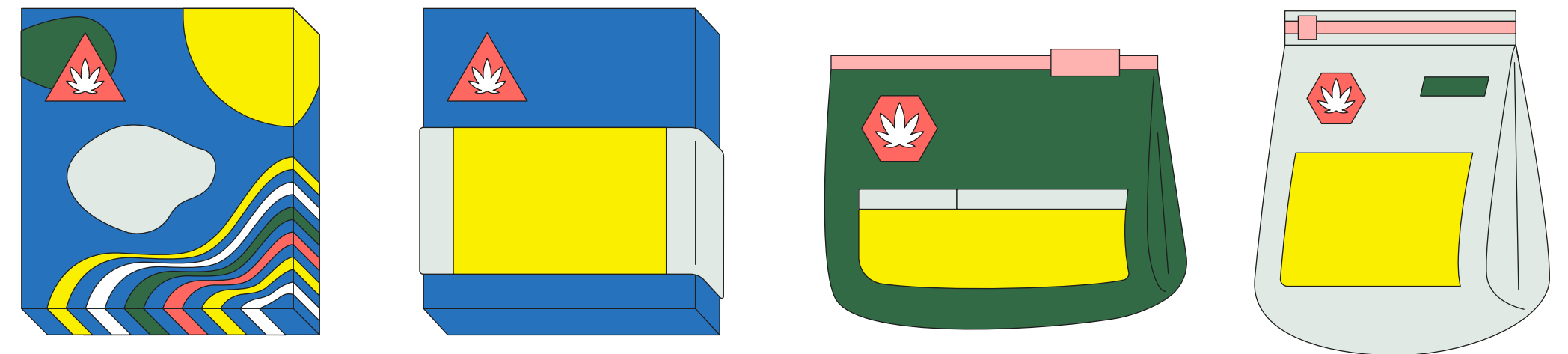
- Despite this, Europeans are comfortable with a high-tax approach to cannabis: our polling reveals that 54% believe that legal cannabis should be taxed heavily to discourage its use.
- Support is also high for targeted use of any new government funds - 57% say they would support a legal cannabis model which used tax revenue to fund cannabis education and drug treatment.

6. Promotion and Packaging

- The extent to which recreational cannabis brands should be allowed to market, brand and promote their products is hotly debated. The spectrum of tolerance varies from plain packaging and extensive health warnings with a total ban on promotion to a free market approach, with minimal restrictions on packaging and advertising.
- Arguments to support plain packaging include not encouraging consumption, creating a more equal playing field between craft producers and large corporations, and preventing confectionary-style products entering the hands of children.
- There is also strong rationale for permitting branding and advertising in a similar manner to alcohol. Branding is a key component of market mechanics, used to signify quality and values and facilitate consumer choice. Removing brand appeal from regulated cannabis products can hamper the legal industry in converting illicit market consumers - a key challenge in the Canadian market, where opaque, child-proof plain packaging with health warnings is used.
- Findings from Canada, including a 2018 study comparing the impacts of plain packaging to branded packaging, indicate that plain packaging and health warnings typically increase health knowledge among young adults, but reduce brand appeal.
- From draft frameworks in Switzerland, the Netherlands and the initial commercial plan in Luxembourg, it appears Europe will take a restrictive approach to cannabis promotion and packaging - but upcoming legal markets like Germany could explore a different approach.

João Taborda da Gama, Founding Partner at Gama Glória advises

“ I think we should learn from what happened in Canada, where very restrictive marketing rules were implemented in the first wave of regulation that prevented people shifting from the illicit market. Maybe a better way to go is the opposite - a more progressive approach in the beginning, then reevaluating and tightening restrictions after two years once consumers are accustomed to purchasing legal, high quality cannabis with regulated THC potency.

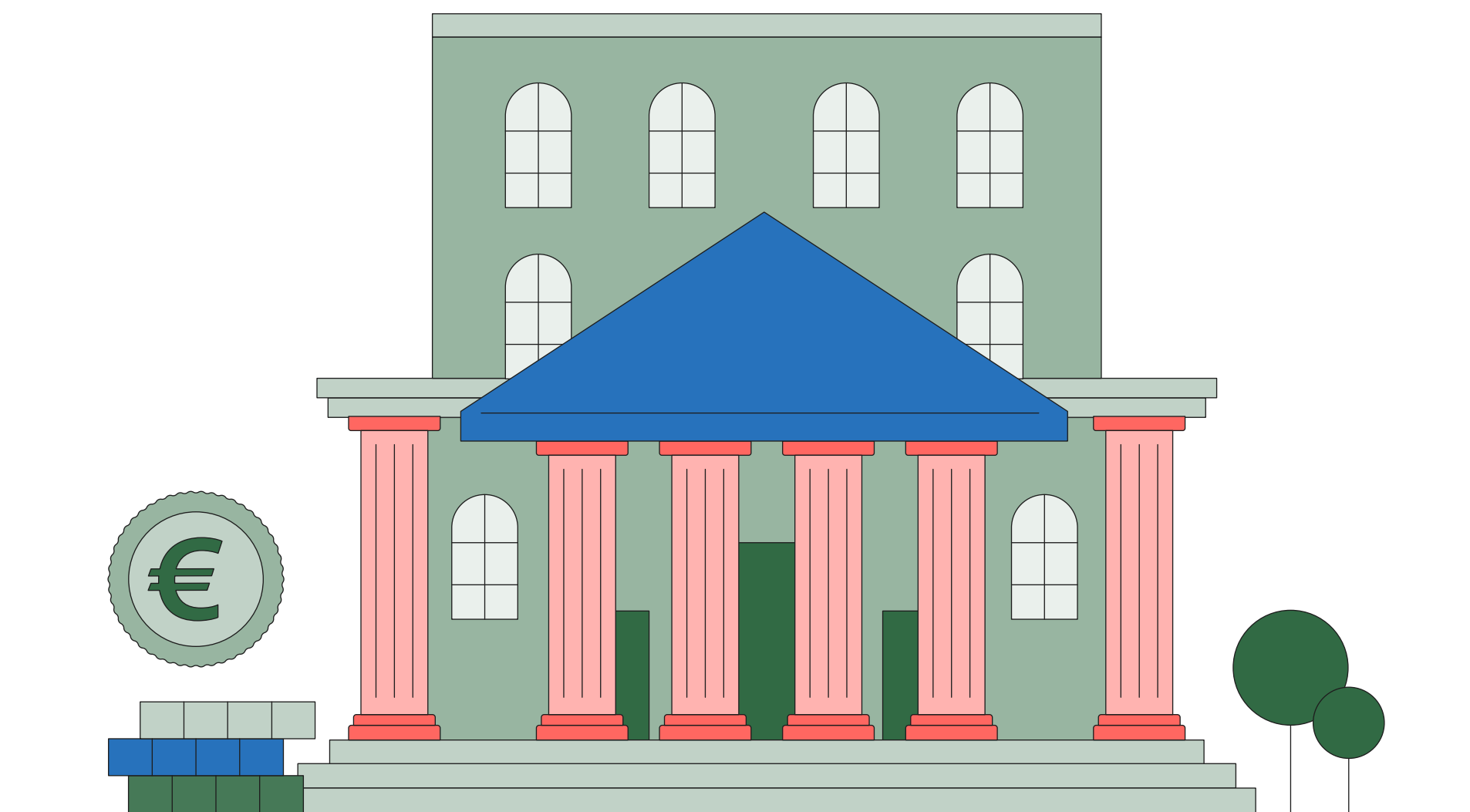


7. Banking Access

- Access to reliable banking has been a major hindrance for companies operating in recreational cannabis to date - in the US due to federal illegality, and quasi-legal European markets in the Netherlands and Spain. Significant uncertainty comes with running a cash-reliant business, or the ongoing risk of bank accounts being terminated.
- We assume that legal European markets, like those emerging in Switzerland, Luxembourg and Germany, will have access to federal level banking, a major advantage over early stage US operations.
- Similar to US operator reliance on state-level banking solutions, cannabis retailers in the Netherlands - the only commercial, long-established European market for comparison to date - have turned to national banks. According to the results of a 2017 investigation by Financieele Dagblad and Investico, the four largest Dutch banks had lent coffeeshop owners a total of €1.1bn using 170 stores as security.
- Coffeeshops have faced decades of banking shocks. In 2008, financial giant ING Group's Postbank closed all shop owners accounts and began screening for cannabis-linked activity. As of 2021, ABN AMRO, which services around half the country's coffeeshops, raised its bank charges for shop owners by 1000% to cover the costs of complying with anti-money laundering laws.
- Production licence applicants in the coffeeshop supply experiment are still experiencing difficulties, but a legal precedent is beginning to take shape for others to follow. 'Project C' was refused a bank account multiple times following several risk assessments. The company decided to initiate legal proceedings, and the bank was deemed to be required to open the bank account.

Matthew Stratton, Corporate Partner at Ince told us that

“ Accessing banking services can be a challenge for cannabis clients, and getting mainstream banks and financial institutions to support the sector is very much a ‘work in progress’. In one CBD acquisition that I led, the target company had only one bank account, and this presented a potential impediment to the deal completing. Having only one banking provider in a nascent sector like cannabis was a risk factor that added to the complexity of the transaction.



8. THC Units and Caps

- Policies also need to consider public health recommendations, such as establishing THC units and set servings. Fixed units can help mitigate the risks of high potency consumption by allowing consumers to gauge comparative doses across different formats.
 - Some argue that protective measures should go further, and that limits should be placed on the maximum level of THC in legal products. THC caps have been implemented in Uruguay, the Swiss recreational experiment and in the US state of Vermont, with similar bills in discussion in other states.
 - Strong tensions lie between health concerns and demonstrated consumer preferences in the US and Canada, with clear demand for 30%+ THC flower, concentrates, and infused pre-rolls. THC limits may drive consumers accustomed to high potency products to the illicit market, denying them access to regulated, safe products.
- Similar questions arise around the permitted potency of edibles, and where the reasonable limit lies for restrictions. Legalisation in Colorado was followed by reports of edible overconsumption, and regulators rushed to introduce dosing and packaging controls. On the other side of the spectrum, Canada's 10mg THC limit per edible unit or beverage is criticised for being too low.
 - Questions also remain around how THC caps would work practically with hash, a key segment of the Dutch and wider European market.

A cap on cannabis strength is backed by the majority of Europeans -

58%

say they'd support a legal cannabis market with limits on the potency of products.

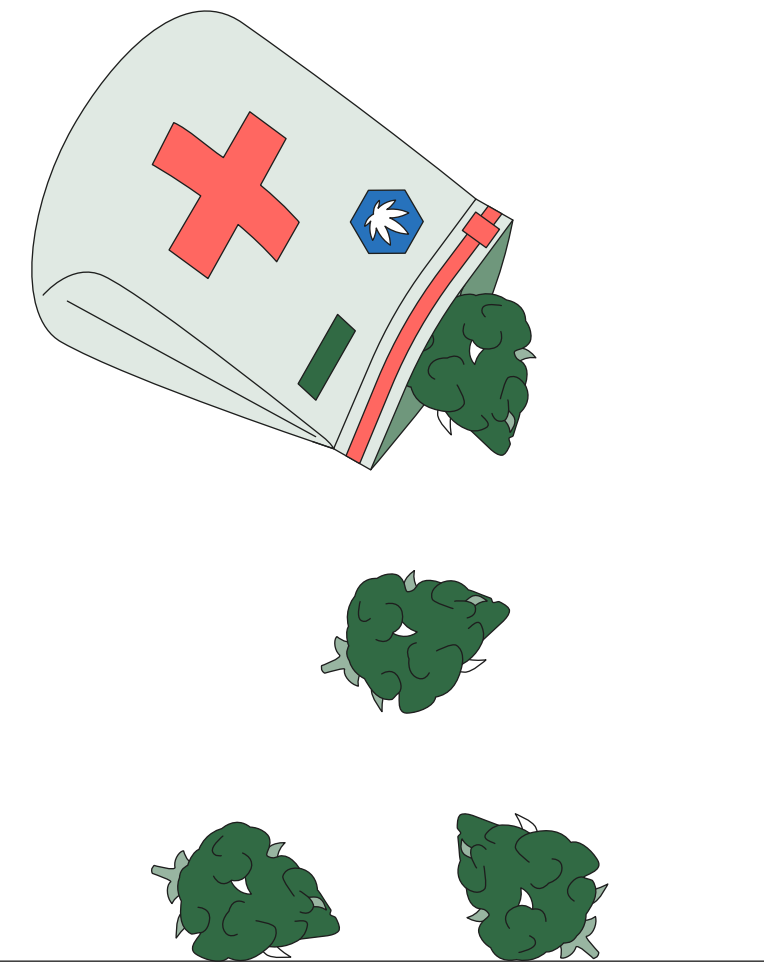


9. The Status of Medical Access

- Many are concerned with how the existing medical cannabis sector and patients will be impacted by recreational reform. From blurring lines between patients and consumers, to the extent that medical cannabis companies will shift into recreational operations, there are very valid considerations and transitions which need to be handled with nuance.
- With the introduction of new access channels, the split between ‘patients’ and ‘consumers’ and between medical and lifestyle brands may change. Allowing both medical and recreational access enables a broader ‘spectrum’ of legal use, from purely-pleasure seeking to prescribed medicines, with quasi-medical use falling in between - such as for milder pain or to aid sleep.
- One observation to play out is the degree to which medical cannabis producers and infrastructure will pivot into recreational markets or away from medical completely. While this has proved commonplace in US and Canadian markets, European medical cannabis has a much more tightly-regulated framework than North America, with production within the EU-GMP pharmaceutical framework, and doctor prescription and oversight. As such, there’s less of a natural ‘pivot’ for specialised, pharmaceutical operators into the recreational sector than in North America, where medical cannabis is accessed through the dispensary model.
- Wider cannabis reform may also be a welcome boost to medical cannabis access in Europe, by raising further awareness and destigmatising consumption, and attracting investment to areas that offer major benefits for both medical and non-medical sectors - such as genetics, product innovations and IP.

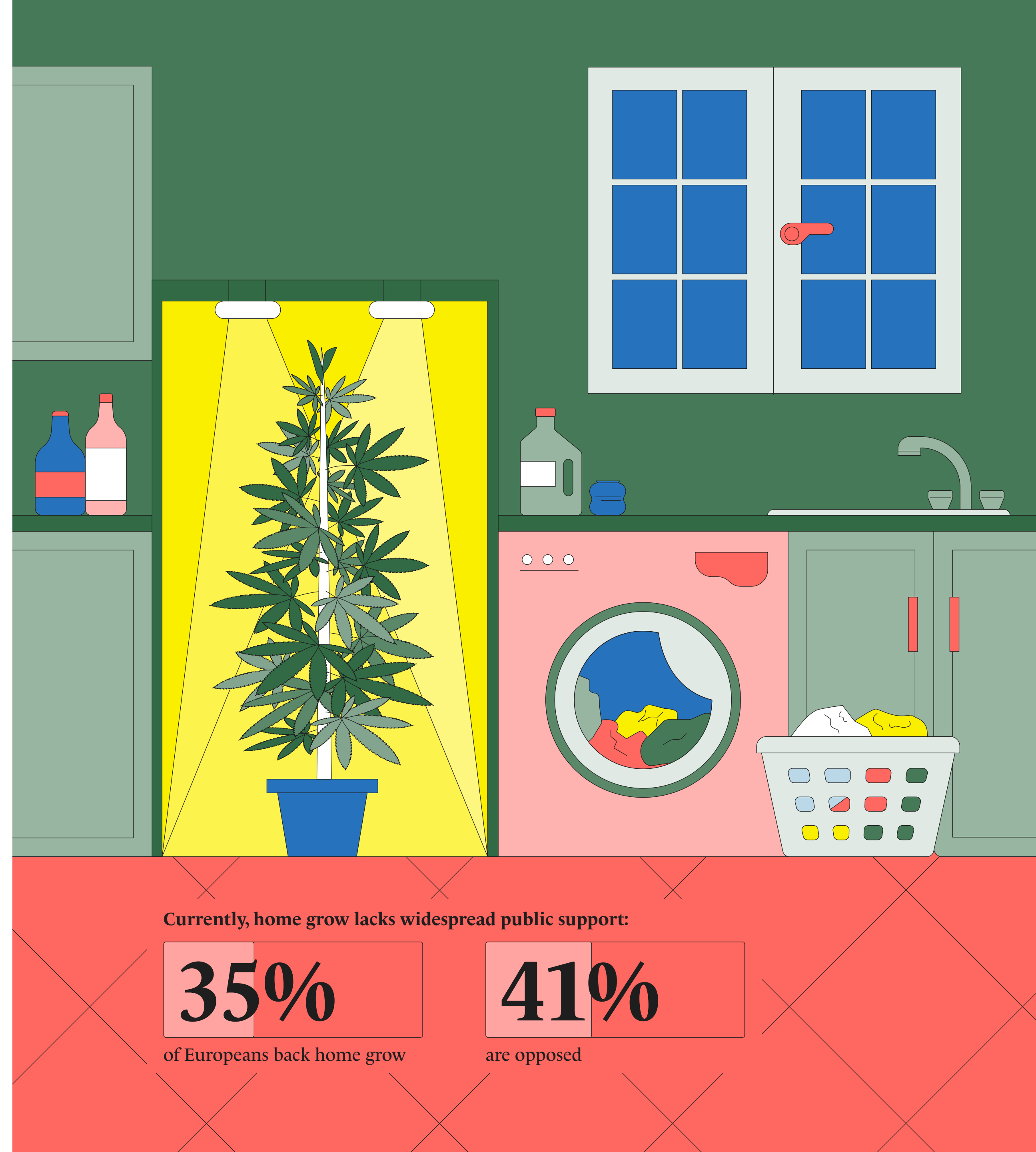
Jonathan Lubosch-Haenisch, Co-founder at Iuvo Therapeutics explained how

“ We expect that the current medical market will not only continue to exist but grow in harmony with the recreational market as we've seen in other international markets. A transparent and conclusive segregation between medical or recreational is vital - however, our experiences working with multiple domestic government agencies, qualifying supply partners internationally, and adhering to EU pharmaceutical standards gives us a strong foundation to serve the recreational market as well.



10. Home Grow

- Often seen as more of a discretionary ‘bolt-on’ to commercial sales in North American markets, home grow may yet prove to be a defining feature of European cannabis reform.
- Several factors influence this trend: Firstly, personal cultivation is significantly less problematic than commercial production from an UN treaty and EU perspective - which in part explains Spain’s longstanding decriminalisation policy and the new regulatory models of Malta and Luxembourg.
- Home grow is also typically supported by left-leaning parties who are generally more suspicious of ‘corporate cannabis’ - and are traditionally the political parties most supportive of cannabis reform in general. European cannabis activists, too, tend to promote personal cultivation and consumption as an issue of individual liberty, the right to privacy and freedom of expression, rather than as a springboard for commercial opportunity.
- While home grow provides opportunities for people who may otherwise be shut out of legal markets on the basis of cost or potency restrictions, as a sole source of legal supply it is not without problems. Home grow fails to fully address questions of equity (not everyone is able to cultivate or has access to a space where they’re permitted to grow) or product safety (with few enforceable rules on quality, testing for THC content or contaminants, as well as fire risks from DIY extraction techniques). It also cannot easily accommodate more processed product formats such as THC or CBD vapes, and may provide a front for larger-scale production linked to organised crime.
- Home grow may also prove politically contentious amongst certain groups of voters who are concerned with the intrusion of cannabis on their everyday life, such as having to endure the sight and smell of plants cultivated by neighbours - a negative identified by 27% of the public in our polling.

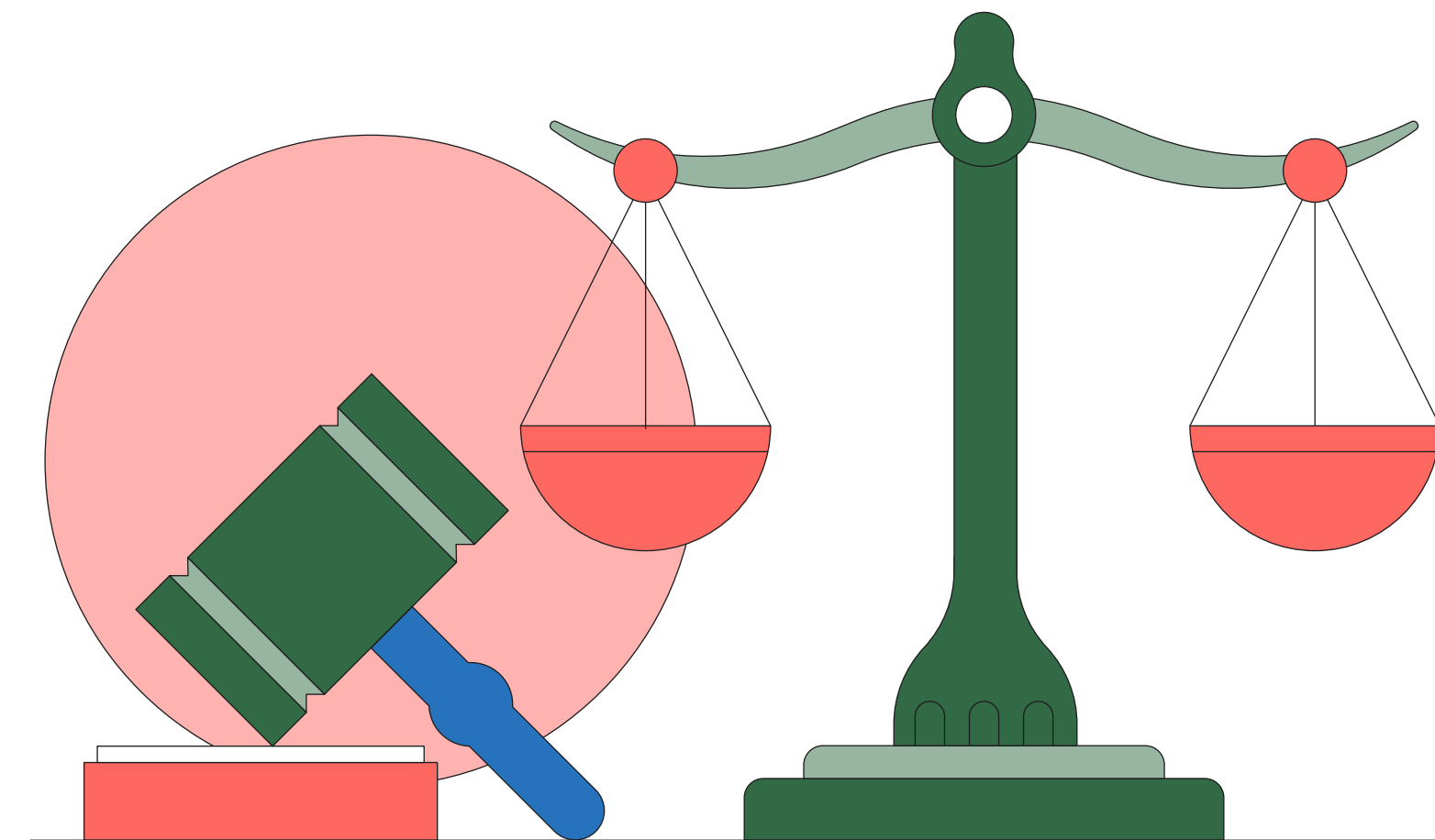


11. Fundraising and the Proceeds of Crime Act

- Raising capital to finance recreational ventures is a challenging endeavour in Europe. Recreational companies are currently unable to list on Europe's public markets, most investment firms have internal restrictions on the sector, and the Proceeds of Crime Act 2002 (POCA) is an ongoing risk for UK investors.
- Legislation to combat money laundering and criminal financing is in place across most of Europe, but unlike the majority of national laws, the UK's has extra-territorial effect and covers operations carried out overseas.
- Despite its far-reaching impacts, POCA hasn't completely stifled investment in companies with recreational assets. Investors can avoid legal repercussions through the National Crime Agency (NCA)'s Consent Regime by filing Suspicious Activity Reports (SAR). If the investor submits a SAR before undertaking the act and receives direct or deemed consent from the NCA, no offence is committed under POCA.
- A dichotomy exists between the Financial Conduct Authority which maintains that recreational revenues are criminal property, and the National Crime Agency's Consent Regime which has not objected in any known cases. The NCA's core purpose is to pursue terrorists and organised crime rather than lawful licenced overseas businesses.
- Some degree of clarification or reform is likely to take place as recreational markets unfold across the continent. Early signs of this shift are evident as legislation has passed in Jersey and Guernsey to provide an exemption to POCA.

Matthew Stratton, Corporate Partner at Ince explains

“ There is now an established path that experienced lawyers can implement to allay fears of POCA provisions being triggered. Through making the appropriate notifications to the authorities, with the support of advice from specialist counsel, Ince is able to provide the required regulatory comfort to allow these commercial transactions to proceed.



12. Domestic Production or International Trade?

- Imports and exports of medical cannabis are commonplace in Europe, raising the prospect of cross-border trade in recreational products as well. The concept is controversial - violating current UN and EU rules - but to many has economic and political appeal.
- To date, national and US-state recreational markets have operated in a 'closed-loop' model with no legal product leaving or entering their borders. This entails the costly and inefficient replication of land, labour and capital, and prevents specialisation by regions with a comparative advantage in cannabis production or pre-existing infrastructure.
- Countries looking to legalise cannabis without the costs & timelines of licensing and building production facilities could look to nations already active in recreational production such as Uruguay and Canada, or set up an intra-EU market of tightly-controlled supply.

Tom Blickman, drug policy reform expert at the Transnational Institute (TNI) explains

“If Germany does allow a recreational cannabis market in the next few years, where do they get their cannabis from? The Netherlands is due to have a whole system of regulated growing that could also supply Germany, and form the beginning of an export market. But so far, what we've seen is that no country dares to touch this issue, and says 'let's keep it all domestic so that we don't get in trouble with the UN and other countries'.

Robert Jappie, Partner at Ince, specialising in Life Sciences and Cannabis Regulation for the UK and Europe, told us that

“In Europe, member states will have to consider the wealth of EU Regulations and UN treaties which may be at odds with legalisation proposals. Even though Germany is the most powerful and influential country in the EU, longstanding European and International legal principles will still present challenges. It will be fascinating to see how Germany negotiates a compromise position to allow them to implement an adult-use market, which other EU member states will be observing carefully.

- Legalisation with an equity-focused lens could also give priority and market protection for the producer countries responsible for Europe's current cannabis supply, such as Morocco & Lebanon. While many international producers have struggled to meet the EU's stringent standards required for medical cannabis, recreational product standards (such as food rather than pharma-grade GMP) would be easier to attain.
- On the other hand, countries may see the jobs, local investment and tax base created by domestic production and wish to keep these benefits in-country. Consumers, too, may prefer a locally-grown and potentially more environmentally-friendly cannabis supply.
- The key question for European countries legalising now is whether they are prepared to breach current EU and UN restrictions for the sake of international supply. Breaching obligations on an international level may be seen as too great a political provocation, and would undermine the already fragile integrity of international law. In this case, the prospect of recreational cannabis trade rests on the appetite for wider international regulatory reform.

13. THC Impairment - Driving and Work

- In legal markets, new boundaries need to be set for when cannabis consumption overlaps with activities like driving and working with heavy machinery. Public health officials need to confront the question of what level of THC constitutes impaired driving, given that there is no established cut-off as with alcohol. This problem also extends to those with a medical cannabis prescription.
- Tests can monitor blood levels of THC, but there remains a lack of understanding around the correlation between levels of THC in the blood and the level of intoxication. Other methods are even less accurate - ranging from examining a person's pupils to their ability to walk in a straight line.
- A new technique being trialled could provide a solution to the shortfalls of existing tests. Functional near-infrared spectroscopy can identify changes in the brain's prefrontal cortex that signal intoxication, but are not directly correlated to the body's THC levels.
- The current lack of reliable tests for intoxication is a hurdle to national legalisation, and was one of the safety considerations Canada received the strongest pushback for when legalising. Developments in the testing sphere will give regulators and conservative groups more reassurance about legalisation, if they know that enforcement to ensure that people aren't driving under the influence is possible.
- An increase in impaired driving is the most common fear about cannabis reform across all the markets polled by First Wednesdays, with 42% of people identifying it as a risk of cannabis legalisation.



14. UN Treaty Reform (Or Not?)

Confronted with the conflict between cannabis legalisation and UN constraints, several avenues are available to the international community. While there is currently little consensus on the most effective or expedient route forward, the issue is likely to increase in prevalence and relevance over the coming years.

Some scholars also reject the notion of treaty conflict outright - arguing that mainstream interpretations of the treaties are overly-restrictive and overlook possibilities for a wider range of approaches to non-medical cannabis regulation. Kenzi Riboulet-Zemouli, an independent cannabis policy researcher, argues: "I believe reforms that concern adult-use are possible under UN treaties - but unfortunately, we currently have a very limited range of treaty interpretations that have been heavily influenced by four decades of the war on drugs. We need to take back the treaties without this prohibitionist perception, supported by national laws that match a specific treaty interpretation".

Options available to countries considering legalisation include:

CONTINUED TECHNICAL NON-COMPLIANCE

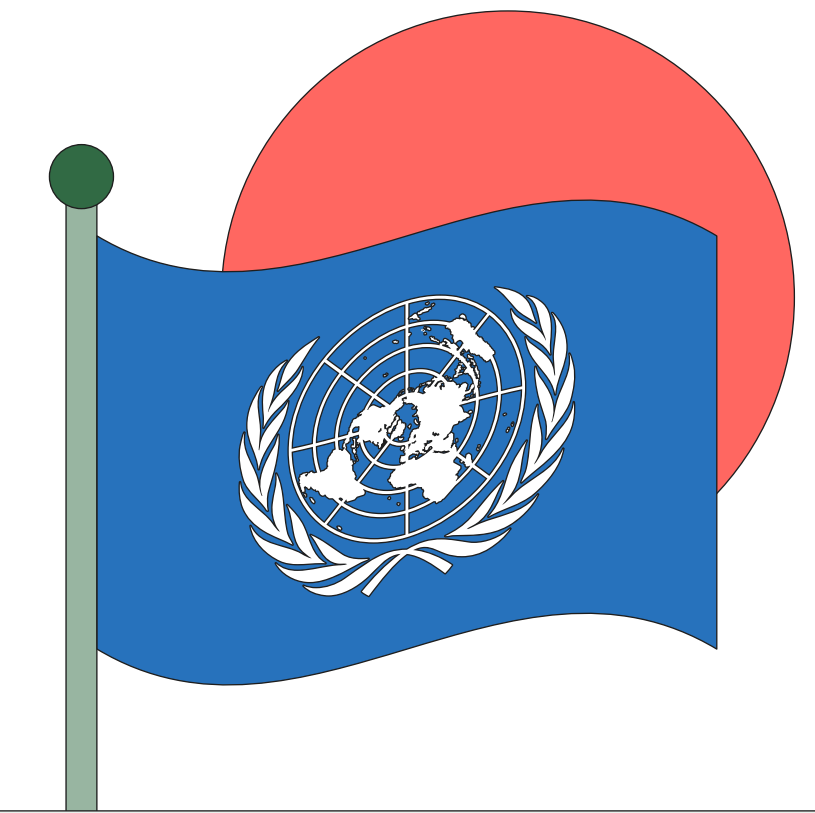
- Domestic legalisation of cannabis despite tension with UN treaties
- Can be done while supporting overarching aims of the treaties & advocating for reform
- Avoids difficult discussions on treaty reform for the time being, but becomes less tenable as more countries legalise
- Undermines broader international cooperation and upholding of agreements - e.g. on human rights and nuclear non-proliferation
- May be more difficult for countries also constrained by EU law

WITHDRAWAL FROM TREATIES AND RE-ENTRY WITH RESERVATIONS

- Comprehensive treaty amendments to allow for adult-use cannabis regulation
- Can be proposed by any treaty member
- Would require revisions to all 3 treaties and a high degree of consensus amongst nations to pass
- Not a political likelihood for the foreseeable future

WITHDRAWAL FROM TREATIES AND RE-ACCESSION WITH RESERVATIONS

- Allows states to withdraw from and re-enter treaties to establish national reservations ('exemptions')
- Used by Bolivia to reject controls on coca leaves
- Re-entry blocked if 1/3rd countries raise objections (around 60+ countries)
- Bolivian re-entry objected to by 15 countries including the USA, Canada, UK, France, Germany & the Netherlands - ironically many states that could apply the same process for cannabis.
- Risk of political escalation if applied for by an influential state such as Germany or the USA - e.g. a mass objection by a bloc of prohibitionist or non-ally states



INTER-SE TREATY MODIFICATION

- Enables consenting countries to revise treaty details amongst themselves - such as to allow for domestic regulated cannabis markets and exports
- Does not require consensus or permission from opposed nations - the revised elements would not apply to them
- A relatively obscure option - not currently widely considered or endorsed, but likely to gain increasing attention in coming years. First proposed as a solution for cannabis by the Transnational Institute (TNI) in 2018
- Canada on inter-se modification: 'officials are aware of the option, and open to solutions that accommodate different approaches to cannabis'

The European Recreational Ecosystem

The European legacy market is dense, and the cultural influence of the early European seed banks, breeders and genetics is incomparable. These activist early movers set the stage in motion for the European market to develop.

North America's influence on global cannabis culture is undeniable, and the number of US and Canadian companies building a footprint in Europe's early recreational markets has steadily increased since around 2018. Multiple brands now have a direct presence through licences, assets and partnerships, while others have assembled infrastructure in the wellness and medical sectors to leverage once recreational markets open.

How these companies and brands will integrate with heritage European brands and established consumer culture is yet to be fully realised.

“Smoking culture in Europe is bigger in general, whether it's cigarettes or cannabis, as is the social aspect of consumption.”

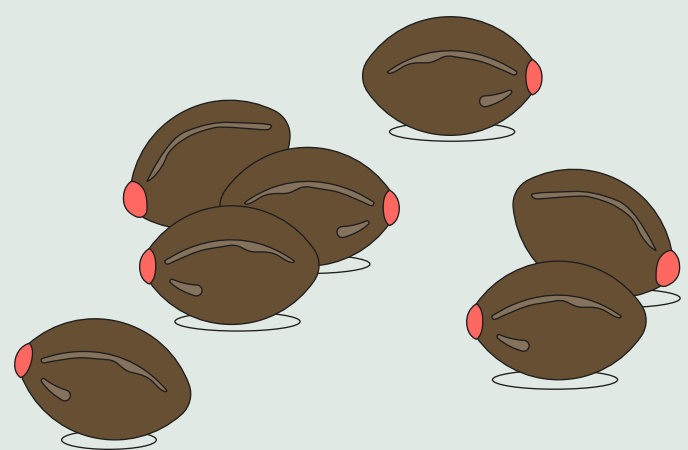
ALEX ROGERS, *CEO at International Cannabis Business Conference*

Tim Oates, Founder of Flore Farms, a Dutch operational cannabis group told us that

“The majority of the global cannabis culture comes from Europe and there is a transatlantic story behind some of the world's most popular genetics. Most of the predominant breeders today in the US spent a lot of time in the Netherlands and Amsterdam – in the 80s, 90s, early 2000s. They are walking on the shoulders of giants. The Schoenmaker's, the Dronker's and the Watson's, all of which played a key role in spreading Dutch genetics around the world.

