

Environmental,  
Social and  
Governance

**ANNUAL REPORT**

**2020**

**POLARIS**



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# Polaris Infrastructure Inc.

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Polaris Infrastructure is a Canadian publicly traded company engaged in the operation, acquisition, and development of renewable energy projects in Latin America. In Nicaragua, the Company currently operates a 72 MW (net) geothermal facility, and in Peru, the Company currently operates three hydroelectric facilities with a total operating capacity of approximately 33 MW (net).

Our mission is to be a Latin America-focused renewable power project developer and operator, while providing superior shareholder returns.

As a company, our commitment to responsible ESG management is embedded in our culture and is a key to how we create value for all our stakeholders.







**110<sup>(\*)</sup> MW**  
Generating Capacity



**\$491.1 M**  
Total Assets



**\$74.7 M**  
Total Revenue



**3**  
Countries



**154<sup>(\*\*)</sup>**  
Employees



**334,307<sup>(\*\*\*)</sup> CO<sub>2</sub>**  
per year of avoided  
emissions

Note: Information as of December 31, 2020. Amounts are expressed in United States dollars unless otherwise specified.

(\*) Generating capacity measured as gross.

(\*\*) The total includes permanent and temporary employees from all of our subsidiaries as well as our Corporate Head office.

(\*\*\*) The Company is actively engaged at various stages of the UNFCCC Clean Development Mechanism and Verification Standard.

# Message from our CEO

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One of the things that I am most proud of as a member of the Polaris team is that we have always had the concepts of ESG as a driving force for why we come to work every day. To see the world moving so strongly in this direction is something that is very encouraging to me personally as it has always been a passion of mine for some time now. Polaris will continue to strive to be a leader and on the cutting edge in this area and we will be willing to change and grow as the world and investor's attitudes change.

Polaris is clearly in the renewable energy sector and we will always continue to be in renewables in some form or fashion. That is clear.

However, one of the proudest moments I have had in my time at Polaris has to do with our social programs at the local community where we operate our San Jacinto plant. This report discusses the specifics of our programs and what we do. So, I do not need to comment on that. But I will say that seeing and speaking with the young school children and seeing that we really are making a difference in their lives is truly moving and inspiring. My annual visits to the school stand out for me as the most memorable moments I have had over the last 5 years as CEO of Polaris.

I consider myself very lucky to be able to get up every day and try to make the world a better place. Even if it is in small ways. And I know that all the employees of Polaris share that view.

Thank you for your interest in learning more about Polaris Infrastructure Inc. I encourage you to follow our progress as we provide updates on our ESG performance in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Murnaghan', with a long horizontal flourish extending to the right.

**Marc Murnaghan**  
*President and Chief Executive Officer*

# About this report

We are committed to detailing our sustainability story through an annual sustainability report moving forward. Our initial 2020 Sustainability Report provides data over three years, starting with January 2018 and ending December 31, 2020. We recognize that transparent and objective reporting is crucial in demonstrating our commitment to our investors, customers, and employees.

In preparing this report, we carefully considered feedback received from shareholders, the investment community, and other stakeholders. We also analyzed the information contained within various sustainability and climate change frameworks.

## Reporting Framework

This report's topics and data contain metrics that we believe are most relevant to our stakeholders and demonstrate our commitments to sustainability. Our report framework has been developed to suit the interests of a broad group of our stakeholders. It was prepared with reference to international ESG reporting frameworks, including the Global Reporting Initiative (GRI) and the SASB framework Sustainability Accounting Standards Board (SASB). The core material topics included in our report are based on "Electric Utilities & Power Generators" SASB standards.

## Scope

This report captures the environmental, social and governance performance of subsidiaries owned or operated by Polaris infrastructure Inc as at December 31, 2020. This report does not focus on our financial performance.

## Data

The data included in this report has been reviewed and approved by Polaris' Senior Management and Board of Directors ("Board") responsible for the respective subject areas. The data collection methodologies used are aligned with industry best practices and applicable regulations and standards. We undertook internal consultations to identify and define the sustainability issues most likely to impact our business. No external assurance was sought for the content of the report. All monetary amounts are in U.S. dollars, except where otherwise noted.

## Future Reporting

ESG initiatives will be further integrated with our approach to risk management and our business strategy development. We are committed to monitoring, reporting, and refining appropriate performance indicators to measure our progress towards these goals and a more sustainable future.

For additional information, refer to:

- MD&A for fiscal year ended 2020.
- 2020 Annual Information Form, for further information on Polaris' Policy Manual, Executive Team and Board of Director details.
- [polarisinfrastructure.com](https://polarisinfrastructure.com), for all of the above, including general corporate information and current developments.





## Our response to COVID-19

As a consequence of the onset of the Covid-19 world-wide pandemic that has affected the global population and disrupted all aspects of life, Polaris like other Corporations has had to react. At Polaris, our top priority has always been the health and safety of our employees, contractors and the communities in which we operate. After the World Health Organization declared COVID-19 a pandemic on March 11, 2020, we activated our safety protocols and crisis response plans in our facilities and offices in Peru, Nicaragua, and Canada. We implemented preventive measures, including restricting business travel, and transitioning our corporate and local offices to work from home. While the transition to work from home caused some delays in preparing and processing accounting and administrative records, it did not impact our operational continuity.

As an essential service and electricity supplier to distribution systems in the countries we operate in, all of our facilities continue to be in full operation. Further, our operations have not been materially affected by changes to our supply chain due to the various restrictions that local governments have instituted to date. We continue to closely monitor local governments' restrictions and protocols in the jurisdictions in which we operate, including those affecting our vendors, supply chain and customers, to determine their potential impact and any additional actions required in order to continue our operations without significant disruption.

All of our facilities have been able to manage the impact of COVID-19 efficiently by carrying out the following measures:

- COVID-19 prevention protocols were established with the intention of reducing the risk of infection:
  - Mandatory use of a mask.
  - Daily recording of body temperature.
  - Enhanced daily cleanliness and sanitation protocols.
  - Operating under social distancing guidelines.
  - Limit Capacity by restricting access to necessary individuals and limiting control room access at Operating facilities.



- Screening procedures and visitor restrictions at each of our facilities.
- Promoting health awareness by providing appropriate training and education and permanent communication through videos and pamphlets aimed at employees and vendors.
- Our base camp in Nicaragua is fully equipped with food and supplies necessary in the event employees are required to quarantine for extended periods.
- We have also supported the communities near the plants in Nicaragua and Peru. Providing basic medical supplies for the prevention of COVID-19 and food baskets in response to the emergency in the most vulnerable areas.

Our local Polaris teams have worked hard this year to ensure consistent and un-interrupted delivery of electricity, and we remain unwavering in our commitment to maintaining the health and safety of our employees, vendors, and community. We are closely monitoring the situation and following recommendations from governmental and public health agencies.



## Sustainability at Polaris

“Our mission is to achieve ESG compliance with zero harm to people and the environment.”

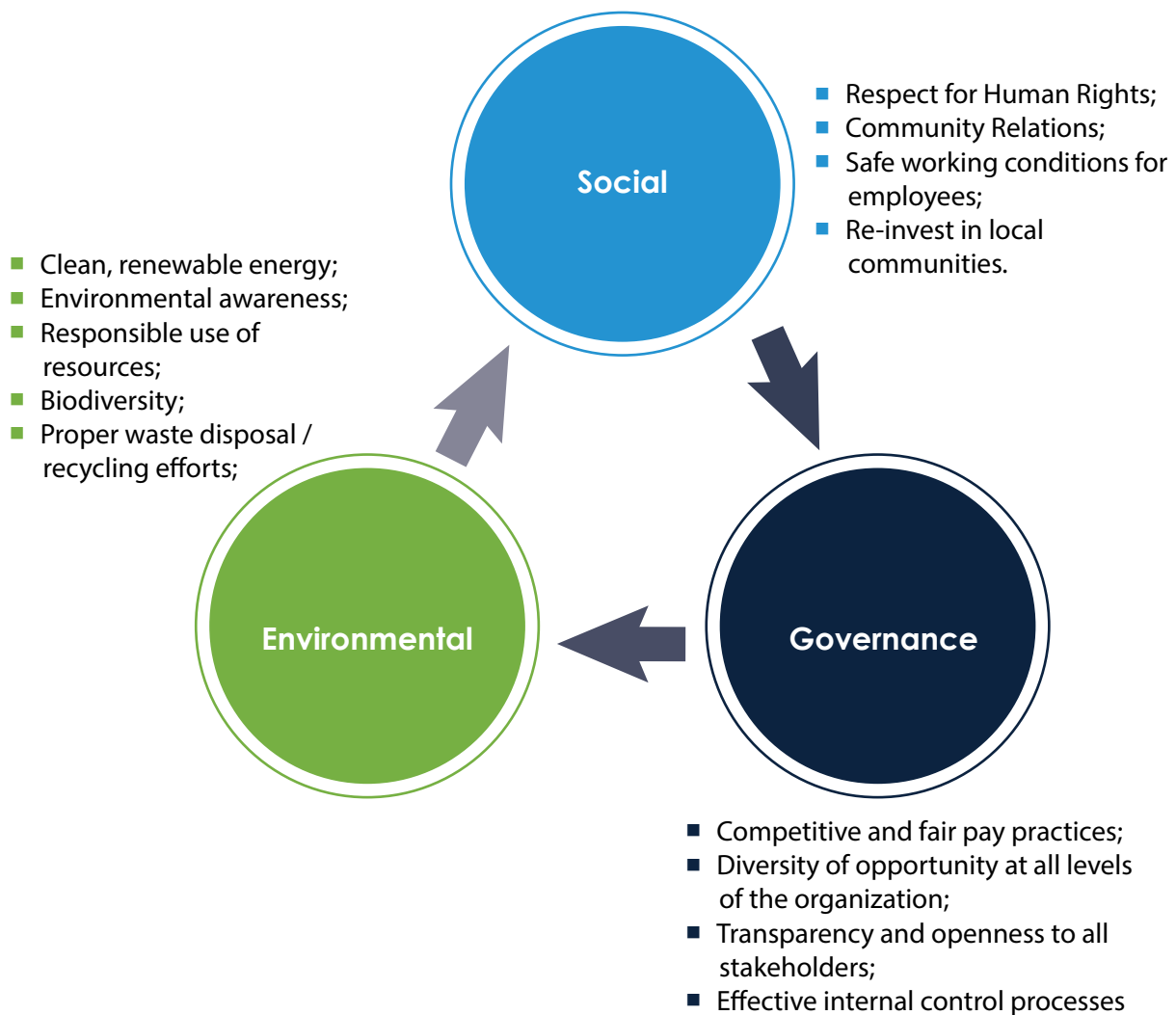


As a renewable energy company, we are aware of our role in creating a sustainable future for all. Therefore, we are dedicated to ensuring that our business operations are founded on a commitment to promoting a sustainable environment, looking for a balance between generating value for our shareholders, minimizing the environmental impact of our operations, empowering our employees, and making a positive contribution in the communities where we work.

