



***Annual report pursuant to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains and to amend the Customs Tariff***

**May 29, 2024**

## 1. ABOUT THIS REPORT

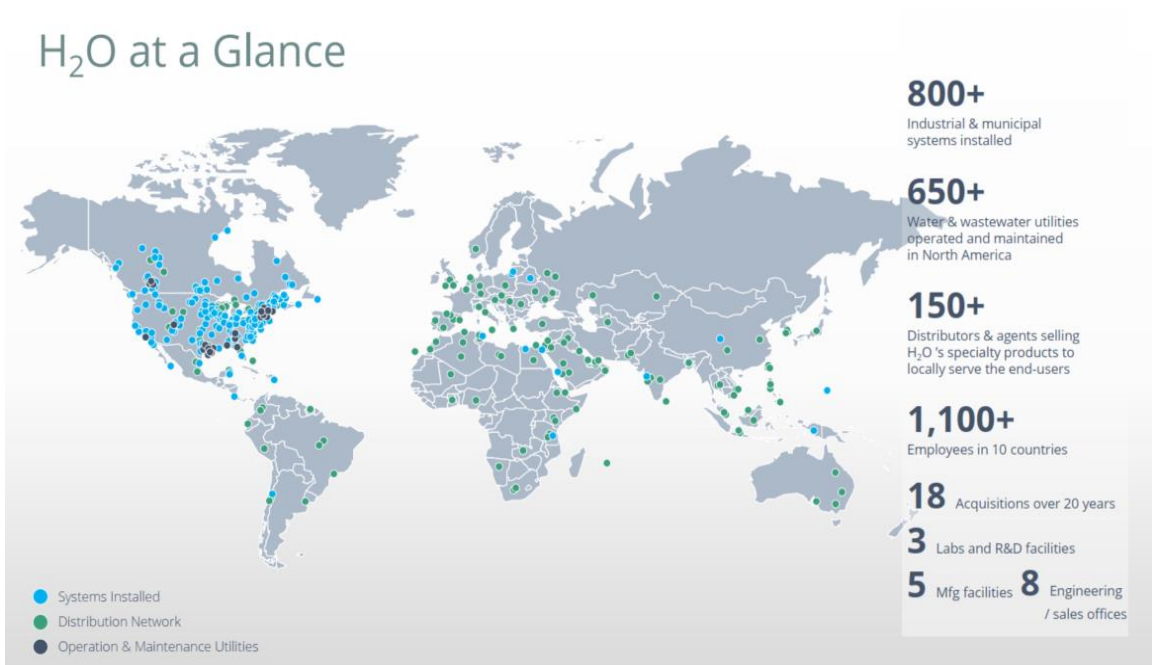
This is a joint report by H<sub>2</sub>O Innovation Inc. and all of its subsidiaries (refer to chart below) in order to comply with the *Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains and to amend the Customs Tariff* (the “**Act**”) for the period covering July 1, 2022, to December 31, 2023. H<sub>2</sub>O Innovation’s financial year was historically July 1 to June 30, but in 2023, we closed the fiscal year on December 31, following the acquisition of H<sub>2</sub>O Innovation by Ember SPV I, LP. Effective January 1, 2024, H<sub>2</sub>O Innovation’s financial year is January 1<sup>st</sup> to December 31<sup>st</sup>. The policies and descriptions contained herein are applicable to H<sub>2</sub>O Innovation Inc. and its subsidiaries as a whole (hereinafter “**H<sub>2</sub>O Innovation**” or the “**Corporation**”).