Now is the time for The Netherlands to lay claim to its stake. The cultural significance of European breeders is huge; like French fashion houses they were global tastemakers. The cannabis world owes the Dutch a debt of gratitude.

The Seeds of Recreational Europe



Sensi Seeds was founded in 1985 by Ben Dronkers, a pioneering early adopter of home growing in the Netherlands when hash was dominant. Amassing a collection of seeds from across the globe, Dronkers produced high quality product that was previously unseen by coffeeshops - who at first referred to it as 'spinach'. After several arrests, he discovered that cultivation for the production of seeds was excluded under the Opium Act, and expert legal opinions agreed. This led to the formation of Sensi Seeds, the world's first legal seedbank that currently stores over 500 varieties.

The Green House was founded in 1985 by renowned Arjan Roskam, who holds the most High Times cannabis cups of any breeder. Documented in his media series *Strain Hunters*, Arjan collected genetics and landraces from across the world in his search to develop new varieties - the basis of the Green House Seed Company. The Green House operates four coffeeshops in Amsterdam and two cannabis social clubs in Barcelona, and has won over 40 High Times Cannabis Cups and over 200 awards for its genetics.



Dutch Passion was formed in 1987 by Henk van Dalen, an avid seed collector and breeder since the 1970s and an early evangelist of home growing in Europe. Henk's collection of seeds found in the batches of cannabis that came from Africa, Asia and the Americas became the basis for Dutch Passion, one of the world's oldest seedbanks. Dutch Passion is responsible for the invention of feminised cannabis seeds in 1997, which now account for over 95% of all seeds sold, and also pioneered autoflowering genetics.

Paradise Seeds was founded in 1994 by Luc Krol, whose breeding experience started in the 1980s on the rooftops of Amsterdam squats. The seedbank was formed from Luc's collection of landrace seeds that came from travellers on the 'hippy trail' across Asia, and genetics brought in by American cannabis exiles. In 2000, Paradise Seeds became the second company to develop feminised seeds after Dutch Passion. Since then, Paradise Seeds genetics have been awarded multiple accolades including over 50 cannabis cups.

International operators making inroads

October 2021 Village Farms agrees option to acquire majority ownership stake in Dutch experiment licence holder Leli Holland B.V.	2021 Cookies coffeeshop opens through partnership with Greenhouse . According to industry sources, Cookies also has a stake in the Dutch coffeeshop supply experiment.	November 2021 Aurora Nederland B.V. acquires a significant equity stake in Dutch experiment licence holder Growery B.V. - providing operational support and a loan for the facility's construction and early stage operations.
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March 2021
Curaleaf acquires **EMMAC** in a \$345 million cash and share deal, building a footprint in **Europe** for future recreational opportunities.

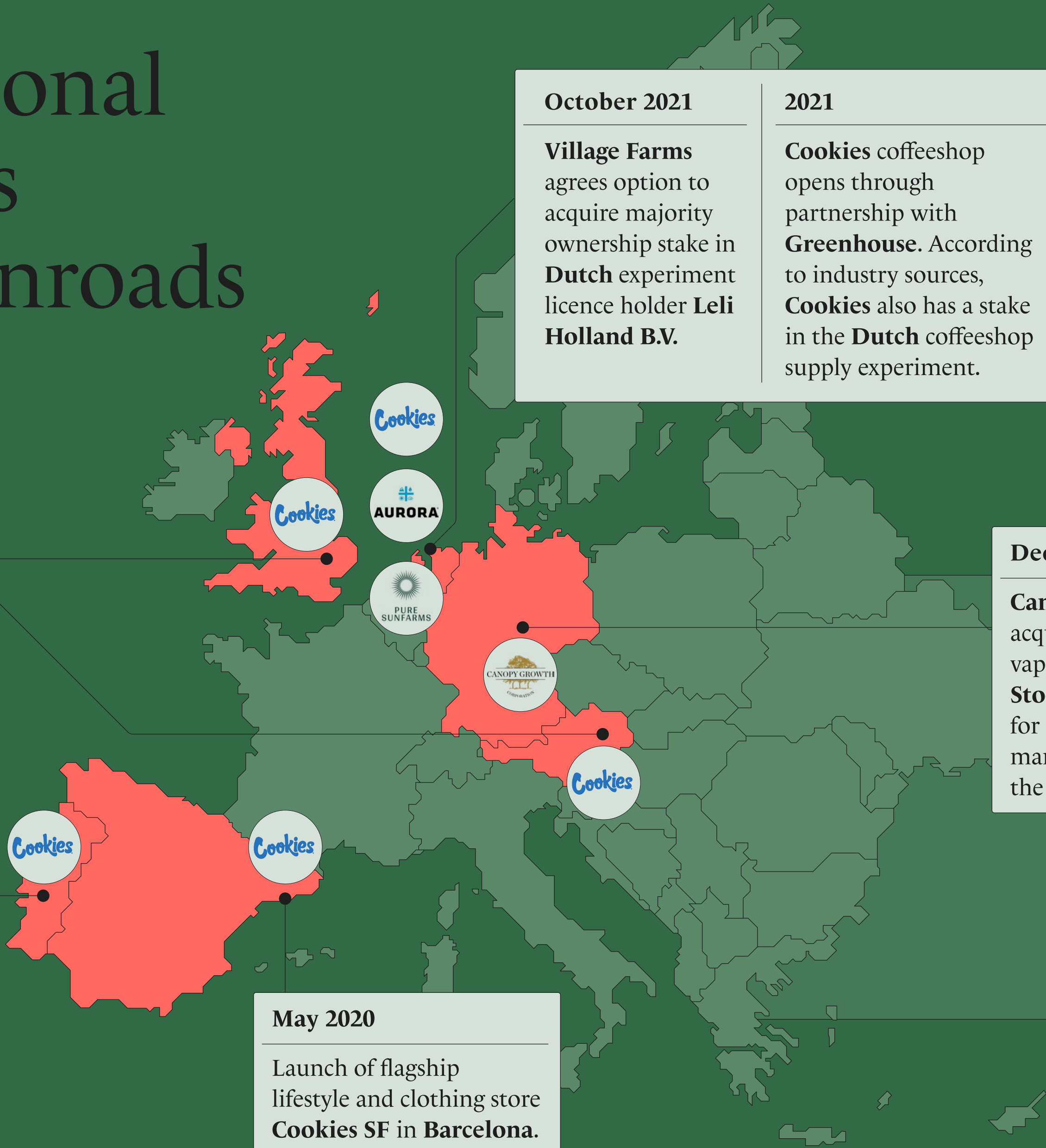
January 2022
Cookies lifestyle stores to be launched in **London** and **Vienna**, part of a wider rollout of stores and pharmacies in the **UK** and **Austria**.

August 2021
Genetics and brand partnership with **The Flowr Corporation** - **Portuguese** subsidiary has rights to produce **Cookies** flower and branded merchandise.

May 2020
Launch of flagship lifestyle and clothing store **Cookies SF** in **Barcelona**.

December 2018
Canopy Growth acquires **German** vaporiser company **Storz & Bickel** for €145 million, manufacturer of the **Volcano**.


Cookies
April 2021
Partnership with **InterCure** extended to **Europe**, following success in **Israel**.



North American Parallels

CHAPTER

TWO





Introduction

In late 2012, Washington and Colorado became the first US states - and the first jurisdictions on the planet - to fully legalise the production and sale of recreational cannabis. Within the next 5 years another 6 states followed suit, while Uruguay and Canada became the first two nations to legalise cannabis at the national level.

At the start of North America's recreational cannabis journey, progress was messy and slow - much like Europe's emerging markets. Small changes spiralled into bigger changes, more jurisdictions legalised, and more mainstream people got behind cannabis, and the

sector and legalisation sped up over time.

Throughout that period of time, cannabis legalisation transitioned from a fringe issue to something that was no longer politically questionable. A realisation occurred that not only was the status quo not working, but there was a real opportunity on the table. When a couple of states took the plunge, it made it easier for other states to follow - something we are seeing the early signs of and expect to see play out in Europe.

Looking at North America, we have case studies of very different approaches and the impacts of both extremes of regulation.

It is critical that we do not spend 10 years trying to build a system from scratch, when we have case studies from a continent with such diverse policies and viewpoints.

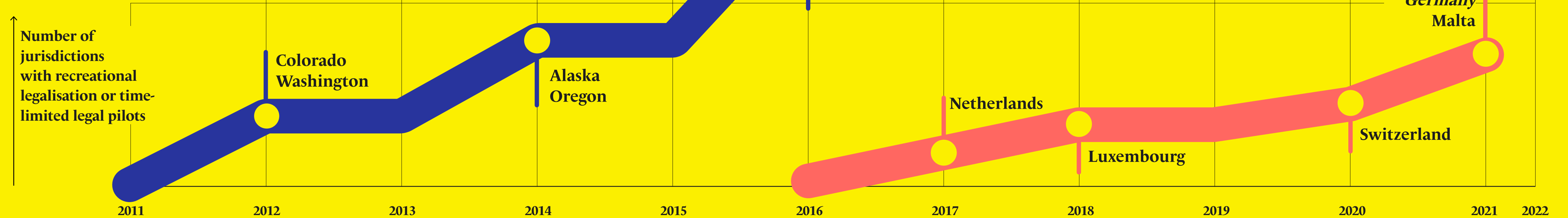
Years of activism and legislative change led to wider joined up conversations happening about things like social justice, expungement of criminal records and sensible taxation rates. We can jump the queue to some of these important conversations earlier on and implement these policies early in Europe.

North America is in many ways not a perfect match for Europe, but it is the best example we have for analysis.

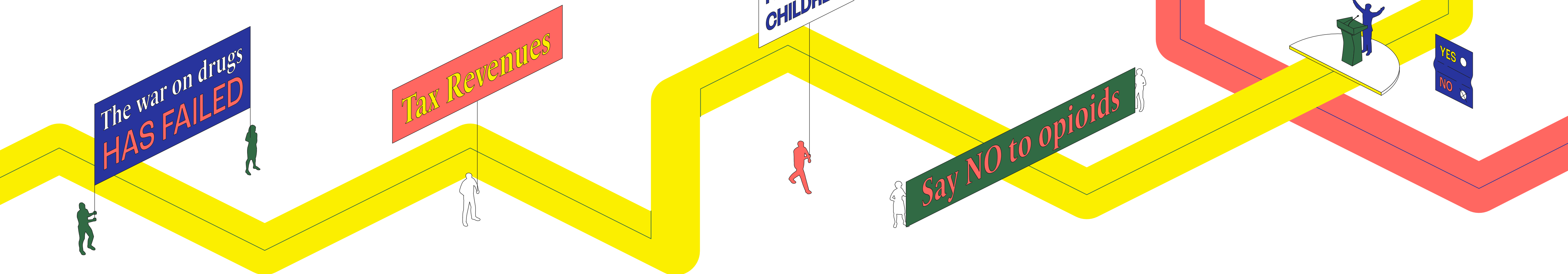
The Domino Effect of Legalisation

North America has seen an accelerated rate of growth in the number of new jurisdictions legalising over the past decade.

This graph provides an indicative comparison of the number of jurisdictions that have legalised recreational cannabis in North America and Europe, either completely or as part of a time-limited pilot. We have included Germany for comparison as an upcoming European market.



Getting Started: Catalysts for Reform



Early US legalisation was driven by ballot initiatives, voter-initiated proposals which harness concentrated support for a measure to drive reform, which in turn were backed by heavily-funded campaigns. In recent years, US legalisation has been driven by both ballot initiatives (which several East-coast states do not provide for) and state legislation allowing greater political control over the legalisation framework.

The first wave of legalising states shared several of the same characteristics: cultural liberalism infused with a hint of pioneer-era libertarianism, the presence of metropolitan urban hubs, and widespread medi-

cal cannabis access. Legalisation efforts in these states built a broad but loose coalition of support across political demographics, with a 'common-sense' narrative of regulating cannabis like alcohol, the promise of tax revenue for infrastructure like schools and health, and citing the failure of 'the war on drugs' and government waste resulting from prohibition. Over time, US legalisation narratives have shifted to include a greater focus on social equity, a broader range of demographics and priorities such as consumption lounges.

In Canada, legalisation was seized as a political opportunity by Justin Trudeau's Liberal

Party, which was trailing third in the polls when he made cannabis legalisation a key plank of the party's 2015 election manifesto. The bold move tapped into already-high Canadian public support for cannabis reform, led to youth turnout at an unprecedented level, and secured the Liberals the election.

While opportunistic, the Liberal's legalisation platform was backed up by three stated policy objectives: to eliminate a source of revenue for organised crime, to properly regulate the products available, and to keep cannabis out of the hands of children. These safety-focused objectives proved a hit with voters and subsequently informed the shape

of the regulatory framework, with Health Canada assigned to regulate the industry.

Many early legalisation successes in North America came from pushing at an open door - taking the initiative in jurisdictions with political and cultural appetite for reform. Over time, these victories laid the political groundwork and built the evidence base for legalisation movements across a wider and more diverse selection of regions. As the mood music begins to shift in Europe, advocates should similarly identify the 'easy wins' in terms of political coalitions and avenues for reform, with cross-country collaboration to help drive progress across the continent.

The Learning Curve



As the first legal commercial markets, Washington and Colorado have been studied by legalisation advocates and detractors for evidence to bolster their arguments alike. While neither have likely found exactly what they wanted, the two states prove that dynamic and innovative cannabis markets are possible while still protecting public safety - even if neither market has got it right all the time, and a fair share of tweaks and course-corrections have been required.

Licensing decisions between the two states varied: Colorado initially retained (then quickly dropped) a rule from the medical cannabis programme requiring retailers to produce 70% of the products they stocked. The state also gave medical cannabis dispensaries and cultivators a nine-month exclusivity period in recreational markets to aid transition. Washington conversely chose to prohibit verti-

cal integration - preventing retailers from owning cultivator or processor licences - and established a cap on retail licences.

However, neither state set limits on cultivation or processing licences, with the number of operators quickly ballooning, and Washington forced to freeze licence applications in response.

Today, Colorado (population 5.8m) is home to over 650 recreational retail stores, 800 cultivators and 300 processors, while Washington (population 7.8m) hosts over 1,300 processors and cultivators and 480 retailers. Even though the states already had established medical cannabis programmes, legalisation was not without its hiccups. In Colorado, regulators scrambled to impose edible THC caps of 100mg per package and 10mg per portion, following negative reports of overconsumption and misdoing.

The rapid growth in cannabis production

"What's really interesting in retrospect is that in the entire time that the Colorado model has been stood up, there has been very little or no litigation around the regulations, even when we tackled things like advertising and youth consumption and rules like testing for potency and pesticides - especially when there, there wasn't even science developed for that yet. In fact the entire time I was there there was no litigation on rules."

LEWIS KOSKI, Chief Operating Officer at Metrc and former Director of the Colorado Marijuana Enforcement Division

also drew criticisms of an unchecked industry, and caused significant financial turmoil for many operators. While the first few months of legislation were marked by product shortages and high prices, this was quickly reversed with the rapid growth of licenced supply. From early peaks, wholesale cannabis prices plummeted over the next few years to less than half of initial pricing, forcing some operators to exit the industry entirely. While the market has stabilised to a large degree, some issues of bottlenecks and oversupply remain.

However, some of the biggest fears of legalisation failed to pass - most notably concerns regarding increased youth use, while the evidence on impaired driving remains inconsistent.

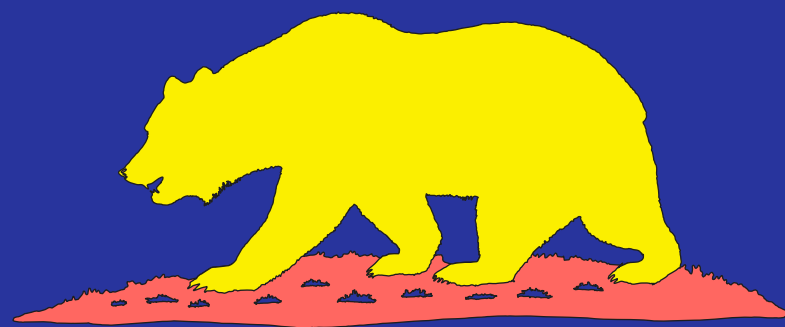
Both states also implemented comprehensive seed-to-sale tracking software from the outset, giving regulators a 360 view of canna-

bis production and sales.

Today, cannabis sales in Colorado and Washington are \$1.7bn apiece, generating over \$400m and \$600m in tax revenue respectively. Both states earmark a portion of revenue to fund initiatives such as education, health, or research to mitigate the social costs of cannabis use, and each state is now taking further steps to address issues of social equity. While far from perfect, Colorado and Washington stand as solid proof that a commercially-friendly cannabis market can be implemented while addressing the valid concerns of those more cautious of legalisation.

If not by politicians' choice these states were pioneers, forced to make bold decisions on cannabis markets with few case studies and multiple competing interests. Although not easy, with political engagement and goodwill by policymakers, cannabis legalisation can stand the test of time.

Licensing Decisions



Decisions around how many licences to issue and how they should be granted have been challenging. Some states saw a slow roll out of licensing regimes, while others saw lawsuits and backlash against licencing bodies - teething problems that are also present in Europe's early markets.

Setting a sensible number of production licences is essential not only to ensure consumer access at affordable prices, but to avoid extreme oversupply.

Lessons from California

Q How did your journey in the legal cannabis market start?

A In September 2015, I found a regulatory loophole in San Francisco building code that allowed the conversion of warehouses into greenhouses, used in the old days for landscaping or plant companies that would furnish office buildings. We lobbied the city to add an amendment into their building code that allowed these warehouses to operate as medical cannabis greenhouses. With that, we started the first proof of concept cannabis grows in California, before Prop 64 even came into play. We also built the first cannabis delivery depot in SF that grew to become the largest delivery company in the world at the time, doing around 3000 deliveries a day.

We spoke to **Jigar Patel, Co-Founder and CO-CEO of NorCal Cannabis**, responsible for one the first indoor cultivation sites and the earliest cannabis delivery depot in California, about what Europe can learn from the state.

Q How have operators evolved as the industry has developed?

A We are seeing more mature business practices now coming into play, and many dispensaries are now sophisticated retail chains. The good 'mom and pop' dispensary operators have expanded and been able to compete, while many with poor practices have been wiped out.

Q What mistakes were made in the licensing process in California?

A The unlimited cap on the scale of cultivation was a mistake. A much more even playing field could have been kept if they had set a 10 year limited cap of half a million square feet per organisation, for example. Instead, the model incentivised a lot of investment into big cultivation projects without really understanding the size of the market.

Too many cultivation licenses were also issued. Consolidation is bound to happen no matter what, but the level of fragmentation at the start really determines how painful consolidation is. When it starts to get very fragmented, more and more people will lose out in the long run. When you look at legacy operators, this is their livelihood, and when they fail, lives are lost and families are broken.

Licensing Decisions



States that have issued too few production licences have also faced issues due to the resulting high costs of wholesale products. We spoke to **Kris Krane**, Former President at 4Front Ventures and current Director of Cannabis Development at KCSA Strategic Communications, about how the direct impacts of this are playing out in Illinois.

"4Front has a store in Calumet City, Illinois, in the southern suburbs of Chicago right on the border of Indiana. The store pulls most of its customers from Northwest Indiana. If we could reduce pricing by around 30%, we would probably see a 2x jump in sales because we're being told by a lot of these customers that they would rather drive up to an hour to go to Michigan where everything is half the price, than drive five minutes to come to us in Illinois. That's a product of the fact that there aren't enough licences, so wholesale pricing is too high to reduce retail."

Expanding medical cannabis infrastructure is an attractive option for regions to get the market started while newly licensed operators scale up. In Montana, licensed medical cannabis companies will be the only permitted to sell recreational cannabis for the first 18 months, while Ohio's proposed law allows companies to open additional dispensaries and expand their cultivation footprint.

"The 'flip the switch' model has worked well, allowing existing medical infrastructure to transition without another long protracted application process. It's one of the reasons why you saw a very successful early rollout in places like Illinois, Nevada, and Colorado. The rollout was much slower in places like Massachusetts, Maine, and California, where existing operators had to jump through a whole bunch of new hoops."

Advice to European Regulators

Jurisdictions in North America took a bold step to legalise, with a willingness to address legal and practical questions that many deemed insurmountable - a good reminder for those in Europe who may feel overwhelmed by the task ahead.

Building on the wealth of experience that these pioneering regions have amassed, we highlight some of the advice to regulators from the entrepreneurs, activists and regulators present at the birth of the industry:

"Don't reinvent the wheel! Come to the US and speak with regulators in places like Colorado, Illinois, Washington, Oregon and Massachusetts to figure out what works and what doesn't. At this point the US has 17 state markets - you have so many different regulatory structures to study and borrow elements from. I am worried that European countries will want to start from scratch - but essentially cannabis is cannabis, whether you're from Colorado or Munich."

KRIS KRANE, *Former President at 4Front Ventures and Director of Cannabis Development at KCSA Strategic Communications*

"The biggest lesson from a legislative and regulatory standpoint that I've learned over the last 20 years in highly regulated industries is that regulators should focus on regulations that are business friendly. 'Business-friendly' doesn't mean doing whatever you want - it means setting the rules that allow companies to operate within a framework that really differentiates the legal market from the illegal market."

ANTONIO COSTANZO, *CEO at Curaleaf International*

"My feedback for fellow regulators is to partner first, rather than operate in a vacuum. Partnering with both industry and special interest groups is critical. You can never really bridge the gap completely, but you can do it in such a way that everybody feels pretty good - it's like a good divorce where nobody leaves completely happy, but everybody gets enough to make them feel like they weren't hurt."

LEWIS KOSKI, *Chief Operating Officer at Metrc*

"Before enacting serious regulation or creating defined laws, try to set minimum time periods for how long they will apply. Various facility changes, tax policies and the changing atmosphere around the legality of cannabis have really hindered operators - particularly in California, where regulatory bodies have not been consistent for more than 18 months."

CODY GIBBONS, *Cannabis Consultant*

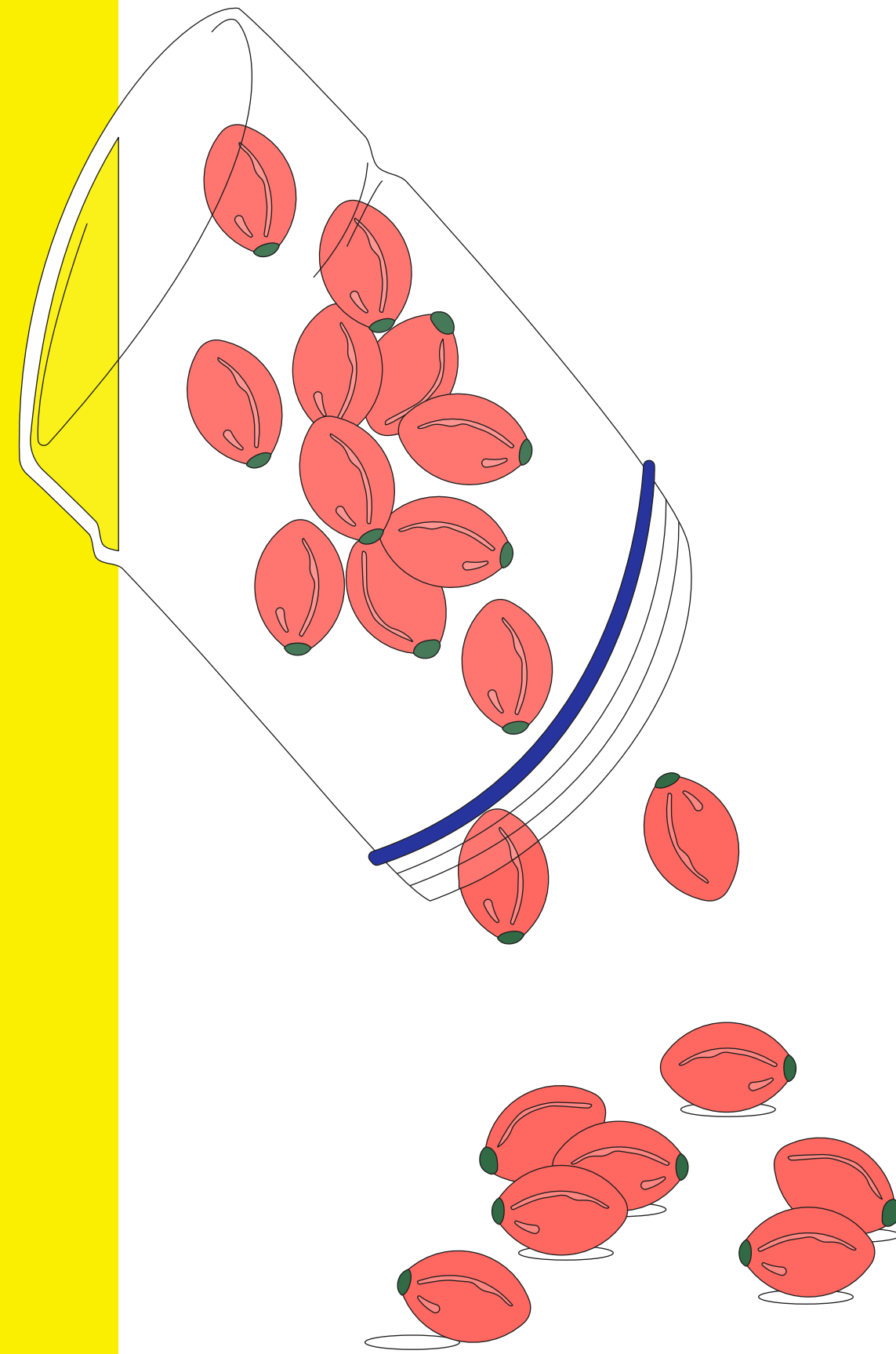
"My key recommendations from the Canadian experience are to include both an economic and a diversity and inclusion lens as you develop your framework from the get-go. Public health and public safety should be key drivers of policy, but not to the exclusion of other important issues."

OMAR KHAN, *SVP of Corporate and Public Affairs at High Tide*

From Legacy to Legal

Legal markets to date have seen varying degrees of success at converting consumers and the illicit market remains thriving in states with more onerous regulations and taxes.

Regulators need to consider how to encourage consumers to shift to legal products, suppliers and ways of purchasing, and reduce the potential hurdles to access such as excessive taxation or a lack of retail outlets. As with any consumer product, price, quality and convenience are key drivers behind consumer choice.

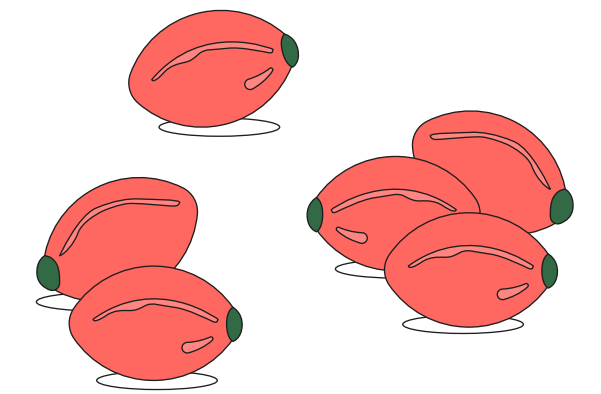
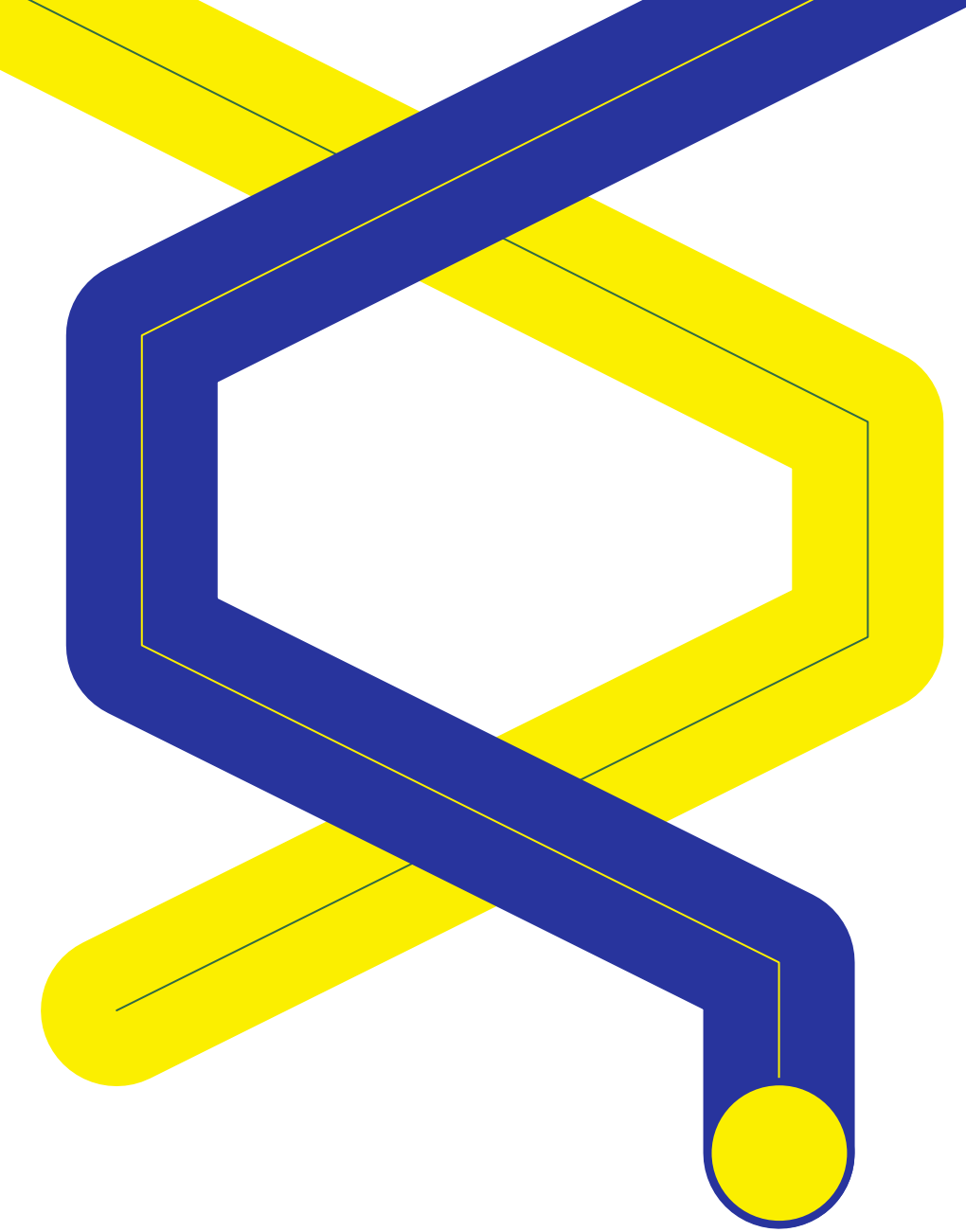


Genetics

From Legacy to Legal

Many of the strongest legacy brands and consumer bases existing today have been built by genetics producers, compared to growers who have typically built less strong reputations. Genetics are the cornerstone of underground cannabis markets, but legal markets face a challenge when bringing these varieties into a legal system where they can be registered and protected.

Canada turned a blind eye and ushered seeds and genetics from the legacy market into the legal system through a one-time exemption under the federal 2018 Cannabis Act. Cultivation licence applicants can bring illicit market starting materials under the legal umbrella at the time of application, which can subsequently be developed, crossbred and sold to other producers.



The next wave of legal genetics is unfolding through advanced R&D tissue culture hubs like California's Node Labs, the masterminds behind varieties including Wiz Khalifa's 'Khalifa Kush', Cookies and Zkittlez. As quality and brand in cannabis is so heavily linked to the quality of genetics, Europe has a strong starting point through its leading seed banks and genetics hubs.

Which established European genetics companies will rise to the top in a highly competitive commercial model?

Growers and Operators

From Legacy to Legal

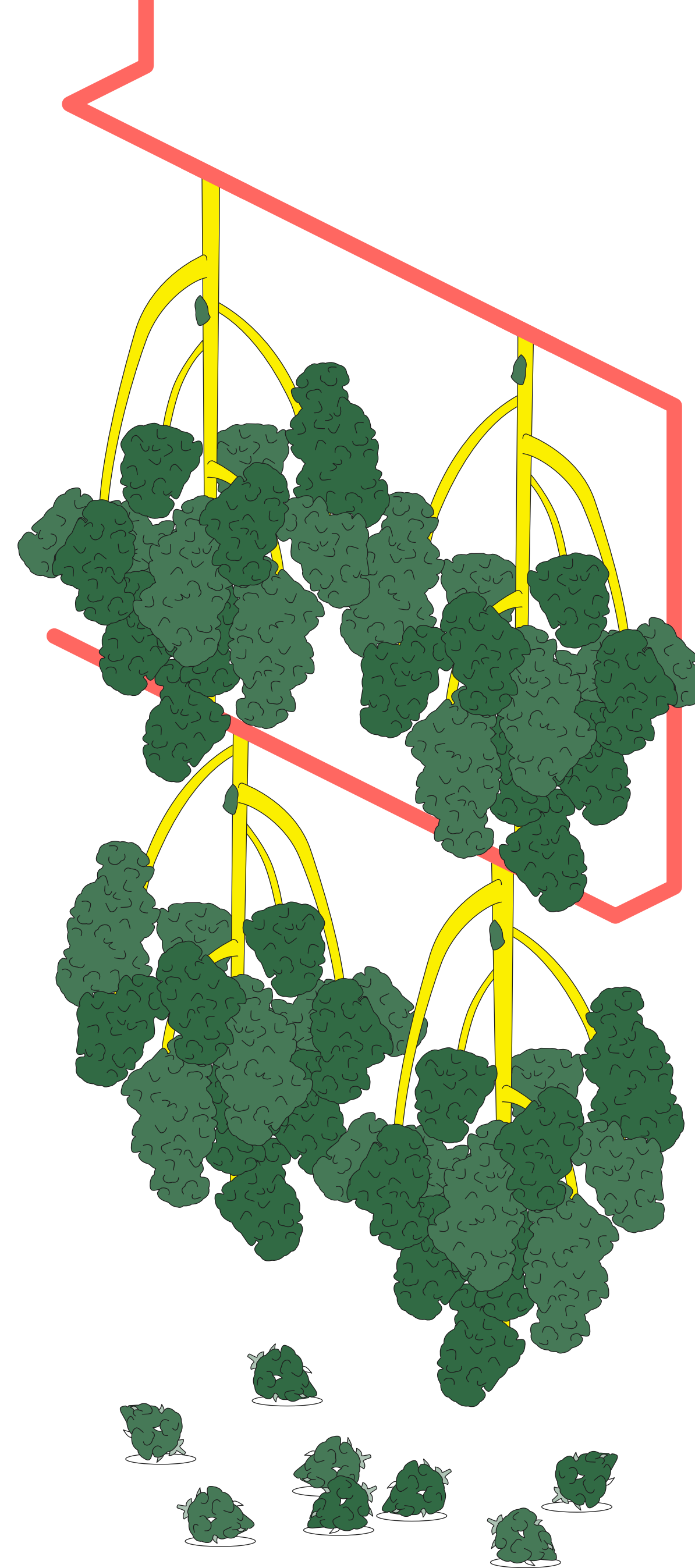
Legacy operators have a wealth of deep experience that is highly transferable and valuable to the legal market. We are dealing with a sector emerging out of an era of criminalisation, where some degree of flexibility is essential. Stringent hiring policies, for example, can heavily hamper expertise being transferred from underground to the legal system.