It starts at the core of our business as we are dedicated to producing clean, reliable and renewable energy. We are committed to protecting the environment, making responsible use of natural resources and adequately managing its environmental impacts.

We are also driven to providing a fair, respectful and healthy workplace that promotes high ethical standards. We promote equal opportunities and an environment free from discrimination. Our code of conduct ensures that company operations are carried out with the highest ethical standards, maintaining maximum transparency with all of our stakeholders.





We continuously engage with the communities where we work. Our social investment is focused on sustainable principles that can strengthen a community and contribute to its economic development. We believe in the importance of collaboration.

To ensure high social and environmental standards, we apply fundamental principles and practices as developed by International Finance Corporation (IFC), standards ISO 26000<sup>1</sup> and ISO 14001<sup>2</sup> that are specifically applicable to our operations.



1. ISO 26000 - Social Responsibility

2. ISO 14001 - International Standard that specifies requirements for an effective environmental management system (EMS)

# Snapshot - Financial Highlights

## Summary of Operations<sup>3</sup>

Project	Electricity generation	Revenue	
	(MWh) 2020	(US\$ 000) 2020	
Nicaragua			
San Jacinto (Geothermal)	511,702	\$	68,092
Peru			
Canchayllo (Hydroelectric)	33,832	\$	1,574
Generación Andina SAC (Hydroelectric) <sup>4</sup>	117,359	\$	5,022
Carbon Credits - Canchayllo		\$	32
Totals	662,893	\$	74,720

## Capital Markets Snapshot (As of Dec 31, 2020)

 <p>PRICE*</p> <p>C\$17.71</p> <p>US\$13.91</p> <p>SYMBOL: PIF.TO</p>	SHARES OUTSTANDING	DEBT <sup>(**)</sup>	EV / ADJUSTED EBITDA <sup>(*)</sup>
	15.7 mm	US\$189.3 mm	~ 5.9x
	~ ADJUSTED EBITDA <sup>(*)</sup>	CASH ON HAND	ANNUAL DIVIDEND
	~US\$58.7 mm	US\$ 60.1 mm	US\$0.60
	MARKET CAPITALIZATION	ENTERPRISE VALUE	DIVIDEND YIELD
	US\$218 mm	US\$348 mm	4.3%

3. All amounts are expressed in United States dollars unless otherwise specified.

4. Generación Andina SAC ("GASAC") operates "El Carmen" and "8 de Agosto."

(\*) EBITDA has been adjusted for lower PPA Price at San Jacinto. A Non-GAAP measure used by the Company. Refer to Section 11: Non-GAAP Performance Measures of the 2020 MD&A for a cautionary note regarding their use, descriptions and reconciliations to the most directly comparable IFRS measure.

(\*\*) Includes Convertible Debenture financing as Equity.



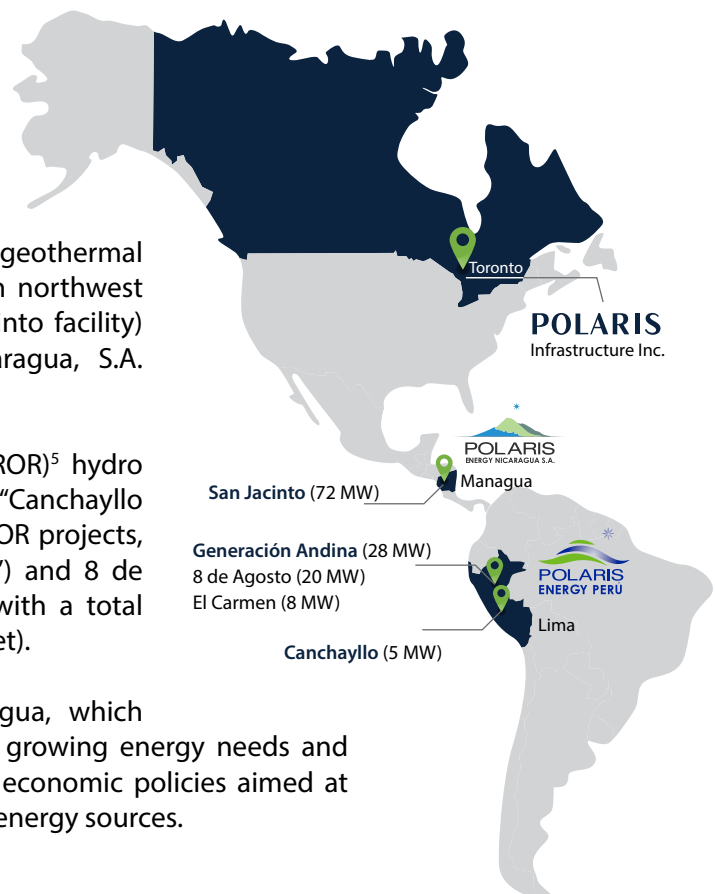
## Latin American Footprint

Our goal is to continue to grow and diversify in the LATAM region through renewable energy projects with attractive return profiles.

We currently operate a 72 MW capacity (net) geothermal electrical energy production facility located in northwest Nicaragua near the city of Leon (the “San Jacinto facility”) through our subsidiary Polaris Energy Nicaragua, S.A. (“PENSA”).

Our Company also operates a Run-of-River (ROR)<sup>5</sup> hydro facility of 5 MW (net) in Canchayllo, Peru (the “Canchayllo facility”). The Company’s two other Peruvian ROR projects, known as El Carmen (the “El Carmen facility”) and 8 de Agosto (the “8 de Agosto facility”), operate with a total aggregate capacity of approximately 28 MW (net).

Our company operates in Peru and Nicaragua, which are both Latin American nations with rapidly growing energy needs and governments that have stated mandates and economic policies aimed at supporting the growth of domestic renewable energy sources.



5. Run-of-River (ROR) operating on the flow of the river without modification by upstream storage.

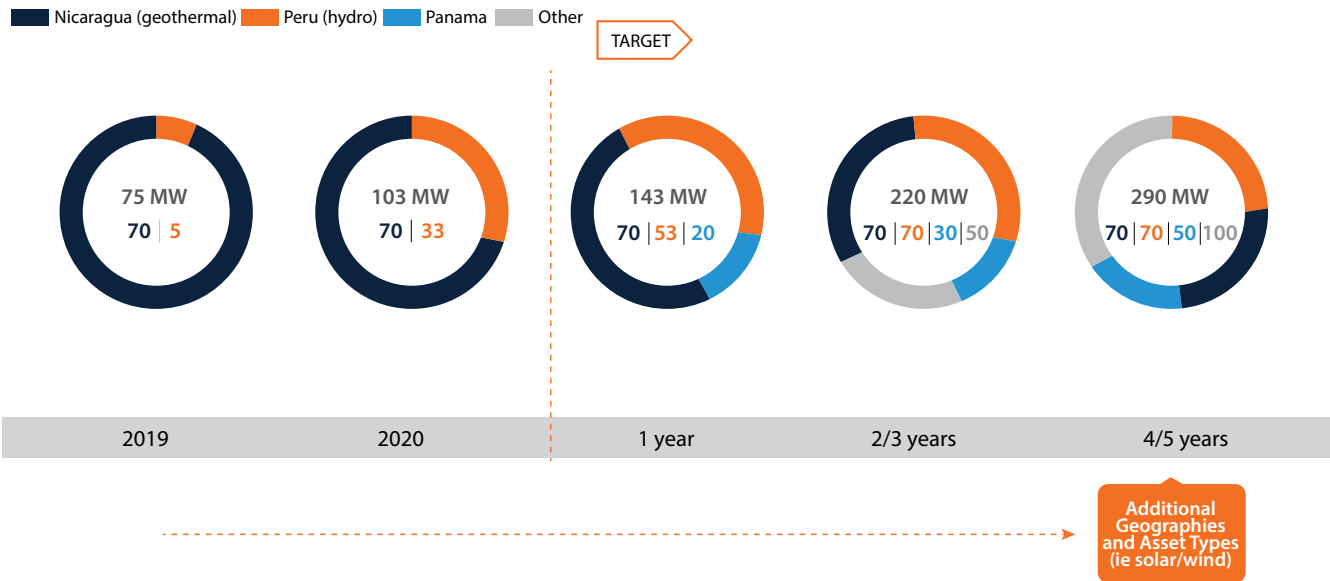




# Our growth plans

Latin America hosts some of the world’s most dynamic renewable energy markets, with more than a quarter of primary energy coming from renewables, twice the global average. We firmly believe there is a significant potential for renewable energy projects in multiple Latin American countries that have not been utilized. Furthermore, the emphasis on renewable energy is growing and provides attractive, long-term return profiles + CO2 Optionality.

## Growth Strategy





## Vision for a sustainable future

### Vision

Generate clean, reliable and profitable renewable energy based on operational excellence, sustainability, efficient resource development, safety, health and environmental protection.



### Sustainability Commitments

We are committed to ensuring that all our business operations are framed within the scope of sustainability, looking for a balance between the generation of value for our shareholders, the minimization of the environmental impact, our employees' professional development and the well-being of the communities in which we operate.