## 2. STRUCTURE, ACTIVITIES AND SUPPLY CHAIN

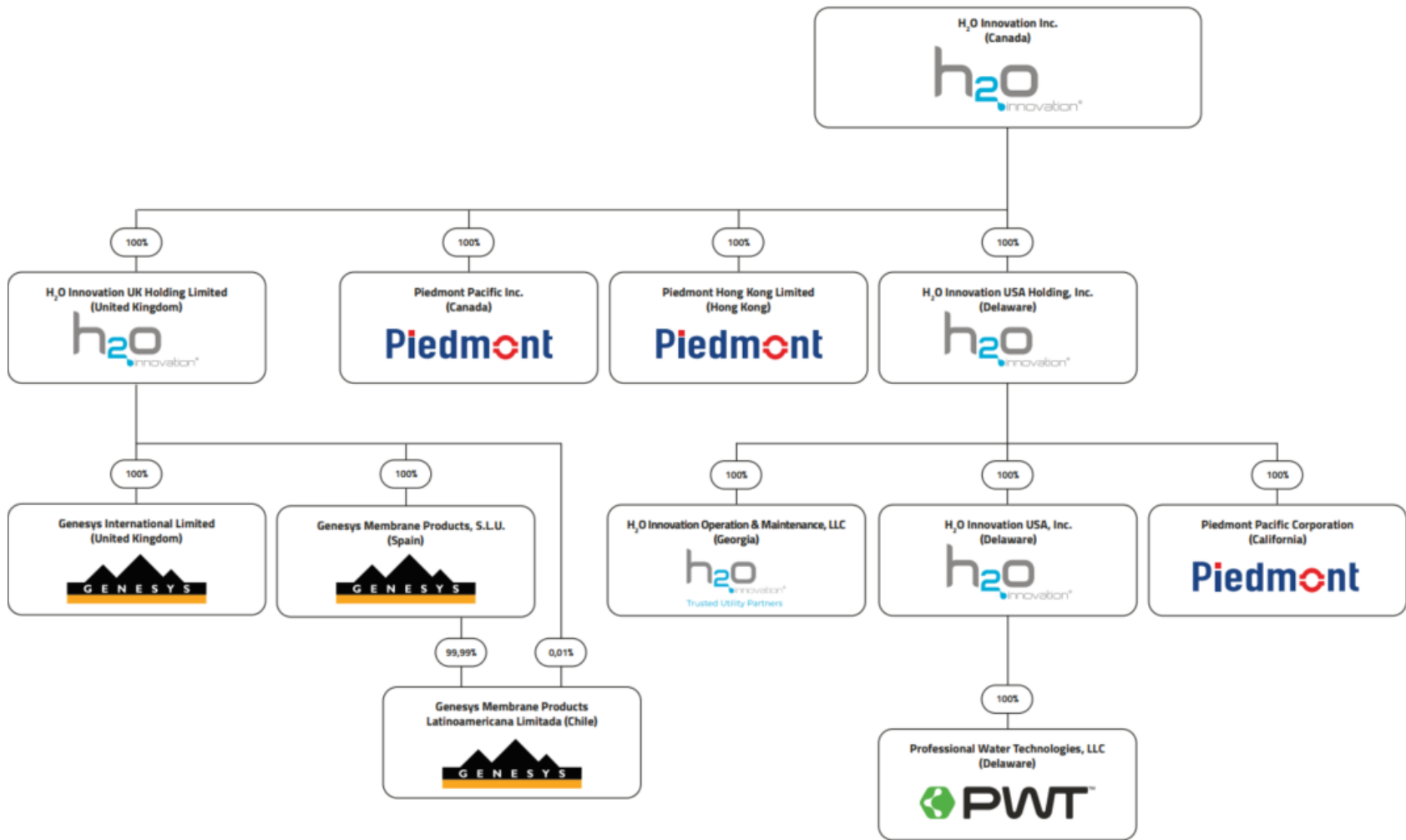
### Structure and Activities

H<sub>2</sub>O Innovation is a water solutions company. Our activities rely on three pillars: i) Water Technologies & Services applies membrane technologies and engineering expertise to deliver equipment and services to municipal and industrial water, wastewater, and water reuse customers, ii) Specialty Products is a set of businesses that manufacture and supply a complete line of specialty chemicals, consumables and engineered products for the global water treatment industry, and iii) Operations & Maintenance provides contract operations and associated services for water and wastewater treatment systems.

H<sub>2</sub>O Innovation has offices, operations, plants and manufacturing facilities in Canada, the United States, the United Kingdom, Spain and Chile, as well as a legal registered agent in Hong Kong. H<sub>2</sub>O Innovation sells Specialty Products in many countries worldwide through its distributors.