Experts have been brought in from CPG, technology and other industries to bridge the gap, but legacy operators are a major piece of the puzzle. This is not a usual CPG market. Heritage, status, and connoisseurship all matter. High licensing costs, restrictions on those with criminal records, and poor social inclusion policies have caused barriers to moving these people into the legal system. Further hurdles arise when

legacy producers seek to place a value on their knowledge and experience from the illicit market.

Various deals and partnerships have been struck between corporates, financial providers and legacy players. 'Contract farming' is a popular model in California, providing the cheapest and easiest way for legacy growers to enter the market. Companies obtain the required licences and finance the facility, while legacy growers are onboarded to manage cultivation under a profit sharing agreement. The practice has attracted lawsuits for its resemblance to 'sharecropping', where the power remains with the landowner.

The degree to which Europe will handle this situation with nuance and enable legacy producers to operate within legal structures in a just manner is yet to be understood.



"You can't just take a guy from Apple, a guy from Sony and a guy from Twitter and create a cannabis brand. But you also can't just take the guys who have been growing it for 40 years and don't know about things like financial stability and tax revenue - there needs to be cohesion between both sides."

DELIA FLANAGAN, *Sales Account Manager at Vantage Point Distribution*

"Many of the original product visionaries and entrepreneurs who built the company with blood, sweat and tears don't get to reap the rewards of operating in this space in the long run due to the burden of regulatory issues that severely debilitate companies and drive them to financial insolvency."

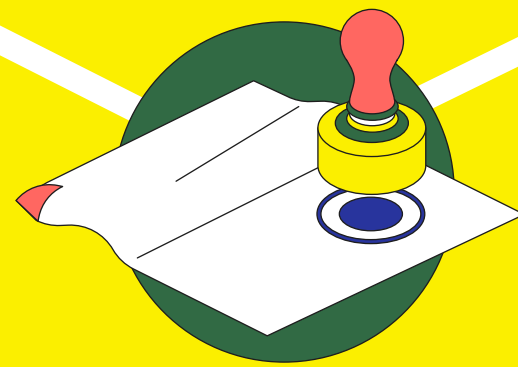
VINCE C. NING, *Founder & CEO at Nabis*

"How do you figure out a valuation and a way to assess a business that has no records? How do you pull that information if your whole goal was not to keep books or records? Growers have spent their whole lives hiding, and now they have to quantify what they did. That's a very scary proposition, because now you're professing to be legally liable."

WILLIE MACK, *Co-Founder & CEO Frank White & Think BIG*

New Purchasing Patterns

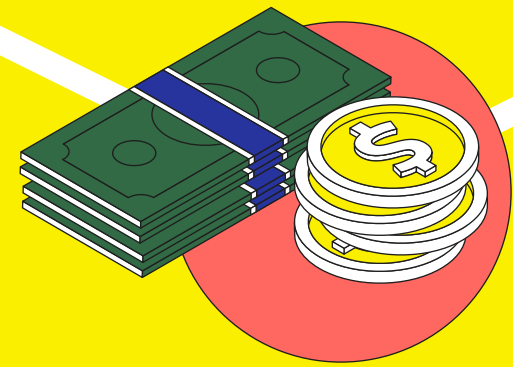
A significant chunk of sales remain illicit in North America - concentrated in regions where prices are too high, retail stores are lacking, or branding is heavily prohibited. For consumers to switch from their current suppliers to the new legal system, several factors need to align.



Availability - making legal products as convenient to access as the illicit market.

"The end goal is for people to have access, both geographically and financially. With those two aims, the main things to avoid are restrictions on delivery and distribution, or policies that make legal cannabis more expensive than it should be."

JEFFREY GRAHAM,
CEO at Pistil Data



Price - products should match or compete with illicit market prices.

"Converting illicit market consumers, who tend to be price conscious and have much higher basket sizes, is the biggest opportunity for retailers. That's why we shifted our retail model towards a discount club concept - sacrificing margin in the short term to make a dent in market share over the long term."

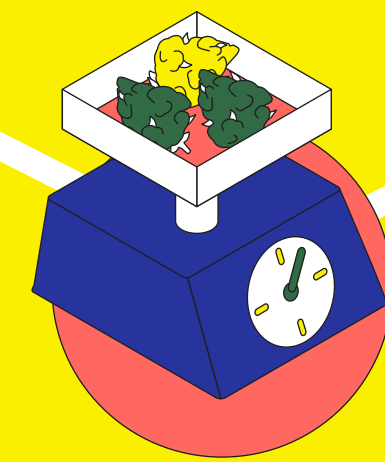
OMAR KHAN, SVP of Corporate and Public Affairs at High Tide



Information - providing consumers with the tools to make informed purchases driven by quality and production conditions.

"Once the consumer is educated, the word information becomes more relevant. To buy a Pinot Noir from Burgundy, you don't need to be told what wine is and how to consume it. It becomes more about creating a great buying experience."

DRUMMOND MUNRO, Co-Founder & Chief Brand Officer at Superette



Brand appeal - a tool to attract consumers to the legal system and a signifier of quality over illicit products.

"Both legal and illegal delivery sites operate in Canada, but not all consumers understand that. The illegal sites and stores have more branded products, which many consumers prefer."

ALISON GORDON,
Co-Founder at Other People's Pot and Founder at 48North

Striking it Right with Taxation

The promise of boosts to the government's purse through taxation has often been used as a bargaining chip for legalisation. Excise taxes on recreational cannabis can lead to significant income for the state - as of 2021, cannabis tax revenues eclipse those from alcohol in Massachusetts.

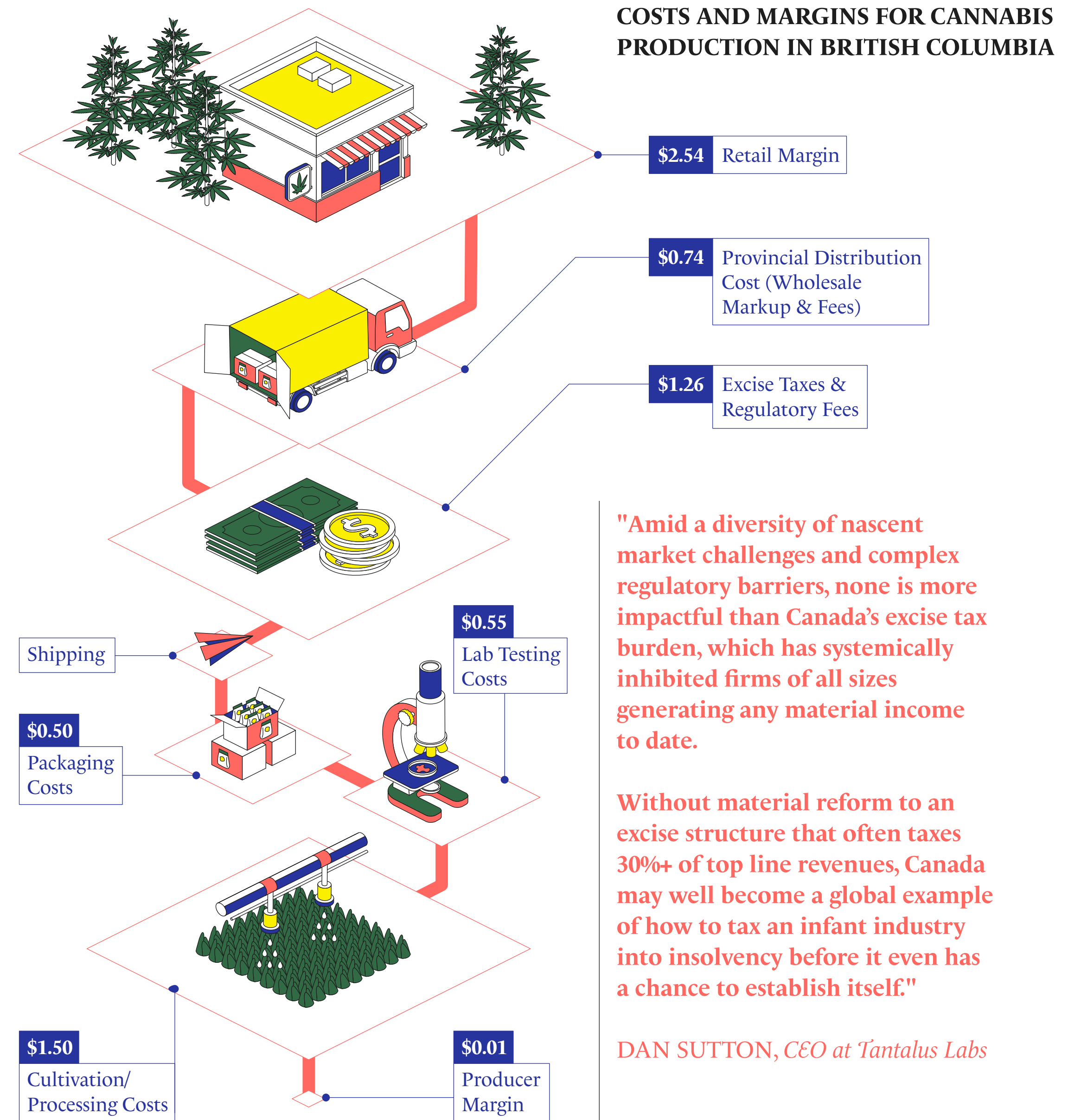
However, high rates of taxation on producers and consumers have severely stunted the development of the North American market, encouraging illicit activity for producers to compensate for lost revenues and stay afloat. In Canada, there are very few profitable companies more than three years after legalisation.

High tax states like California, where taxes can run as high as 40%, are still dealing with a situation where the illicit market is so large that legal operators are unable to compete. High rates also apply at the point of purchase, deter-

ring consumers from the legal system. Consumers in Washington state pay a staggering average tax rate of 46.2% on recreational products, including the highest excise tax in the US.

Regulators are now experimenting with counter-intuitive moves of lowering taxes to bring in more tax revenue. In 2019, the Californian city of Long Beach began a tax experiment, reducing its supply chain tax and increasing the permitted hours of operation for retailers. Long Beach Collective Association credits the tax reduction for an increase in tax revenue from \$4 million in 2019 to \$9.3 million in 2021, doubling the number of cannabis-related jobs in the same period.

It is imperative that Europe learns from these examples, and implements a sensible taxation framework from the start that allows the growth of infrastructure, and keeps prices low enough to compete with the illicit market.



Illicit Market Capture

A sizable proportion of sales remain illicit post-legalisation in North America, and Europe has a library of lessons to learn from what has been effective at changing this across the Atlantic.

- Cowen researchers estimate that 65% of the total US cannabis market, worth \$72 billion in 2021, was illicit. California's illicit market alone is worth an estimated \$8 billion dollars annually, twice the volume of legal sales in the state.
- In Canada, illicit sales represented 45% of total cannabis sales in 2021 according to Statistics Canada, falling from 55% in 2020 partly due to permitting more retail outlets during that period. Around a quarter of Canadian consumers report buying from both the legal system and illicit sources.

Looking at the varying approaches taken by states, we can see how policy can impact rates of conversion from the illicit market. Levels of taxation have played a massive role

"The competition is fierce in every way because the legacy market can be cheaper, they don't have to pay tax, they don't have the same level of regulation, and they can use branding. This makes it slower for people to come into the legal market, which causes difficulties for all sides of the equation because so many people are wanting to get licences and compete for what is a smaller market share."

ALISON GORDON, Co-Founder at Other People's Pot and Founder at 48North



in states like California, where Governor Gavin Newsom has pledged a tax overhaul to the industry after businesses warned that the industry is collapsing under high taxes and competition from the illicit market.

Regulators in Oregon's Jackson County declared a state of emergency due to the number of illicit cannabis producers, causing shortages in local water supplies and authority resources. According to state inspections, 50% of registered hemp farms in the state are illegally cultivating cannabis.

We cannot expect to totally eliminate the illicit cannabis market, as similar practices occur to a lesser extent in other vice sectors like alcohol and tobacco. An estimated 10-12% of cigarettes consumed worldwide are illicitly produced or distributed, and the illicit tobacco trade is largely dominated by transnational tobacco company (TTC) brands.

Often, cigarettes are manufactured legally before being diverted into the illicit market to skirt taxation. Reports that similar double dealing is occurring in the cannabis sector are frequent. When it becomes unprofitable to operate in the legal market, produc-

ers look to subsidise legal losses with illicit market revenue.

Illicit products can also pose risks to consumers and society given their unregulated nature. The 'vape gate' crisis of 2019 was a warning sign of how illicit market products can cause reputational damage to the legal industry by association.

A lack of differentiation in media reports between regulated vape products and the harmful constituents in some illicit vape cartridges resulted in general concern around the category and strangled sales.

"It made it difficult for us as brands to raise capital, because it was such a public thing and investors don't want to be investing in crises. Stores slowed down their purchases, customers slowed down their buying. It caused us to look at other product categories to say, hey, maybe we should hedge and not just be so invested in vapes."

CASEY LY, Chief Revenue Officer & Co-founder at Bloom Brands

The Importance of Retail

North America's experience also teaches us how issues arise when there are not enough points of access for the population. 'Cannabis deserts' where regions have voted against dispensaries or where a lack of retail licenses were issued make the illicit market not only cheaper but more convenient for many consumers.

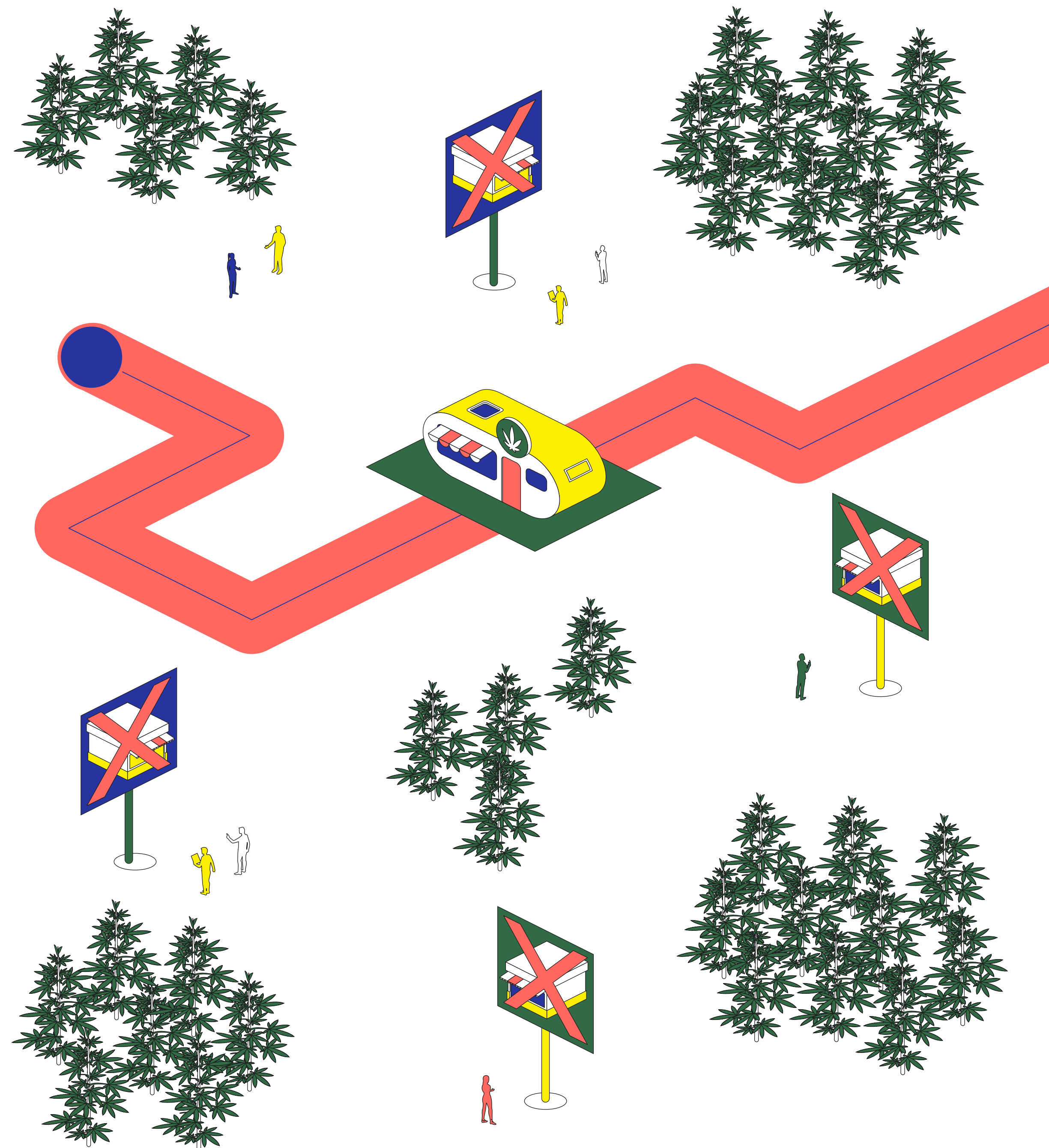
Legal market adoption was particularly restricted in Ontario in Canada by the lack of retail stores. In some states, municipalities have the ability to block retail outlets, similar to the coffee shop system in the Netherlands. Over half of all Californian counties have local laws that ban cannabis retail stores, like San Bernardino where both cultivation and sales are prohibited. The county deals with high numbers of unlicensed farms and dispensaries.

On-demand delivery services are rising in popularity, presenting a sizable opportunity for ancillary providers. Uber has expressed interest in offering cannabis delivery once federally permitted. Cannabis retailers are experimenting with low square foot models to lower overheads, and modelling their stores after convenience stores and familiar environments.

"We founded Superette to rethink what design, merchandising, the customer journey and community could look like in a retail framework. We were the first store to open in a province of 14 million people - there was such an opportunity to normalise the purchasing experience. Our stores are designed with familiar nostalgic retail environments, like supermarket delis, bodegas, and corner stores to invoke a sense of comfort and familiarity.

What's interesting about retail is it's probably where you have the most autonomy from a marketing standpoint. The role of physical brick and mortar has evolved so much over the last 20 years. What it does now for most B2C brands is serve as a billboard for your brand - to have a physical touch point to connect with your consumers."

DRUMMOND MUNRO, Co-Founder & Chief Brand Officer at Superette



The 'MSO' Model and Closed Loop Markets

Cannabis markets in US states operate as 'mini-economies' that product cannot enter in or out of. Companies looking for exposure in multiple states have to replicate infrastructure across different markets - a generally inefficient process, with new overhead costs per market, and specific regulations to navigate each time.

Navigating these restrictions means that companies that do so become skilled in 'right-sizing', to ensure that operators are finely-tuned without extra costs and waste. The closed loop system creates a number of challenges for operators, who are less able to leverage economies of scale. Replicating cultivation sites can lead to challenges for

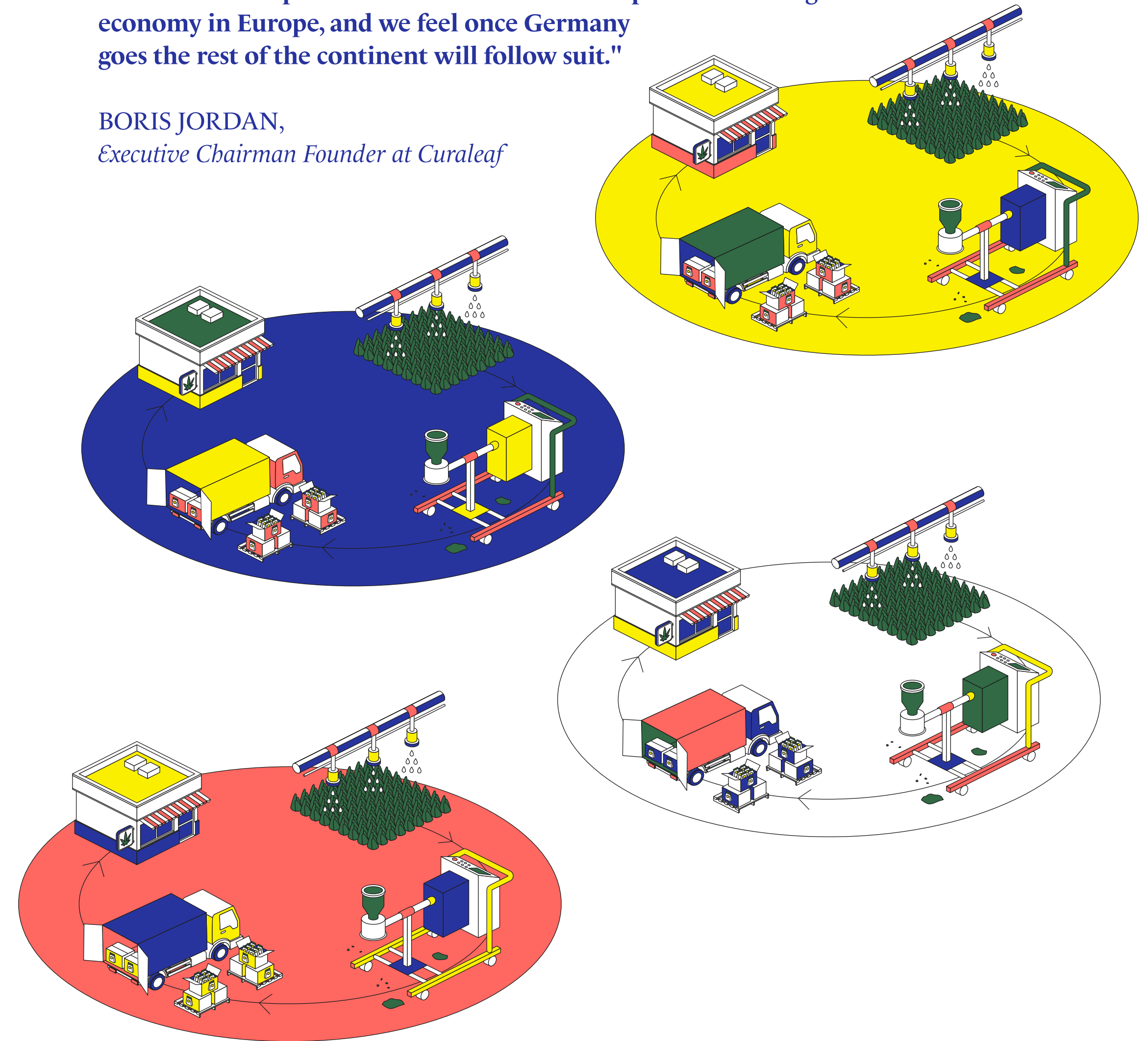
standardisation as the same genetics may perform differently in a different cultivation environment and ecological climate.

While Canadian operators have enjoyed a headstart in medical and export market opportunities from federal-level legalisation, US multi-state-operators (MSOs) may have an advantage in nascent European recreational markets - particularly if exports are not initially permitted.

Curaleaf has one of the largest footprints among US MSOs, operating 126 local dispensaries, 26 cultivation and over 10 processing sites across 23 states. The experience of operators like this should be highly transferable to the European market.

"We see the European market as three to four years behind, but it actually looks like Europe may initiate sweeping reform before the United States. Germany saying they will recreationally legalize will be an inflection point for the market since it represents the largest economy in Europe, and we feel once Germany goes the rest of the continent will follow suit."

BORIS JORDAN,
Executive Chairman Founder at Curaleaf



Licensing Brands and IP

While products cannot cross state or country borders, brands can.

Closed loop markets incentivise the use of licencing agreements to move into new markets without requiring a full infrastructure setup in each region. Companies grant the licensee the rights to use certain trademarks, IP or formulations in exchange for royalties and building brand presence in the market.

Licensing is a less risky way of introducing a brand to a new region with less capital outlay, testing its potential in a new ecosystem while experimenting with local modifications to strategy.

Brand licensing works more effectively with some formats over others, like beverages and edibles. The MSO Green Thumb Industries has an investment and licensing agreement with leading beverage brand Cann, distributing their infused seltzers through its retail footprint.

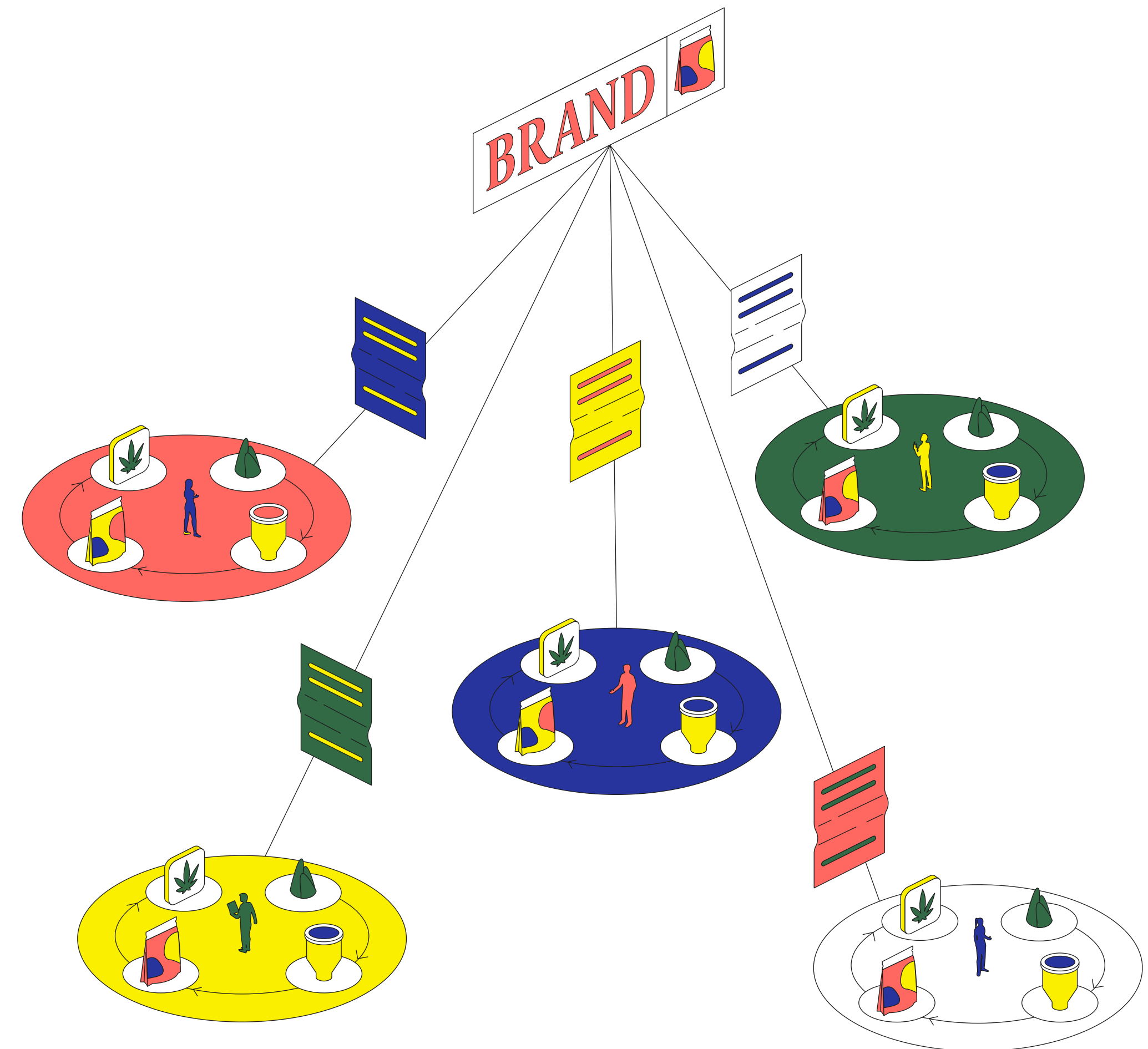
With state by state regulation, there's no consistent body or rule set. Different regulations mean that you need to package and advertise differently, creating economies of scale issues. When you look at it from a marketing lens, you're not really able to create one set of strategies and assets that naturally works across all the regions you operate in.

That's why you see a lot of brands starting to licence state by state. They're getting faster and quicker distribution, at a lower cost.

JON LOWEN, Co-Founder at Surfside

Edible products present a great opportunity for brand licensing and have seen a strong rise in sales. With flower, you are less able to create as consistent of a brand experience across multiple states as you can with edible products. It's also much easier to patent and hold IP for edible formulations.

JEFFREY GRAHAM, CEO at Pistil Data



Corporate Cannabis

The legalisation of cannabis commerce transformed the industry from covert to the fastest-growing CPG category at breakneck speed. Cannabis company CEOs now plaster the cover of business magazines and enter partnerships with household celebrities - and while companies can't quite advertise cannabis at the Super Bowl, they can still spend millions for an award-winning director to make a promo, just in case.

With the 'professionalisation' of the industry has come legitimacy in the eyes of the law and mainstream society. This palatability for shareholders is evident in the significant stakes in cannabis companies that have been acquired by traditionally conservative multinational tobacco and alcohol beverage companies seeking exposure to the newest vice market.

Several cannabis companies have diversified their own portfolios to include consumer CBD, hemp and European pharma, as well as sectors such as sports nutrition and alcohol. The cannabis C-suites of listed companies are far more likely to hail from CPG, tech or finance than they are from the Emerald Triangle, reflecting the desire and perceived need for cannabis to emulate the trajectory of other established sectors.

Canadian firms have particularly embraced the corporate playbook, aided by federal legality and access to both US and domestic public markets. From the outset, many prominent producers had a clear strategy: amass a war chest of capital, establish as much production capacity as possible, and secure market share through economies of scale and aggressive M&A.



There are now more than 10 cannabis companies with a market cap north of \$1 billion, but there are valid criticisms that the 'green rush' has failed to live up to the hype. Many companies have come under fire for mounting costs, inefficiencies of scale and questionable strategic decisions that have led to poor consumer and stock price performance, site closures and industry layoffs. Broader questions have also been raised by activists and public health stakeholders regarding industry involvement from big tobacco and alcohol.

'Corporate cannabis' reflects more than just the pursuit of profit, however - with the legitimization and professionalisation of the sector also comes potential for genuinely robust governance, CSR and sustainability frameworks. While European regulators and consumers may be more cautious of 'corporate weed' than North American counterparts, there is the opportunity for now-seasoned operators to lead by example and demonstrate that large-scale cannabis firms can provide more than just competitively-priced cannabis.

The Role of Craft

Craft cannabis is a widely-used and broadly-defined concept, which at its core implies products made with high attention to quality and detail. Craft is generally associated with smaller-scale production, use of tailored and/or labour-intensive cultivation, curing and processing methods, and a strong focus on cultivar selection and the consumption experience.

Many craft brands are innovators, experimenting to push the limits of constituents like THC and terpene content, and often leading the way in terms of new product formats and consumer packaging information. Products are predominantly differentiated in terms of quality and uniqueness, rather than availability and price.

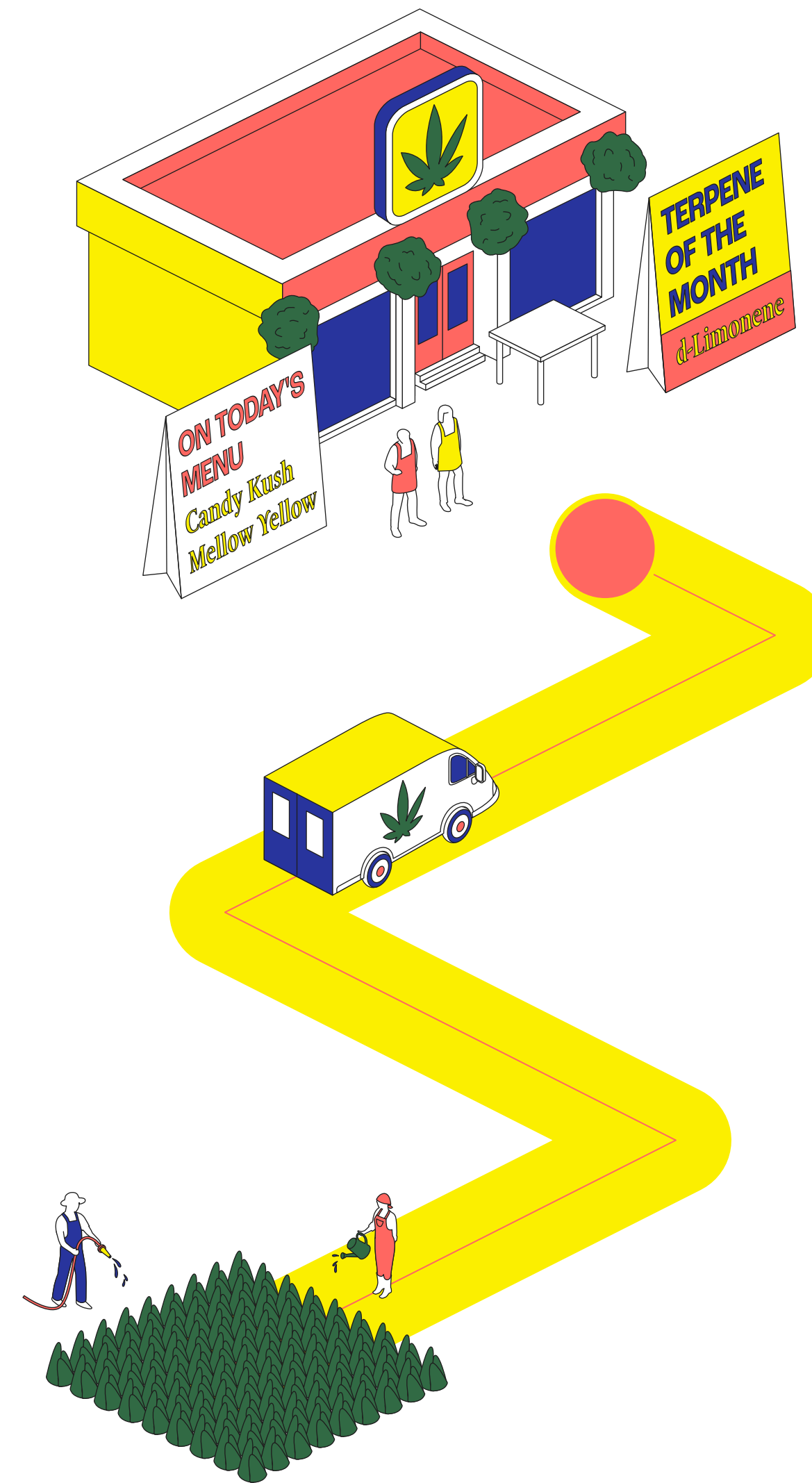
As per industries like alcohol, food and drink, there is proven demand for premium, smaller-batch and local cannabis products. Larger operators may dismiss the ‘ankle biters’ which individually hold a tiny market position, but collectively, these small brands and craft producers continue to erode the position of ‘market leaders’.