To this end, we mandate the following commitments:

- Comply with or exceed national legislation in the countries where we operate regarding environmental, social, labour and occupational safety, as well as the voluntary adoption of complimentary requirements applicable to the context and interests of the organization.
- Promote ethical behaviour, respect Human Rights and the interests of all those who work and interact with our company.
- Develop and implement prevention plans and necessary control measures to minimize the risk of injury and potential threat to our workers, contractors, and subcontractors' health.
- Preserve and sustainably use natural resources, promoting the protection of flora and fauna species that inhabit our areas of influence, ensuring the protection of the environment and pollution prevention in the various stages of our projects.
- Find innovative ways to support the nearby communities where we operate, prioritizing those social investment activities that mean substantive improvements in the quality of life.
- Instruct, train, evaluate and encourage our employees and contractors as active agents in implementing these core principles in all company activities.





A photograph of a seedling nursery with rows of young plants in black plastic pots. A person's hand is visible on the right side, holding one of the pots. The background is a blurred view of a greenhouse or nursery structure with more plants.

# Environmental

*Creating a  
sustainable future*







# Our environmental responsibility

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Electricity from renewable resources such as geothermal and Hydroelectric generally do not contribute to climate change or local air pollution since no fuels are combusted. Conversely, our renewable energy technologies are helpful for the mitigation of the greenhouse gas effect and global warming.

Our company has fundamental approaches that cover Biodiversity, Energy Efficiency, Environmental Awareness and Climate Change.

All our environmental programs are aimed at the care and preservation of the environment by applying reduction and mitigation measures, where possible.



## Addressing Climate Change

Climate change is the defining topic of our generation and ultimately impacts everyone and all companies globally. Our responsibility as a renewable energy company is to ensure that we are doing everything possible to mitigate our carbon footprint and facilitate the transition to clean energy. We manage resources and fulfill environmental objectives related to energy efficiency, prevention of chemical and hydrocarbon spills, reduction of water consumption, adequate solid waste management and reforestation.

We are committed to maintaining environmental standards and consistently applying its related procedures in all our operations to mitigate any potential effects on climate change.

## Operational Controls and Monitoring

We have deployed a variety of operational controls and monitoring mechanisms to minimize adverse environmental impacts, and comply with all regulatory, permitting, and other contractual obligations.

## Legal and Regulatory Requirements

We comply with sustainability-related regulations, monitoring trends and changes in regulation, and communicating evolving requirements to the various layers of the organization and all our subsidiaries.





# Asset Diversification

*“Renewable energy powering the future”*

## Geothermal Energy

Geothermal energy is a clean, renewable energy source that, because it does not utilize combustion in electricity production, releases significantly lower levels of emissions that result from energy generation from the burning of fossil fuels. Geothermal energy is derived from the natural heat of the earth when water comes sufficiently close to hot molten rock to heat the water to temperatures of 150°C or more. To reduce its carbon footprint and deliver more clean energy to the national energy system, we have developed annual energy efficiency projects, including the most relevant following undertaken in the past 3 years:

### 2018:

- Two frequency inverters were installed in the Sulzer injection pumps located on the SJ12 platform. The variable frequency drive is a system for controlling the rotational speed of an alternating current (AC) motor by controlling the power supply frequency supplied to the motor. The installation of this system allowed energy savings of approximately 543,744 kWh / year.



- 17 lights were replaced in the engine room, 7 of which were high-pressure sodium with a power of 250W, 9 with a power of 125W and a LED of 125W, all of which were replaced by the LD PRO lights of 120W that implied a saving of 8,251 kWh / year.
- Steam Field facilities: a total of 27 external 111W high pressure sodium luminaires were replaced by 83W LED luminaires, allowing energy savings of 2,767 kWh / year.
- At the base camp facilities in San Jacinto, 3 air conditioning units of the conventional system were replaced by inverter systems, allowing an energy saving of 16,708 kWh / year.

## 2019:

- System simplification: a change was made at our San Jacinto facility to simplify the condensate washing and drainage system, to unify them using a single pump to perform both functions (drain and wash). By making this change, energy savings totalled 267,280 kWh / year.
- Illumination: To reduce energy consumption in the San Jacinto facility, a total of 108 fluorescent lamps were replaced with an LED system. Additionally, the lighting system was better distributed in the hallways, reducing the number of luminaires, and resulting in savings of 1,464 kWh/year (122 kWh/month).
- Chemical lab, electric re-distribution system: The need for air conditioning in each of the chemical laboratory spaces at our San Jacinto Facility was evaluated. This meant that units were installed according to the needs of each space and unnecessary units were replaced by an inverter system. With these improvements, energy savings of 1,600 kWh/month were achieved.

## 2020:

- Energy savings of 13,176 kWh / year were achieved by replacing 5 high-pressure sodium reflectors with LED reflectors in 3 well platforms in the geothermal field.



## Run-of-River (ROR) Hydro Energy

ROR hydroelectricity is considered ideal for streams or rivers that can sustain a minimum flow or those regulated by a lake or reservoir upstream. A small dam is usually built to create a head-pond, ensuring enough water entering the penstock pipes that lead to the turbines, which are at a lower elevation. ROR projects are different in design and appearance from conventional hydroelectric projects. Traditional hydro dams store enormous quantities of water in reservoirs, sometimes flooding large tracts of land. By contrast, ROR projects typically require the storage of comparatively small quantities of water, which is why ROR projects generally have less impact on the local environment. ROR hydro projects can create sustainable energy while minimizing impacts to the surrounding environment and nearby communities.

Like all hydroelectric power, ROR hydro harnesses the natural potential energy of water flow. Moreover, ROR hydroelectric plants do not typically have reservoirs, thus eliminating the methane and carbon dioxide emissions caused by the decomposition of organic matter in a conventional hydroelectric dam reservoir.







## Contributing to the reduction of Co2 emissions

We are committed to the principles of sustainable development and implementing a sustainable development strategy, which specifically includes the promotion of renewable energy in the countries we operate. Our projects minimize climate change effects through generating electricity from environmentally friendly technology, using clean sources and displacing more carbon intensive electricity from the grid.

Further environmental benefits are achieved by reducing our fuel consumption, air-based pollutants, such as oxides of nitrogen, sulphur oxides, carbon monoxide and fine particles, being emitted into the atmosphere due to the reduced combustion of fossil fuels. Therefore, our projects reduce greenhouse gases that would not occur if the projects were not implemented.

**We continue to mitigate our environmental impact in 2020**

**3,013** Direct GHG emissions (metric tonnes of CO<sub>2</sub>)

**0.0047** GHG emissions intensity (Metric tons of CO<sub>2</sub>e/MWh)

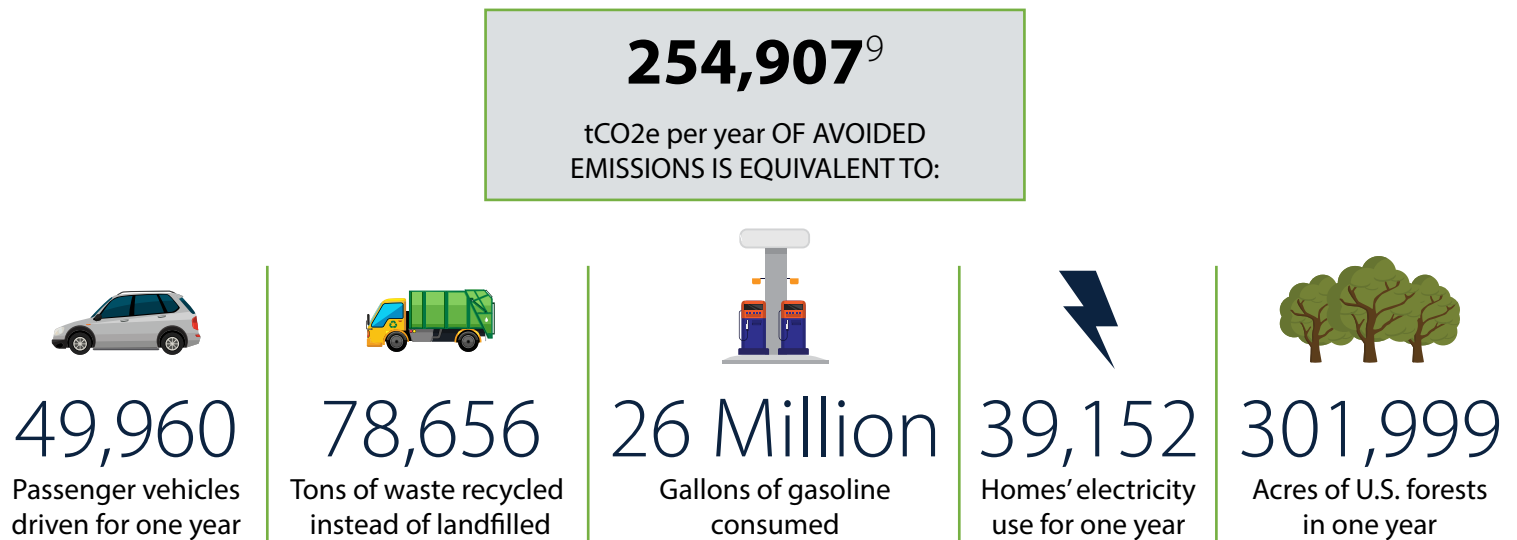
**Note:** Direct GHG emissions and GHG emissions intensity come from Geothermal Generation.

Polaris and its subsidiary Polaris Energy Nicaragua S.A. has engaged a qualified contractor to conduct the validation of the renewal of the CER crediting period of the “San Jacinto Tizate geothermal project”.

The validation team has confirmed that the project is in accordance with all relevant “Clean Development Mechanism” (CDM) rules and requirements. By utilizing the existing geothermal resources of San Jacinto-Tizate to generate electricity, the estimated CER's<sup>5</sup> of the project activity during the next crediting period (3rd) is 254,907<sup>6</sup> tCO<sub>2</sub>e per year and 3,568,698<sup>7</sup> tCO<sub>2</sub>e for the entire crediting period from June 01, 2012 to May 31, 2026.