The following diagram shows H<sub>2</sub>O Innovation’s corporate structure as of December 31, 2023.



## Supply Chain

The supply chain plays an important role in H<sub>2</sub>O Innovation's activities. H<sub>2</sub>O Innovation purchases components to resell to customers or to manufacture water treatment chemicals and components, water treatment systems, maple and agri-food-related equipment, and to provide services to operate and maintain water treatment facilities.

In 2023, the sourcing for components like membranes, pumps, valves, raw chemicals, instruments and electronics, steel and plastics mainly came from the following countries or regions: the United States, Canada, China, Tunisia, Pakistan, the United Kingdom, and the European Union.

H<sub>2</sub>O Innovation surveys the top 80% of direct expenses for tier 1 suppliers (direct supply). We do not currently have the tools to identify, evaluate, qualify or control tiers 2 and 3 suppliers. However, implementing such tools is part of our 5-year plan. We remain in constant communication with our suppliers, and all our purchase orders require the acceptance of a Supplier Code of Business Conduct and Ethics ([Supplier Code](#)) that prohibits child labour, corruption and modern slavery.

### 3. POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED AND CHILD LABOUR

H<sub>2</sub>O Innovation's policies and commitments specifically address human rights, health and safety, diversity and inclusion, the environment and corruption. We uphold a uniform recruitment process for all employees without exception. This process includes the careful collection and verification of necessary documentation to ensure compliance with legal requirements regarding employment eligibility. Our policies and practices strictly adhere to local, national, and international laws concerning labour rights, ensuring that all employees are treated with dignity, respect, and fairness. Upholding human rights and fostering a safe, inclusive, and ethical working environment are fundamental to our values. H<sub>2</sub>O Innovation has a thorough recruitment process in place to ensure compliance with the above principles. There is no "child" as defined in the Act under employment by H<sub>2</sub>O Innovation, in a way that would contradict the provisions of the Act.

H<sub>2</sub>O Innovation has implemented the following policies to support its commitment to responsible procurement and fulfill its human rights obligations:

- i. The Supplier Code that applies to all vendors, contractors, service providers, external consultants and professionals that do business with H<sub>2</sub>O Innovation. Under this code, our suppliers are notably asked to commit to comply with all labour and human rights standards, as set through in the laws and regulations in force in the countries where they operate. H<sub>2</sub>O Innovation must be notified of any breach of these commitments and the supplier must take corrective action as soon as possible.
- ii. A Code of Business Conduct and Ethics ([Code of Conduct](#)) that applies to all employees, consultants, managers or directors of the Corporation and requires them to comply with all laws and regulations that apply to H<sub>2</sub>O Innovation's business. Wrongful conducts can be reported under the Corporation's Whistleblower Policy.
- iii. A Procurement Conduct Policy requiring all H<sub>2</sub>O Innovation's employees and representatives to comply with applicable laws and regulations and with the Code of

Business Conduct and Ethics whenever they conduct procurement activities for and on behalf of H<sub>2</sub>O Innovation.

#### **4. PARTS OF THE BUSINESS CARRYING RISK OF FORCED OR CHILD LABOUR AND STEPS TAKEN TO MITIGATE THE RISK**

There are several risks that can be identified:

- Industry-related risks
- Product-related risks
- Country-related risks
- Complexity of the supplier's supply chain
- Supplier's governance framework, policies and controls.

H<sub>2</sub>O Innovation has implemented policies and procedures requiring its suppliers to comply with applicable laws and regulations regarding forced and child labour as well as international labour standards. H<sub>2</sub>O Innovation also reserves the right to request information and supporting documentation demonstrating that the required verifications are completed with their subcontractors on a regular basis. This requirement is included in all agreements executed with suppliers.

During the period covered by this report, H<sub>2</sub>O Innovation has not assessed its suppliers' compliance with applicable laws and regulations against child and forced labour. However, H<sub>2</sub>O Innovation has recently developed a supplier compliance statement, which we have sent to our key suppliers (composed of 80% of direct expenses for tier 1 suppliers) to confirm their compliance with the Supplier Code, including compliance with applicable laws against child and forced labour.