Several US jurisdictions including Cali-

fornia, Massachusetts and Michigan offer ‘microbusiness’ licences, as does Canada. In New Jersey, 25% of all cannabis licences must be awarded to microbusinesses. These typically require less capital setup and have lower associated licensing fees, linked to restrictions on facility size, plant canopy and/or output. While ‘small’ does not automatically equate to craft, micro-licences are broadly seen as a tool to encourage industry diversity, and aid transition of expertise from legacy to regulated markets.

Craft producers face a number of challenges, including access to capital, tight operating margins, and size restrictions which can prevent efficient scaling. Given the higher costs of production, tax levels can disproportionately impact consumer demand for craft products, while smaller private companies are generally less able to incur continuous losses while building a brand in comparison to larger listed operators.

A lack of budget and ability to promote can also prove a hurdle, particularly in markets with tighter advertising restrictions. A decrease in in-person interactions



"Consumers are prevented from seeing innovation in states dominated by MSOs. A fair playing field and tax structure that allows smaller players to compete is very important for innovation."

CASEY LY, Chief Revenue Officer & Co-founder at Bloom Brands

"A few years ago the Canadian market was completely dominated by the big licensed producers, who had over 70% of market share. As it stands today that's down to the low 30s - we are seeing the surge of craft growers where there is stronger emphasis on quality and growing techniques."

DRUMMOND MUNRO, Co-Founder & Chief Brand Officer at Superette

and budtender education sessions due to the pandemic was seen to particularly impact smaller, craft producers.

Markets looking to support smaller operators can do so in a number of ways, including policies for canna-tourism such as retail sales and on-site consumption lounges direct from a production facility. Some also advocate for the use of regional or geographical indicators for cannabis products, similar to the concept of ‘terroir’ used within winemaking to capture the flavours and processes associated with products of a particular region.

Ancillary

American markets are almost a decade old in some places, with large multi-state operators generating vast revenues while major infrastructure and professional services have sprung up to aid the sector.

Supporting services have developed for finance, compliance and retail solutions. After legalisation, this infrastructure can be put to work overseas, making innovations in this space highly relevant to Europe.

BANKING

Access to banking is the biggest problem left unsolved in the US after years of recreational markets, with many businesses still operating on a cash-only basis. There are still major problems with banking solutions for cannabis companies that Europe has an opportunity to fix.

Banking access is less of an issue in Canada, as Canadian banks serve federally legal cannabis businesses. Similarly, many believe banking will not be an issue in Europe's recreational markets that are nationally legal. It is still unclear whether pilots and

trials like in Switzerland and the Netherlands will be treated the same as full legalisation from a banking standpoint, and what issues will arise in the process.

PUBLIC MARKETS

Cannabis markets spring up around public markets. Access to retail investor capital is a valuable tool to scale up new and often risky businesses. The public often moves quicker than policymakers, and the financial community in particular votes with their wallets. The cannabis advertising platform Weedmap going public with a \$1.5 billion valuation was a clear signifier of how far acceptance has come.

A paradoxical situation arose in North America where US cannabis companies listed on Canadian exchanges due to federal illegality in the US, while Canadian companies could list on the US's Nasdaq as they were operating where the industry was federally legal.

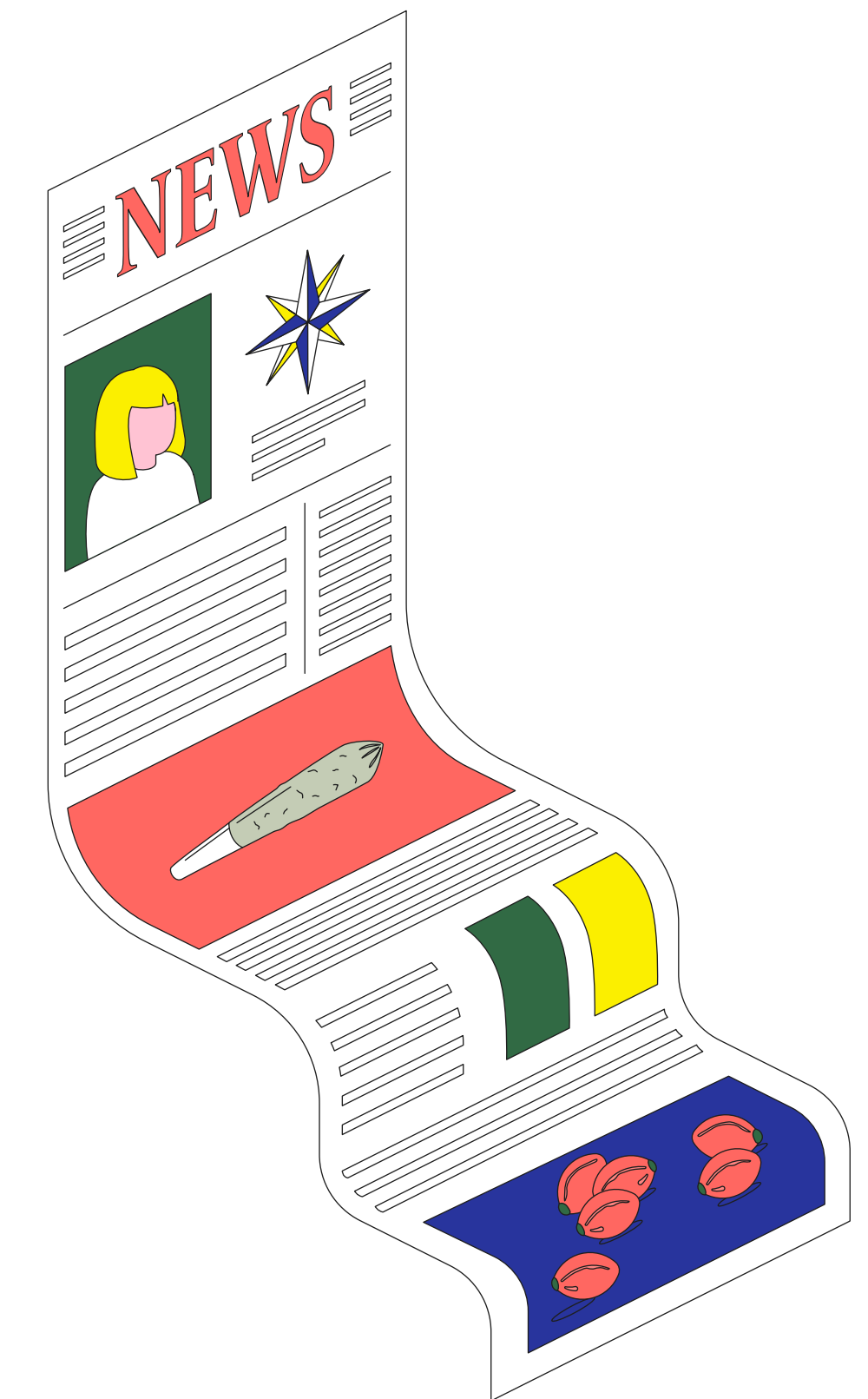
In Canada, much of the capital that funded major business expansion came from

retail investors. Whether Europe will fall closer to the US or Canada's experience will partly depend on how welcome Europe's public exchanges are to recreational cannabis businesses.

THE ROLE OF REBELLION

Safe Harbor Private Banking spun off of Denver's Partner Colorado Credit Union in 2015, providing checking accounts for the cannabis industry despite the violation of federal law. The bank created a sophisticated process that matches deposits and withdrawals to legal cannabis transactions.

It now banks over \$200 million in cannabis-related funds monthly, mostly cash taken off the streets that reduces threats of robbery. Safe Harbor's CEO Sundie Seefried explained in an interview with New York Times in 2018 that the chances of facing prosecution are less than 20%, which the bank is happy to take - an indication of the calculated risk vs reward attitude needed to serve the sector in its infancy. In February 2022, Safe Harbor announced a merg-



er with special purpose acquisition corporation Northern Lights Acquisition Corp, traded on Nasdaq exchange.

Which European banks will take the risk and serve cannabis businesses with recreational assets? As national level legalisation happens this may be easier solved than in the US.

Technology

z



The experiences of ancillary tech and data providers can also be built on in Europe. Given that these companies are not plant touching, they have been able to benefit from access to a broader range of capital to reach new heights.

From point of sale software to seed to sale tracking, robust platforms have developed that could be adopted from the start in Europe, depending on their fit with distribution systems.

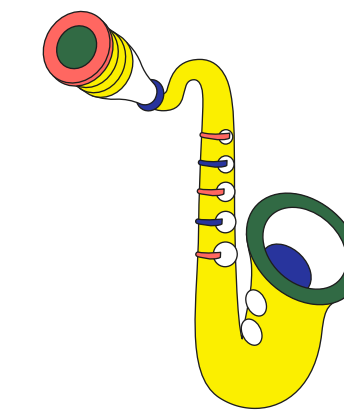
We spoke to several of the leading North American tech companies to understand the scale and value of these operations.

"We help retailers and brands onboard first party data to use as an asset for customer acquisition and marketing. Our end-to-end marketing technology helps companies identify, build and target their audiences more effectively - and measures whether marketing is driving sales."

JON LOWEN, Co-Founder at Surfside. Data analytics company specialising in cannabis

"Brands use our ecommerce menus as a bridge to reach e-commerce and showcase their products. Right now, we work with over 5500 dispensaries, about 65% of the market, automating their compliance at state level. We also offer a safe and compliant payment solution, a closed loop ACH cashless system like a bank transfer."

ROSS LIPSON, Co-Founder and CEO at Dutchie. A technology platform that powers dispensary operations



"We automate e-commerce for retailers in the US, powering over 2500 dispensaries, and provide personalised advice to consumers based on the purchasing habits of those with similar demographics and preferences. I think cannabis is more like music than it is to alcohol - we might feel two very different ways from the same product or song."

SOCRATES ROSENFELD, CEO at Jane Technologies. Industry's first fully automated e-commerce solution

Brand and Consumer

North America provides us with examples of two extremes - from restricted branding and plain packaging with health warnings, to design-led brands.

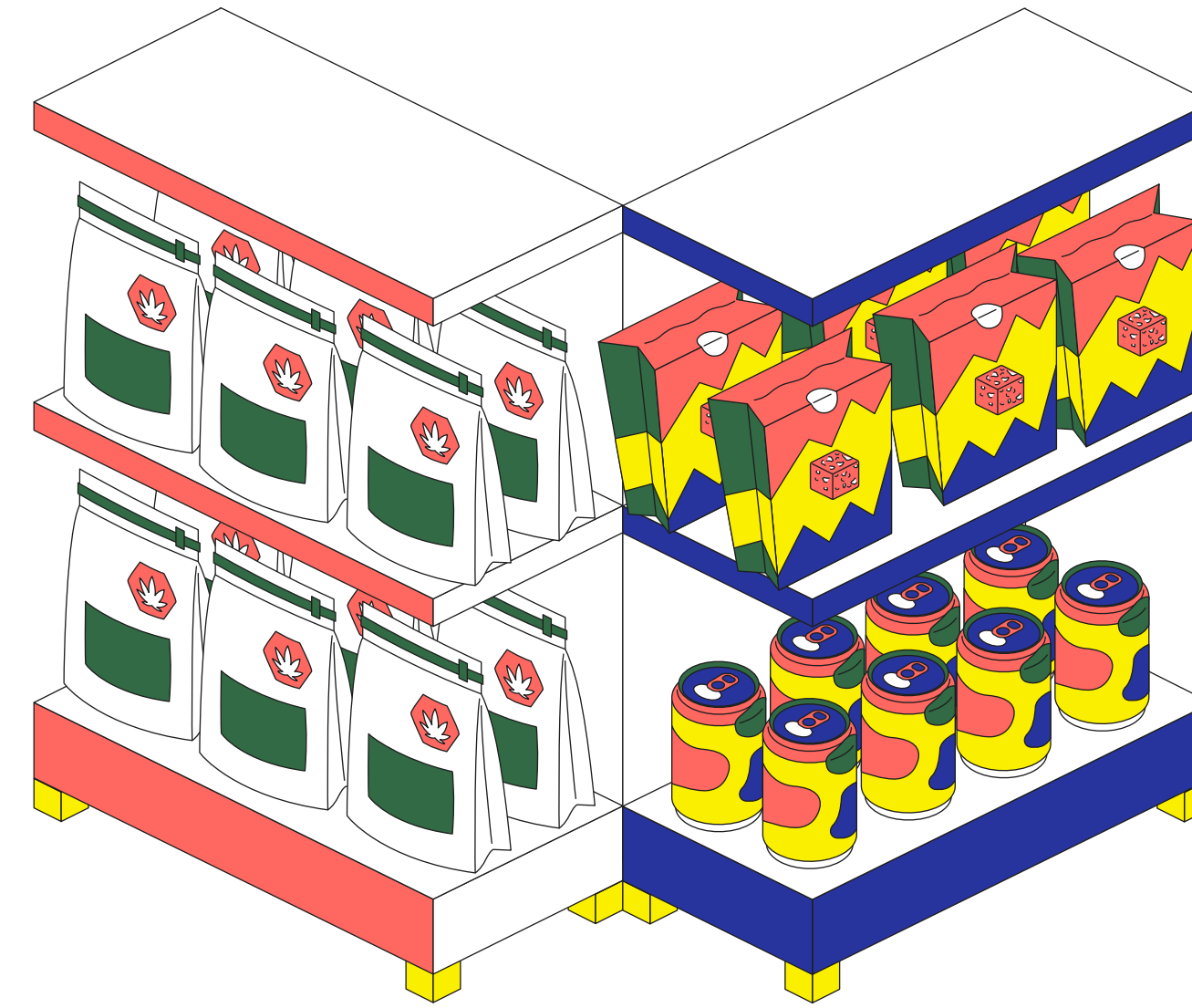
Federal legalisation with a highly regulated framework in Canada has prevented the brand landscape from developing, and brands are more sanitised to cater to a nationwide consumer set. This has partly led up to a situation where a large proportion of the market remains illicit, where brands can be built more freely.

Early European recreational frameworks and discussions suggest that plain packaging plays a part in winning over reluctant

stakeholders to pass legalisation. Europe should observe the lessons of North America, and consider the importance of brands for building credibility, community and product appeal.

We have seen the first nationwide brands begin to cut through with the public in the US through the likes of Cookies, Cann and Select. In Canada, where it has been very difficult to build any kind of visual branding, consumer purchases remain heavily price-driven with fewer signifiers of identity and quality.

A new era of cannabis brands is being built in North America, moving away from marketing by price or THC content and



towards cultural and lifestyle cues. Some of the most effective brands are exploring:

- Collaboration and intersection with other industries, from fashion and music, to sports and skate culture
- Leading by use occasion, sentiments or states of mind
- Grounding brand identity in social equity principles
- Education about sustainability and growing conditions

"I think we should have full branding allowed on packaging, it would be a mistake if they imposed restrictions like the ones for tobacco products. From my experience in online gambling, the difference between the legal and illegal market was made around pricing and branding. In a nascent industry that wants to move customers away from the illegal market into the newly built legal market, being able to promote and price it competitively is crucial. What values are you bringing to customers? What level of faith and trust can they have in your brand?"

ANTONIO COSTANZO, *CEO of Curaleaf International, Former senior executive at Uber and Bwin*

"The added value that can be given to a category and even a mature segment from celebrity culture can never be understated. It can also lead to massive disasters, but if it's done correctly, it can have a huge impact. Jay Z's Monogram is telling the decriminalisation narrative extremely well, and discussing unique strains like someone would discuss superpremium single malt whiskey."

SPIROS MALANDRAKIS, *Head of Research - Alcoholic Drinks at Euromonitor International*

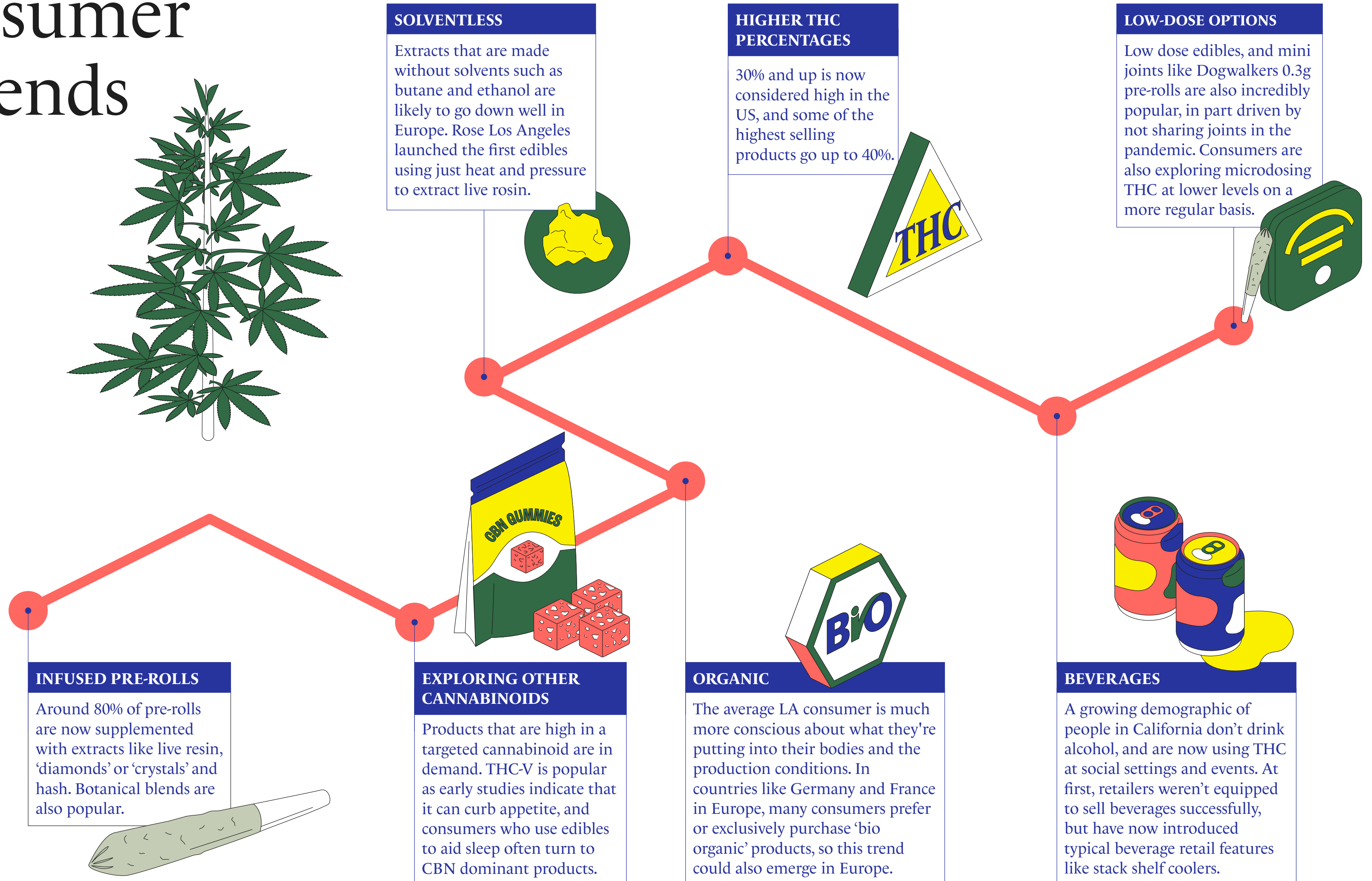
Evolving Consumer Tastes and Trends



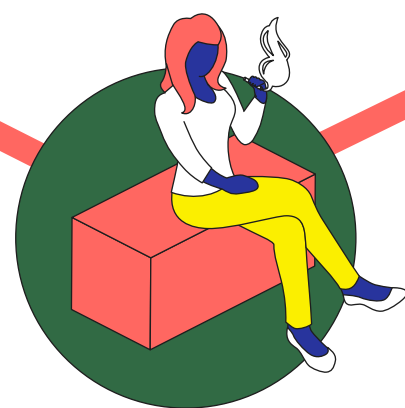
We spoke to Delia Flanagan, Sales Account Manager at Vantage Point Distribution, about how consumer trends have evolved as the market has matured across the US. Vantage Point Distribution is a boutique distribution company working with cannabis brands and retailers across California, the epicentre of consumer trends and innovation.

Restrictions on product formats in Canada like banning infused pre-rolls and restricting edibles to 10mg THC content has suppressed product innovation to the degree it has advanced in the US.

Current trends include:



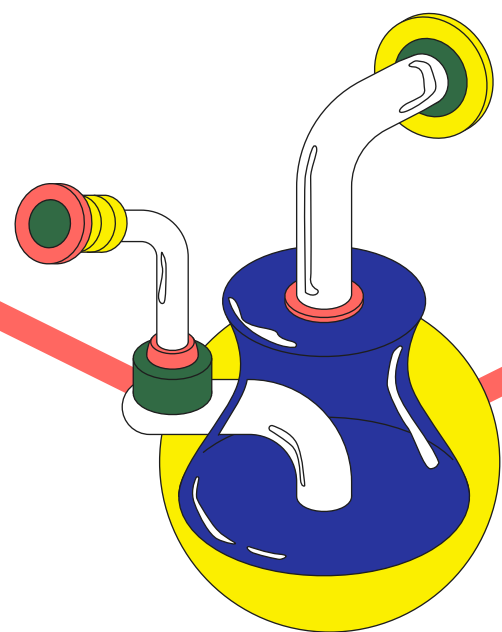
Evolving Consumer Tastes and Trends



FEMALE FOCUS

"Women are the fastest growing demographic of cannabis consumers in the US. Sales to female consumers grew 55% from Q1 to Q4 in 2021. Flower is still the biggest product category for women - after so much talk about beauty products, the data shows that women love a good ol' fashioned joint and they're not trying to whitewash weed."

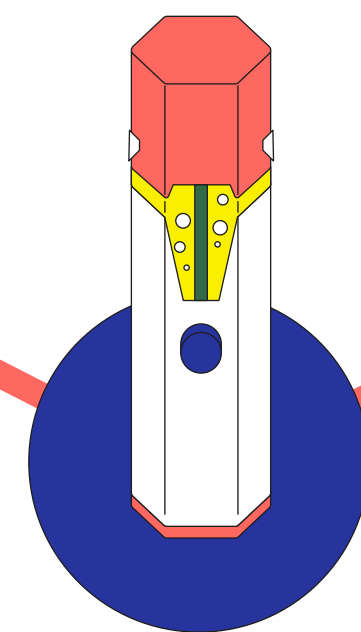
KATE MILLER,
Co-founder and CEO at Miss Grass



MATURING TASTES

"You definitely start to see the more mature customer extending their basket as they evolve. Someone who starts with edibles or flower might eventually move into concentrates, dabs, or topicals."

JON LOWEN,
Co-Founder at Surfside



VAPE INNOVATIONS

"Bloom was founded to legitimise vaping as a form of consumption. In 2014, vapes were new to cannabis - people were unsure about formulations and branding. We went for clean branding, taking inspiration from Apple and Beats to signify familiarity and comfort. As our consumers have matured, the next iteration of the brand is more sophisticated."

CASEY LY, Chief Revenue Officer & Co-founder at Bloom Brands

"I knew there was a need for Heat-Not-Burn for cannabis. Not only due to the efficacy, but the desirability of a more hygienic method of consumption. Heat-Not-Burn delivers the full spectrum and entourage effect without combustion."

MIKE SIMPSON, CEO at Omura

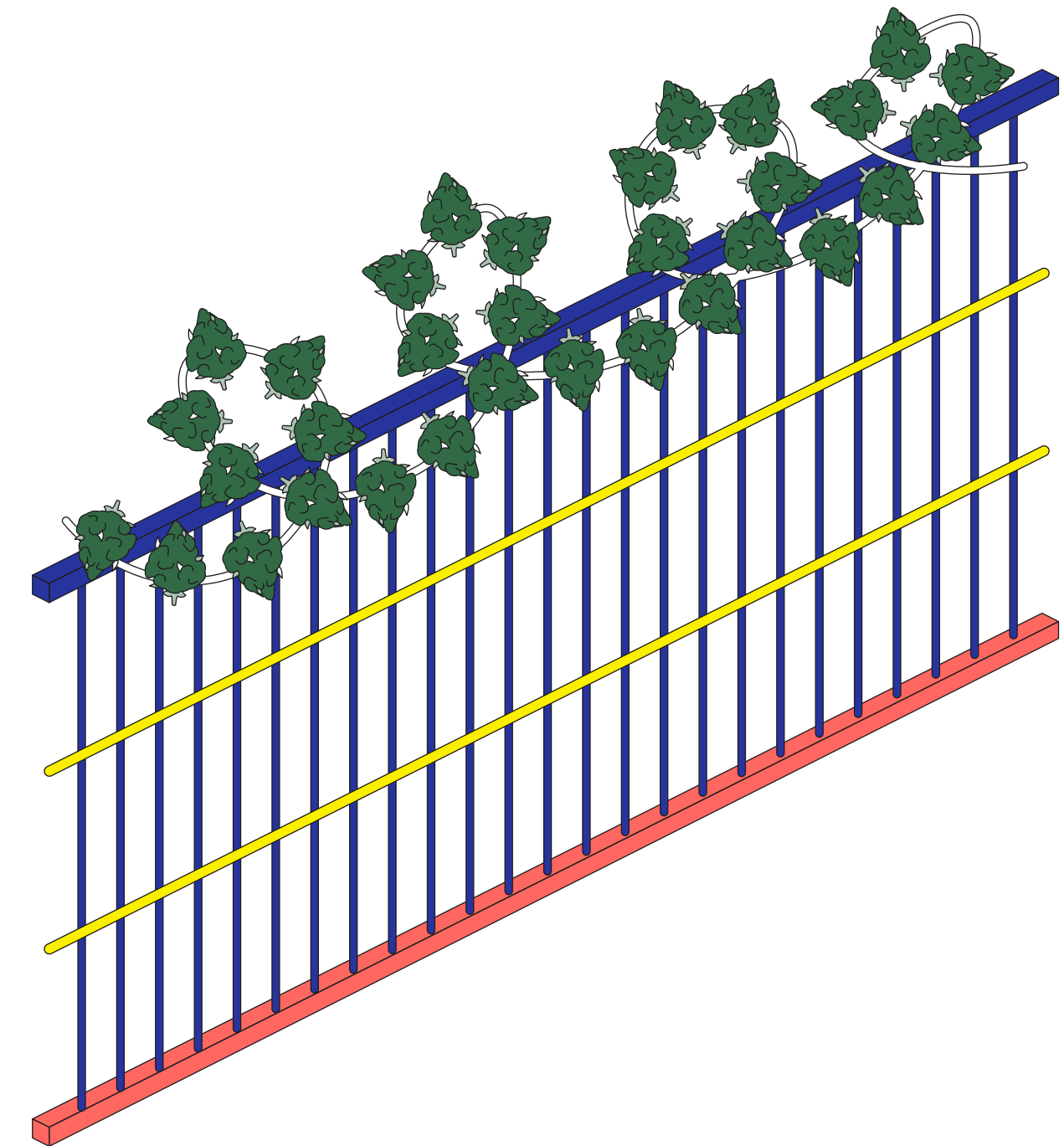
Social Justice

Cannabis prohibition has caused incontrovertible harm to communities of colour and other marginalised groups across the world. Now, from laws rooted in racism and discrimination, there is an intensifying drive to ensure that cannabis legalisation is an amelioratory force, particularly in the US.

Social justice has long been an influencing factor for US legalisation: Washington state's ballot initiative was drafted by ACLU's Washington Drug Policy Director, Alison Holcomb, and motivated by the social costs of the USA's war on drugs. But while discrimination and mass incarceration were often acknowledged as a reason

for reform, early legalising states did not include substantive social justice measures as part of their framework.

Over the past decade, mainstream awareness of the role that legal cannabis can play in exacerbating, addressing or rectifying past harms has increased, and many legalisation initiatives now place social equity provisions front and centre. Building from a narrow focus on minimising discriminatory arrests and incarceration, US localities have developed policies to actively address past injustices and take a more active role in ensuring that licences, capital and employment opportunities are more equitably distributed.



While the specifics of social justice initiatives vary, there are three main ways in which cannabis reform has been used to address the harms of prohibition:

- **Amnesty:** the expungement of cannabis-related criminal records
- **Inclusion:** providing people affected by the war on drugs with employment and economic opportunities in legal cannabis
- **Reinvestment:** directing cannabis tax revenue back into the communities most harmed by prohibition

US states and localities leading the way with equity initiatives include those of California, Massachusetts & Illinois, while New York, New Jersey and Virginia's upcoming legal markets are also heavily rooted in equity considerations. At the federal level, the MORE (Marijuana Opportunity reinvestment and Expungement) Act also explicitly looks to address the past harms of cannabis legalisation.

Social Justice



Despite its trailblazer status in other aspects, Canadian cannabis falls short in issues of diversity, inclusion and social justice. To date, there have been no official initiatives to direct legal cannabis revenue back into the communities most harmed by prohibition. There is also next to no formal support or funding to help minority or disadvantaged communities navigate the licensing process. Only 1% of licensed producer leaders identify as black and 3% as indigenous according to a 2020 Centre on Drug Policy Evaluation report, while 3% of the population identify as black and 4.5% as indigenous.

While Canada does offer a route for those with simple possession convictions to have those records suspended, the scheme is limited in scope and difficult to navigate, with bureaucratic hurdles and financial costs.

Between ten and one hundred thousand Canadians were estimated to benefit from the scheme; today, less than 450 people have successfully had their records suspended. Canadian operators and government agencies have now started to take a more proactive approach to issues of engagement and social equity - this is welcomed, but seen by many as too little, too late.

Canada's experience is instructive for Europe: While race and social justice are increasingly at the forefront of US political discussion, in Europe, as in Canada, the topic is generally more muted. A lack of discussion does not mean that such issues do not exist, but does increase the likelihood of European nations making similar mistakes by failing to fully acknowledge the need for equity provisions. Without societal inclination or pressure to address

these issues head-on, it is incumbent upon regulators to develop frameworks that are comprehensive in their considerations and equitable by design.

There is also a further complicating dynamic in Europe: For political and cultural reasons some nations, including France and Germany, simply do not collect ethnicity data. This raises significant questions as to how policymakers can effectively identify problems related to ethnic discrimination (an accepted occurrence even if not officially recorded), meaningfully develop policies to address them, and accurately measure their impact.

Social justice in cannabis is not just a question for policymakers, but for industry participants too. Taking a leading role to address issues of diversity and the consequences of prohibition is often not only good ethics, but good business:

"Equity, justice and fairness really need to be built into legislation from the get-go. Trying to tack it on afterwards is ineffective and inequitable. In order for cannabis law reform to be fair and just, it needs to take into account historical wrongs, and work to rectify those in the development and implementation of that legislation."

AKWASI OWUSU-BEMPAH, Professor of Sociology at the University of Toronto

"I think if you do a scan of the boards of directors and executive teams of most cannabis companies, you'd see a lot of white male faces. And I think that does a disservice to the industry because it creates blind spots such as the continued heavy stigma in some Asian communities, and that's hurting the industry from a political perspective."

OMAR KHAN, SVP of Corporate and Public Affairs at High Tide

Social Justice

CORPORATE INVOLVEMENT

The largest MSOs have the power to change millions of lives if they divert a portion of their funds and resources towards social causes. Curaleaf has been awarded diversity awards for putting its wallet where its mouth is, implementing progressive company and hiring policies.

We spoke to Khadijah Tribble, Vice President of Corporate Social Responsibility at Curaleaf, CEO of Marijuana Policy Trust and Founder at Marijuana Matters, to hear what social initiatives the largest US MSO is working on. Khadijah's advocacy focuses on building fair and equitable policies for the betterment of veterans, LGBTQ, POC and individuals from marginalised communities.

"We're dedicated to ensuring that our actions and decisions prove that big cannabis can be good cannabis - and good cannabis can be big business - for businesses, customers, patients, communities and causes.

Our Corporate Social Responsibility Program, Rooted In Good, delivers social impact through focused efforts that match

Curaleaf's capabilities while prioritizing resources for social equity programming to deliver real opportunities across the cannabis ecosystem. To be Rooted In Good is to consider the holistic health of the entire community - patients, employees, neighbors, as well as the environment we impact, both locally and globally.

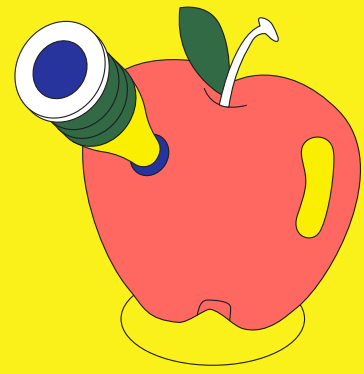
We achieve our Rooted in Good goals through Strategic Social Partnerships with partners including Women Grow, Minorities for Medical Marijuana, OnePULSE Foundation, Veteran's Alliance for Holistic Alternatives and B NOBLE. We've also executed partnerships with key community-driven local and national organizations that support Breast Cancer Action Month, Veteran's Initiatives, ALS research, food insecurity and more."

For large corporations to be putting these issues at the forefront is a good step in the process of beginning to right the wrongs and imbalances of decades of criminalisation.

CURALEAF'S THREE CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

Social equity	<ul style="list-style-type: none"> • "420 by 2025" Aiming to do business with 420 new cannabis brands, ancillary suppliers, and advocacy organisations from underrepresented communities in the cannabis ecosystem
Diversity, equity and inclusion	<ul style="list-style-type: none"> • Goal of having 10% of hires in 2021 come from areas directly impacted by the War on Drugs • Mentoring and technical assistance for aspiring business owners • Feed the Block initiative to provide meals and support for local communities
Sustainability	<ul style="list-style-type: none"> • Formed a cross-departmental Sustainability Task Force working with consultants • Conducted a carbon footprint audit in 2021 in preparation to achieve carbon footprint goal by 2025-2030

Big Apple Activism



New York legalised recreational cannabis in 2021, but regulators are yet to award any licences, creating a quasi-lawless period where prohibition no longer exists but there is no official market.

Social responsibility is at the forefront of policy discussions in New York, and the state has the opportunity to build a blueprint for what equitable frameworks can look like. The New York Governor has announced a \$200 million cannabis fund to promote industry equity, and the first retail licences in the state will be allocated to those with cannabis-related convictions.

We spoke to CJ Wallace and Willie Mack, Co-founders of Think BIG, a social movement centred around cannabis legalisation and social justice that has been lobbying New York legislators. The pair also launched the cannabis and lifestyle brand Frank White in April 2019, named after CJ Wallace's father Biggie Smalls' alter-ego.

Q What is the story behind Think BIG?

A CJ Wallace. I wanted to create something bigger than just a cannabis brand, and I was really against just putting my dad's name on products. I wanted to talk about my brother's story using cannabis for autism, and how my family uses cannabis in different ways. We founded Think BIG to use my platform to lobby for cannabis legalisation, police and criminal justice reform, and economic reinvestment into communities most harmed by cannabis prohibition.

Q How have you been involved in the legalisation process in New York?

A Willie Mack. We spent the first 2 years at Think BIG understanding the issues that relate to our community to be able to explain them intelligently, learning from groups like the Minority Cannabis Business Association and Marijuana Policy Project. We presented a ten point policy plan to the State Senate and held follow up discussions with underrepresented communities and experts to make sure their voices are heard. We can lead a conversation that other people can't lead through CJ's influence, pushing conversations about the things that are important to us and bringing experts with us that can explain the real issues that are affecting everyday people.