We are committed to minimizing our Scope, 1, 2, and 3 emissions and operational carbon intensity. In addition to internal monitoring and reporting, we intend to engage an independent third party to support external reporting of greenhouse gas emissions and carbon intensity measurements for our projects located in Peru; “Canchayllo”, “el Carmen” and “8 de Agosto”. The estimated annual CERs for “Canchayllo” is 16,400<sup>8</sup> tCO<sub>2</sub>e, “8 de agosto” is 50,000<sup>8</sup> tCO<sub>2</sub>e and “El Carmen” is 13,000<sup>8</sup> tCO<sub>2</sub>e, all projects were calculated based on annual energy delivered to the Grid, and the current average conversion rate of 0.4-0.5 per 1 MWhr.

We are proud that the energy we generate contributes to offsetting CO<sub>2</sub> emissions from other sources, as an example for Nicaragua:



6. CERs: Certified Emission Reductions type of emissions unit (or carbon credits) under the rules of the Clean Development Mechanism (“CDM”) of the United Nations Framework Convention on Climate Change (UNFCCC).

7. Actual & Forecasted emission reductions that are and will be eligible to undergo the verification and CER registration process.

8. The Carbon Credits that are referenced are not anticipated to be available for sale as at 31-Dec-21.

9. Data correspond to avoid emissions from geothermal operations. Quantity of emission reduction that have been forecasted, and are eligible, to be registered with the United Nations Framework Convention on Climate Change (UNFCCC), and turned into CERS.



# Environmental Performance

We comply with or exceed national legislation in the countries where we operate, as well as the voluntary adoption of complimentary requirements applicable to the context and interests of the organization, such as ISO 14001<sup>10</sup> and the IFC performing standards.

We have developed an Evaluation System for environmental and social risks and impacts, which allows us to maintain continuous improvement in this System. For instance, at our Nicaragua facilities, we have a group of environmental auditors who assist us in maintaining environmental controls in the San Jacinto greater community.

We rely on internal and, if necessary, external audits and assessments to validate the effectiveness of the management system as well as find opportunities for improvement. Audits are carried out on a periodic basis based primarily on environmental risk exposure. On the other hand, for new acquisitions, we carry out sustainability assessments as part of our due diligence process.

Our employees have been trained in environmental management systems, and auditing techniques and interpretation of the ISO 14001: Environmental Management System since 2013.

10. ISO 14001 is the international standard that specifies requirements for an effective environmental management system (EMS)



## Safeguarding Biodiversity

**As a company, we develop projects that contribute to the conservation of biodiversity through the expansion of forest areas, that allow a greater abundance of species. We dedicate significant effort to creating environmental awareness in the communities surrounding the project to ensure the environment's care.**

To contribute to the recovery of habitats, our organization has developed cleaning and prevention of forest fire campaigns with the community and employees to reduce pollution in the soil and water. Additionally, at our project in Nicaragua, we have developed nurseries of species typical of the area to contribute to our reforestation efforts.



**107,728<sup>11</sup>**

trees have been planted since the creation of the reforestation campaign beginning in 2005.



11. Since 2005 to 2020 it is estimated that a total of 107,728 trees have been reforested in areas of Polaris Energy Nicaragua and the san Jacinto Tizate plant and its surroundings.



## Environmental Management Systems

**Our mission is to achieve ESG compliance result of zero harm: zero harm to people and the environment.**

We ensure that all areas of our subsidiaries have identified their environmental aspects and prepared their environmental procedures to avoid, reduce or mitigate possible environmental impacts. We have created an environmental training program beginning with PENS<sup>12</sup> employees. We will also be migrating this knowledge base to our newer projects in Peru.

Additionally, in March 2019, an environmental audit was carried out at our San Jacinto facility. This, together with the environmental program, contributed to the achievement of PENS's environmental objectives related to energy efficiency, prevention of chemical and hydrocarbon spills, reduction of water consumption, adequate solid waste management and reforestation. The environmental management system has helped to create more organized and efficient operations.

Our employees are committed to the environmental management system and are consistently applying its related procedures, thus reducing the Company's overall negative environmental impact.



**350 hours**

of Training in Environmental education in 2020



12. PENS: Polaris Energy Nicaragua, S.A.

## Managing Waste Resources to Achieve Sustainable Development Goals

**Our responsibility for the environment also includes reducing the generation of waste and its efficient separation and disposal.**

The objective of the Solid Waste Management Plan is to implement the necessary measures and procedures for the storage, treatment and final disposal for the waste generated at the San Jacinto Tizate Geothermal Power Plant. Similar programs will be replicated in Peru at our three facilities.

Hazardous wastes are all those that represent a danger to the life and health of living organisms with toxic, poisonous, corrosive, flammable, explosive and infectious characteristics. In other words, this group includes wastes such as: contaminated yarns, contaminated soil, used oil filters, used oil, aerosols, empty chemical containers, grease tubes, empty paint containers, thinners, etc. While recycling is non-hazardous waste such as: paper, cardboard, plastic, aluminum.

All hazardous wastes are treated and disposed of by specialized companies properly approved by the Environmental Ministry in each region where we operate.



### Hazardous waste generated (Kg/Year)



**Note:** The total hazardous waste generated is a result of the generation of hydroelectric and geothermal activities.

## Sustaining Healthy Freshwater Ecosystems

**We are working to maintain healthy water ecosystems and ensure the sustainable management of water resources.**



As company we are committed to making an efficient use of water for operations. There are two main types of water use in our operations:

- Power generation in our hydroelectric renewable assets, which use run-of-river systems, running water is diverted from a flowing river and guided down to the turbine circuit, which leads to a generating house. Run-of-river systems do not dam the river to create a water reservoir. Therefore, it is that the lack of a major reservoir that reduces the environmental footprint of run-of-river plants.
- Consumption of drinking water for the maintenance, operations, and reservoir of our facilities. The sites in which we operate are located in areas considered to be low and moderate water stress as classified by the World Resources Institute's (WRI) Water Risk Atlas Tool, Aqueduct.

In our San Jacinto Tizate facility, we manage our water resources by injecting geothermal water at a depth of more than 500 meters and conduct water quality monitoring in water sources in the surrounded communities. To determine the quality of water in the community, we carry out two monitoring evaluations per year, where various parameters are analyzed such as electrical conductivity, heavy metals, alkalinity, temperature, hydrogen sulphide, pesticides, etc. Therefore, the results have shown that our operations at San Jacinto Tizate Plant have no environmental impact or cause contamination of on the community's water sources.





On the other hand, in our Facilities in Peru, we manage our water resources by:

- Correct handling of solid and liquid waste, to avoid contamination of rivers and dragging of dirt and sediments into the equipment.
- Avoiding dumping waste into the river guarantees the quality of water in the rivers.
- Monitoring of community water sources.
- Launching environmental education in the communities to take care of the river and other water sources.

We identify and conduct a risk analysis of water management and scarcity. We understand that our water withdrawal could be affected by droughts. The main consequences of droughts would be scarcity of water and worse quality of water. If drought periods persist over time governments may take regulatory actions and may reduce the limits of water quantities that can be withdrawn under our existing permits.

To mitigate that risk in our hydroelectric facilities we manage to return water to its withdrawal source under natural conditions so that other users can use it. On the other hand, in 2019, we installed a 10,000L water tank at our geothermal facility in Nicaragua to harvest water (store rainwater) during the winter for use in sanitary services. This has allowed us to save 8m<sup>3</sup> per week during the winter period, which implies reducing the extraction of fresh water and contributing as a mitigation measure to reduce water stress in the area.

We hold permits to withdraw water from these sources and seek to adhere to relevant regulations on water quality, including reporting water usage statistics to local authorities on a periodic basis. Community Water Monitoring is conducted bi-annually, monitoring services are conducted by specialized companies in each region. In addition to this, we carry out campaigns to manage water and environmental awareness conferences with all employees and contractors on the importance of water resource efficiency.

## Environmental Educational Programs

**"We firmly believe in environmental responsibility as employees inside and outside our company; we feel a strong commitment to our communities."**  
**Employee quote**

Polaris Infrastructure is committed to investing in programs aimed at improving the sustainability of the environment. We focus on understanding the communities' needs from an environmental perspective. We have developed environmental awareness campaigns with local youth through ecological brigades in the schools.

To encourage nearby communities to also pursue acceptable environmental practices, we promote our company's environmental responsibility into practice and lead by example.

We aspire to change the way of thinking about the environment, which will produce positive results for generations to come. Our driver is for children to grow up with an environmental awareness and consciousness that allows them to preserve their communities' environment.

To achieve these goals, we promote environmental training for students focusing on the importance of caring for the environment, the effects of climate change and actions they can take at home/school (such as planting trees) to achieve tangible results.

We have also sponsored environmental science fairs, where students learn about the importance of the environment, its care and the application of new technologies that are environmentally responsible, such as renewable energy.

In Nicaragua, World Environment Day is celebrated annually with a fair that motivates elementary and high school students from surrounding schools as they compete, presenting their projects based on the environmental topics provided by PENSA to create environmental consciousness.





# Social

## *Building and Sustaining Collaborative Relationships*







# HIMNO NACIONAL

*¡Salve a ti, Nicaragua!  
ya no ruge la voz del cañón  
ni se tiñe con sangre de her  
tu glorioso p...*





# Enhancing Community Relations

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**Our company bases its community relations program on understanding the specific needs of the communities, working together, and developing sustainable and strategic projects to improve our nearby communities' quality of life.**

At Polaris, we have aligned our social responsibility actions to the ISO 26000 Guide on Social Responsibility. Likewise, we have established mechanisms aligned with the International Finance Corporation (IFC) including implementing a Community Engagement Plan and grievance mechanisms for communities.

As a socially responsible company, we accept our obligations and accountability while taking an active interest in the well-being of our community. Furthermore, our social management approach has been founded on establishing strategic alliances with important stakeholders from the three sectors of society: Non-Governmental Organizations, Government and Private Enterprise. Thus, involving all important players to the area so they can impact its development. The social investment program focuses on improvements in education, community infrastructure, agriculture, health, and sports.

