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RESPONSIBLE SUPPLY CHAIN REPORT



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ENERGY

On May 11, 2023, the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) received royal assent. The Act imposes annual reporting obligations on various entities relating to their efforts to 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.

This report covers the activities of both Elexicon Corporation (“EC”) and Elexicon Energy Inc. (“Elexicon Energy”, and collectively with EC, “Elexicon”).

CORPORATE STRUCTURE

EC is a holding corporation owned by five municipal shareholders - the Town of Ajax, the City of Belleville, the Municipality of Clarington, the City of Pickering, and the Town of Whitby.

EC owns 100% of the shares of Elexicon Energy, which is an electricity distributor that is regulated by the Ontario Energy Board (“OEB”).

EC also owns 100% of the shares of Elexicon Group Inc., which is an unregulated for-profit corporation that does not qualify as an “entity” under the Act.

ACTIVITIES

Elexicon Energy is a regulated electricity distributor that serves approximately 177,000 residential and business customers in our service territories in the communities of Ajax, Belleville, Brock, Clarington, Gravenhurst, Pickering, Port Hope, Scugog, Uxbridge and Whitby. Elexicon Energy honours its four strategic pillars of customer centricity, operational excellence, economic development and strategic investment in each decision. With the end-customer in mind, the organization invests in grid modernization, resiliency and the integration of innovative technologies within its distribution system. This forward-thinking approach ensures the delivery of reliable, adaptable and cost-effective electricity both now and into the future.

Aside from holding shares in Elexicon Energy and Elexicon Group Inc., EC owns and operates two combined-heat-and-power (CHP) units located in the City of Belleville. EC has no employees, and it is a reporting entity under the Act because it is the sole shareholder of Elexicon Energy.

SUPPLY CHAINS

ELECTRICITY

Elexicon Energy distributes and sells electricity in the service territories mentioned above. The electricity industry can generally be classified into three main categories – generation, transmission, and distribution. Generation involves the actual production of electricity (e.g. through the operation of nuclear power plants, solar panels, wind turbines, natural gas generation plants, or other means). Transmission, generally speaking, involves the conveyance of electricity along large high-voltage power lines over long distances. Distribution, generally speaking, involves the conveyance of electricity directly to end-users along lower-voltage power lines in local areas. Elexicon Energy is an electricity distributor, and has an ownership stake in four small solar generation projects (two of which are on the roofs of its offices in Ajax and Whitby).

Due to the nature of electricity, it is extremely difficult to pinpoint which Ontario generators produced the specific electricity that is distributed and sold by Elexicon Energy from time to time. Hydro One Networks Inc. (“HONI”) is the main transmission utility in Ontario from which Elexicon Energy receives electricity, and HONI is also regulated by the OEB. The Ontario electricity market is overseen and administered by the Independent Electricity System Operator (“IESO”), which coordinates and directs the flow of electricity through the IESO-controlled grid.

IMPORTED GOODS

The Act also addresses goods that are produced outside of Canada and imported into Canada by Elexicon. While the vast majority of our suppliers are located in Canada, Elexicon imports a minimal quantity goods from outside of Canada (all of them from suppliers in the United States). The amount paid for goods imported from outside of Canada in 2023 was less than 0.05% of the total amount paid by Elexicon to its non-electricity suppliers in 2023.

The types of goods imported by Elexicon from the United States in 2023 include electrical components (e.g. power connectors and transceivers), computer/server equipment, vehicle trailers, and other mechanical equipment (e.g. fans and filters).



FORCED LABOUR AND CHILD LABOUR: STEPS TAKEN, POLICIES AND DUE DILIGENCE, AND RISKS

The Act requires all reporting entities to report on, among other things: (1) 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; (2) its policies and its due diligence processes in relation to forced labour and child labour; and (3) 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.

RISKS

The risk of forced labour or child labour existing in a supply chain varies based on sector. According to the United Nations Global Compact Business & Human Rights Navigator, the sectors where forced labour is most prevalent include fashion/apparel (such as the production of cotton/textiles), agriculture/fishing, construction, electronics manufacturing, hospitality, and mining/extractive industries. The consumer goods sector also generally carries a higher risk of modern slavery, particularly in the production of cocoa, coffee, tea, spices, rice, cotton/textiles, and seafood/fish. While Elexicon does not import goods in most of these sectors, Elexicon does engage in construction projects in Ontario and imports a minimal amount of electronic equipment from the United States.

In assessing the risk that forced labour or child labour exists in Elexicon's supply chains, the place of origin of the goods that Elexicon purchases is an important factor to consider. Elexicon does not import any goods from outside of North America, and only a minimal quantity of goods are imported from the United States. The risk of forced labour in the Ontario construction industry or in manufacturing in the United States tends to be less than in some non-OECD contexts – the United Nations Global Compact Business & Human Rights Navigator notes that the risk increases

in countries with high poverty, high inequality, a large informal economy, corruption, a lack of legal protection, and/or poor law enforcement. Both Canada and the United States have robust laws prohibiting child labour and forced labour, as well as effective judicial systems to enforce those laws. Constitutional protections for freedom of the expression make it easier for media and other anti-corruption/transparency organizations to investigate and report on potential situations involving modern slavery in Canada and the United States, and corruption tends to be less prevalent than in non-OECD contexts. Thus, while Elexicon engages in construction in Ontario and also imports some electronic equipment from the United States, the risk that forced labour or child labour is used in these supply chains is relatively low.