Q Why is the New York market so exciting?

A CJ Wallace. New York is going to be a super fascinating market to observe - it will be a blueprint. No licences have been issued yet, but brands, culture and pop-up bodega dispensaries are emerging. The main thing that we're all waiting for with New York is the release of these licences, how many they're going to release, in what municipalities and to what people.

What's really incredible is that they're really social justice forward, making sure that no more than 50% is being allocated to the rich white men in suits. They are really guaranteeing that people of colour, women, and disfranchised farmers are getting a piece of the pie, and making sure tax revenue goes into the public school system.

Q Why is cannabis activism so important to you?

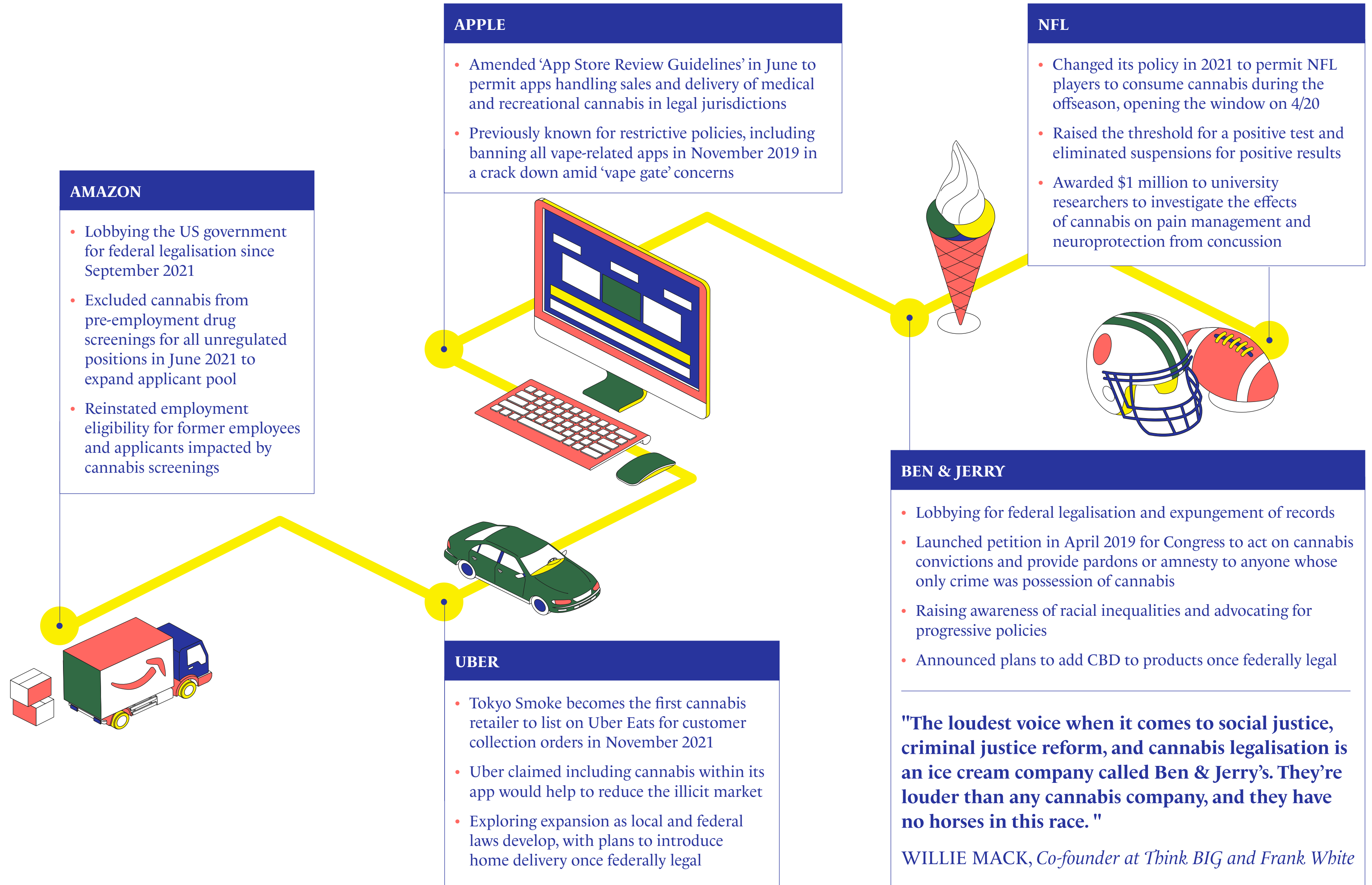
A Willie Mack. We cannot be three black men, one queer man running a cannabis business and not be advocates for our community. We're going to be the poster boys for it, because as CJ says, that's what his dad was always doing and fighting for, and what he would be doing if he was alive in the same place.

We have a powerful opportunity to build this industry in a way that takes these considerations and shows that the system works - because then we can start to fix other industries that have been and still are racially and socially unjust, like real estate and finance.

Mainstream Momentum

Cannabis is no longer something that must be avoided by mainstream companies for the sake of tainting their brand. From tech to CPG, companies are now being drawn by the scale of the opportunity and want a slice of the action.

As levels of legalisation and normalisation increase, we expect to see many other corporates following the path set by these early adopters.



"The loudest voice when it comes to social justice, criminal justice reform, and cannabis legalisation is an ice cream company called Ben & Jerry's. They're louder than any cannabis company, and they have no horses in this race."

WILLIE MACK, *Co-founder at Think BIG and Frank White*

Chapter Three



Introduction

Looking into the future of recreational cannabis in Europe is more of an art than a science.

We cannot be certain what lies ahead in terms of policy developments or market sizing, but we can understand how legalisation happens and what the main catalysts and blockers could be.

This chapter outlines our way of thinking about the factors that affect cannabis reform prospects in European countries, and analyses first-of-its-kind pan-European polling to gain a steer for where further reform may happen.

Our polling gives a glimpse into the public mindset of 8 key European markets, their attitudes and concerns about cannabis reform, and the models and regulatory features which they support. The results show that the majority of Europeans - 55% - now support legal, regulated cannabis sales to adults, but

that the continent is cautious of the associated risks and mindful to avoid an overly-consumerist approach to new legal markets.

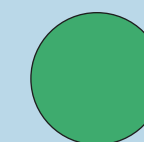
We also pose the question of what recreational cannabis brands will look like in legal European markets that are likely to be highly regulated, and whether we are likely to adopt traits from the North American early runners.

Remembering that those who oppose cannabis reform often share many wider goals and societal aspirations that can be achieved by properly-regulated cannabis markets is important, as is acknowledging that there are genuine risks that need to be addressed through responsible policy.

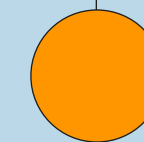
We plot some of the most powerful motivators we have encountered for legalisation and the potential scale of the opportunity we have before us to achieve meaningful societal and economic change.

The Legalisation Matrix

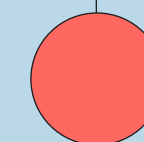
HOW TO READ: Factors and themes are broadly ordered by importance; themes from top to bottom, and the sub-factors within them from left to right.



GREEN: Positive Indicators - factors likely to give positive momentum to cannabis reform.



ORANGE: Influencing Factors or 'swing' indicators. These are factors which are relevant but not necessarily positive or negative in and of themselves. For example, they may impact other factors to amplify or temper their effects and/or relative importance.

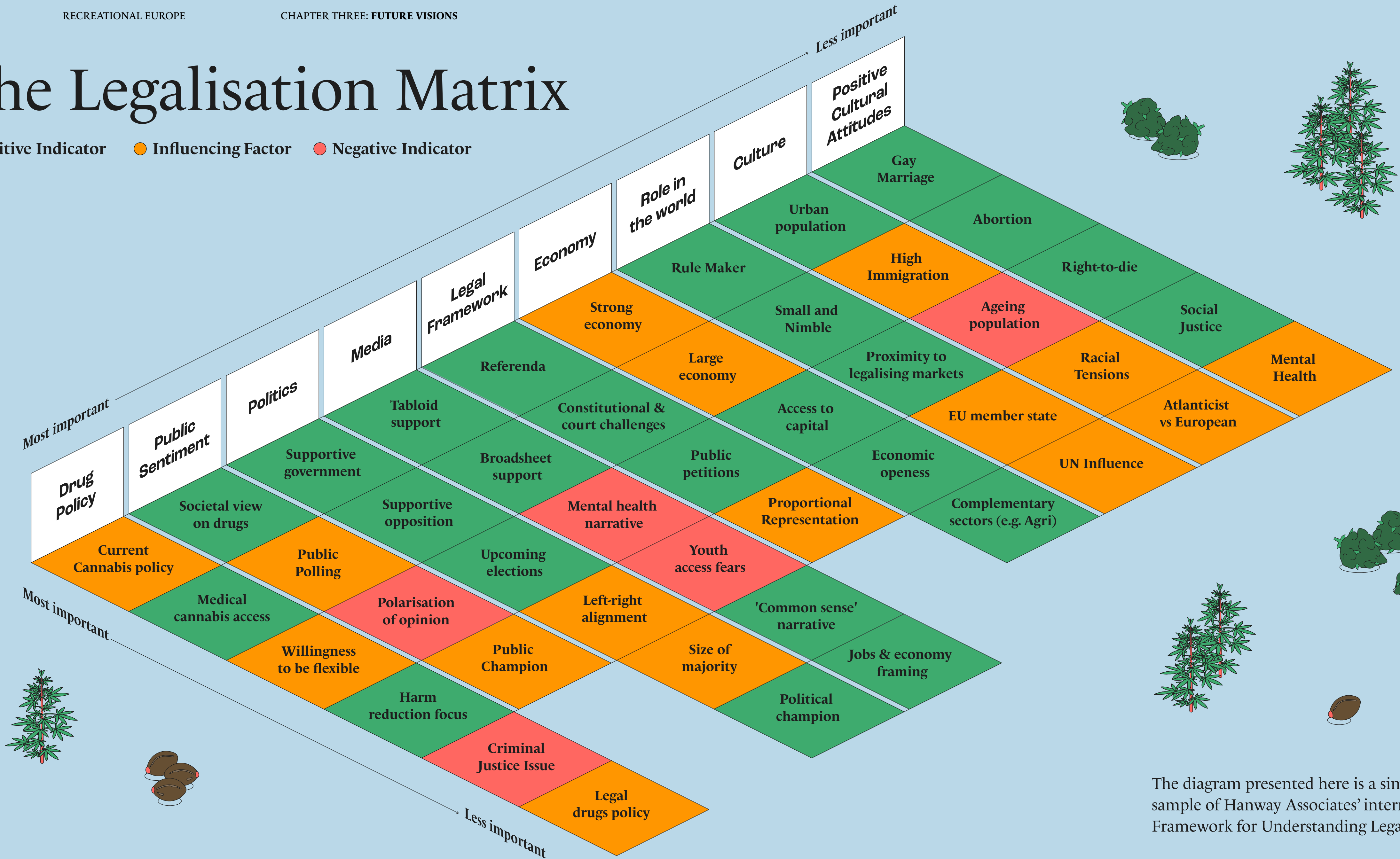


RED: Negative Indicators - factors likely to hinder reform momentum.

- The 'legalisation matrix' overleaf reflects Hanway's thinking on the factors and considerations that affect prospects for cannabis reform at a European country level.
- The framework identifies the social, political and economic factors that may make cannabis reform more or less likely at a given point in time. While non-exhaustive and high-level, it gives a useful heuristic to gauge where on a path to legalisation a particular market sits - and what conditions could change to spur reform.
- It is impossible to predict for certain, but when political change happens, it can happen fast - and identifying when conditions shift and what this means for cannabis reform is a valuable exercise for activists, businesses and policymakers alike.

The Legalisation Matrix

● Positive Indicator ● Influencing Factor ● Negative Indicator



The diagram presented here is a simplified sample of Hanway Associates' internal Framework for Understanding Legalisation

Example Considerations

The Legalisation Matrix

WILLINGNESS TO BE FLEXIBLE

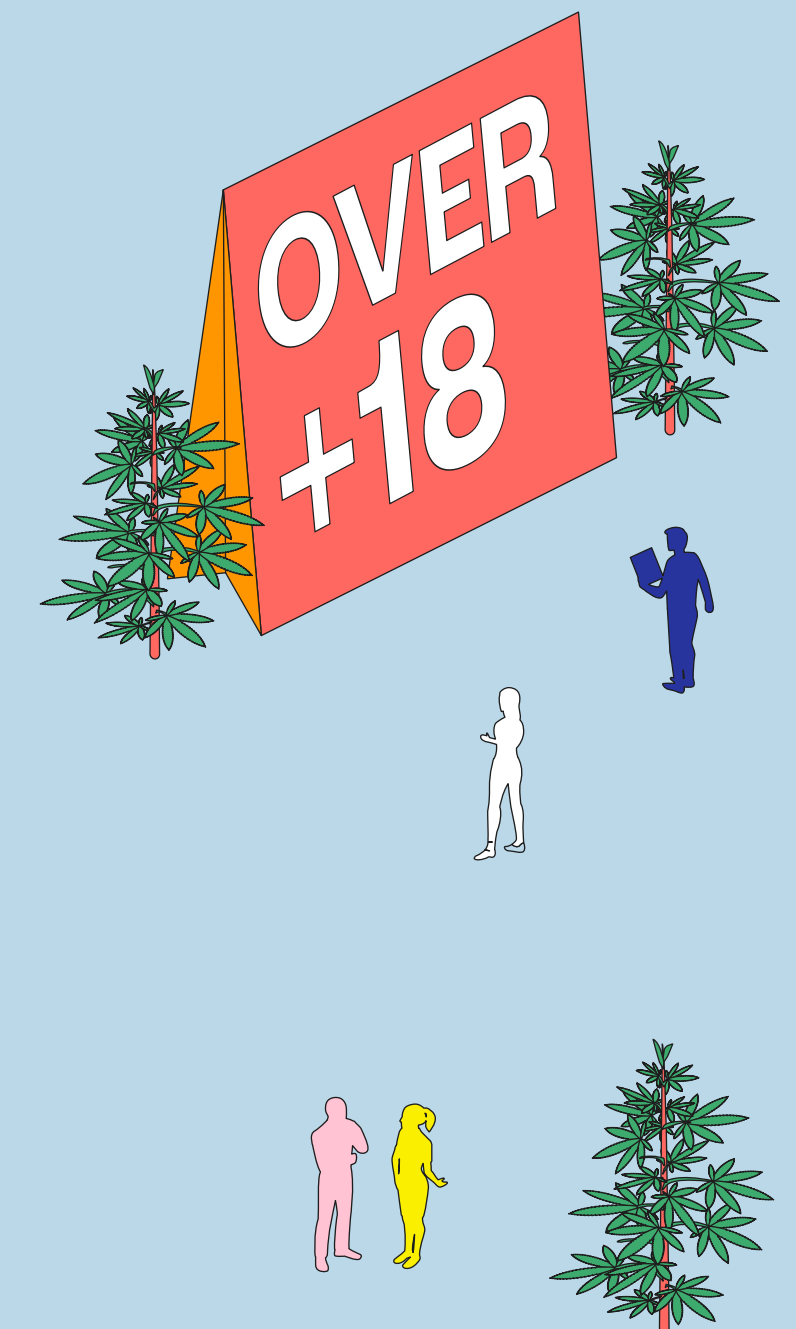
- A willingness to be flexible with legislation, policy and enforcement could be both a help and a hindrance for more comprehensive, legal reform.
- This may allow countries to develop unique ‘fixes’ to challenging problems of legalisation. For example, Switzerland has modelled its recreational pilot as a scientific trial in a manner that allows a range of commercial models to be explored and even the possible import of product.
- Conversely, a willingness to ‘fudge’ current policy may reduce the urgency to undertake substantive reform over the longer term: the long-running, quasi-legal Dutch model and Spanish social clubs are examples here.

PUBLIC CHAMPION

- A positive ‘public champion’ figure provides a figure for advocates and the media to rally around. Often, this is tied with a legal battle that can trigger or amplify pressure for reform.
- An example public champion is Billy Caldwell, an epileptic child whose plight triggered a media sensation and eventually medical cannabis access in the UK. Similarly, the South African lawyer Gareth Prince triggered cannabis decriminalisation in South Africa following a two-decades long constitutional challenge.
- Conversely, negative experiences or case studies in the public can shore up concerns or opposition to reform. Examples of this include stories of those harmed in the unregulated vape crisis in the USA, or those with mental health concerns triggered or exacerbated by teenage cannabis use.

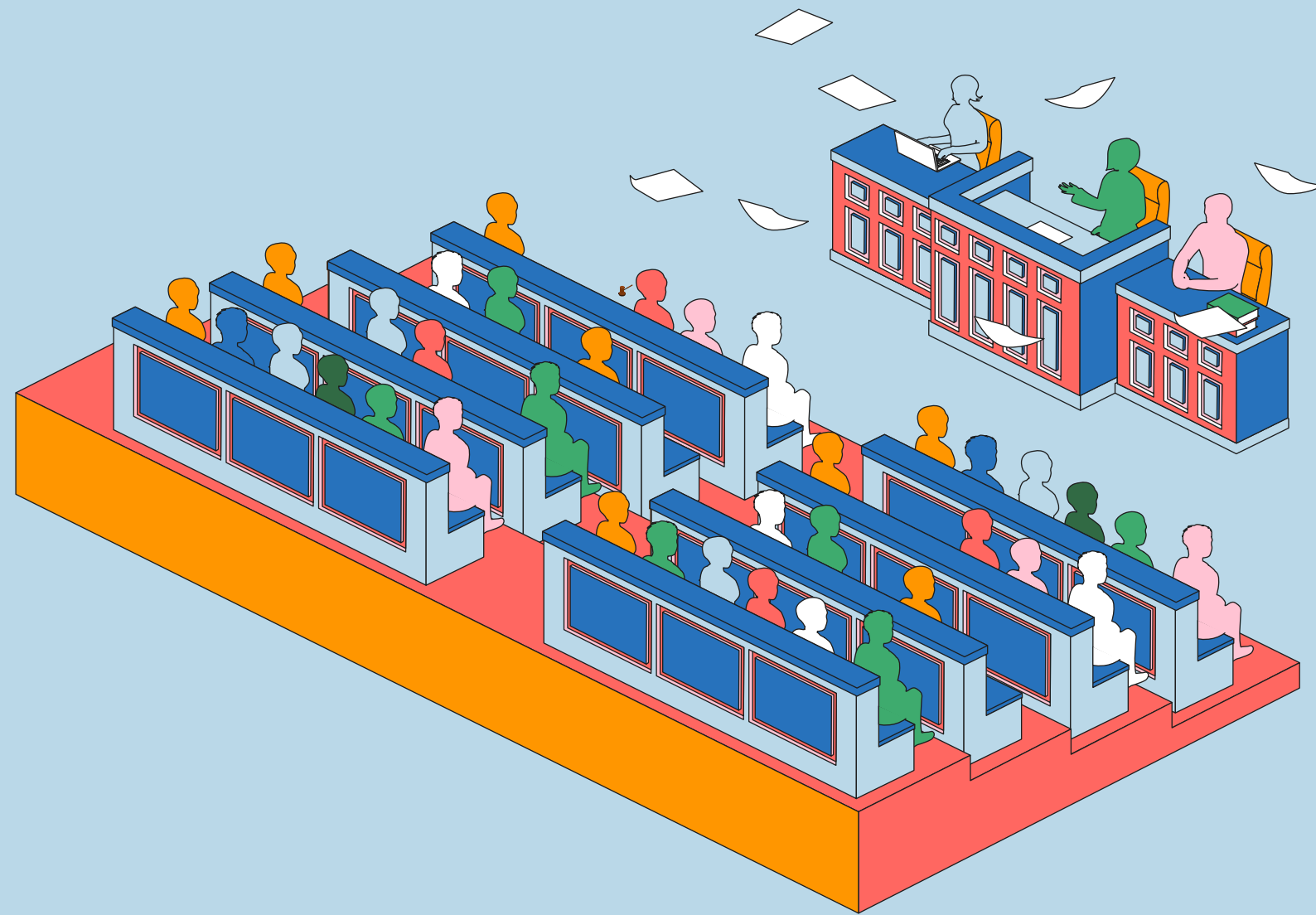
YOUTH ACCESS FEARS

- Youth (i.e. under-18) access to cannabis is an important concern, and one that is often amplified by the media and stakeholders opposed to reform. Such narratives frequently gain traction from scare stories from North America, such as (generally unverified) reports of ‘spiked’ Halloween candy handed to children. However, there are also wider and far more warranted concerns regarding the impact of cannabis use on developing teenage brains.
- Reducing youth access through regulation formed a key plank of Justin Trudeau’s legalisation campaign, while ‘dealers don’t check IDs’ was a common talking point in New Zealand’s cannabis referendum.
- However, our polling shows that Europeans are so far sceptical that legalisation is a successful tool to reduce youth access: 40% consider increased use access as a concern of legalisation, while only 18% consider a decrease in youth access as a potential benefit of legalisation.



Example Considerations

The Legalisation Matrix



PROPORTIONAL REPRESENTATION

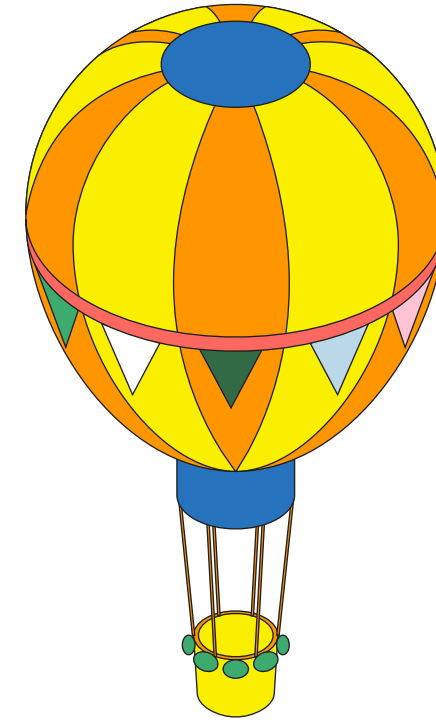
- Proportional Representation (PR) is a name for the voting systems which award parliamentary seats that reflect the makeup of actual vote share, as opposed to ‘winner takes all’ systems like first-past-the-post in the UK and Canada, and the Electoral College in the US. PR is common in European electoral systems and favours the creation of coalition government, rather than strong majorities by any one group.
- Depending on the parties involved and the coalition arithmetic, PR may fast-track or hold back cannabis reform. One party with a strong preference for or against legalisation may be able to serve as ‘kingmaker’ and exert their preference, or parties may use reform as common ground.
- In Germany and Luxembourg, cannabis legalisation formed part of a new coalition government policy agreement. The Dutch pilot was also the result of coalition party negotiations, but only became a political possibility in recent years despite long-running support from parties like D66. In Italy, the pro-cannabis reform party the 5-Star Movement has governed before with the vehemently anti-drugs and right-wing Northern League - shutting down any prospect of legislative reform in that period.

- Government coalitions can also be unstable, with failed coalitions and fresh waves of elections disrupting the cannabis reform process, as has been the case in Israel.

ATLANTICISM VS EUROPEANISM

- Atlanticist countries are those with close political and/or cultural ties to North America, which can be contrasted to countries with a distinctly European sphere of influence. The UK is the clearest example of a country which draws inspiration from both.
- Countries which borrow cultural and political cues from North America may be more open to cannabis reform on the basis of successes across the Atlantic, and look to policy in these markets as the blueprint for domestic reform. Conversely, they may also be more negatively impacted by problems identified, such as mismatched demand/supply and cannabis ‘overcommercialisation’.
- European-focused countries may be less swayed by the wave of legalisation across the pond, but as a result may be more open to alternative ideas of how to structure cannabis reform (e.g. social clubs or other non-profit models).

The Matrix Applied

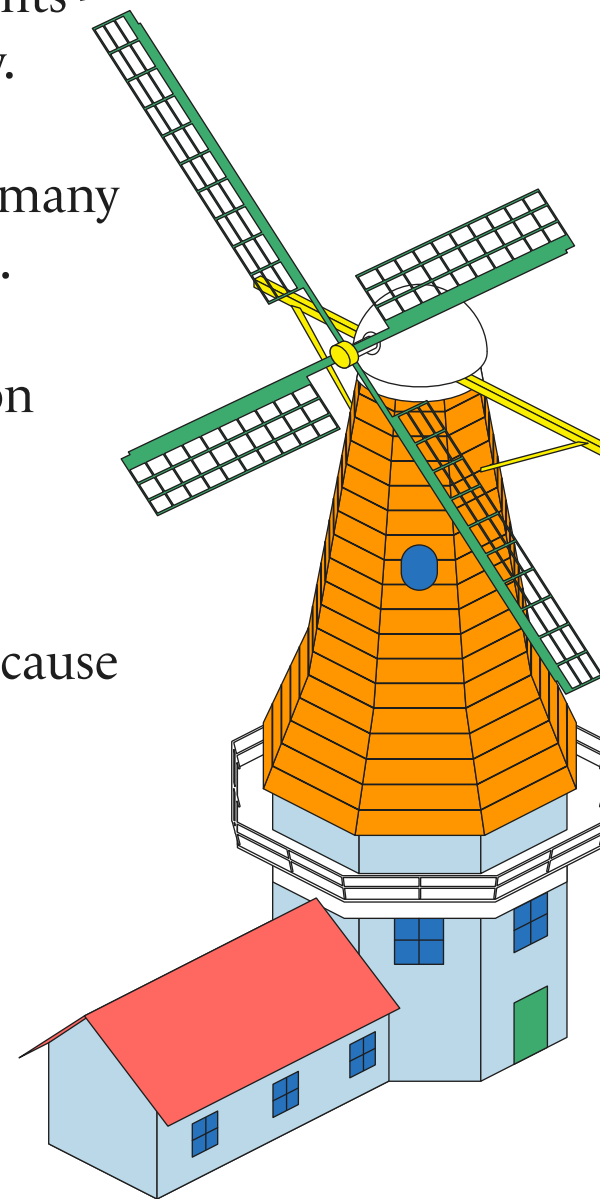


GERMANY

- As Europe's largest economy and most influential state, Germany may have the ability to introduce bolder policies or push for EU-level reform in a way that smaller member states are less able to.
- Coalition government composition was a key reason for reform - a clear area of common ground between the 3 parties.
- Polling suggests that a large minority of the population (29%) are 'neutral' on the issue of cannabis legalisation - creating more space for reform than if there was more concentrated opposition.
- Regions with a degree of autonomy have been calling for avenues for reform for some time.

NETHERLANDS

- Long-running flexibility of the Dutch 'tolerance policy' may have slowed urgency for reform.
- Public polling shows scepticism of legalisation and its benefits - jaded with current halfway.
- Socially progressive across many indicators - e.g. right to die.
- Proportional representation voting system results in coalition governments has restricted pro-legalisation parties' ability to push the cause in the past.



UNITED KINGDOM

- UK public opinion on legalisation is polarised - the question 'to what extent do you support the legalisation of recreational cannabis?' gives the highest levels of both support and opposition of the markets polled. This may make consensus-building for cannabis reform more difficult.
- The UK's political and media landscape is largely united against reform - neither major party currently backs reform, and there is a large contingent of sceptical media not solely within the right-wing press.
- The UK's complex constitutional structure does not lend itself to court challenges on cannabis laws, with no recourse to public-initiated ballots or referenda.
- Wider conditions for cannabis reform in the UK are broadly positive - open economy, easy access to capital & complementary agtech and CPG sectors etc. A thriving CBD sector has piqued consumer interest and comfortability with cannabis.
- With no land borders and no longer an EU member, the UK may have political latitude to explore more ambitious models of legalisation in the future.

SWEDEN

- Sweden may appear to have the hallmarks of a reformist attitude to cannabis like progressive leanings & an open economy - but the country's political and cultural attitude to drug use confounds this.
- Swedish drug policy is markedly prohibitionist, with a 'zero tolerance' approach and the criminalisation of drug use. Access to both CBD and medical cannabis is minimal.
- Crucially, this is supported by a strong cultural aversion to drugs and social rejection of drug use - which alongside economic factors is a strong determinant of drug use in a country.
- Rightwards shift of politics over the past decade, including the emergence of hard right-wing populism and renewed focus on law-and-order.
- Despite its anti-drug stance, drug use continues to creep up - which may sow seeds for change in priorities and cultural framing in the future.

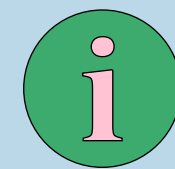
Polling

Many factors influence public opinion, and underneath the headline data is a deep and insightful window into the priorities of European citizens. Advocates and opposers of legalisation all have opinions beyond the simple ‘yes’ or ‘no’, and regional patterns reveal the extent to which local conditions can influence these opinions.

FIRST-OF-ITS-KIND PAN-EUROPEAN POLLING

This report marks the launch of ‘The European Cannabis Legalisation Tracker’ – the first pan-European annual public opinion poll for recreational cannabis.

Savanta ComRes interviewed a nationally representative sample of 9,043 adults aged 18+ across 8 European markets in France, Germany, Italy, Spain, Netherlands, Portugal, Switzerland and the UK between February 24th and March 14th. Data was weighted to be representative of gender, age and region.

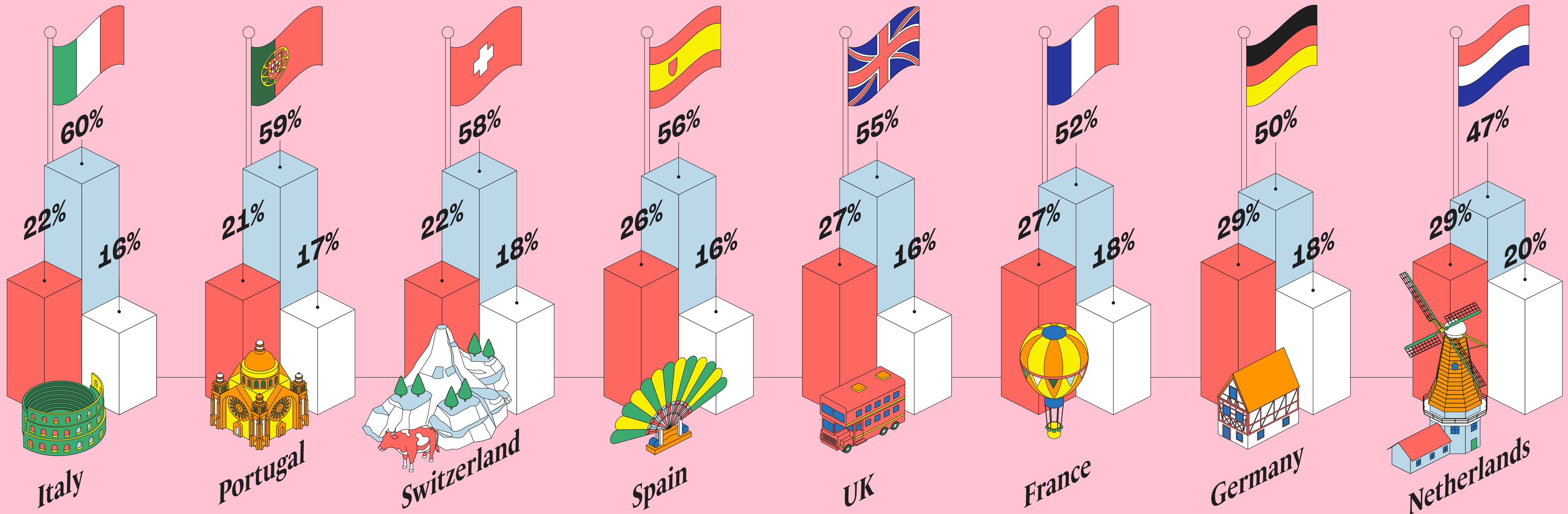
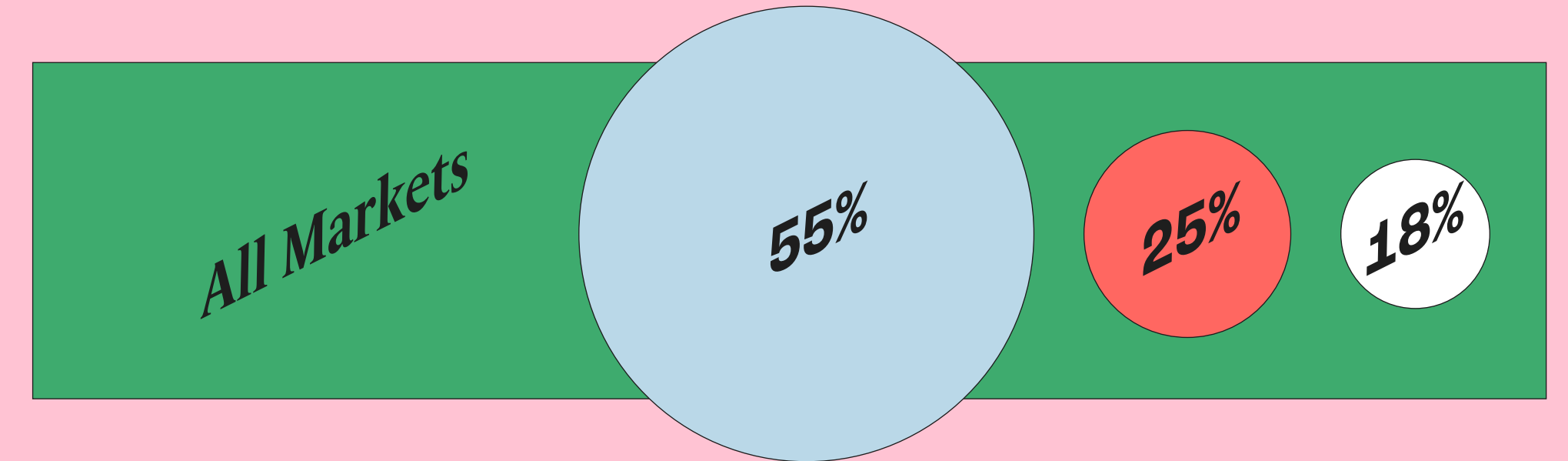


The European Cannabis Legalisation Tracker



Support for legal, government-regulated sales of cannabis products to over-18s:

● Support ● Oppose ● Neither Support or Oppose



Analysis

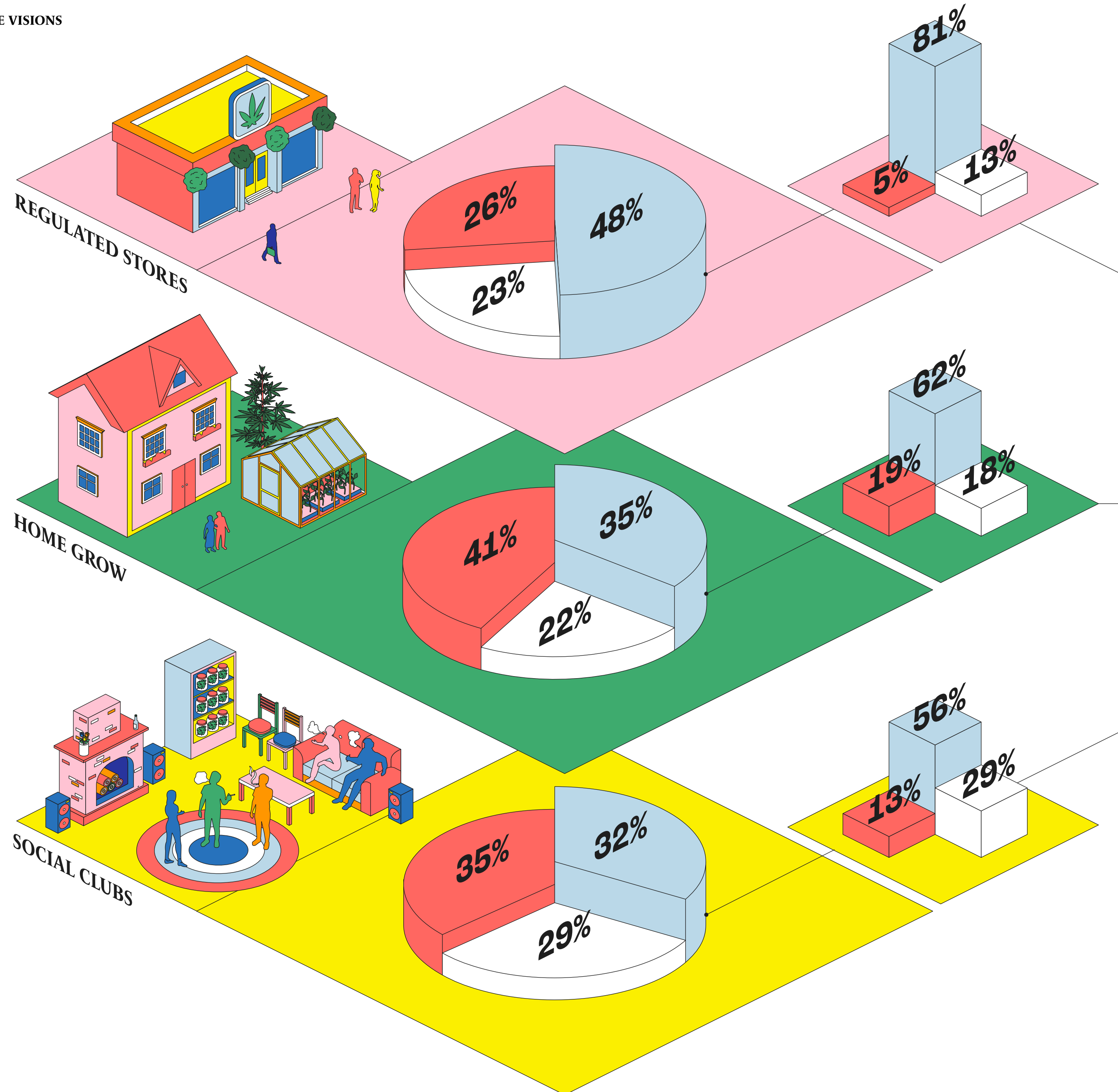
Support for legal, government-regulated sales of cannabis products to over-18s

- Our polling reveals that there is majority support across Europe for legal, government-regulated sales of cannabis products to over-18s.
- Beneath the headline figure, the polling reveals marked differences between European countries and their attitudes to reform. Of the markets that have yet to introduce major cannabis reform, Italy and Portugal stand out as the most supportive of legalisation. In contrast, opposition to cannabis reform (including sales, social clubs and home-grow) in France is higher than all other markets polled.
- While both Switzerland and Germany are due to introduce legal cannabis schemes, the two countries' polling results differ: in Switzerland, nearly 3 in 5 people support legal sales with 1 in 5 opposed, whereas only 1 in 2 Germans support legal cannabis sales with 3 in 10 opposed. It will be interesting to watch how public sentiment in these two markets evolve as more details of German legalisation are revealed and the Swiss pilot becomes operational.
- Perhaps unexpectedly, Dutch polling on legalisation is the most pessimistic of the countries surveyed: in addition to the lowest support for legal cannabis sales, only 20% respondents would be comfortable with a cannabis shop in their neighbourhood, and the same proportion open to trying legal cannabis.
- One reason for the lack of enthusiasm towards reform may be the long-established presence of coffeeshops and the ease of current access, dampening the sense of urgency for wider reform.. Support for legal cannabis sales may also be impacted by negative experiences with the current coffeeshop model, such as the impact of canna-tourism. However, our polling finds that nearly one-third of the Dutch are simply ambivalent about cannabis reform - suggesting that while not a top priority for many, it is not a hugely polarising issue.