## EDUCATION

### Learning today, Shinning tomorrow

Our Nicaragua subsidiary allied with World Vision to implement the program Learning Today, Shinning Tomorrow, which has been developed in phases since 2016. Over the last few years, it has significantly impacted the seven schools that surround our facility. This initiative seeks to compliment the formal education established in the Sara María Parrales educational center. This project benefits 51 teachers, 1,000 students and their parents. The program is separated into two phases:

- "Learning Roots" for pre-school students (3 to 6 years old): Playful spaces were created in the multi-level classrooms, making use of the learning areas according to each dimension (Cognitive, physical, emotional and social).
- "I want to read to Learn" for elementary and High-School students: Promote reading habits, education with care and the use of information technologies in educational processes (computers and tablets).



### Robotics Project

In 2019, our Nicaragua subsidiary committed to continue working to bring educational technologies to schools in the area. To this end, we started the Educational Robotics Pilot project focused on working with high school teachers and students. This project is guided by LEGO EDUCATION methodologies.

A robotics laboratory was equipped at the Sara Maria Parrales school; all high-school teachers were certified in robotics, allowing them to transfer knowledge to students and other teachers in the area, and a robotics club was created. The robotics club members participated at the departmental and national level in technological and scientific competitions.





## Celebrations with communities

Year after year, we carry out different community engagement activities to foster better local community relations. We support and promote respect for the different cultural backgrounds and cultural activities of the communities in which we operate. This commitment begins with our employees. As an example, annually we celebrate a Christmas party for employees' children. The event is held to balance workers' personal-professional life and integrate their families into our company activities. Newborn to 10-year-old children receive gifts from the company. Fostering family engagement helps to have happier and more committed employees within the Company.



## COMMUNITY INFRASTRUCTURE

### Community Project for the Rehabilitation of Water Systems, San Jacinto - Tizate

We executed a diagnostic study that determined the lack of drinking water in the surrounding communities of in our San Jacinto facility was a significant problem for the residents of the communities near the geothermal power plant in Nicaragua. After reviewing these results, the company decided to invest in a Community Project for the Rehabilitation of Water Systems, San Jacinto – Tizate. The project represented an investment of USD \$ 1.2 million, co-financed by Polaris, the Inter-American Development Bank (IDB), the Austrian Development Bank (OeEB) and Catholic Relief Services - Nicaragua Program (CRS).



The Project prioritized the supply of water, sanitation, hygiene and community organization to create sustainable changes through three components:

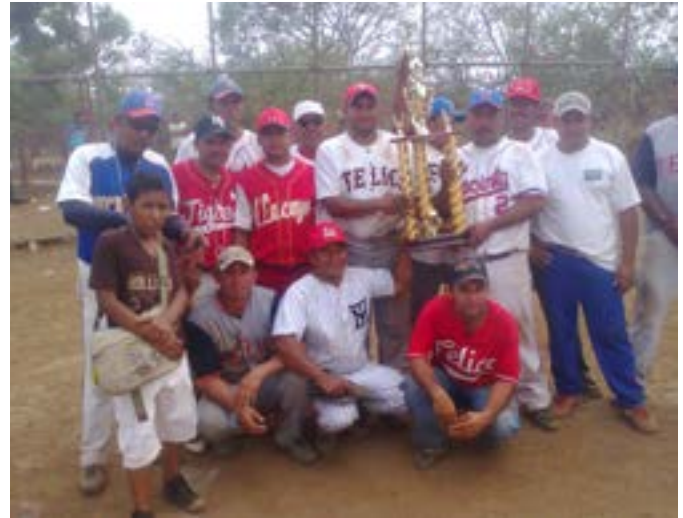
- 1) Increase access to quality water for local communities.
- 2) Increase access to quality water and sanitation for local schools.
- 3) Improve hygiene and sanitation at the San Jacinto Health Centre.

More than 900 families benefited from this critical program. The communities continue to benefit from this important initiative.

## Sports infrastructure habilitation projects

It has been proven that sports are an effective means for developing social cohesion and involvement. For several years, our Nicaragua facility has supported different leagues and teams in the area, and this year was no different. PENSA donated baseball balls, bats, equipment and uniforms. As a company, we believe that physical activity has an immense impact on physical health and development as well as psychological health. Therefore, we advocate and support projects to strengthen communities through sport and recreation.

- In 2019, we built a multipurpose court and playground for children in the El Ojochal community in Nicaragua.
- In Nicaragua, the Company has built five sports fields in the different communities that surround the property. Likewise, in our subsidiary in Peru, the Company donated two multi-sport venues where communities can meet, socialize and play sports such as soccer, volleyball and basketball.



## Improvement of school infrastructure

As a Company, we believe that education infrastructure matters for learning. Buildings, classrooms, laboratories, and equipment as well as education infrastructure are crucial elements of the learning environment. There is strong evidence that high-quality infrastructure facilitates better instruction, improve student outcomes, and reduces dropout rates, among other benefits. Therefore, we have invested in remodeling and rehabilitating local schools in the areas in which we operate.



Before



After

## AGRICULTURE

### Agricultural Project

The main economic activity in the countries we current operate in is primarily agricultural. To generate value and wealth for community members, the company has implemented projects to support the modernization of local producers and support their ability to generate greater profits from their production.

In Nicaragua, we initially started this project in 2014 to improve the area's agricultural activity. To date, the project operates with a group of 50 producers, who are organized as a cooperative. To successfully complete this project, we allied with the American Nicaraguan Foundation (ANF). The crops that the project has focused on are beans, corn and watermelon. Producers have been provided with technical training so that they can improve produce quality and generate additional income. Likewise, they have been supplied with the machinery necessary to increase productivity, allowing the group to generate higher revenue from their production.

Furthermore, at the beginning of 2020, a pilot project was started with producers from the communities near one of our Peru facilities "8 de Agosto" and "El Carmen". The main objective of this has been to identify local leadership, study the quality of current crops and carry out a strategy that allows them to achieve higher income through agriculture.



### Health

We support various initiatives by the local Health Ministries to prevent and treat diseases. We have supplied local health centers with additional medical equipment that are crucial for patients' daily care and surrounding communities.

Moreover, over the last few years, through our headquarters in Nicaragua, health centres have been supported with ultrasound and dental equipment.

In 2020, the health centres paid immediate attention to the Covid-19 pandemic. For this reason, the Company made donations of medical supplies to prevent the spread of the virus within the local communities in which we operate in both Nicaragua and Perú.





# Occupational Health and Safety

**Safety is our first commitment; it is non-negotiable and guides all of our actions. Our safety culture encompasses the behaviours, beliefs, and values of all staff at our Company.**

We are committed to providing a safe and healthy work environment for our employees, contractors, customers, and visitors. This commitment extends to ensuring that our operations do not place any members at risk of injury, illness, or property damage.



## Our safety commitment outlines the attitudes and behaviours we expect from anyone who works with us:



Identify hazards, evaluate and control significant occupational health and safety risks.



Maintain hygiene and cleanliness in all facilities contributing to the health and comfort of those who use them.



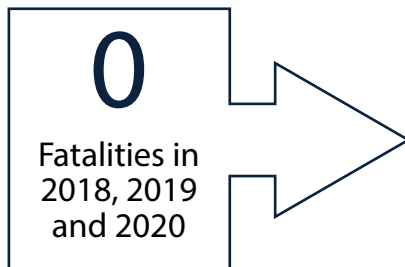
Promote and motivate staff in the prevention of occupational hazards in all their activities through thorough communication.



Strictly consider legal and administrative security compliance in all our facilities.



Training in security matters is an integral part of the training of our personnel, therefore it must be fulfilled considering the requirements of National Standards, Certifications and International Standards.

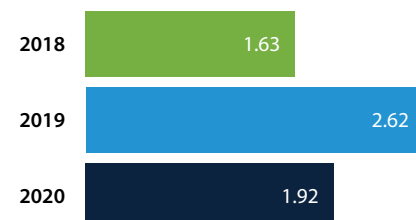


**Polaris leadership is dedicated to the promise that Safety is paramount for every worker at every level of the Company. Our commitment to workers and their families is that they return home safely every evening.**

To effectively monitor our progress, we have set out the following key performance indicators to benchmark our growth and success. Our performance to date demonstrates the overall success of our planning and preventative measures.

We measure our safety performance using the OSHA Incident rate<sup>13</sup> and Lost Time Injury Rate<sup>14</sup> which are the two most common industry standards. The OSHA Incident rate provides a more comprehensive injury metric and is an aggregate number of work-related incidents that result in injury requiring medical attention, absence from or restricted work.

### OSHA Incident Rate



13. OSHA: Occupational Safety and Health Administration

14. Lost Time Injury Rate: Any injury that has at least one full day lost time



## Healthy Worker Program

Our subsidiary Polaris Energy Nicaragua launched the Healthy Worker program in our facility in Nicaragua. The program has a goal of significant improvements in the health and nutrition of employees. The Healthy Worker program has four goals:

- Improve the nutrition of workers.
- Reduce the incidence of chronic disease.
- Promote physical activities with the intention of breaking a sedentary lifestyle.
- Raise awareness through educational talks.

As part of the promoted physical activities, sports tournaments are held in our facility in Nicaragua once a week after business hours. Additionally, a walk and sports day is held every year.





## Empowering Our People

- Our company is committed to ensuring the equal treatment of all employees in the workplace. We support an environment of mutual respect, that upholds the dignity and self-esteem of each individual, and is free from harassment.
- We undertake to provide a fair, respectful, and healthy workplace that promotes the highest levels of ethical standards.
- We are committed to guaranteeing and protecting the human rights of each of our employees.

## “GREAT PLACE TO WORK” CERTIFIED

Annually since 2017, our subsidiary in Nicaragua has been externally recognized as a Great Place to Work. Since then, this recognition has been climbing in the ranking of best places to work in Central America. This serves as evidence of the excellent work environment since the certification is earned thanks to the employee feedback and the Human Resources policies created to make the Nicaraguan subsidiary a Great Place to Work.