STEPS TAKEN, POLICIES AND DUE DILIGENCE

While Elexicon assesses that the risk of forced labour and child labour being present in its supply chains is relatively low, Elexicon is nonetheless serious about preventing forced labour and child labour in its supply chains. Elexicon has always been careful to choose suppliers who align with our values; and in keeping with this philosophy, Elexicon has recently developed legal language that we intend to include in our contracts with suppliers. While our template supplier contract already includes a provision requiring suppliers to comply with applicable Canadian laws (which prohibit the use of child labour or forced labour), these new provisions include specific representations and warranties made by our suppliers that they do not use child labour or forced labour, and that they are making efforts to ensure that child labour and forced labour do not exist in their supply chains. These specific legal provisions are meant to focus our suppliers' attention on this important issue.

Elexicon has also engaged our peers in the industry to discuss and determine best practices in minimizing the risk of forced labour and child labour. Based on these discussions, Elexicon is developing a Supplier Code of Conduct outlining the standards and expectations to which we intend to hold all of our suppliers. Once our Supplier Code of Conduct has been finalized, we will provide it to our suppliers and clearly communicate our expectation that this Code must be followed.

Preventing forced labour and child labour in the modern era isn't just about holding suppliers to account. Elexicon recognizes that we also need to ensure that all of our workers are upholding our standards. To supplement the employee training that Elexicon is implementing (as described below), we're updating our Employee Code of Conduct to make it clear that employees must report any situations that they encounter that might involve child labour or forced labour.

THE ELECTRICITY SECTOR

Besides the goods that Elexicon imports from outside of Canada, Elexicon is mindful of the sources of the electricity that it distributes. Due to the nature of electricity, it is extremely difficult to pinpoint which Ontario generators produced the specific electricity that is distributed and sold by Elexicon Energy from time to time, and as such, monitoring the electricity supply chain is not practically possible (particularly if it's duplicated by every Ontario electricity distributor). This means that all electricity distributors need to be thoughtful about how to best minimize the risk that forced labour or child labour are present. To this end, Elexicon is collaborating with other Ontario electricity utilities to determine the best path forward in ensuring that all electricity generators in Ontario follow the standards that we expect them to follow – including that they do not use any forced labour or child labour.

To a certain extent, it might be possible to rely on regulation, the rule of law and regulators within the sector, along with other sector participants (i.e. the IESO), to further minimize the risk of forced labour or child labour existing in the electricity supply chain. HONI, as the main electricity transmission utility in Ontario, is regulated by the OEB. Further, generators in Ontario are required to have a licence from the OEB in order to generate electricity over a certain threshold (500 kW); and certain other generators, such as nuclear generators, are subject to further regulation and scrutiny. As highlighted above, the IESO oversees and administers the Ontario electricity market and directs the flow of electricity through the IESO-controlled grid. In overseeing and administering the Ontario electricity market, the IESO can set and enforce rules that govern supplier participation in Ontario's electricity markets. Furthermore, the electricity that Elexicon distributes is almost entirely generated in Ontario, which has laws prohibiting generators from using child labour or forced labour.

That said, Elexicon recognizes that not all suppliers will necessarily follow the law. A balance must be struck that recognizes that it is not feasible for every electricity distributor in Ontario to conduct thorough due diligence investigations on every electricity generator in Ontario. It is also important to note that electricity distributors in Ontario do not have control over this area, even if thorough due diligence investigations were undertaken. Electricity distributors in Ontario are pass-through companies – we have no control over what specific electricity we take and distribute to customers. Once generators are connected to our system, we cannot choose to take electricity from one generator but not another. And ultimately, we have a statutory mandate (under section 29 of the Electricity Act, 1998) to sell electricity to every person connected to our distribution system. While there are limitations in Elexicon's ability to monitor the electricity supply chain, Elexicon will remain vigilant and will continue to work with our regulator and our peers in the industry to address any concerns that may arise relating to child labour or forced labour in the electricity supply chain.

TRAINING

As mentioned above, Elexicon is revising its Employee Code of Conduct to ensure that employees are aware of Elexicon's standards and expectations relating to the identification and elimination of child labour and forced labour from Elexicon's supply chains. These revisions to the Employee Code of Conduct will be clearly communicated to employees over the next year, and further training related to the identification and elimination of child labour and forced labour is being added to Elexicon Energy's standard training given to all of its employees.

OTHER REPORTING REQUIREMENTS

The Act requires reporting entities to report on any measures taken to remediate any forced labour or child labour, as well as on 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. Since no forced labour nor child labour has been found in Elexicon's supply chains, we have not taken any specific measures in these two areas.

OVERALL ASSESSMENT OF EFFECTIVENESS

The Act requires reporting entities to provide an overall assessment of their effectiveness in ensuring that forced labour and child labour are not being used in their business and supply chains. Elexicon has seen no evidence of forced labour or child labour in its supply chains and given the minimal quantity of goods imported from outside of Canada by Elexicon (all of which came from the United States), Elexicon assesses that there is a relatively low risk that forced labour or child labour might exist in the supply chains for its imported goods. Elexicon also assesses that there is a relatively low risk that forced labour or child labour might exist in the supply chains for the electricity that it sells (i.e. among Ontario generators or transmitters).

Elexicon therefore assesses its overall effectiveness in this area as good. However, Elexicon will remain vigilant and will implement the steps outlined in this report with the aim of ensuring that forced labour and child labour are not being used in our business or supply chains.

Attestation for the year ended December 31, 2023

In accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”), and in particular section 11(4)(b)(ii) thereof, I attest that I have reviewed the information contained in this report for the 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 reporting year listed above.

DATED as of the 21st day of May, 2024.



Name: Jim Macpherson
Title: Chair of Elexicon Corporation Board of Directors