- Spain provides an interesting counterexample to the Netherlands, as it is highly supportive of legal cannabis reform, while also having long-running access to cannabis through social clubs and home-grow. This might be because social clubs are concentrated in areas such as Barcelona, are more discreet, and are less tourist-friendly than coffeeshops (e.g. by requiring membership referrals to join).
- While European countries certainly have much more in common with each other than the markets of North America, it is important to remember that countries are far from uniform in their politics, history, and culture - all of which are highly influential in public sentiment, and the pace and shape of change.

What type of cannabis sales do Europeans want?



What do supporters of cannabis legalization want?
Of those who are in favour of legalisation:

● Support ● Oppose ○ Neither Support or Oppose

Analysis

What type of cannabis sales do Europeans want?

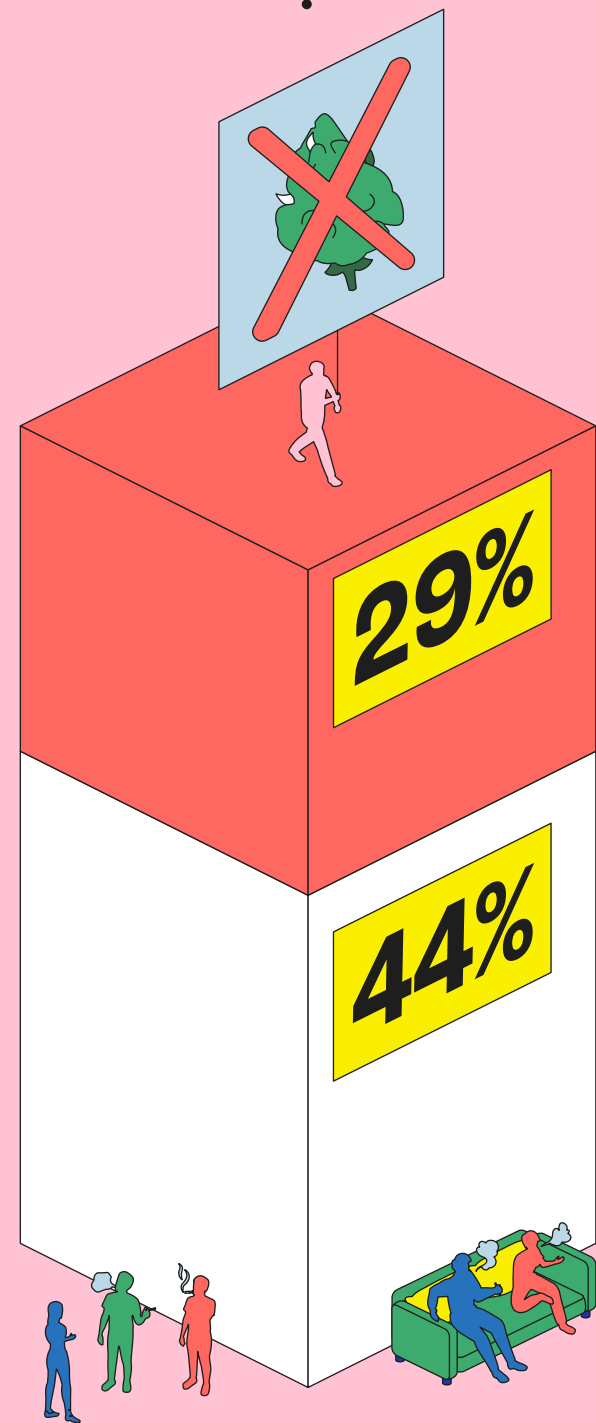
- Regulated stores are by far the most popular (and least controversial) model for cannabis legalisation within Europe, while home-grow attracts the strongest opposition.
- Cannabis social clubs are the least popular model of the three, but also have less opposition than home-grow - suggesting that they might be able to serve a 'compromise' model in some markets.
- The preference for regulated shops holds across all the markets polled by First Wednesdays, but support is highest in Spain (58%). Spain's support for social clubs is also the highest of the countries surveyed, at 42%.
- Conversely, the Netherlands has the lowest support for retail stores of the countries surveyed (38%), although it remains the only model that has more support than opposition in the country.
- Reservations around home-grow reflect a broader NIMBY ('not in my backyard') sentiment towards cannabis, where the public is concerned with the nuisance or distaste from being exposed to other's cannabis use - particularly in the UK and France. This also coincides with support for measures such as restrictions on product advertising and public consumption.



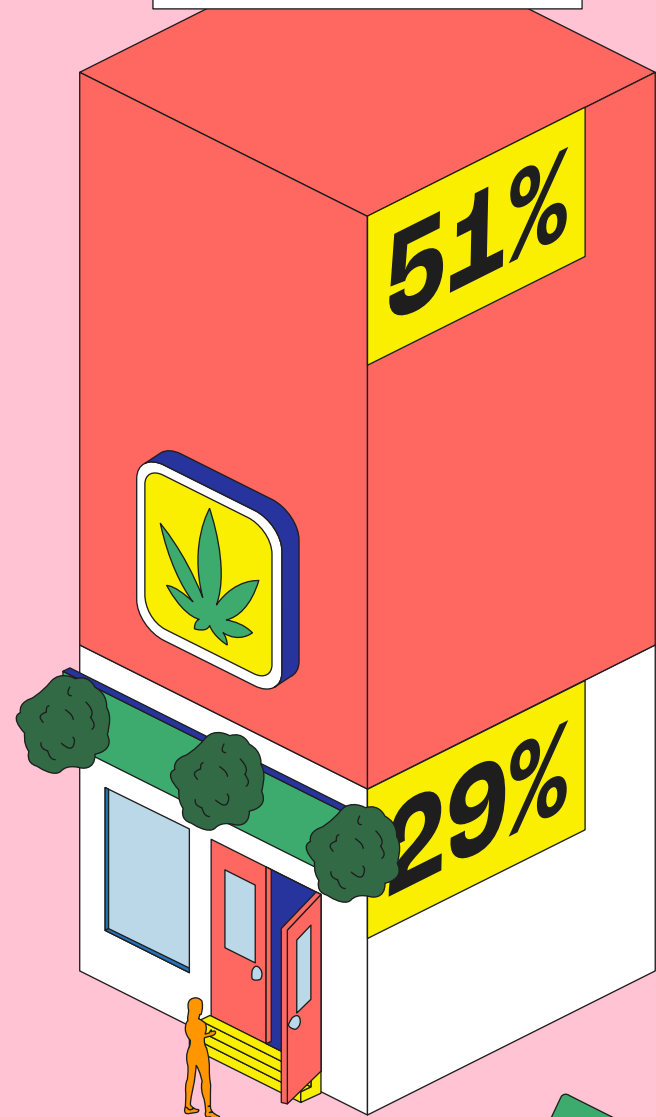
European's Views on Cannabis

○ Agree ● Disagree

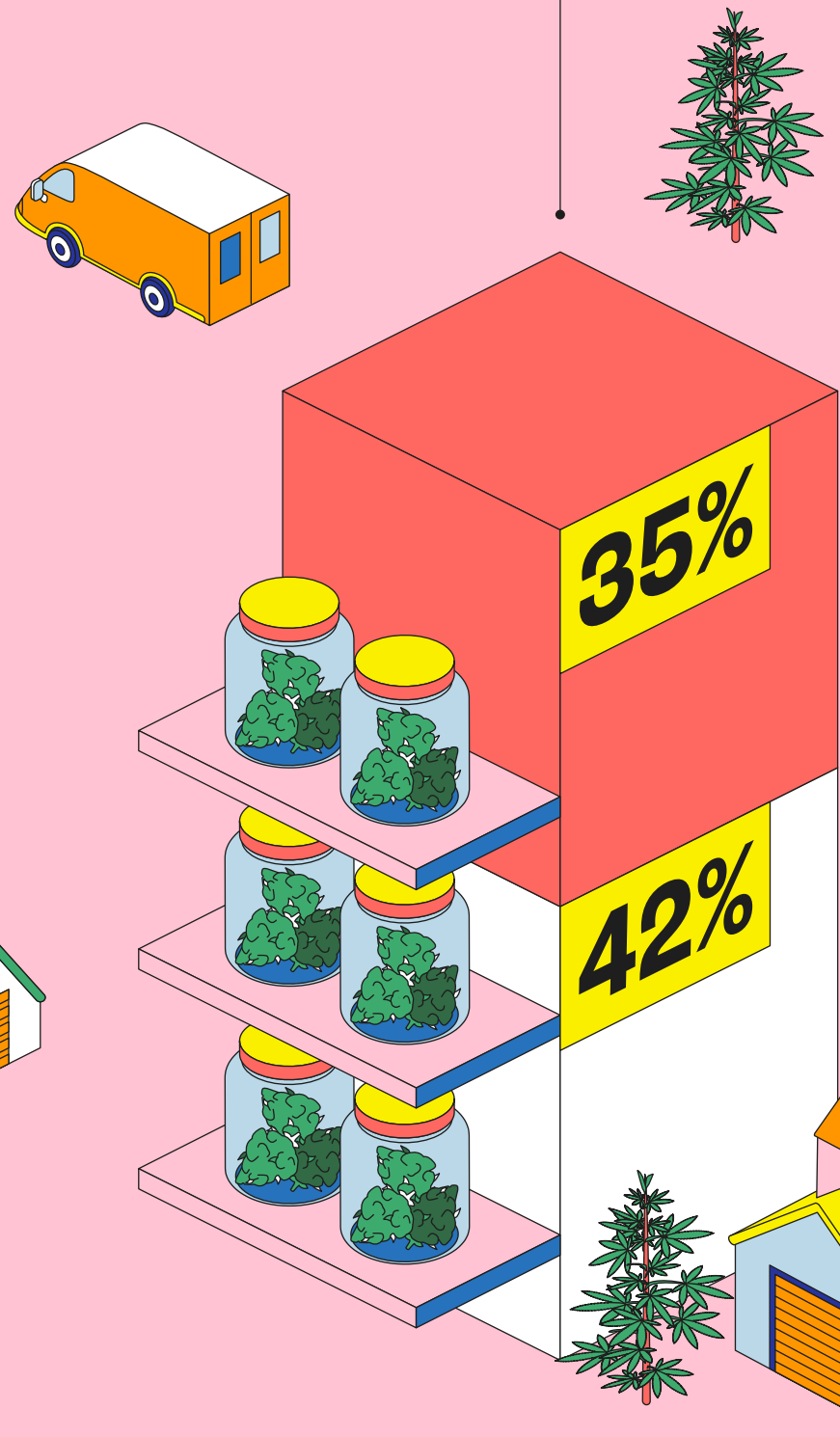
Agree that cannabis can be consumed and enjoyed responsibly by the majority of people who use it



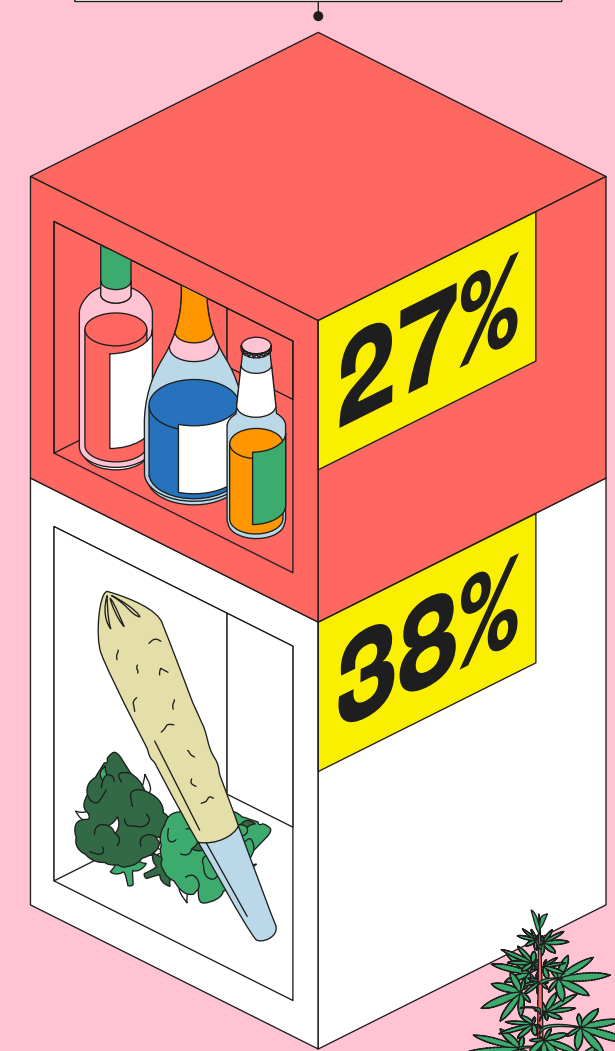
Would personally consider trying legal cannabis



Comfortable with a cannabis shop being located in their neighbourhood



Agree that Cannabis is less harmful (to individuals/society) than alcohol



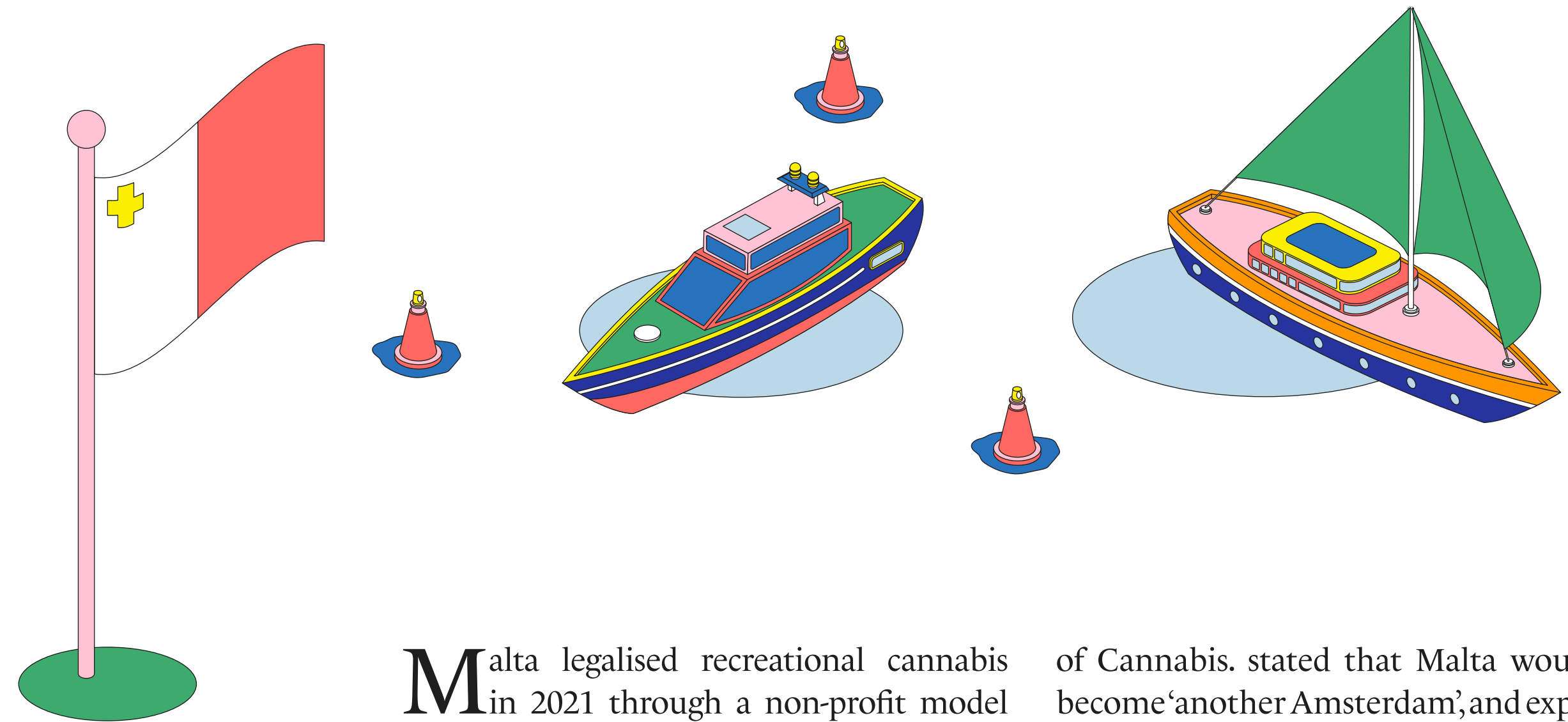
Agree that cannabis is less harmful (to individuals/society) than tobacco



Country Momentum

This section looks ahead to where legalisation might arrive next, analysing local blockers and catalysts.

Malta



Malta legalised recreational cannabis in 2021 through a non-profit model of social clubs and home cultivation. Adult possession of up to 7 grams of cannabis and home grow of up to 4 plants is legal, with up to 50g storage of dried product permitted.

The reform followed after a policy change in 2015 that shifted from a strict model of enforcement to limited depenalisation.

Sale and public consumption remain prohibited, and it remains to be seen how the social club model will play out in Malta.

Mariella Dimench, chair of the newly-formed Authority on the Responsible Use

of Cannabis, stated that Malta would not become 'another Amsterdam', and explained that a licencing framework would be introduced to regulate supply to the associations.

As the EU's smallest member state in terms of population and landmass, it would be difficult for a commercial domestic industry to have a major economic impact in Malta unless international trade was permitted. Unlike Malta's openness to commerce and foreign investment in the medical cannabis sector, perhaps this is why the country decided to opt for non-profit for its recreational route.

Portugal

Cannabis has been decriminalised since 2001, along with all narcotics. There is strong political momentum to fully legalise recreational cannabis.

The Left Bloc and Liberal Initiative parties both presented proposals for legalisation in a parliamentary debate in June 2021. The bills were under review from the Health Committee, but fell at the end of the government's term with no decision made.

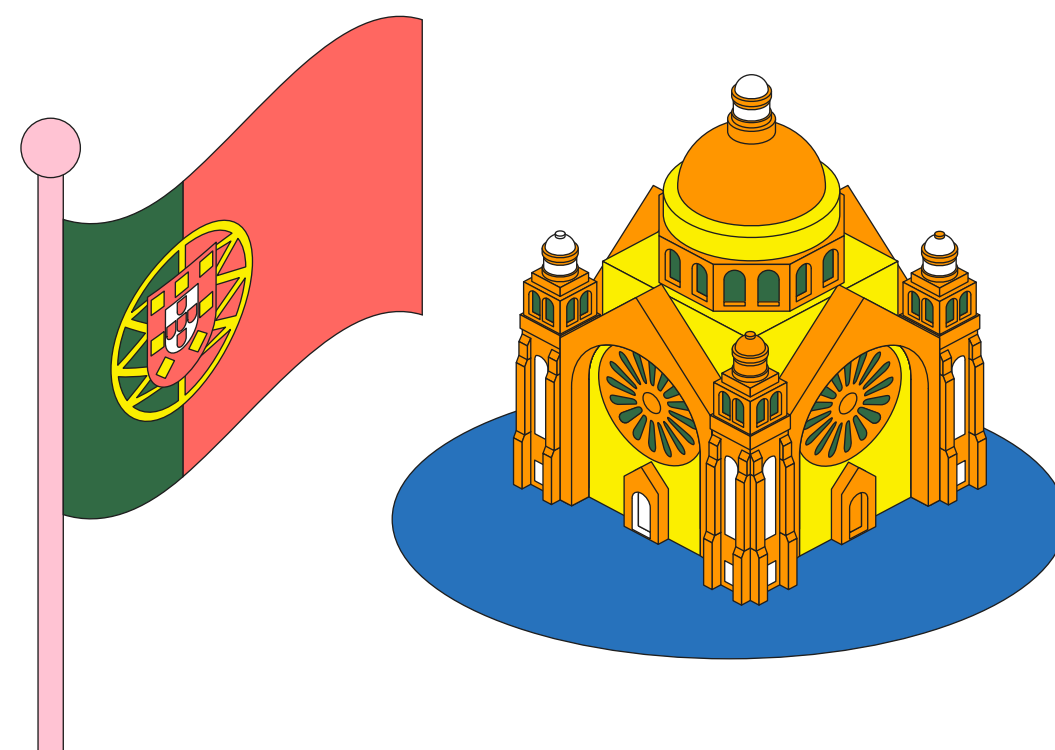
New recreational cannabis bills need to be submitted to the newly elected government. The Liberal Initiative increased their representation four-fold, so we may see parts of their more commercial proposal readopted.

Momentum for reform is cross-party. Over 60 politicians, former ministers and influential stakeholders outlined their support in an open letter to Portuguese parliament in 2021.

An early-adopting Portugal could have the winning combination of a tourism-friendly climate, a domestic population large enough to support recreational market production, and existing medical infrastructure.

“ Four parties ran with cannabis on their electoral programmes, which is the broadest parliamentary consensus we've had in support, or at least not in opposition to, legalisation. I think this is the rightful next step after the decriminalisation bill.

JOÃO TABORDA DA GAMA,
Founding Partner at Gama Glória



45%

see reduced use of more harmful/illegal drugs as a benefit of cannabis legalisation

52%

agree that cannabis can be consumed responsibly by the majority of users - the highest of the countries polled

“ In Portugal, medical production has familiarised the population with the cannabis industry - they know facilities are secure, high tech, have not been associated with criminal activity, and create jobs and income for the region.

GONÇALO SARAIVA MATIAS, *Lawyer and Professor*

“ Our Prime Minister, António Costa, was vocally pro-drug reform in the 1990s but has been careful about his public stance to not to lose any votes. He is now in his last 4 years of presidency and will be retiring after 10 years in government. This is the first time he has an absolute majority, and I believe he is very set on legalising cannabis.

LUÍS MENDÃO, *Chairman of the activist group GAT (Grupo de Ativistas em Tratamentos)*

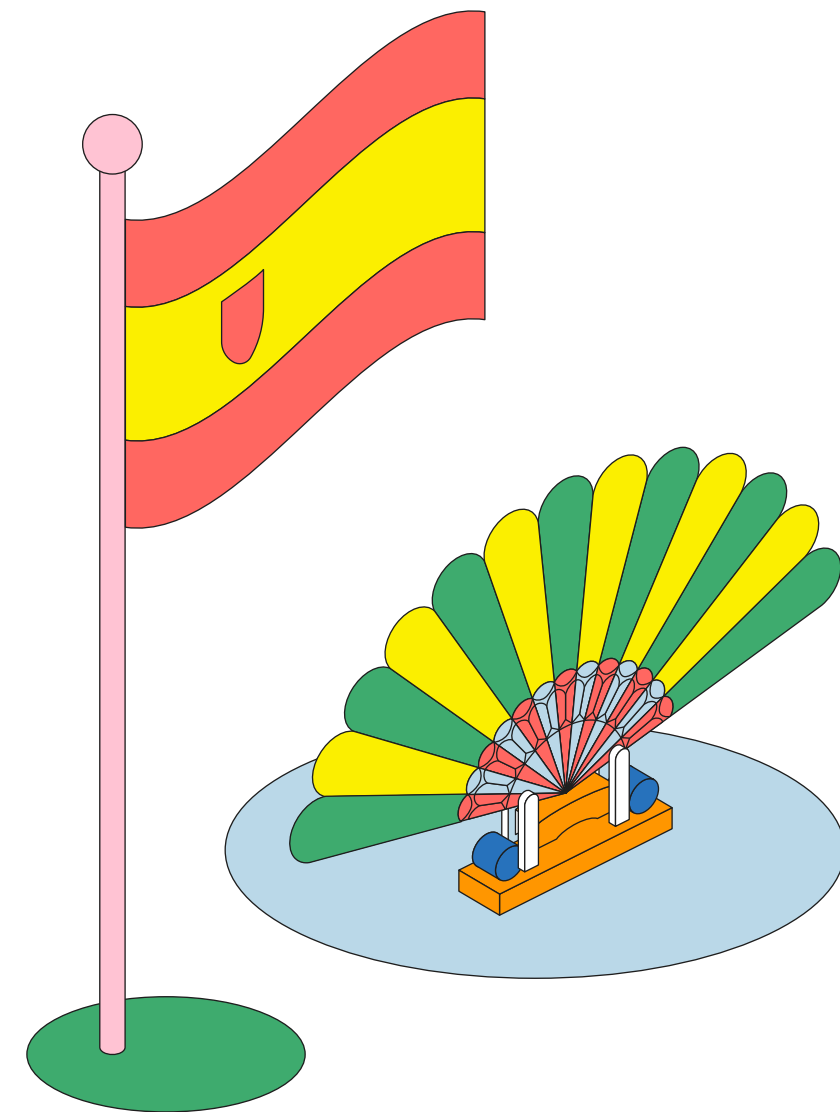
Spain

Cannabis is decriminalised for personal home cultivation and private use.

A thriving scene of over 1000 cannabis social clubs (CSCs) operate as non-profit organisations across the country. Registered club members can purchase and consume one of the widest sets of product formats available in Europe's recreational markets.

Multiple bills have been submitted to formally legalise the market to varying degrees, which have faced political resistance from the Socialist Party. In October 2021, the left-wing government coalition party Unidas Podemos (UP) proposed a bill that would legalise home cultivation, non-profit CSCs, and commercial production.

The social club model is advanced compared to most of Europe, with edibles, concentrates and vape products available and opportunities for retail branding and experiences. There is now reportedly a higher number of people that smoke cannabis than tobacco in Spain.



75%

would support legal cannabis with sales restricted to over-18s

44%

support home-grow of cannabis - the highest of the countries polled

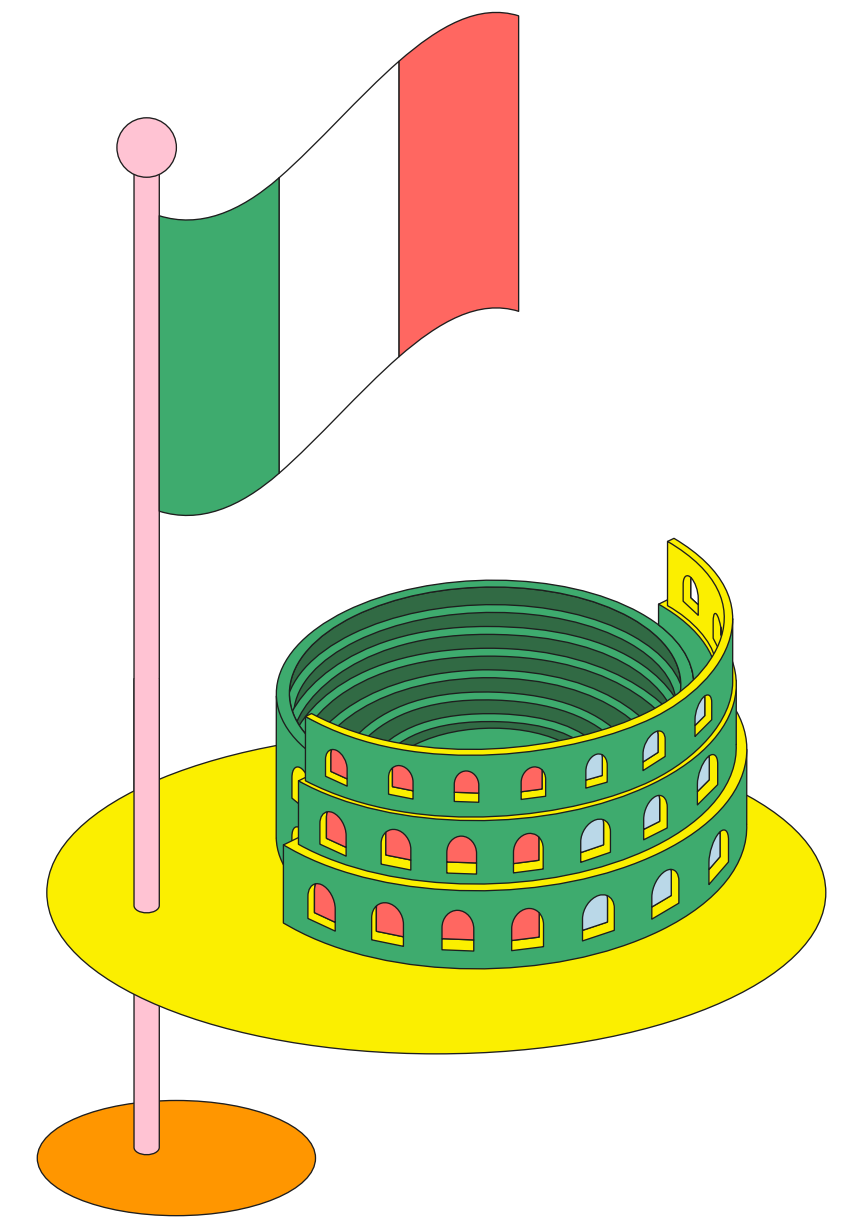
Italy

Cannabis is semi decriminalised - multiple recent court rulings have been triggered by ambiguities in legal frameworks, which have clarified the legality of home growing and personal possession.

Since 2019, domestic cultivation of a small number of plants and limited personal possession of home-grown cannabis has not been a criminal offence. In 2021, a proposal to formally decriminalise growing four plants at home was approved, although not yet enacted.

A petition for decriminalising cannabis for recreational use gained over 630,000 signatures in 2021, qualifying for a national referendum in Italy. However, the referendum was deemed inadmissible on the basis that it would 'violate multiple international obligations', as it would have blanket decriminalised 'cultivation' of all narcotics.

With rising public support and political discussion, we could see another reform attempt in the near future. It will be interesting to see how a country that has so far only trusted its armed forces to produce cannabis would handle a domestic recreational industry.



