



# Polaris Renewable Energy Inc.

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Forced Labour and Child Labour in Supply Chains Assessment

May 23, 2024

## Executive Summary

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Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, Polaris has begun prioritizing the analysis of forced labour and child labour through mapping activities for the 2023 fiscal year. We have statements and policies in place that emphasize our commitment to human rights and abiding by local and international legislation, but also recognizing there is always room for continuous improvement. Our policies, Third-Party Manual, Human Rights Statement of Commitment, and everyday practices serve as a strong foundation as we look to implementing more anti-forced labour and anti-child labour measures. As a growing, socially conscious, renewable energy company, Polaris recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

## Background

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The measures introduced through *Bill S-211, Fighting Against Forced Labour and Child Labour in Supply Chains Act* ("the Act"), aim to increase industry awareness and transparency and drive businesses to improve practices. There are seven mandatory reporting areas that must be investigated and reported on which include:

- The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.
- Its structure, activities and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.

- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

The financial year for which we are reporting is January 1<sup>st</sup>, 2023, to December 31<sup>st</sup>, 2023. This is the first version of the report submitted and the report is for the entity, Polaris Renewable Energy Inc. (“Polaris” or the “Company”). Polaris is listed on the Canadian Stock Exchange with our head office in Toronto, Ontario, Canada, and there are no other reporting requirements under other jurisdictions.

## Structure

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Polaris is a publicly traded Canadian corporation engaged in the acquisition, development, and operation of renewable energy projects in Dominican Republic, Ecuador, Nicaragua, Panama, and Peru. As per the Bill S-211 reporting requirements, our entity meets two out of the three compliance thresholds related to revenue and asset sizes. We operate in the renewable energy sector and our projects include one (1) Geothermal Plant, four (4) Run of the River Hydroelectric Power Plants, and three (3) Photovoltaic Solar Projects. At the end of 2023, we had 212 employees with 8 in Canada, 15 in Dominican Republic, 26 in Ecuador, 110 in Nicaragua, 11 in Panama, and 42 in Peru. It is worth noting that in early 2024, we added 77 temporary employees in Dominican Republic who are not included in this count.

## Activities

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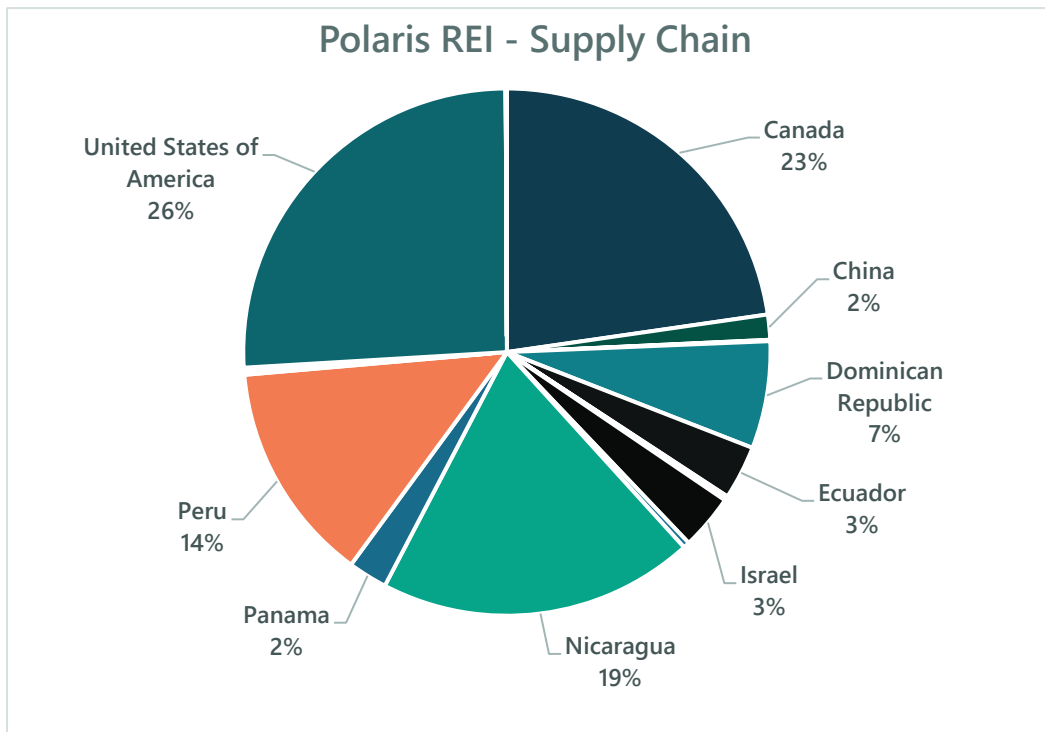
At Polaris, we produce renewable energy for private and local government-owned utilities providers and distributors within each of our project countries. For the year 2023, we have developed an updated internal supplier purchasing activities map.