As of the date of this report, 47% of our key suppliers provided their written confirmation of compliance, and the monitoring will continue throughout the current financial year. No situation involving child or forced labour has been reported to H<sub>2</sub>O Innovation.

Although H<sub>2</sub>O Innovation is not currently conducting an explicit mapping of the risk of forced and child labour within its supply chain, we are actively working on implementing robust processes to address and mitigate this risk effectively as part of our 5-year plan. H<sub>2</sub>O Innovation is also working on implementing a human rights policy.

#### **5. REMEDIATION MEASURES AGAINST FORCED AND CHILD LABOUR AND REMEDIATION OF LOSS OF INCOME TO MOST VULNERABLE FAMILIES RESULTING FROM MEASURES TAKEN TO ELIMINATE THE USE OF FORCED OR CHILD LABOUR**

Based on its policies and recruitment processes, no known incidents or significant risks of forced or child labour were identified within H<sub>2</sub>O Innovation's labour force. H<sub>2</sub>O Innovation has not conducted an explicit mapping of the risk of forced and child labour with its suppliers and within their supply chain. No known incident of forced or child labour has been reported to H<sub>2</sub>O Innovation pursuant to the requirements of the Supplier Code.

The issue of remediation is therefore considered not applicable. There was no loss of income for vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour within our supply chain.

## **6. TRAINING PROVIDED TO H<sub>2</sub>O INNOVATION'S EMPLOYEES**

H<sub>2</sub>O Innovation does not tolerate slavery, human trafficking and undeclared, involuntary, forced labour and child labour. This is part of our Code of Conduct and of our Supplier Code, which reflect H<sub>2</sub>O Innovation's values and the behaviours we expect of our employees, representatives and commercial partners in everything they do in the fulfilment of their duties, as it pertains to fundamental rights.

We also regularly review our policies to ensure they continue to be up-to-date, relevant and effective. Our employees are regularly reminded of our policies. All new hires and newly appointed board members are also required to review and acknowledge H<sub>2</sub>O Innovation's policies as part of their onboarding process.

H<sub>2</sub>O Innovation is not currently providing its employees with training on forced and child labour issues but is working on a training plan as part of its 5-year plan. After the Act was passed, H<sub>2</sub>O Innovation disseminated information throughout the company regarding the requirements of the Act.

## **7. ASSESSMENT OF THE EFFECTIVENESS IN ENSURING THAT FORCED LABOUR AND CHILD LABOUR ARE NOT BEING USED IN THE BUSINESS AND SUPPLY CHAINS**

H<sub>2</sub>O Innovation complies with applicable laws and regulations relating to forced and child labour in its recruitment processes. H<sub>2</sub>O Innovation has implemented policies and processes to ensure no forced or child labour is used within its labour force. We uphold a uniform recruitment process for all employees without exception. This process includes the careful collection and verification of necessary documentation to ensure compliance with legal requirements regarding employment eligibility. As part of our recruitment procedures, all job candidates are required to provide a form of identification. This meticulous process ensures that we are in compliance with relevant laws and regulations against child and forced labour.


There is no child as defined in the Act employed by H<sub>2</sub>O Innovation in a way that would contradict the provisions of the Act. We ensure that every employee engages in their duties willingly and without coercion. Our policies, practices, and culture are founded on the principles of respect, fairness, and ethical treatment, safeguarding against any form of exploitation or involuntary servitude. We continuously strive to foster a work environment that values human rights, where all employees are respected and able to work freely.

No actions have been taken to assess the effectiveness of the measures implemented to prevent and reduce the risks of forced and child labour with H<sub>2</sub>O Innovation's direct and indirect suppliers, apart from the recently implemented supplier compliance certificate. However, this will be addressed as part of H<sub>2</sub>O Innovation's 5-year plan.

## 8. APPROVAL AND ATTESTATION

This report was approved by the board of directors of H<sub>2</sub>O innovation on May 23, 2024.

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 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 period listed above.

  
\_\_\_\_\_  
Frédéric Dugré  
President and Chief Executive Officer

*I have the authority to bind H<sub>2</sub>O Innovation Inc. and its subsidiaries*