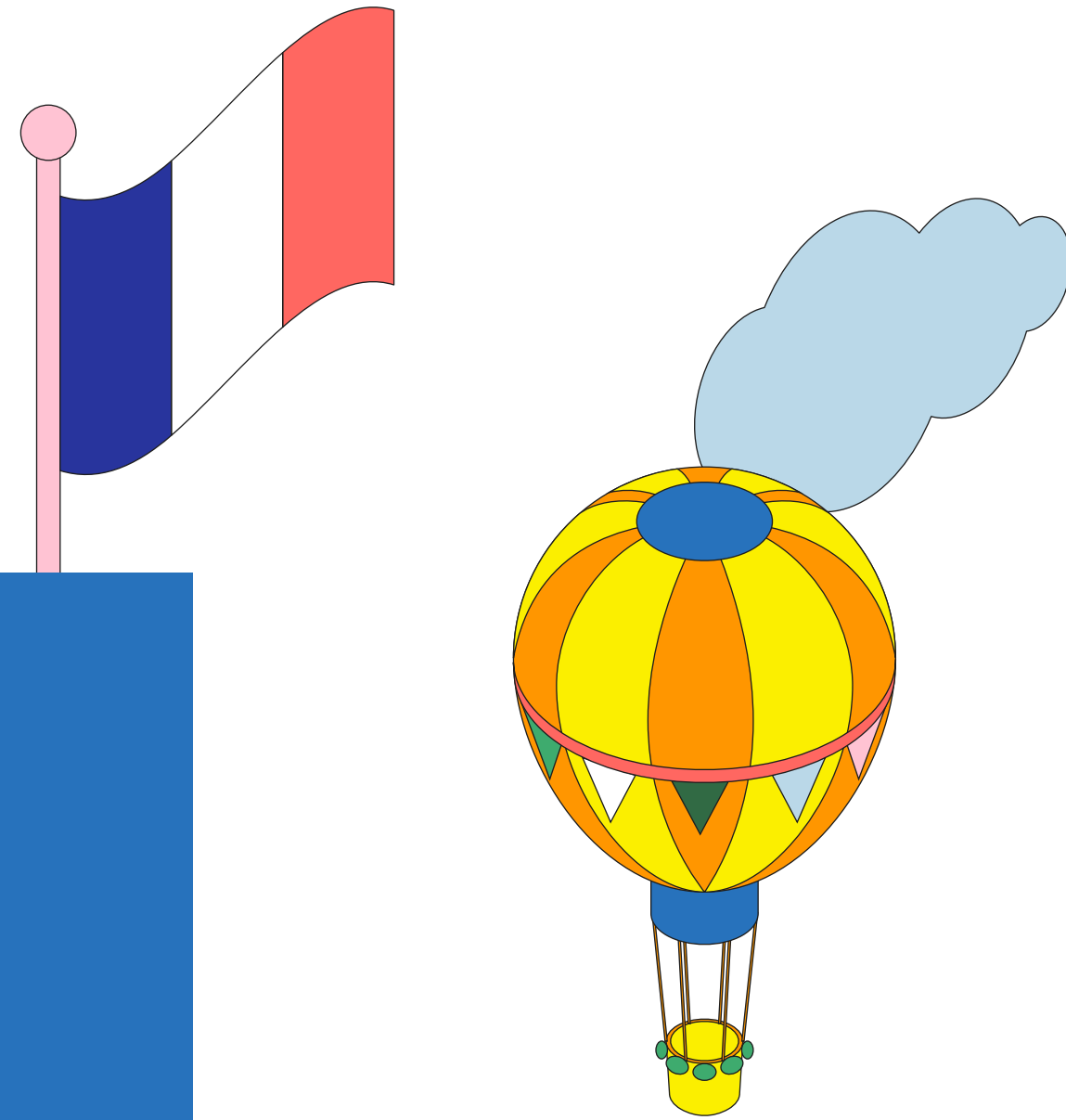
37%

of adults are open to trying legal cannabis, the highest rate across all countries polled.

12%

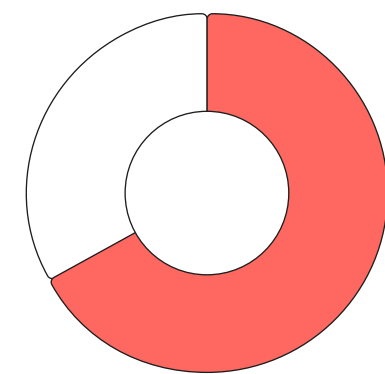
consider the smell of neighbours growing or using cannabis at home a drawback to legalisation - the lowest of all countries polled

France



“ Across the current political majority, many are pushing to open a major societal debate. The youth movements of the major political parties are likely to trigger the debate in France during the next presidential term, especially the "Jeunes avec Macron" [Young people with Macron] already overtly in favour of opening up to recreational cannabis.

MATTHIEU SASSIER, CEO of Kairos Affaires Publiques



67%

support an advertising ban for cannabis - the highest of countries polled

“ In France, the political leaders remain anchored in an untenable position. Speech of utter repression is no longer an option. I therefore, appeal for a great national debate with referendum consultations to be put in place immediately after the presidential election.

MR LUDOVIC MENDES, MP of Moselle for the LREM group and member of the law commission

While France has progressively tweaked its medical and wellness cannabis policies, we do not expect to see recreational reform in the country in the immediate future.

Reports of France's interference in Luxembourg's legalisation plans resulting in the framework being rowed back from commercial access to home grow do not bode well for legalisation efforts.

However, discussions are picking up pace in the political arena and there are strong arguments to be made for legalisation in France against its backdrop of extensive prohibition.

A bill proposed by populist left-wing party

La France Insoumise (LFI) to legalise cannabis was rejected 53 - 80 in January 2022, despite public opinion swinging in favour.

Support was evident through a public government consultation around recreational reform, which attracted over 250,000 respondents in 2021 - five times the typical rate - over 80% of which supported a legal, regulated framework.

France has the highest lifetime rate of cannabis use (45%) and annual 15-34 use rates (22%) of Europe.

Despite this, the French are the least likely to think that cannabis is safer than alcohol (26% agree) or tobacco (24% agree).

United Kingdom

Cannabis control varies by region, from prohibition to de facto depenalisation.

Some regional police forces operate diversion policies to avoid criminal sanctions. Prosecution rates in the UK reveal strong racial disparity, with black people 12 times more likely to be prosecuted for cannabis possession according to government data.

Although there is no immediate lever for reform or centralised campaign in the UK, there are signs of an appetite for reform among public authorities and healthcare institutions.

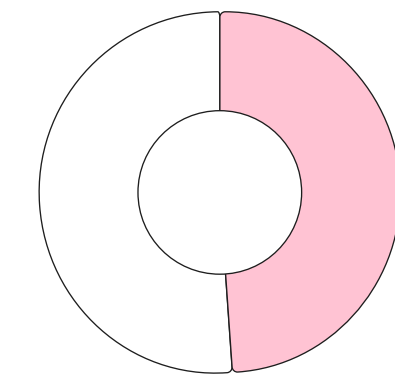
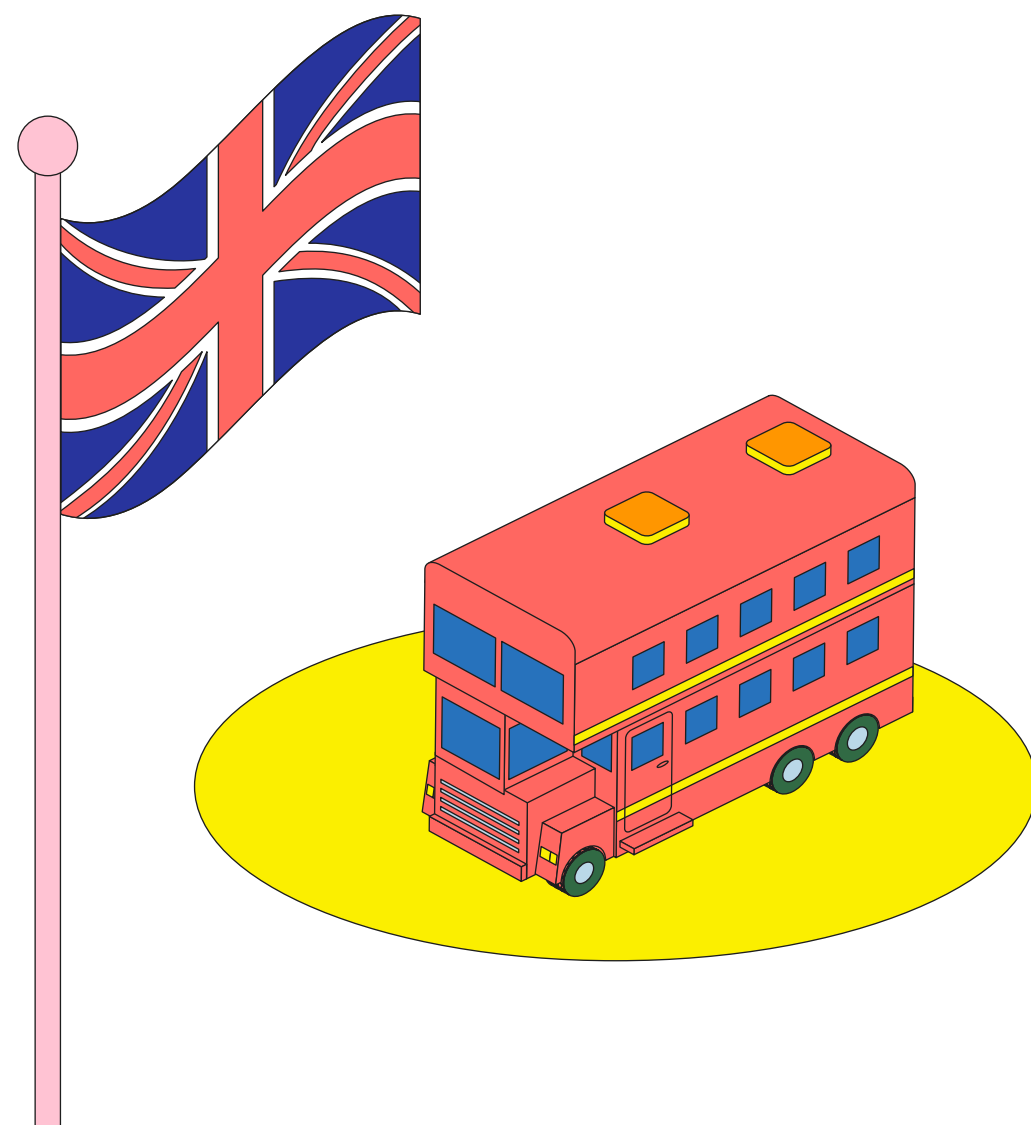
Decriminalisation is backed by organisations including the Royal College of Physicians, the Faculty of Public Health, the Royal Society for Public Health and the British Medical Journal.

In 2022, the Mayor of London, Sadiq Khan, announced his intention to introduce a pilot across three London boroughs to study the effect of diversion schemes on crime and reoffending rates. We expect to see similar regional initiatives emerge across the UK, building on earlier schemes like Durham's 2015 Checkpoint scheme.

The Adam Smith Institute estimates that

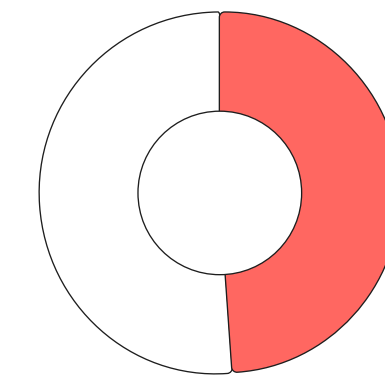
legalisation in the UK could free up £100 million in taxpayer funds while increasing government tax revenue by an estimated £2.26 billion, helping to address the deficit and fund essential services including drug recovery schemes.

The UK represents a large audience for many North American cannabis brands on social media, often the highest follower count by region in Europe.



49%

support legalisation, the highest out of all countries polled, compared to the European average of 43%



38%

consider the smell of neighbours growing or using cannabis at home a downside to legalisation - the highest of those polled

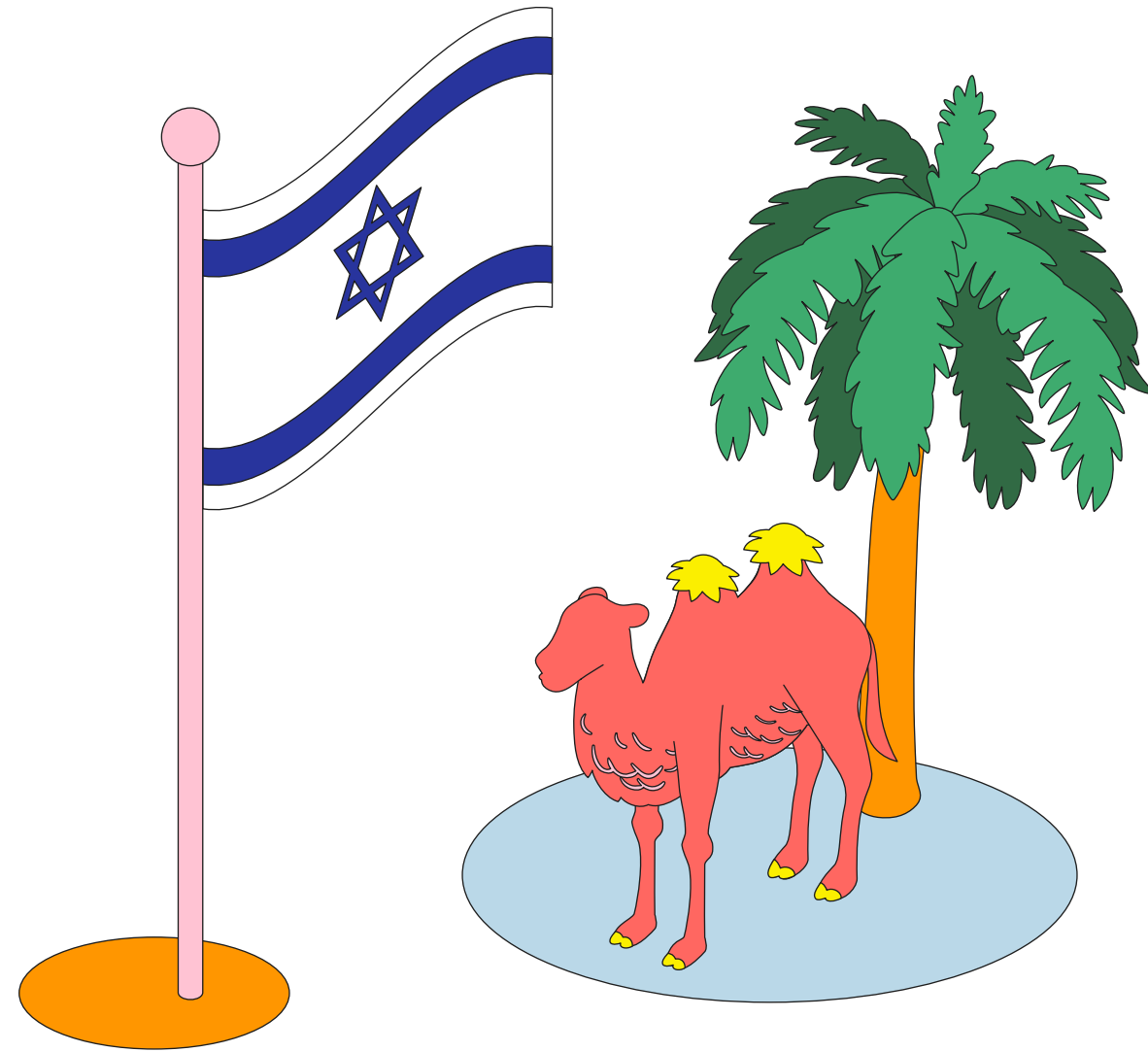
THE MEDIA AS A BLOCKER TO REFORM

Lobbying by the 'right wing' press has been a powerful blocker to reform in the UK. Public figures or MPs who publicly back reform are slammed by reputation-tarnishing accusations, even for proposals as non-controversial as introducing diversion schemes in new regions. Many goodwill politicians have backtracked or become silent about issues around cannabis reform to protect their credibility.

Possibly the last time a campaign in the UK had truly mainstream reach in the press was in 1967, when the former editor of the Times, William Rees Mogg, published a full-page feature reacting to the arrest of Mick Jagger. The editorial called for decriminalisation based on the proposition that 'the law against marijuana is immoral in principle and unworkable in practice', and was supported by the names of 50 prominent individuals and MPs.

Over time, many liberal journalists open to covering cannabis reform stepped away from the topic as issues related to psychosis and high potency 'skunk' became the dominant narrative.

Israel



Cannabis has been semi-decriminalised since 2019, with fines remaining for small scale possession. Lines can be blurred between medical patients and consumers, with 100,000 patients having quasi-recreational access to a selection of branded products through branded pharmacy retail chains.

Israel's largest licensed cannabis producer Intercure's range includes a spectrum of products from 'ultra medical' to 'light medical' - the latter including varieties like Cookies and Stars' 'Skywalker OG'.

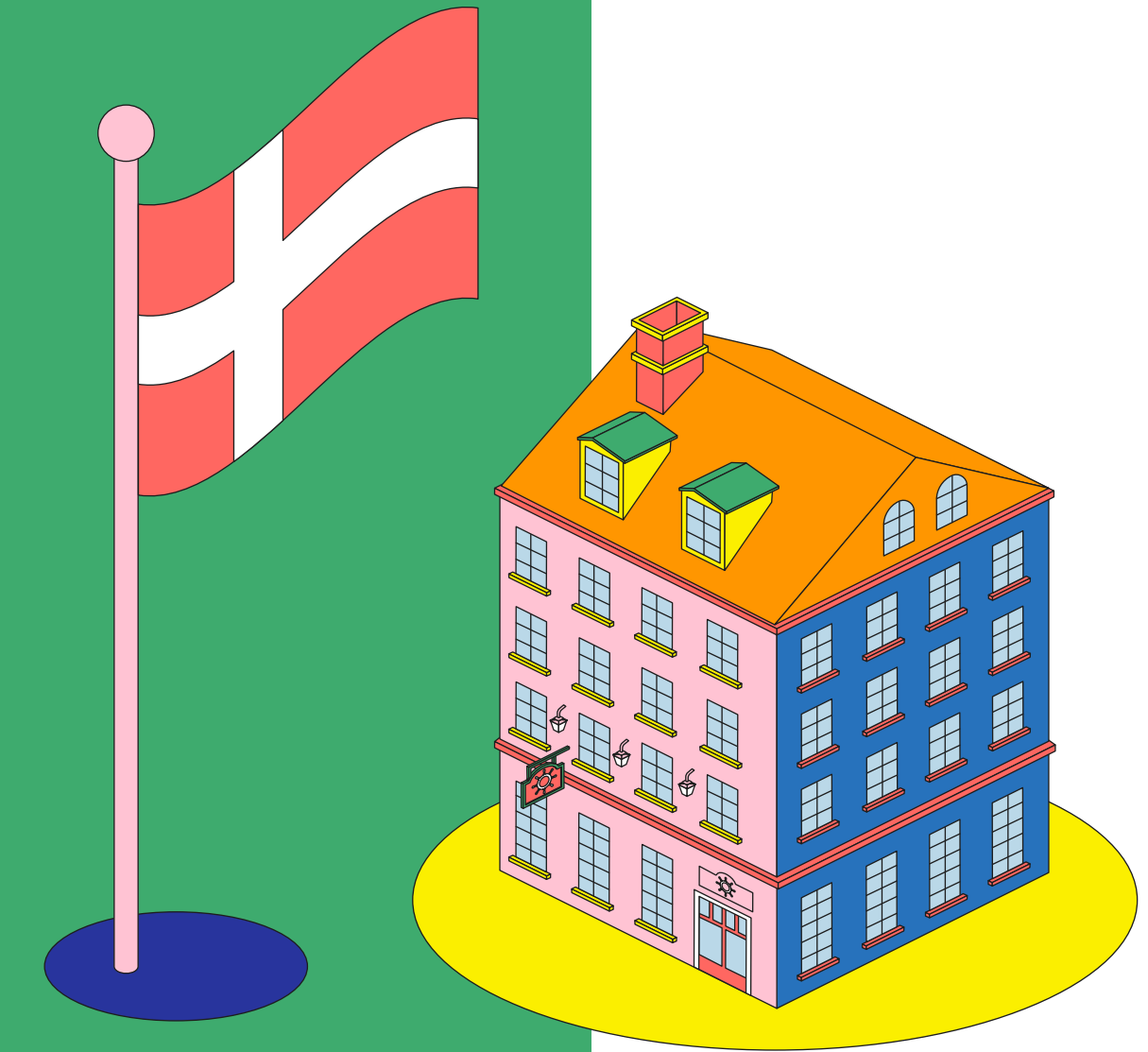
Imported Canadian strains initially proved most popular among Israel's consumers, but US brands have since etched

their role in the market in a more lightweight manner with brand licensing deals. Some Israeli companies are now positioning themselves as gateways to Europe for North Americans.

Full scale recreational legalisation has been anticipated for several years, with further decriminalisation in the interim.

Israel had the highest global rate of cannabis use per capita in 2017, with 27% of Israel's adult population consuming some form of cannabis according to US News & World Report. The country also surpassed Germany as the world's largest importer of medical cannabis flower.

Denmark



Five political parties within the Danish Government proposed a five year recreational cannabis pilot in March 2022, in parallel to the country's current medical cannabis pilot.

'Cannabis Plus': Could this Work in Europe?

While we have a framework and examples to help us consider what the features of legal recreational systems might be in Europe, the question of how consumer brands will develop in Europe is yet to be answered.

A key theme seems to tie a lot of brands that have cut through with consumers together - they do not limit themselves to just being a 'cannabis brand'. North American brands that have resonated best have played upon the intersection of cannabis and wider cultural elements, from music and fashion, to cuisine and rich regional heritage.

How well these brands will translate with European consumers is unclear. Some degree of localisation in aesthetics and messaging can be expected, but the strategy of tapping into consumers' wider interests could be universal.



Will they tap into existing music subcultures like UK grime and German techno, or align with the tech founders and surfers of the Portuguese coastline?



Will they build upon the deep connoisseur communities in heritage hubs like Barcelona and Amsterdam, often found celebrating at Spannabis?



Do Irish and Danish beer cultures leave room for cannabis communities and brands to form? Can you imagine a cannabis brand at Oktoberfest?



Will we see overlaps between gaming and sports? Will European football fans find a home in cannabis culture?



Could party islands like Ibiza become launchpads for new and exciting luxury lifestyle brands?



Who will be the first cannabis brand to throw an afterparty at Paris Fashion Week?

Music and Celebrity

Music and cannabis are deeply intertwined, and overlooking the potential to build interest-led communities from this connection would be a mistake. Cannabis helped the Jazz Age flourish in the 1920s and remains a stable participant in underground music culture, with strong reference in contemporary hip hop and rap.

From Bob Marley and Snoop Dogg, to Wiz Khalifa and Justin Bieber, consumers' music preferences can now inform their cannabis purchases, with an increasing number of artist-affiliated cannabis varieties being developed through partnerships with cannabis operators. The success of these brands largely depends on whether the quality of product matches up with the artist's status, and their degree of involvement in the creative process. Authenticity shines through to consumers, and half-hearted celebrity ambassadors have not seen the success of their heavily-involved peers.



“ We call cannabis the ultimate ghostwriter, because it was part of many of the creative sessions for music from Jazz to Hip Hop. It inspired so much music but is never credited. A lot of my Dad’s sessions and songs wouldn’t have been possible without cannabis, it helped him get in the zone and the flow

CJ WALLACE, Co-Founder at Frank White

Korean Culture and Fashion

“ Although familiarity with cannabis is increasing, partly from access to globalised media, South Korea is very far behind in reform. Our customers have told us they were able to consume cannabis with their Korean parents for the first time thanks to our products and messaging, that type of feedback makes our day.

DAE LIM, *Creative Director and Principal at Sundae School*

Sundae School is a Korean streetwear and cannabis brand founded in LA. It resonates well with consumers whose families grew up in areas where punishments for cannabis can reach as far as death. The team creates products inspired by traditional Korean styles, flavours and their own preferences rather than overly relying on trends or data.

Sundae School built an avid following through its fashion lines, enabling them to reach new audiences on social media with less risk of being removed for cannabis activity. Many of their consumers have followed them from their fashion line to their cannabis products, designed to invoke nostalgia for Korean culture. The brand tests product market fit by dropping small batch releases to gauge their community's reaction. Drops are accompanied by similar clothes, playlists, and events for their Discord community.



Fashion and Art

“ Awareness of the harms of tobacco informs people’s perception of the cigarette form factor, but we think smoking cannabis in that way is actually really beautiful.

IMELDA WALAVALKAR, CEO of Pure Beauty

Pure Beauty’s simple yet memorable brand is deliberately designed to be paired back to allow for seamless transitions into multiple collaborations and directions. The LA-based brand forms partnerships with artists, musicians and other brands with complimentary audiences to tap into wider subpockets of culture.

Pure Beauty takes a nimble approach and tailors the release of products around what is permitted in each jurisdiction. Their fashion-meets-cannabis collaboration with London-based streetwear brand Aries dropped a new cannabis variety ‘Gateway’ and pre-rolls in California, and fashion and bongos for UK consumers.

Pure Beauty’s best selling pre-rolls resemble cigarettes in a move to reclaim the format, with sleek flip-top boxes and menthol varieties.



Cuisine and Sustainability



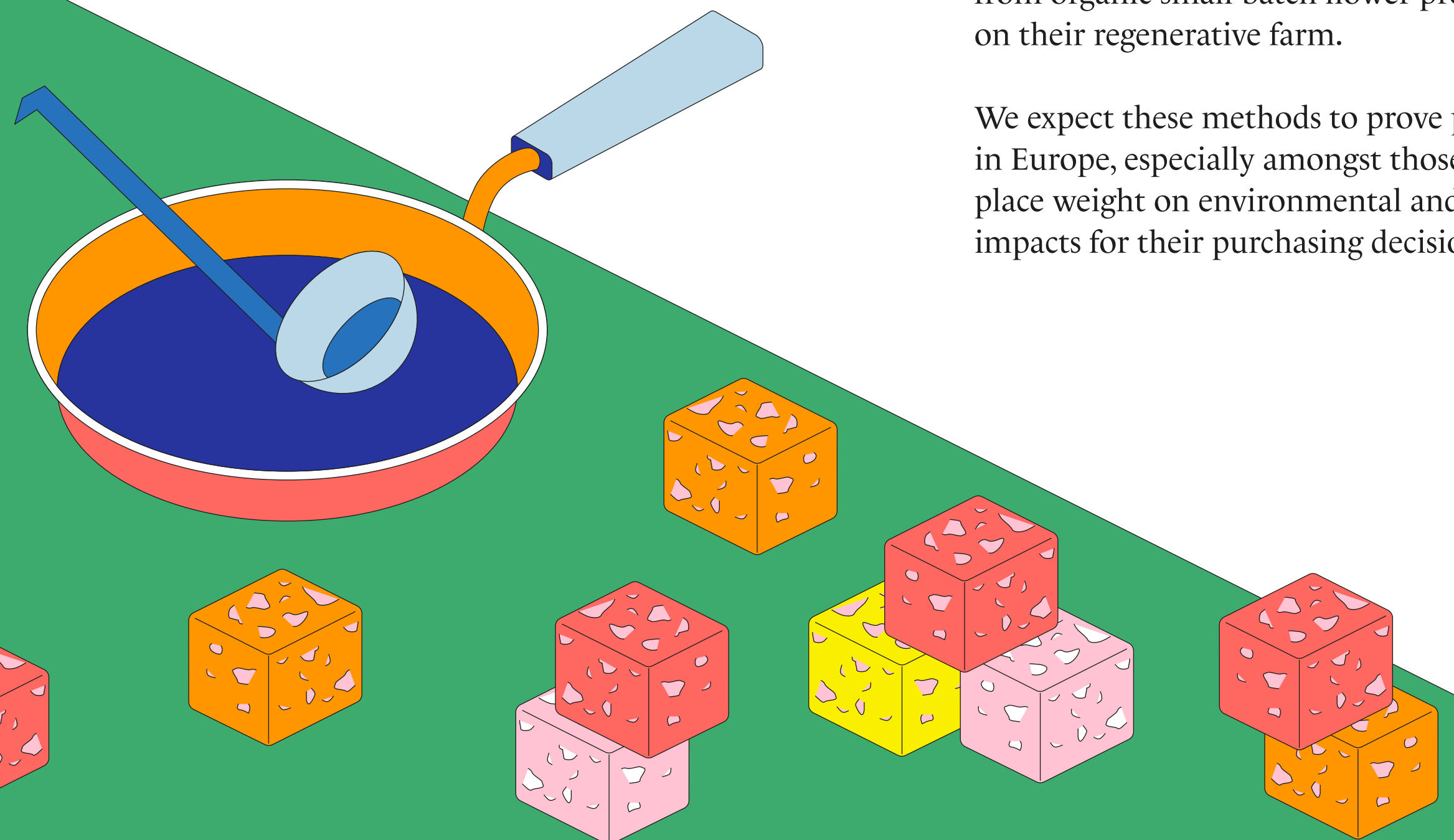
“ Many are afraid to use real food due to the risk of batches falling short of regulation from deemed ‘contaminants’. We used fire roasted tomatoes, and wood ash tested as a metal in the lab, with thousands of units made unsellable.

NATHAN COZZOLINO,
Co-Founder at Rose Los Angeles

As the first edible company to exclusively use flower rosin, Rose Los Angeles has secured its spot as a leader in edible product innovation. The brand’s ingredient-driven approach builds on its teams’ culinary backgrounds - recipes are infused with cocktails of fresh fruit and florals, from poached pear to chilli and lime.

Rose has built a reputation for quality and sustainability, and their pure production methods and farm-to-dispensary model have proved popular among consumers. Rose’s solventless extraction method uses only heat and pressure to produce rosin from organic small batch flower produced on their regenerative farm.

We expect these methods to prove popular in Europe, especially amongst those that place weight on environmental and health impacts for their purchasing decisions.



Design and Culture



Superette has gained recognition as one of Canada's favourite cannabis retail brands for its playful, bold store designs, which recreate the familiar shopping experiences of supermarkets and convenience stores. The retail chain took a different approach to the plain and modern 'Apple Store' style dispensaries that were popular when they started in 2019.

Superette's goal is to make 'buying cannabis as enjoyable as consuming it', according to Co-Founder Drummond Munro. Replicating the supermarket shopping experience, their stores have no menus to encourage customers to browse and discover new products.

Superette's dispensaries are typically smaller than the average Canadian retailer, reducing overhead costs as the retail crunch begins. The chain doubled its retail presence in 2022 through the acquisitions of Cannoe and Dimes, signifying longevity in their strategy as consolidation in the retail sector picks up.



Content and Community

Miss Grass has built a voice that resonates well with consumers, dissolving outdated stereotypes to accompany the modern female consumer on their cannabis journey. The brand started as an online magazine and e-commerce platform, building up one of largest female cannabis communities before launching an in-house brand and insight-driven products.

Miss Grass has adopted a capital-light approach to expanding into new states, licensing their brand and production guidelines to manufacturers for royalties. The brand has secured multiple household name partnerships to reach new audiences, from Beats by Dre to Lululemon and Soho House.

“ Learning from our community that many could not finish a full joint, we introduced our bestselling ‘mini joints’ in response.

KATE MILLER, Co-Founder and CEO at Miss Grass

“ I think the best brands are those that find a core constituency and build a voice within that. The most interesting market isn't the OG market who've been using cannabis for the last 20 years, it's bringing people who are yet to use cannabis along the journey.

WILLIAM MUEKE, Co-Founder and Managing Member at Artemis Growth

“ Successful brands recognise that their audience isn't simply recreational cannabis users, it's a lot more nuanced. Brands like Houseplant resonate with music-loving high income individuals on the West Coast, while Dosist's products are directed at health-conscious older cannabis smokers.

DAN SALKEY, Co-Founder at °Small World

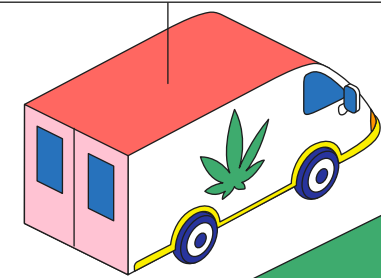


European support for cannabis markets with the following features:

66%
Support the sale of regulated cannabis products only to people over 18



39%
Support online ordering and delivery with ID checks - 37% oppose



57%
Support use of cannabis tax revenue to fund cannabis education and drug treatment



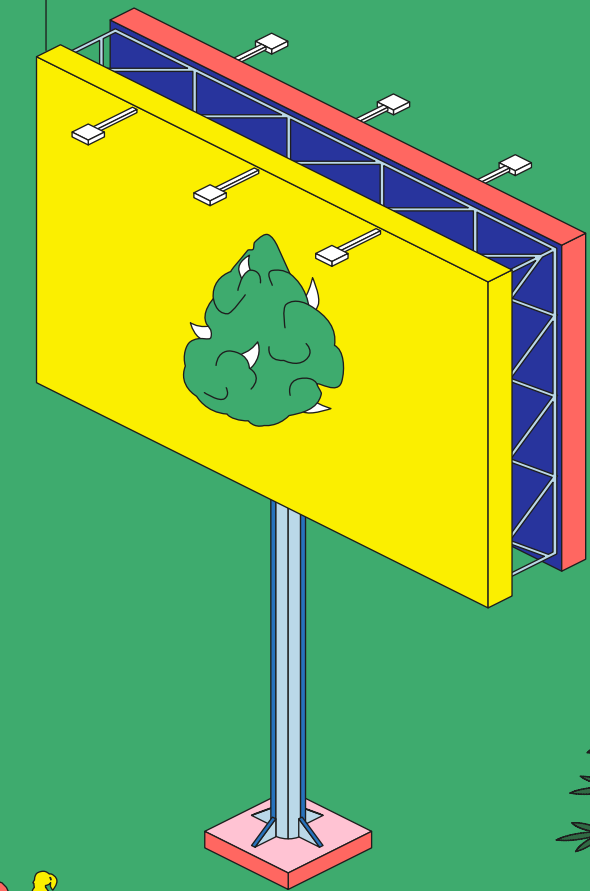
51%
Support limits on product potency



60%
Support plain packaging with health warnings



58%
Support an advertising ban for cannabis products



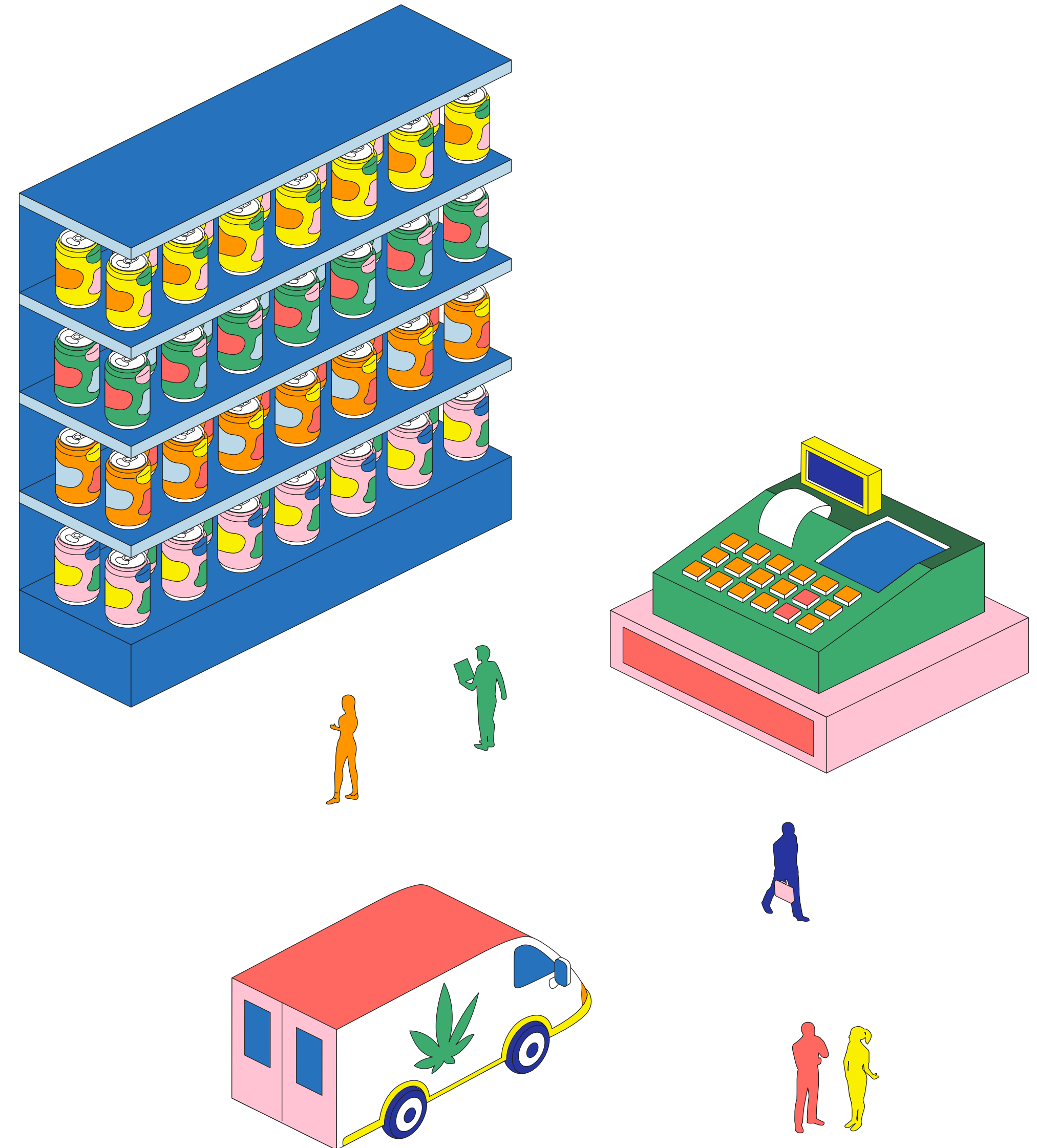
57%
Support a restriction on smoking/consuming cannabis in outdoor public places



Analysis

European support for regulatory features

- Europeans are most comfortable with a form of cannabis legalisation that is commercial, but tightly-controlled. Our polling suggests that Europeans would be more supportive of a 'Canadian-style' model of regulation - with potency caps and plain-packaging - than a more openly consumerist approach like that of California.
- Our polling also finds that Europeans would prefer to regulate cannabis more like tobacco than alcohol, supporting the use of health warnings and a ban on advertising. The public is also split on the idea of online ordering & delivery.
- This is consistent with European cultural norms, where alcohol consumption is widely accepted but tobacco use is actively discouraged. Given the long-criminalised nature of cannabis, it is understandable that Europeans would prefer to legalise in a cautious and contained manner. The fact that most cannabis products are inhaled may also lead many to draw similarities between cannabis and tobacco product regulation.
- Restrictions on public cannabis use also enjoy widespread support: 53% of those opposed to legislation in principle say they would support a legal cannabis market that banned public consumption. Of those in favour of legalisation, 63% would back a model that banned public consumption while only 12% would actively oppose it.
- Broad consensus on what models and restrictions are preferable shows it's possible to build models that the majority of people could live with.