We procure goods from suppliers in the development and construction of infrastructure for our Geothermal, Hydroelectric, and Photovoltaic solar projects. In 2023, the major types of materials procured includes Solar Photovoltaic Modules and spare parts to support a Binary Unit.

## Supply Chain

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The figure below presents the makeup of our supply chain by country, exclusive of any country that makes up  $\leq 1\%$  of total spend. Polaris has 772 direct suppliers from 25 countries, 24 of which are outside of Canada.



Suppliers which are  $\leq 1\%$  of Polaris’s total supply chain spend, and not included in the figure above include:

- |             |           |              |                |
|-------------|-----------|--------------|----------------|
| Colombia    | Germany   | Mexico       | Spain          |
| Costa Rica  | Guatemala | Philippines  | Sweden         |
| El Salvador | India     | Scotland     | United Kingdom |
| England     | Italy     | South Africa | Uruguay        |

## Policies & Due Diligence

### Current Policies

Corporate policies are the foundation of all of our activities, and we have an open-door approach to receiving feedback from employees, suppliers, and the community. In our *Human Rights Statement of Commitment* and as practice, we commit to reviewing, monitoring, and continually improving the effectiveness of policies and procedures associated with Human Rights issues. We directly state in our *Third-Party Conduct Manual* that we do not permit any activity that violates the local legislation of the countries we operate in, including the violation of labour laws, human rights, and the use of forced labour and child labour. Within the manual, we also describe our commitment to laws and regulation, such as the International Bill of Rights, International Labour Organization’s Declaration of the Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and

Human Rights. We also commit to health care, safety, and the environment based on the highest ethical standards. At Polaris, are unwavering in our promotion of respect, ethics, integrity, and compliance with human and labour rights. In our *Code of Business Conduct and Ethics Policy*, we identify that representatives of the Company must comply with government regulations applicable to business dealings and we provide guidelines for avoiding unethical or illegal conduct.

We do not yet have policies or procedures in place to assess our effectiveness in ensuring that forced labour and child labour are not used in our activities and supply chains. Our *Third-Party Conduct Manual* establishes that all parties must comply with Polaris' strict policies against forced labour and child labour, but we have not yet begun auditing or monitoring our suppliers. In future reporting years, we will report our progress and strategy related to keeping forced labour and child labour out of our activities and supply chains.

In our *Workplace Harassment and Violence Policy*, we commit to a harassment-free work environment where all representatives are treated with respect and dignity, and where candidates and employees are free from any form of discrimination. As part of our *Whistleblower Policy*, our Company offers an Ethics Helpline website and the EthicsGlobal App for employees and suppliers that allows them to report violations against our Code of Ethics, Anti-Corruption Policy, other policies, morals, or laws, or if they have questions or inquiries. We also conduct awareness campaigns at each site with the use of our *Whistleblower Program*, demonstrating to employees that they are to report any real or perceived unethical treatment while at work. Part of the program includes annual testing of the reporting system to ensure that anyone can access an attendant through the phone number and that the website form is working. When a complaint is received, the follow up process goes up to our Human Resources Environmental Social Governance Board, as applicable. This process helps us maintain accountability while protecting employees and community who report activities believed to be illegal, dishonest, unethical, or otherwise improper.