# Diversity and Inclusion

**Our company believes that empowering all employees, respecting their unique needs, perspectives and recognizing their special talents is part of creating an inclusive company.**

As a company, we focus on diversity and inclusion from the recruitment stage, through leadership training programs, and within our policies and procedures. We promote an inclusive environment that establishes a sense of belonging among employees. We believe that in a work environment in which employees feel more engaged, employees tend to work harder and smarter, producing higher quality work while having equal development and advancement opportunities.



**30%**

of our total workforce  
are women

**20%**

of our managerial team  
are women

## We want to be visible and we want to inspire

In 2020, we launched the WINGman program, an initiative promoted by WING (Women in Geothermal) a volunteer not-for-profit organization whose mission is to promote the education, professional development, and advancement of women in the geothermal community.



- WING created the Task Force to provide a platform that engages men and women in the conversation about gender equality.
- Empowered women to perform activities traditionally performed by men.
- Provided workshops and training to empower women.
- Gave men insights and tools to support and empower colleagues and other women in their lives.

# Governance

*Building a  
Responsible and  
Sustainable Business*







# Sustainability (ESG) with Purpose

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"We are delighted to introduce Polaris Infrastructure Inc's first Sustainability Report.

With this inaugural report, we are highlighting the work that we are doing. Our intention is to communicate with stakeholders on our programs and ESG initiatives and to be transparent regarding our impact on the communities in which we operate.

This of course includes our environmental footprint. Polaris is proud to be a renewable energy producer and remains committed to renewable energy as we grow.

As an organization, we will report on our impact and comply with disclosure standards as they evolve.

On the governance front, we have combined the HR and ESG committees in order to ensure that ESG objectives are built into our culture. To this end, we have integrated specific ESG accountabilities into Polaris' Executives' objectives for 2021.

We are delighted to embark on this ESG journey. We are proud of the work that we do and lookforward to sharing our progress going forward."

Sincerely,

A handwritten signature in dark ink that reads "Margot Naudie". The script is cursive and fluid.

**Margot Naudie**  
Director, Chair of the HR & ESG Committee



## Ethical Business Conduct

**Our employees and business representatives create the collective identity of our company that drives us forward. As a company, we are committed to providing a fair, respectful, and healthy workplace that promotes a high level of ethical standards.**

We recognize the importance of corporate governance to the effective management of our company and to the protection of our employees, shareholders and other stakeholders. Our approach to corporate governance is designed with a view to ensure that the business and affairs of our company are effectively managed so as to enhance shareholder value.

Our corporate policies include standards of conduct to emphasize our commitment to conducting ourselves in accordance with our core values, vision, purpose, and the highest ethical standards in every aspect of our business and affairs.



## Code of Business Conduct and Ethics (the “Code”)

Our Code provides a framework of guidelines and principles to encourage ethical and professional behaviour in conducting the business of our corporation and its subsidiaries.

Our Code was developed in consultation with the Board of Directors’ Human Resources & ESG Committee (“HR & ESG Committee”) and third-party experts. The HR & ESG Committee exercises oversight with respect to the Code and receives periodic reports from management concerning any reports of alleged violations of the Code. Each operating business must adopt our Code. Moreover, the Code applies to all directors, officers, employees and consultants of the Company.



All our employees are required to complete annual certification confirming that they understand and agree to abide by the requirements of the Code, that they are in compliance with the requirements of the Code and that they are not aware of any potential misconduct under the Code that has not been reported to appropriate Corporate management.

## Anti-bribery and Corruption Policy

We have implemented a global Anti-Bribery and Corruption Policy. This Policy applies to all our subsidiaries, employees, and its Board of Directors. We are committed to open, honest, transparent, fair, and ethical business behavior in all business dealings with public officials, whether domestic or foreign (“Public Officials”).

We are committed to being in full compliance with all applicable anti-bribery and anti-corruption statutes in those jurisdictions in which we operate, including Canada.

We have no tolerance for any instances of bribery or corruption in any of our interactions with Public Officials and any such activities are strictly prohibited in any form. This prohibition also covers direct acts of bribery such as offering, approving, accepting, or otherwise authorizing a bribe or indirectly doing so through a third party. Gaining any unfairly obtained business advantage is also strictly prohibited.

## Workplace Harassment & Violence Policy

We have adopted the Workplace Harassment & Violence Policy to emphasize our commitment to ensuring that all employees are treated fairly in the workplace, supportive of the dignity and self-esteem of each individual, and free of harassment.

All our employees are responsible to set a positive example and behave with appropriate and professional conduct. Any deliberate or unintentional behaviour which denies another employee his/her sense of dignity and self-worth is not acceptable in our workplace.

Managers and supervisors have an additional responsibility by ensuring they promote and reinforce the core values and behavioural expectations of employees in compliance with this policy.

## Whistleblower Policy

The whistleblower policy applies to all Polaris employees and its Board of Directors as well as any third parties who perform services or act on behalf of the Company including but not limited to, agents, consultants, business/joint venture partners, intermediaries, service providers, suppliers, distributors, and vendors ("Third Parties").

This policy sets out the process available to Polaris employees and Third Parties to report any known or suspected violations of our company's policies, applicable laws, rules and/or regulations, as well as any alleged acts of fraud, wrongdoing, and/or unethical behaviour.

## Working with Third Parties and Integrity Due Diligence Protocol

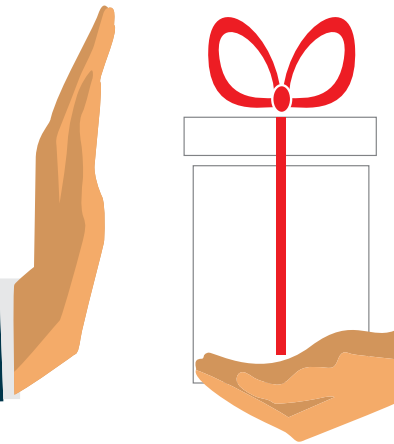
We adopted a risk-based approach by conducting Integrity Due Diligence on select higher risk third parties who perform services on behalf of our company. The purpose of this protocol is to establish ground rules for Integrity Due Diligence and to provide guidance on establishing and monitoring relationships with such Third Parties, as well as on managing potential bribery, corruption, and economic sanctions risk related to business dealings with these Third Parties.

This Protocol has the objective of gathering specific information and identifying risks when engaging Third Parties to conduct business and pursue business opportunities, on behalf of our company in Canada, Nicaragua, Peru, and any other foreign jurisdiction.

## Gifts Policy

We adopted this Gifts Policy to regulate and standardize gifts given to or received from various institutions or stakeholders. This policy applies to all Polaris directors, officers, employees, and consultants/contractors.

The purpose of business entertainment and of gifts in a commercial setting is typically to encourage normal business relationships and good will. It is not to gain unfair advantage with customers or public officials.



## Partnership with Contractors and Governance Conditions

We have made significant progress in improving our contractor safety and procurement process, this includes a more robust process for assessing potential service providers. Our contractors are required to adhere to our Code of Conduct and Business Ethics as well as our Anti-Bribery and Anti-Corruption Policy.



## Working towards Sustainable and Effective Governance Structures

**Our decision making considers Environmental, Social and Governance factors. When we include these factors alongside financial metrics, we are able to think more broadly about risk and understand the bigger picture.**



Amid rapid developments in the environmental, social and governance space and rising stakeholder demand for improved sustainability performance, it was essential for our Board of Directors and Senior leaders to adopt a proactive approach to integrate ESG into our business. This effort included updating our corporate governance, risk management, strategies and reporting.

Each of the Board's two standing committees, Audit and HR & ESG, assist the Board in providing oversight of these areas, with various aspects of Polaris' ESG performance falling under each committee's mandate.

## Strengthening our Board's ESG committee responsibilities:

- Board's oversight of ESG issues.
- Board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues and risks.
- Board reviews on progress towards ESG-related goals and targets, and evaluation of relevance to the business.
- Engagement of a third-party consultant to help enhance the board's ESG capabilities.



## Board of Directors

Polaris' Board of Directors is responsible for the stewardship of the Company, the evaluation of management and the supervision of the management of the business and affairs of the Company. Our Board reflects a breadth of backgrounds and experience that is important for the effective governance and oversight of an international corporation in the geothermal and hydroelectric energy industries. Therefore, a key part of our effective governance is ensuring our Board has the right mix of background, expertise, and diversity of perspectives, to support the scope and complexity of our business.

### Board composition at glance



**80%**

Independent directors



**120+**

Years of experience  
in the industry



**40%**

of the Board of  
Directors are  
women

## Diversity and representation of women

Our company is committed to diversity and inclusion at all levels in the workplace and on the Board. This includes a commitment to ensuring there are no systemic barriers or biases in our Corporation's policies, procedures and practices. We believe that diversity, including gender diversity, is an important consideration for any Board or senior management appointment.

### Our Board of Directors composition is as follows:

Name	Position	Gender	Status / independent	Nationality	Date of Initial Appointment
Marc Murnaghan	Chief Executive Officer and Director	Male	Not Independent	Canada	13-May-15
Jaime Guillen	Chairman of the Board	Male	Independent	United Kingdom	13-May-15
James Lawless	Director	Male	Independent	New Zealand	07-Mar-11
Marcela Paredes de Vásquez	Director	Female	Independent	Panama	19-Jun-19
Margot Naudie	Director	Female	Independent	Canada	17-Jun-20

### The board of directors currently has two committees:

#### AUDIT COMMITTEE

The Audit Committee is charged with a mandate of assisting the Board in overseeing the financial reporting and disclosure of the Corporation. This oversight includes

- reviewing the financial statements and the financial disclosure that is provided to the Shareholders and disseminated to the public,
- reviewing the systems of internal controls to maintain integrity in the financial reporting of the Corporation, and
- overseeing and monitoring the independence and performance of the Corporation's external auditors and reporting directly to the Board on the work of the external auditors.