Scale of the Opportunity

Legalisation should not be seen as a dramatic legal shift, but as an adjustment of socio-economic priorities, leveraged to reach a middle ground that is mutually beneficial for everyone in a society. Those who oppose cannabis reform and those who champion it often share many wider goals and societal aspirations, that can be achieved by legalisation.

We have plotted some of the most powerful motivators we have encountered for legalisation and the potential harms associated with this shift.

Yonatan Meyer, Partner at Casa Verde, told us that “upon legalization and establishment of a regulatory system, Germany is set to become the single largest recreational cannabis market in the world. While the fragmented US market has enjoyed a half decade head start, the industry’s growth/reach has been curtailed by ongoing federal criminalization and de facto black listing by the banking industry. The European market, albeit still in its nascency, is entirely unencumbered with such restrictions and will likely pick up impressive momentum as it develops into a dominant player on the world stage.”

“ We think Europe has the potential to be larger than the American recreational market given that it has a population that’s more than double the size of the US. With that, according to BDSA, Europe had a total cannabis market of around \$680m in 2021 and we see the continent with a potential addressable market of \$229bn, so the room for growth is immense.

BORIS JORDAN, *Executive Chairman of Curaleaf*

ECONOMIC GROWTH

Taxable revenue	Generating state income from cannabis sales to bolster the economy and fund essential community services. However, high rates of cannabis taxation are fiscally short-sighted, as taxable revenues are dependent on the legal market overriding the illicit market.
Job creation	Upskilling local communities and levelling up infrastructure, at an accelerated rate if domestic production is introduced.
Ancillary industries	Creating knock on demand for ancillary services, including horticulture, professional services, technology, packaging, distribution and delivery.
Fiscal savings	Reducing government expenditure by removing the costs of enforcing prohibition, including court fees, incarceration costs and police resources.
Investment	Enabling institutional and retail investors to create wealth through by investing in the cannabis sector, enabling companies to boost innovation and scale up the market.
Corporate takeover	Concerns that the pursuit of profit will dominate conversations over public health or social justice, and that oversized corporations will exert influence over policy decisions.
Corruption	Fears that ‘big alcohol and tobacco’ style corruption and unprofessional practices from the illicit market will spread to the legal cannabis industry.
Political capital	Implementing a regulated cannabis system requires significant political time and resources, which some argue should be focused elsewhere.

Scale of the Opportunity

Social change

“ Some think we are at a crossroads with choosing the perfect legalisation model, having to choose between a public health, social justice or free market approach. However, I don't think we have to choose one of the three. There is absolutely scope to implement an all encompassing model that addresses all of these aspects to reform, benefiting and providing opportunities for all.

KATYA KOWALSKI, *Head of Operations at Volteface*

“ We have a vital opportunity to repair the harms that cannabis prohibition has caused to those with lived experience of cannabis policing and to invest in disproportionately criminalised communities. Release has developed 14 socially equitable principles to support regulation done right, including supporting calls for legalisation with decriminalisation and decarceration efforts, as well as for accessible harm reduction services and inclusion in new legal markets.

IMANI MASON JORDAN, *Communications at Release*

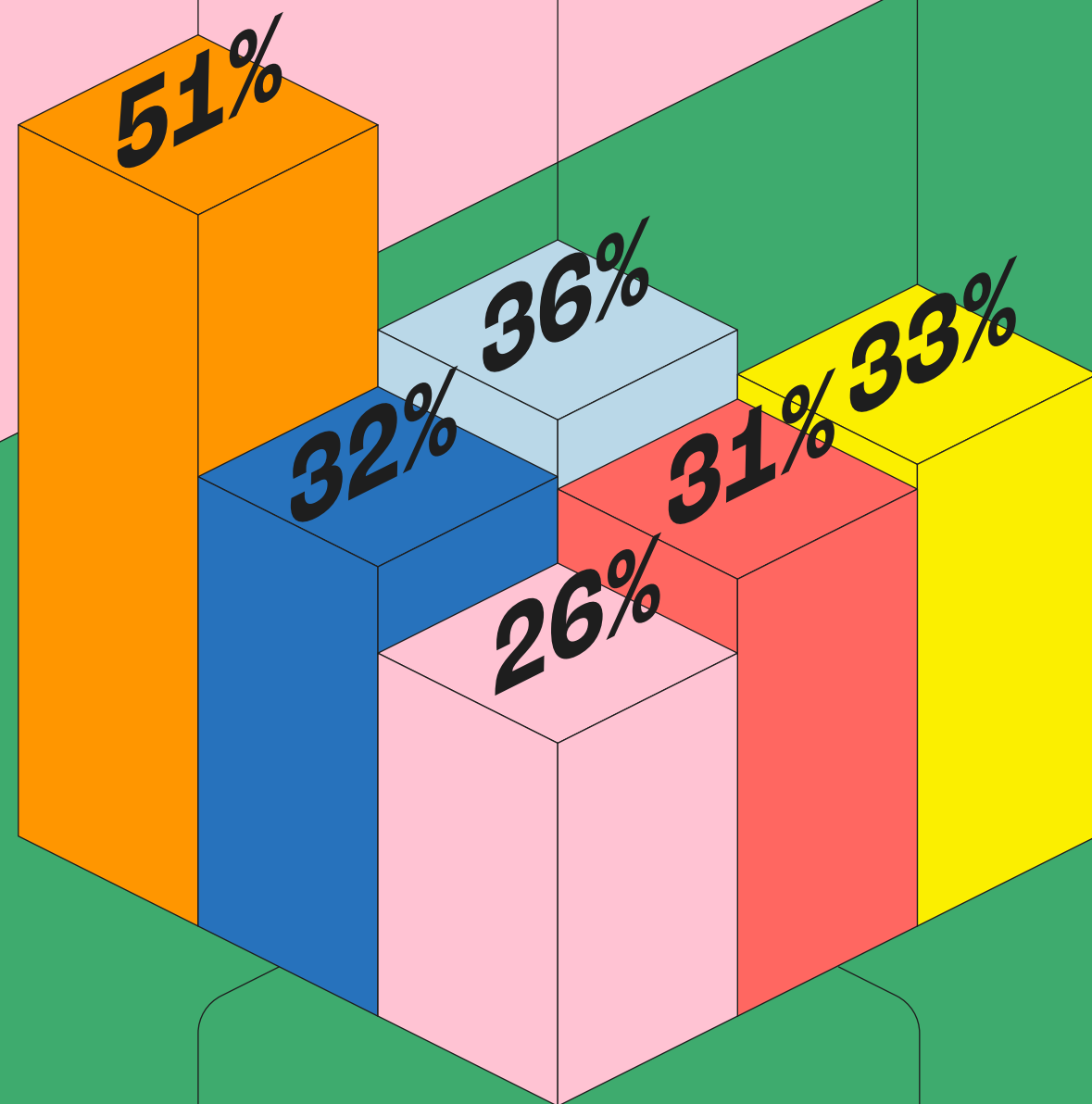
Crime and justice	Removing funding from gangs and reducing violence, freeing up resources for the prevention of other crimes. Reducing the number of individuals in contact with criminal systems, resulting in less prison overcrowding and people entering the cycle of imprisonment.
Public health	Protecting the health of the population by ensuring the safety of products, monitoring potency, reducing youth access, funding addiction services and reducing consumption of more harmful substances, like alcohol and opiates.
Civil liberties	Restoring personal autonomy and the freedom for adults to make decisions about which substances they consume. Rehabilitating individuals into society through record expungement and automatic release from incarceration.
Equality	Reinvesting in communities most harmed by enforcement and tackling racial disparities in participation.
Destigmatisation	Legitimising consumption and encouraging greater engagement in society by reducing people becoming marginalised for their use of cannabis.
Mental health risks	Evidence that cannabis can exacerbate mental health issues, particularly in young people, needs to be taken into consideration.
Increase in public consumption and intoxication	Tolerating that an increase in the presence and smell of cannabis is to be accepted despite policies to restrict public use.

What benefits do Europeans see to legalisation?

It takes cannabis out of the black market/away from criminal gangs

Reduces use of more harmful illegal drugs

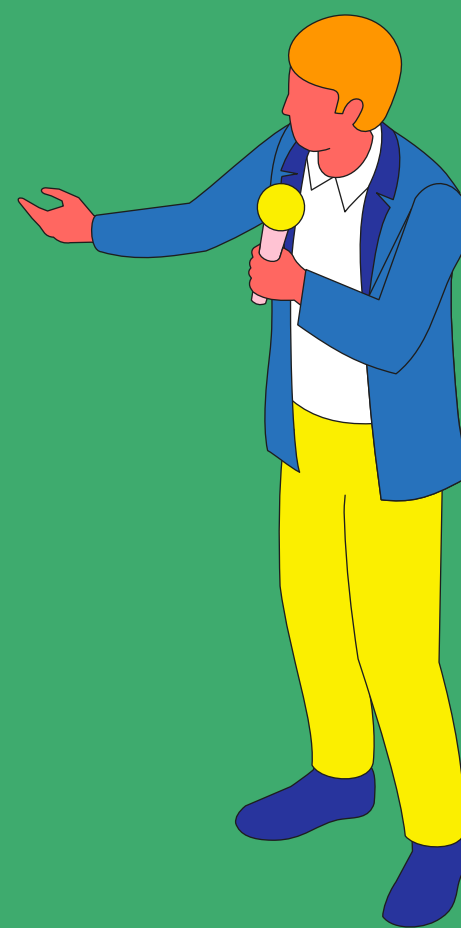
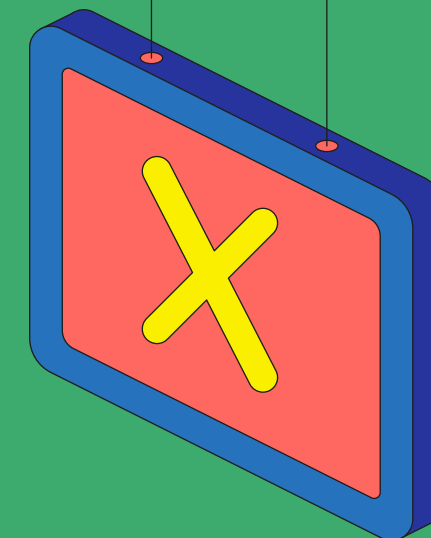
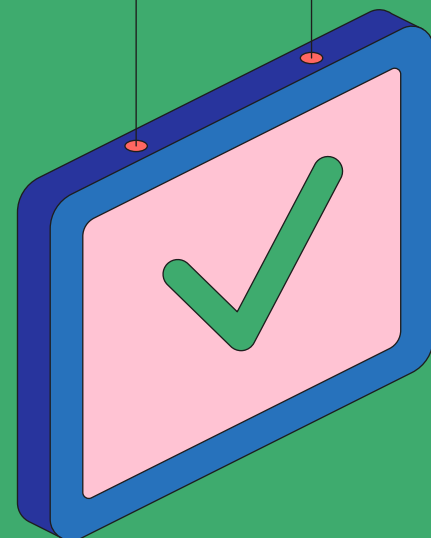
Allows police to focus on more serious crime



Better product safety and information

The strength (potency) of cannabis can be regulated

Generates tax revenue that can support health/education services

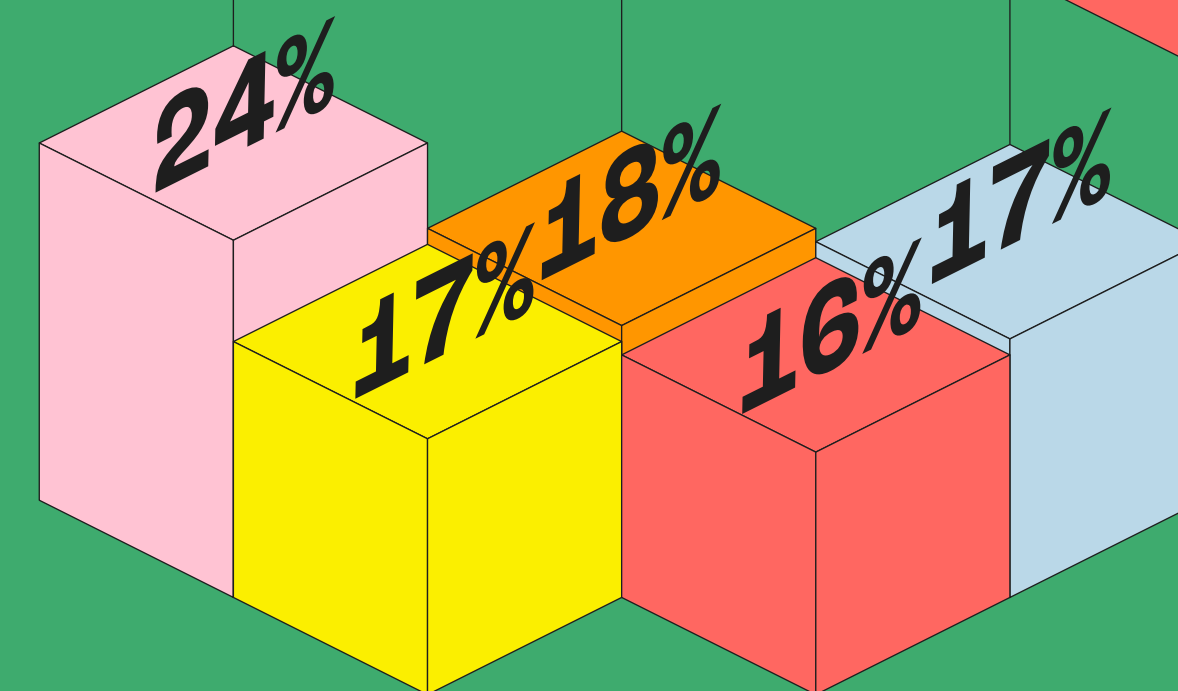


EUROPEANS ARE LESS CONVINCED BY THE FOLLOWING REASONS:

Economic benefits, including new jobs and opportunities

Decrease in youth use

Reduction in harms (e.g., social, health) caused by cannabis use



Less discrimination of vulnerable or marginalised communities

More variety of non-smokable cannabis products (e.g., food, drinks, vapes and capsules)

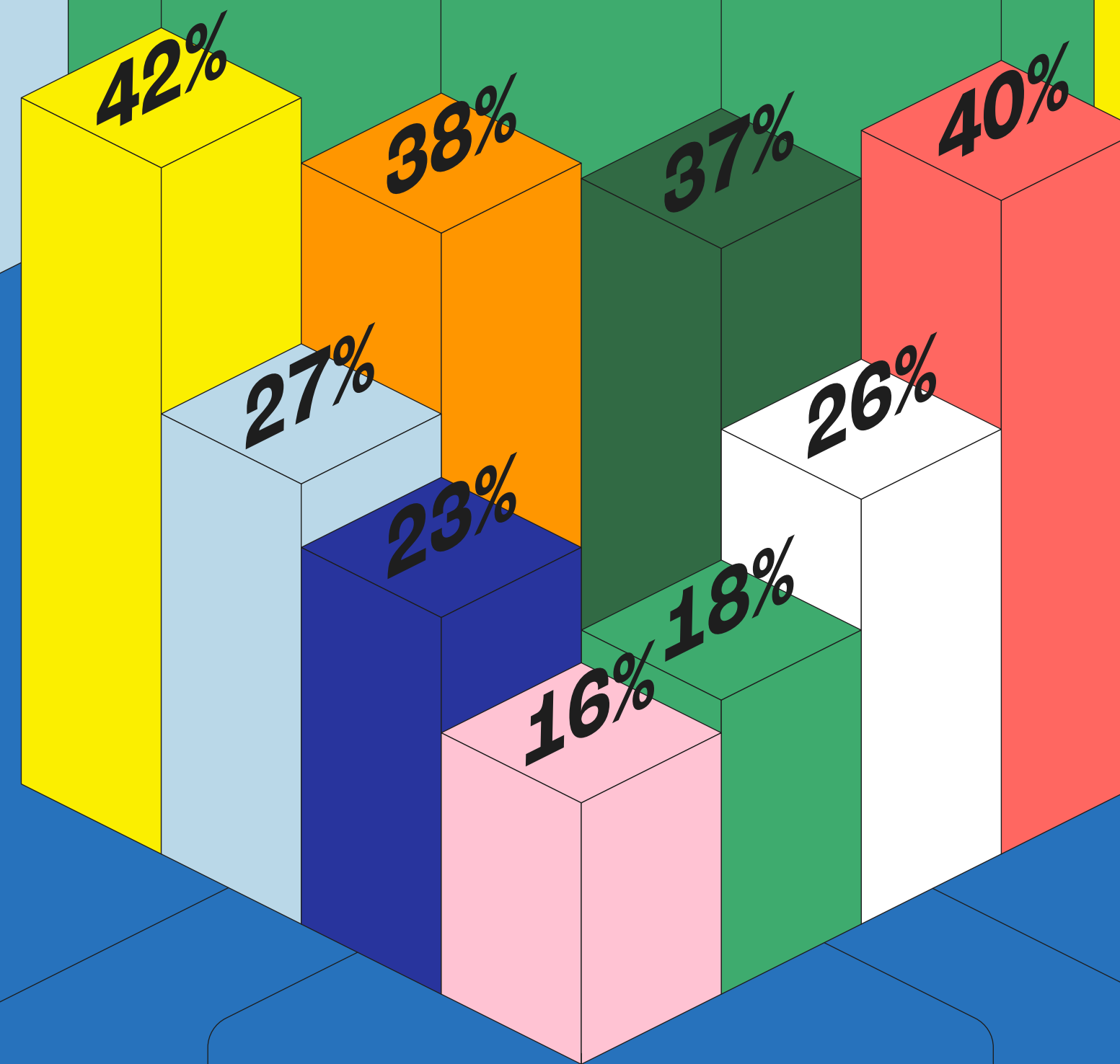
Risks and Disadvantages: Europe's View

An increase in driving while using cannabis

People will think that cannabis use is more safe than it is

More people will use cannabis

An increase in youth use



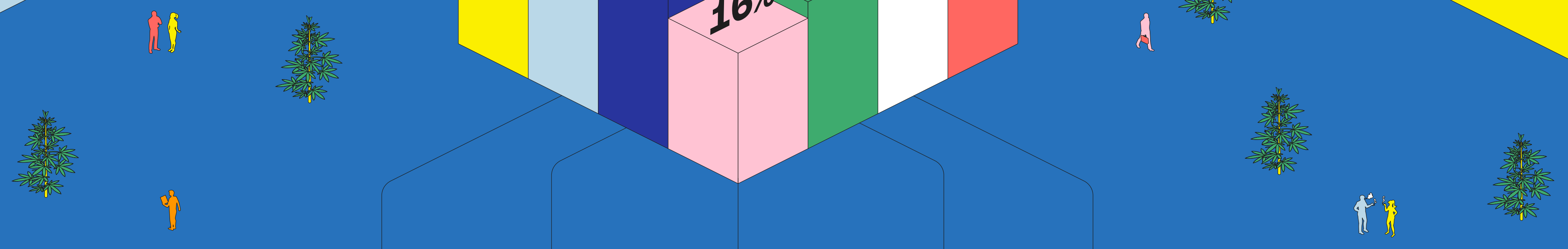
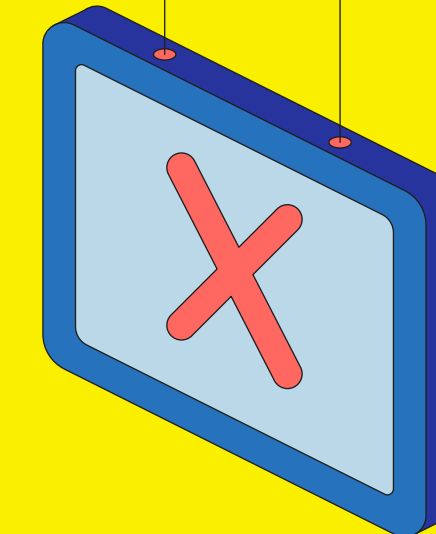
The smell of neighbours growing or using cannabis at home

It would encourage public intoxication

The accidental consumption of cannabis

It will cause wider societal problems (e.g., social discrimination and poverty)

It will lead to a rise in mental health problems in users



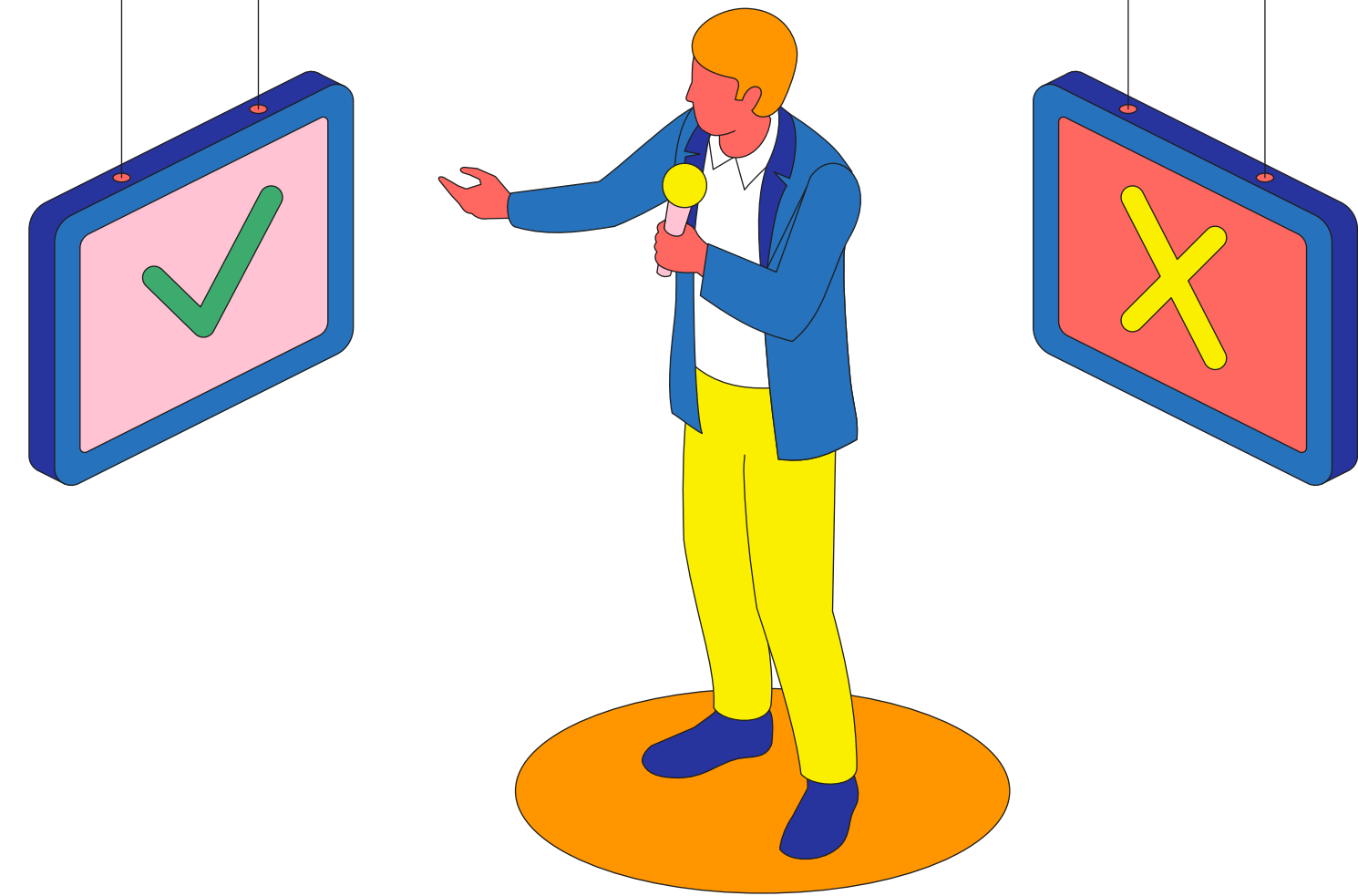
Analysis

What benefits & risks do Europeans see to legalisation?

- Tackling the illicit market is seen as the biggest benefit of legalisation by all countries polled. A third of Europeans also see legalisation as a chance for police to focus on more important crime, showing a clear plank of support for legalisation from a crime and policing perspective. Economic-based benefits (such as tax revenue and jobs) are also highlighted by 4 in 10 people with a noticeable difference in views between men (48%) and women (33%).
- European's main concerns about cannabis legalisation are both practical and reasonable, with driving under the influence of THC the leading concern amongst all countries polled. While evidence from North America about rates of drug driving following legalisation is mixed, there is not yet a reliable way to test for THC impairment - meaning that this issue may remain a pressing concern.
- Europeans are sceptical that legal markets would decrease youth cannabis use, and

rank increasing youth use as one of the biggest concerns of legalisation. This suggests that a legalisation narrative focused on youth use - as used in Canada - may struggle to find traction in Europe and may even backfire if executed poorly.

- Europeans are also sceptical that legalisation would reduce discrimination of vulnerable or marginalised communities. Our polling does not show whether this is because Europeans think legalisation would fail to tackle discrimination, or because the public do not consider it to be a problem in the first place. Either way, this suggests that more attention to the harms caused by prohibition and the steps needed to address these are required in Europe - just because the public do not see discrimination as a major issue does not mean that it is not an important topic.
- Europeans appear open to the idea that legal cannabis could reduce use of more harmful drugs (whether legal



- or illegal) - challenging the historical framing of cannabis as a 'gateway drug'. Europeans rank better product safety and information highly as benefits of legalisation.. They are less convinced that legal markets can actually improve the harms caused by cannabis use, and are concerned that legalisation could lead to underestimating cannabis' harms. However, Europeans do not tend to think that legalisation will lead to wider societal problems - suggesting that the use of 'common sense' solutions to mitigate the risks of legalisation could be effective in addressing people's concerns.
- Our polling also reveals a significant gulf in perception of cannabis' harms between those who support legalisation

and those who don't: Of those opposed to legalisation, 49% are concerned by a rise in mental health problems amongst users, while only 13% of those in support identify this as a concern. Finding an evidence-based consensus for some of these polarising issues will be a task for pragmatic policymakers.

- So far Europeans do not see a wider range of cannabis products as a particular benefit of legalisation. Even amongst those open to trying legal cannabis, only 29% identified new formats as a benefit of reform. This suggests that markets for 'cannabis 2.0' products may take some time to develop as consumers get up to speed with new formats.

Moving Forward

It is important to remember that legalising cannabis is a question of how we deal with something that already exists, not about whether we should introduce cannabis into society for the first time.

International examples have shown us that the pros and cons of cannabis can be dealt with pragmatically - and outside of the binary options of 'legal or illegal'.

One of the biggest issues facing the cannabis debate is just how extreme the spectrum of opinion is. For some, cannabis is simply an academic topic of debate, while others' viewpoints are deeply rooted in emotion, from blanket adoration to genuine fear.

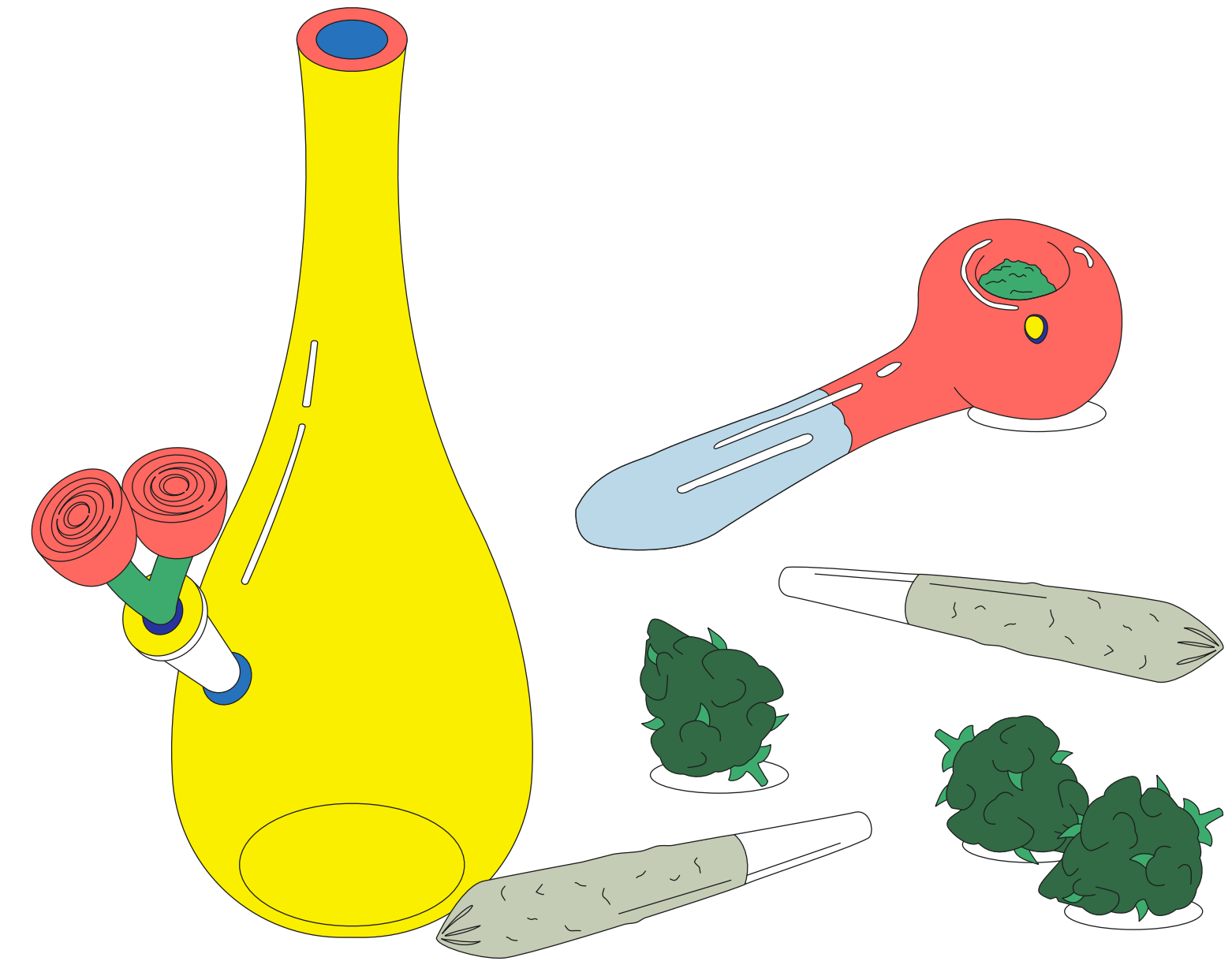
Advocates of cannabis legalisation need to be mindful that whatever society is created through policy reform has to also be inclusive of those who do not like cannabis.

Tensions will continue to play out between the passionate. There will be clashes driven by the, at times dismissive, forward thrust of the industry and its consumers on one end, and the wariness of regulators looking to test the waters before enacting major change on the other.

Beneath the complexities of refining regulatory systems, and inside the multi-faceted risk vs reward calculations we have to make about legalising, lies a simpler sentiment shared by many. As the late, great pioneer of European cannabis Franco Loja (May 20th 1974 - January 2nd 2017), the Strain Hunter, said: "**You know inside yourself when you spark up a joint that it should not be illegal, you know in your heart!**".

Balanced on the other side are the words of caution from experts like Dr Julia Joos, Addiction Officer for the City of Bern, who explains that "**the potential risks to legalisation include the yet unknown long-term effects of a regulated market, inadequate youth protection and the industry becoming too involved in the regulatory process like with alcohol and nicotine**".

Perhaps the best way to approach the debate is with the open mindedness of those who see joy in cannabis, with empathy for the fears of the wary, and with the detail of those that see it as a complex socio-economic political issue.



“ Legalisation provides communities who have been ignored and persecuted with a chance to build economic independence. It gives us a chance to have bigger conversations about policing and the protection of young people. I believe that the UK has a once in a lifetime opportunity to grab the cannabis opportunity. Cannabis is for the culture. Cannabis is bigger than us.

BIG NARSTIE, *Musician, author, TV presenter and Founder of BDL Genetics*

Credits



Hanway Associates Analysis

Hanway's analysis was informed by interviews conducted with 50 specialists, including leading cannabis operators, government officials, academic researchers and political figures, alongside experts in brand, genetics and manufacturing.

Hanway also performed extensive desk research and utilised its internal database.

To the best of our knowledge, all facts were accurate at the time of drafting, and developments past the time of writing are not included.

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