## Due Diligence

In our *Human Rights Statement of Commitment*, we commit to and acknowledge our responsibility to respect all internationally recognized human rights through adherence to the International Bill of Rights, International Labour Organization's Declaration of the Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We recognize leading practices supporting human rights, avoiding engaging in activities that directly or indirectly violate human rights and pursuing opportunities to uphold human rights. Our Company has made a strong statement that we have zero tolerance for modern slavery, forced labour, child labour and human trafficking, and commit to ensuring our operations and suppliers do not perpetuate these practices. Part of this commitment includes the implementation of prevention plans and measures to eliminate workplace dangers, reduce risks, and prevent injuries and deterioration of health that further keeps our Company accountable to internal and external stakeholders.

We also apply due diligence measures to larger transactions within our supply chain and limit activity with a higher risk of forced labour or child labour. Through our *Third-Party Conduct Manual*, we hold

suppliers accountable by signing off on our statements that clearly identify that forced labour and child labour are not permitted within our workplaces or our suppliers' workplaces. When hiring contractors is necessary, we ensure contractors are properly registered with the government, workers are paid a minimum salary wage, are enrolled in social security, and provided appropriate safety equipment.

Where possible, we engage local vendors who we have trusting relationships with and which we have not identified the risk of forced labour or child labour. Many of the roles that we contract are professional roles requiring technical skills which decreases the risk of forced labour and child labour. Where possible, we employ cleaners directly instead of using a contractor, with the exception of our headquarters in Toronto, thus removing the risk of forced labour and child labour in this high-risk industry. We have made a commitment to listening to and learning directly from the communities by integrating stakeholder engagement into operations and making a local grievance mechanism available to the public. Our recruitment teams also engage with local community leaders in the recruitment process, depending on vacancies. At Polaris, we recognize our role as a local employer to hear from and contribute to the community which further reinforces trust, enhances community well-being, and promotes community support for our operations. As a local employer, we commit to fostering the local economy through engaging local employment and procurement opportunities.

Polaris is a participant of the United Nations Global Compact Network Canada and is committed to the ten principles of the United Nations Global Compact in human rights, labour, environment, and anti-corruption. Our commitment includes to operate responsibly, in alignment with universal sustainability principles, take actions to support society, and report annually on ongoing efforts.

## Risk Identification & Management

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### Countries of Operations and Risk

Using the *Walk Free Global Slavery Index* and the *U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor*, we had a risk assessment conducted on our countries of operations. These indexes use in-depth research in the area of forced labour and child labour and indicate the risks associated with each country. We found that there were extreme inherent risks of forced labour or child labour in Dominican Republic and Peru, and inherent high risks of forced labour or child labour in Ecuador, Nicaragua, and Panama. **This does not mean that evidence of forced labour or child labour was found to support this risk analysis** but that there is an increased inherent risk which necessitates closer scrutiny by Polaris to ensure those risks do not flow through to our supply chain and with whom we do business.

Country	Employees as of 2023 (#)	Inherent Risk per Country
Canada	8	Low
Dominican Republic	15	Extreme
Ecuador	26	High
Nicaragua	110	High
Panama	11	High
Peru	42	Extreme

In 2023, our Nicaragua, Panama, Dominican Republic, and Ecuador sites were certified as “Great Places to Work.” While Canada did not meet the minimum employees required for the certification, the country has a much lower inherent risk level for forced labour and child labour. Given Peru was not certified and has a higher inherent risk for forced labour and child labour, this is a point of interest for our Company to further investigate.

## Countries of Suppliers and Risk

Using the *Walk Free Global Slavery Index*, we had a risk assessment conducted on the countries of suppliers. This index uses in-depth research in the area of forced labour and child labour and indicate the risks associated with each country. We found that there were inherent extreme risks of forced labour or child labour in China, Dominican Republic, and Peru, and inherent high risks of forced labour or child labour in Ecuador, Nicaragua, and Panama. **This does not mean that evidence of forced labour or child labour was found to support this risk analysis** but that there is an increased inherent risk which necessitates closer scrutiny by Polaris to ensure those risks do not flow through to our suppliers’ countries.