#### HUMAN RESOURCES & ESG COMMITTEE

All members of a Human Resources & ESG Committee are expected to be independent. The Board has delegated to the Human Resources & ESG Committee the following powers and duties:

- Discharge, and assist the Board in discharging, the responsibility of the Board relating to leadership, human resource planning and compensation;
- Set performance objectives for the CEO, which encourage the Corporation's long-term financial success and regularly measure the CEO's performance against these objectives;
- Recommend compensation for the CEO to the Board for approval, and determine compensation for certain senior officers in consultation with independent advisors; and
- Oversee a succession planning and development process, including review and approval of the succession plans for the senior officer positions





## The Board has the responsibility:

- to verify that the Company operates, at all times, within applicable laws and regulations and to the highest ethical and moral standards;
- to approve and monitor compliance with significant policies and procedures by which the Company is operated, including its Code of Business Conduct and Ethics;
- to review and approve the annual budget, annual financing plans, any payment of dividends and any new financings;
- to review and approve quarterly financial reports and the annual report;
- to verify that the Company sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
- to verify that the Company has in place appropriate programs and policies for the health and safety of its employees in the workplace;
- to verify that the Company has implemented adequate internal control and information systems which assist in the effective discharge of its responsibilities.



# Strengthening Our Business Security

**We recognize the importance of security, the protection of our information and physical assets in delivering a profitable and sustainable business.**

The emergence of Covid-19 has led to an unprecedented lockdown worldwide. This was the catalyst to enable our employees to work from home to ensure business continuity. The change created greater data security vulnerabilities, a higher risk of cyber-attacks, and the need to respond quickly to the current environment.

Consequently, our Board and management believe in the criticality of cybersecurity in holistic asset resilience. We also believe in the need to invest in cybersecurity programs and IT infrastructure to reduce geographic and operational gaps in awareness and communication, creating a culture of security.



## IT infrastructure and cybersecurity awareness in action

In 2019, we engaged a consulting firm to diagnose our current business systems portfolio, infrastructure, and define a multi-year implementation/transformation roadmap. As a result of the assessment, we have implemented the following recommendations:

- Utilize cloud technologies to minimize IT footprint and maximize availability to our business systems.
- Review and upgrade business systems applications to ensure it is of current or supported versions.
- Cybersecurity tools and training programs: Enabling enterprise-wide monitoring for security and allowing quick response to large-spread security breach and compliance.
- Security hardening: Project to review and tighten security across infrastructure, applications, and integration of Polaris IT.
- Collaboration tools (Microsoft Teams): Enable us to bring employees closer together, no matter where they are located.

## We are working towards:

- Developing incident response and threat-hunting capabilities to safeguard business and support readiness for potential security events.
- Establishing a cybersecurity policy and the development of a framework related to both physical and cybersecurity outlining the responsibilities of all employees.
- Conducted a deep dive into enterprise reporting and identified a robust ERP solution to address future company growth projections.



# Forward-looking Information

*This report contains certain “forward-looking information” which may include, but is not limited to, statements with respect to future events or future performance, the Company’s growth plans, the Company’s ESG programs and the expected benefits therefrom and other statements that are not historical facts. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “predicts”, “intends”, “targets”, “aims”, “anticipates” or “believes” or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current geothermal and hydro energy production, development and/or exploration activities and the accuracy of probability simulations prepared to predict prospective geothermal resources; changes in project parameters as plans continue to be refined; possible variations of production rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the geothermal and hydro power industries; political instability or insurrection or war; labor force availability and turnover; delays in obtaining governmental approvals or in the completion of development or construction activities, or in the commencement of operations; the ability of the Company to continue as a going concern and general economic conditions, as well as those factors discussed in the section entitled “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2020. These factors should be considered carefully, and readers of this report should not place undue reliance on forward-looking information. Although the forward-looking information contained in this report is based upon what management believes to be reasonable assumptions, there can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The information in this report, including such forward-looking information, is made as of the date of this report and, other than as required by applicable securities laws, Polaris Infrastructure assumes no obligation to update or revise such information to reflect new events or circumstances.*

# Appendix A: Polaris ESG Key Performance Indicators

The ESG indicators listed in this appendix provide information over three years, starting with January 2018 and ending December 31, 2020, except as otherwise noted. Use this appendix for comparative purposes as historical information has been provided where practicable.

Priority Topic	2020	2019	2018
<b>Operations</b>			
<b>Electricity Net Generation (MWh)</b>			
<b>Geothermal</b>			
San Jacinto Tizane	511,702	532,987	543,313
<b>Hydroelectric</b>			
Canchayllo	33,832	30,234	32,548
8 de Agosto	93,289	1,848	-
El Carmen	24,070	5,865	-
<b>Total</b>	<b>662,893</b>	<b>570,934</b>	<b>575,861</b>
<b>Environment</b>			
<b>Greenhouse Gas (GHG) emissions</b>			
Greenhouse gas emissions (tCO <sub>2</sub> e)	3,013 <sup>15</sup>	3,013	Not Assessed
<b>GhG Emissions Reductions (CERs)</b>			
San Jacinto Tizane ton CO <sub>2</sub> /Year	254,907 <sup>16</sup>	254,907	254,907
Canchayllo ton CO <sub>2</sub> /Year	16,400 <sup>17</sup>	15,458	16,500
8 de Agosto ton CO <sub>2</sub> /Year	50,000 <sup>18</sup>	0	0
El carmen ton CO <sub>2</sub> / Year	13,000 <sup>17</sup>	0	0
<b>Total GhG Emisiones Reductions</b>	<b>334,307</b>	<b>270,365</b>	<b>271,407</b>
<b>Energy Management</b>			
Total energy consumed (MWh)	47,067 <sup>19</sup>	46,428	46,155
<b>Percentage renewable energy consumed</b>	<b>99.52%</b>	<b>99.47%</b>	<b>99.29%</b>
Energy intensity <sup>20</sup>	0.066	0.074	0.074

15. The emissions presented correspond to Geothermal generation (San Jacinto Tizate facility). It represents a partial value of Scope 1. According to the ISO 14064 Carbon Footprint, the direct emissions of Scope 1 or Scope 1: are the emissions associated with an activity or process generated in an organization or over which there is total control of the organization. These emissions include emissions from vehicles used by the organization, emissions generated by the combustion of fuels in equipment within the organization (pumps, compressors, electric generators, etc.). Therefore, the calculation does not include the emission from the combustion of fuels.

16. Forecasted emission reductions that are eligible to undergo the verification and CER registration process.

17. CER's are available for sale as at 31-Dec-21.

18. Estimated annual CERs for "Canchayllo" is 16,400 tCO<sub>2</sub>e, "8 de Agosto" is 50,000 tCO<sub>2</sub>e and "El Carmen" is 13,000 tCO<sub>2</sub>e, all projects were calculated based on annual Energy delivered to the Grid, and the current average conversion rate of 0.4-0.5 per 1 MWhr.

19. Calculation based on the internal and external energy consumption of our San Jacinto Tizane, "Canchayllo", "8 de Agosto" and "El Carmen" facilities.

20. Total annual energy consumed (MWh) / Total annual energy generated (MWh).

Priority Topic	2020	2019	2018
<b>Water Consumed in Electricity Generation</b>			
Water withdrawn (m3)	497,386,881 <sup>21</sup>	189,419,247	161,486,359
Water returned to source (in m3)	497,372,543 <sup>22</sup>	189,394,537	161,445,715
<b>Waste Management</b>			
Total amount of hazardous <sup>23</sup> waste (Kg/Year)	9,917	10,067	9,776
Total amount of recycled waste (Kg/year)	3,016	1,165	1,910
<b>Environmental education<sup>24</sup> (Hours / Year)</b>	350 <sup>25</sup>	673	1062
<b>Social</b>			
<b>Safety</b>			
OSHA Injury Rate <sup>26</sup>	1.63	2.62	1.75
<b>Employee fatalities</b>	<b>0</b>	<b>0</b>	<b>0</b>
Contractor fatalities	0	0	0
<b>Polaris Team<sup>27</sup></b>			
Number of Employees Permanent	120	122	138
<b>Number of Employees Temporary</b>	<b>34</b>	<b>40</b>	<b>29</b>
Total employees (Permanent & Temporary)	154	162	166
<b>Number of employees by Gender (Permanent)</b>			
Male	82	85	100
Female	37	36	37
<b>% of women (Permanent)</b>	<b>30.8%</b>	<b>29.9%</b>	<b>27.2%</b>
<b>Governance</b>			
<b>Board of Directors</b>			
Percentage Independent directors	80%	80%	80%
Percentage Women on Polaris' Board of Directors	40%	20%	0%
<b>Age</b>			
Percentage of Directors under 50	20%	20%	20%
<b>Percentage of Directors 50-60</b>	<b>60%</b>	<b>40%</b>	<b>20%</b>
Percentage of Directors 60+	20%	40%	60%

21. Water metrics reported reflecting its use for all our plant Operations. This indicator measures the directly or indirectly water consumption related to the operations of our "San Jacinto Tizane", "Canchayllo", "El Carmen" and "8 de Agosto".

22. 99% of water is used by our Hydroelectric facilities, "Canchayllo", "El Carmen" and "8 de Agosto" located in Peru. The water is diverted from a flowing river and guided down a channel, which leads to a generating house. The water is released unaffected back into the stream.

23. This group includes wastes such as: contaminated yarns, contaminated soil, used oil filters, used oil, aerosols, empty chemical containers, grease tubes, empty paint containers, thinners, etc.

24. Training and educational hours imparted to our employees and contractors to explore environmental issues, engage in problem solving, and take action to improve the environment.

25. Environmental education hours were impacted by the global pandemic.

26. Occupational Safety and Health Administration (OSHA) TRIR or Injure Rate: (Number of OSHA Recordable injuries and illnesses X 200,000) / Employee total hours worked = Total Case Incident Rate.

27. Calculations includes personnel from "San Jacinto Tizane", "Canchayllo", "8 de Agosto", "El Carmen" and "Toronto Headquarter" facilities.





## Appendix B: Sustainability Accounting Standards Board (SASB)

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The Sustainability Accounting Standards Board's (SASB) approach establish industry-specific disclosure standards across environmental, social, and governance (ESG) topics that facilitate communication between companies and investors about financially material, decision-useful information. The nature of our business directs us to consult the Infrastructure Sectors of Electric Utilities and Power Generators; Gas Utilities and Distributors; and Water Utilities and Services.