Country	Suppliers (#)	Supply (%)	Inherent Risk per Country
Canada	42	23	Low
China	6	2	Extreme
Dominican Republic	76	7	Extreme
Ecuador	94	3	High
Israel	1	3	Low
Nicaragua	181	19	High
Panama	208	2	High
Peru	434	14	Extreme
United States of America	44	26	Low

## Type of Goods Procured and Risk

Using the *Walk Free Global Slavery Index*, we had a risk assessment conducted on the types of goods of our suppliers. This index uses in-depth research in the area of forced labour and child labour and indicate the risks associated with each type of good. We found that 17 suppliers make up 92% of Polaris’ total spend for the year 2023. Out of the 17 suppliers, 15 provide services and 2 provide goods. The goods identified include Solar Photovoltaic Modules and spare parts for a Binary Unit. The risk analysis found low, high, and extreme inherent risks for forced labour and child labour from the raw materials of these goods. **This does not mean that evidence of forced labour or child labour was found to support this risk analysis** but that there is an increased inherent risk which necessitates closer scrutiny by Polaris to ensure those risks do not flow through to the goods we procure. This includes investigating where our suppliers receive their goods, continuing to monitor the types of goods we procure, and the risk of forced labour and child labour associated these goods.

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Goods	Inherent Risk per Good	Country	Inherent Risk per Country	Overall Risk
<b>Solar PhotoVoltaic Modules</b> (e.g., glass, cobalt, copper, silver, zinc, polysilicon)	High	China	Extreme	High / Extreme
<b>Spare parts</b> (e.g., electronics, rubber)	Extreme	Israel	Low	High
<b>Spare parts</b> (e.g., copper, silver, mica, ceramic, glass, iron, brass, zinc)	High	Israel	Low	Low / High
<b>Spare parts</b> (e.g., steel, plastic, bronze, thermoplastic, wire, aluminum, platinum)	Low	Israel	Low	Low

## Remediation Measures

At Polaris, we commit to remediate human rights incidents and violations that occur within our operations and communities. This may include restitution, compensation, rehabilitation, satisfaction, and non-repetition. During the year 2023, we received zero (0) complaints about Human Rights’ contraventions internally and externally. We will continue to monitor processes to ensure we do not conduct business with entities that violate human rights or labour rights, and we will immediately cease business with a business if evidence of forced labour or child labour is found.



## Awareness Training

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In the year 2023, we conducted 2,406 hours of employee training which included 1,767 hours of health and safety employee training. We also conducted 660 hours of training for third-party contractors. During the onboarding process for new employees, we conduct mandatory training in each operating country on Social Media Security, Ransomware Awareness, Code of Business Conduct and Ethics, Cybersecurity, Disrupting Unconscious Bias, and Workplace Harassment and Violence. We also ensure that employees are taught how to file a complaint using the EthicsGlobal Site and local grievance mechanisms at each project site. Although our current training programs do not explicitly focus on forced labour and child labour, they will serve as a strong foundation as we look towards future training. By 2025, we aim to have 100% of staff and local qualified contractors receive annual training on human rights. At Polaris, we recognize that the people working on project sites need to be the 'eyes and ears' of the Company while being aware of the signs of forced labour and child labour.

## Conclusion and Key Takeaways

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Through our analysis, we found that although some of the countries in which we operate or procure from are at higher risk for forced labour and child labour, we have several measures in place to lower the risk of these practices. Such measures include our EthicsGlobal helpline; Third-Party Conduct Manual; commitments to the International Bill of Rights, International Labour Organization's Declaration of the Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights; and our zero tolerance for modern slavery, forced labour, child labour and human trafficking.

In the upcoming reporting years, Polaris looks towards implementing policies and practices concerning; staff training and increasing awareness of forced labour and child labour; monitoring suppliers for evidence of forced labour and child labour; and integrating our Human Rights Statement of Commitment across corporate policies.

At Polaris, we firmly believe that our greatest asset is our people. We are committed to creating a work environment that values and respects every employee, while upholding their rights and well-being. Furthermore, we are unwavering in our stance against forced labour and child labour practices. Our dedication to ethical business practices extends beyond our walls as we continue our work to keep forced labour and child labour out of our supply chains.

## Approval and Attestation

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The Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of Polaris Renewable Energy Inc. In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the 2023 reporting year.



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**Marcela Paredes**

*Independent Director and Chair of the HR & ESG Committee*

May 23, 2024

I have the authority to bind 'Polaris Renewable Energy Inc.'