The Electric Utilities & Power Generators industry is made up of companies that generate electricity; build, own, and operate transmission and distribution (T&D) lines; and sell electricity. Utilities generate electricity from several different sources, commonly including coal, natural gas, nuclear energy, hydropower, solar, wind, and other renewable and fossil fuel energy sources.

The following tables contain those topics we have identified as key issues. As we continue to assess our ESG data, we may choose to include additional SASB metrics in future reports.

## ELECTRIC UTILITIES &amp; POWER GENERATORS

Table1. Sustainability Disclosure Topics &amp; Accounting Metrics

Table1. Sustainability Disclosure Topics & Accounting Metrics				Disclosure Description and/or Location		
TOPIC	SASB ACCOUNTINGMETRIC	UNIT OF MEASURE	CODE	2020	2019	2018
Greenhouse Gas Emissions & Energy Resource Planning	Gross global Scope 1 emissions	Emissions (tCO <sub>2</sub> )/year	IF-EU-110a.1	3,013 <sup>28</sup>	3,013	Not assessed
	Green house gas (GHG) emissions associated with power deliveries	N/A	IF-EU-110a.2	Not applicable. Polaris does not deliver power to retail customers		
	Discussion of long-term and short-term strategy, emissions reduction targets, and an analysis of performance.	N/A	IF-EU-110a.3	See discussion in the following section: Contributing to the reduction of Co2 emissions		
Air Quality	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) particulate matter (PM <sub>10</sub> ), (4) lead (Pb), and (5) mercury (Hg)	N/A	IF-EU-120a.1	The concentration of H <sub>2</sub> S (hydrogen sulfide) is measured in the two receivers near the Plant facilities in our (San Jacinto Tizane) Nicaraguan Location. These parameters are measured as emissions and include in Scope 1 calculations.		
Water Management	Total water withdrawn	Thousand cubic meters (m <sup>3</sup> )/year	IF-EU-140a.1	497,386,881 <sup>29</sup>	189,419,247	161,486,359
	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations.	Number	IF-EU-140a.2	No significant incidents or non-compliances were registered during the reporting period		
	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A	IF-EU-140a.3	See discussion in the following section: Sustaining Healthy Freshwater Ecosystems		
Coal Ash Management	Amount of coal combustion residuals (CCR) generated; percentage recycled	Metric tons(t), Percentage (%)	IF-EU-150a.1	Not applicable. Polaris Not applicable does not use coal in its operations		
	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	Number	IF-EU-150a.2	Not applicable. Polaris Not applicable does not use coal in its operations		

28. Water metrics reported reflecting its use for all our plant Operations. This indicator measures the directly or indirectly water consumption related to the operations of our subsidiaries. 99% of water is used by our Hydroelectric facilities located in Peru. The water is diverted from a flowing river and guided down a channel, which leads to a generating house. The water is released unaffected back into the stream.

29. The total recordable incident rate is a result of the generation of geothermal activities (San Jacinto Tizane Facility) in Nicaragua. However, there were no accidents or incidents reported for all our subsidiaries located in Peru in the years 2020 and 2019 that became fully operative.

Table 1. Sustainability Disclosure Topics &amp; Accounting Metrics

				Disclosure Description and/or Location		
TOPIC	SASB ACCOUNTING METRIC	UNIT OF MEASURE	CODE	2020	2019	2018
Energy Affordability	Typical monthly electric bill for residential customers for (1)500kW and (2)1,000kWh of electricity delivered per month	Reporting currency	IF-EU-240a.2	Not applicable. Polaris does not sell energy to retail customers.		
	Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days	Number, Percentage (%)	IF-EU-240a.3			
	Discussion of impact of external factor on customer affordability of electricity, including the economic conditions of the service territory	N/A	IF-EU-240a.4			
Workforce Health & Safety	Total recordable incident rate (TRIR)	OSHA Rate	IF-EU-320a.1	1.63 <sup>30</sup>	2.62	1.75
	Fatality rate	OSHA Rate	IF-EU-320a.1	0.00	0.00	0.00
End-Use Efficiency & Demand	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	Percentage (%)	IF-EU-420a.1	Not Applicable. Polaris does not sell electricity to retail customers. Polaris does not sell electricity under rate base note. Polaris does not do distribution; it does not use smart grid technology		
	Percentage of electric load served by smart grid technology	Percentage (%) by megawatt hours (MWh)	IF-EU-420a.2			
	Customer electricity savings from efficiency measures, by market	Megawatt hours (MWh)	IF-EU-420a.3			
Nuclear Safety & Emergency Management	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Number	IF-EU-540a.1	Not applicable. Polaris does not have any nuclear asset		
	Description of efforts to manage nuclear safety and emergency preparedness	N/A	IF-EU-540a.2			
Grid Resiliency	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Number	IF-EU-550a.1	Not applicable.		
	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days.	Minutes, Number	IF-EU-550a.2	Not applicable.		

30. The total recordable incident rate is a result of the generation of geothermal activities (San Jacinto Tizane Facility) in Nicaragua. However, there were no accidents or incidents reported for all our subsidiaries located in Peru in the years 2020 and 2019 that became fully operative.





## Appendix C: Global Reporting Initiative Content Index

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The GRI Standards are the first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental, and social impacts.

While we are working toward meeting the GRI reporting protocols, for several indicators we currently only partially meet the recommended standard. For GRI metrics not listed, we currently do not track the data, consider the data confidential or the data is not material to our business. However, as we continue to assess our ESG data, we may choose to include additional data in our GRI content index in future reports.

The following tables contain cross-references to content in our 2020 Sustainability Report and other Polaris disclosures that align with parts of the GRI framework.

## Global Reporting Initiative Metrics – General Disclosures

GRI Standard	Disclosure Title	Disclosure Description and/or Location
<b>General Disclosures</b>		
<b>GRI 102: Organizational Profile</b>		
102-1	Name of the organization	Polaris Infrastructure Inc.
102-2	Activities, brands, products and services	Polaris Infrastructure Inc & Latin American Footprint
102-3	Location of headquarters	7 St Thomas Street, Suite 309, Toronto, ON , M5S 2B7
102-4	Location of operations	Our Latin American Presence & Latin American Footprint
102-5	Ownership and legal form	Publicly held corporation; listed on the Toronto Stock Exchange: PIF
102-6	Markets served	Latin American Footprint
102-7	Scale of the organization	2020 Annual Report
102-8	Information on employees and other workers	Polaris Team
102-9	Supply chain	Supply Chain
102-10	Significant changes to the organization and its supply chain	Annual Report
102-11	Precautionary Principle or approach	Proxy Statement
102-13	Membership of associations	Stakeholder Engagement
EU1	Installed capacity	2020 Annual Report
EU2	Net energy output	
EU3	Number of residential, industrial, institutional and commercial customer accounts	
EU4	Length of above and underground transmission and distribution lines by regulatory regime	Annual Report

GRI Standard	Disclosure Title	Disclosure Description and/or Location
<b>General Disclosures</b>		
EU10	Planned capacity against projected electricity demand over the long term	2020 Investors Presentation
<b>GRI 102: Strategy</b>		
102-14	Statement from senior decision-maker	CEO Statement
102-15	Key impacts, risks and opportunities	Sustainability with Purpose
<b>GRI 102: Ethics &amp; Integrity</b>		
102-18	Governance structure	Corporate Governance
102-19	Delegating authority	CEO Statement
102-20	Executive-level responsibility for economic, environmental and social topics	CEO Statement and Sustainability with Purpose
102-21	Consulting stakeholders on economic, environmental and social topics	Proxy Statement
102-22	Composition of the highest governance body and its committees	Proxy Statement and Corporate Governance
102-23	Chair of the highest governance body	Proxy Statement and Corporate Governance
102-24	Nominating and selecting the highest governance body	Proxy Statement and Corporate Governance
102-25	Conflicts of interest	Corporate Governance
102-26	Role of highest governance body in setting purpose, values and strategy	Proxy Statement
102-27	Collective knowledge of highest governance body	Proxy Statement
102-28	Evaluating the highest governance body's performance	Proxy Statement and Corporate Governance
102-29	Identifying and managing economic, environmental and social impacts	Corporate Governance
102-30	Effectiveness of risk management processes	Proxy Statement Annual Report
102-31	Review of economic, environmental and social topics	Proxy Statement Annual Report
102-32	Highest governance body's role in sustainability reporting	Corporate Governance and Sustainability with Purpose
102-33	Communicating critical concerns	Corporate Governance
102-34	Nature and total number of critical concerns	Proxy Statement and Corporate Governance



GRI Standard		Disclosure Title	Disclosure Description and/or Location
General Disclosures			
102-35	Remuneration policies	Proxy Statement	
102-36	Process for determining remuneration		
102-37	Stakeholders' involvement in remuneration		
102-38	Annual total compensation ratio		
GRI 102: Stakeholder Engagement			
102-40	List of stakeholder groups	Proxy Statement	
102-41	Collective bargaining agreements	Proxy Statement	
102-42	Identifying and selecting stakeholders	Proxy Statement	
102-43	Approach to stakeholder engagement	Proxy Statement	
102-44	Key topics and concerns raised	Proxy Statement	
GRI 102: Reporting Practice			
102-45	Entities included in the consolidated financial statements	Annual Report	
102-46	Defining report content and topic boundaries	Proxy Statement	
102-47	List of material topics		
102-48	Restatements of information	This report contains no restatements of data for prior years.	
102-49	Changes in reporting	Annual Report	
102-50	Reporting period	Calendar year 2020, except where otherwise noted	
102-51	Date of most recent report	n/a	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Investors Relations info@polarisinfrastucture.com Tel: +1 416 - 849 2587 www.polarisinfrastucture.com	
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Index	
102-55	GRI content index		
102-56	External assurance	We did not seek external assurance for the entirety of the report.	
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	Corporate Governance	
103-2	The management approach and its components		
103-3	Evaluation of the management approach		











# POLARIS

