

This report is Impact Development Group Inc. (“IDG” or “the company”) response to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

IDG satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

The financial reporting year of IDG covered by this report is January 1, 2023, to December 31, 2023.

### **Steps to Prevent and Reduce Risks of Forced Labour and Child Labour**

The Act requires reporting entities to describe what steps they have taken in the 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 produced or imported into Canada by the entity. As described in greater detail below, IDG builds homes in the Republic of Panama and has established corporate policies and due diligence processes to reduce the risk of forced labour and child labour in its supply chains.

### **Structure, Activities and Supply Chains**

IDG is a real estate development company, headquartered in Ontario Canada, providing affordable housing solutions supported by longstanding government subsidy programs. The principal business of IDG is to build and develop affordable, high quality subsidized homes in the Republic of Panama to support the emerging middle-class market. IDG sells directly to the end consumer i.e. residential homeowners. The vision of IDG is effectuated by a vertically integrated model which coordinates all services necessary to develop high-quality residential and commercial buildings; including but not limited to land acquisition, financing, architectural, engineering, off-site manufacturing, general contracting, property management, and administration.

IDG’s active construction operations are restricted to the boundaries of the Republic of Panama at two construction sites – Sona and Santiago. Upon review of the Walkfree global slavery index and the US Department of Labour, IDG acknowledges that the Republic of Panama is identified to have a moderate risk of child labour and or forced labour.

The Company engages in both direct and indirect procurement of goods and services for its operations primarily in the Republic of Panama. IDG’s main supplies that are procured for the company’s operations include: timber, electronics, large construction resources (gravel, cement, etc.), bathroom & kitchen accessories, and small construction materials (nails, paint, steel, etc.). Using the Walk Free Global Slavery Index and the US Department of Labor’s List of Goods Produced by Child Labor or Forced Labor, IDG had a risk assessment conducted on the types of goods purchased from suppliers. These goods have been evaluated on a range of low to extreme inherent risks of forced and/or child labour. IDG is aware that the purchase of highly complex finished goods from manufacturers and/or distributors may contain a different risk profile within these goods due to the multiple parts used in the manufacturing process. The most extreme inherent risks of goods procured include timber, electronics, and large construction materials. IDG does not currently have access to the country of origin for the procured goods, and this may affect the risk ratings of materials purchased.

Direct procurement in the Republic of Panama includes engaging local subcontractors for construction of homes at its Sona and Santiago projects and sourcing of construction materials, from local and domestic suppliers in the Republic of Panama. Contracts with subcontractors are subject to laws and regulations defined by the Ministry of Labour in the Republic of Panama.

The Company's indirect procurement in the Republic of Panama consists of purchasing construction material from local suppliers who may import raw materials and finished goods from outside of Republic of Panama before selling to IDG.

For the financial year ended December 31, 2023, the Company employed approximately 11 employees in Canada and the Republic of Panama, including full-time, part-time, contract and seasonal employees, and approximately 120 sub-contractors staff at its construction sites in the Republic of Panama. The Company procured from approximately 90 vendors in the year ended December 31, 2023 and all were located in the Republic of Panama. 14 out of these 90 vendors individually contributed to more than one percent of total procurement spend in the year.

### **Policies and Due Diligence Processes**

IDG has the following corporate policies and processes designed to support ethical business conduct and mitigate the modern slavery risks in its supply chains.

#### **a. IDG Corporate Policies and Commitment to Ethical practices**

The IDG Board has adopted the Code of Business Conduct and Ethics (the "Code of Conduct") that is based on our core values of honesty, social responsibility, and integrity. The Code of Conduct applies to all employees and independent contractors and includes policies addressing conflict of interest, confidentiality, anti-corruption, the outside activities of employees and officers, gifts and entertainment. All employees must read, understand, and comply with the Code of Conduct, and compliance must be certified annually, following training which is provided on, at a minimum, an annual basis.

The IDG Board and Management is committed to ethical business practices with zero tolerance to fraud and misconduct and has adopted a Fraud Risk Management Policy (the "Fraud Risk policy"). The Fraud Risk policy establishes management's framework of internal controls for the prevention and detection of fraud and misconduct as well as protocols for conducting internal investigations. The fraud risk management program, as defined in this policy, is administered by the Compliance Officer and the Chief Executive Officer who reports the matters to the Board. The policy mandate specifically includes the following:

- Business process control activities including the use of authority and responsibility limits and process/criteria to select vendors and contractors, as well as human resource procedures such as employee background investigations, training, employee surveys, and exit interviews.
- Physical access control activities address admittance to the Company's facilities and right to use of assets, such as inventory and construction sites.
- Logical access control activities address access rights to sensitive information.
- Transaction control activities address procurement procedures, managerial approval limits and requirements and segregation of duties.
- Promotion of a "speak up" culture and provision of multiple channels to report all incidents of fraud and misconduct.
- Procedures to be followed by the Compliance Officer and legal counsel after a misconduct is reported including adequate investigation measures, escalation to management and the Board and reporting to the regulatory authorities and law enforcement, as necessary.

In addition, the Company has a health and safety policy, general HR policies and employee training which aim to provide a secure workplace environment. In addition, IDG construction sites are regularly

inspected by the Ministry of Labour to enforce safety, health and labour code regulations. Combined these policies provide an environment where the risk of exploitation, including forced labour and child labour, is minimized. The Fraud Risk policy provides multiple avenues to the employees to report wrongdoings, unethical behaviours or unsafe environment, including direct supervisors, HR, Compliance Officer, CEO and the Board. These policies can be leveraged and adapted in future if an issue were to arise related to forced labour or child labour and incorporate practices that ensure compliance with non use of forced labour and child labour practices in production and the supply chain.

#### b. Due Diligence Processes

IDG's due diligence processes differ between its subcontractors and suppliers given the differences in purchasing scope and applicability of certain legal and procurement activities.

IDG engages with multiple subcontractors for construction activities at the Sona and Santiago project sites. These subcontractors are selected after a thorough due diligence process ensuring their HR policies are compliant with the laws and regulations defined by the Ministry of Labour in the Republic of Panama. The due diligence process includes review of subcontractor's legal documents, good standing, review of their hiring and HR policies and compliance to Panamanian labour laws relating to employment contracts, minimum wage laws, working hours, occupational safety, accident prevention and active business license. Each site has an inspector hired by IDG to inspect the documents of each staff hired by the subcontractor to work at the site including valid social security and an active contract with the subcontractor. These inspections are done on daily basis and a weekly meeting is held with the subcontractor to review any irregularities and ensure compliance with Industrial Safety and Occupational Health reporting to the Ministry of Labour. In addition, government agencies have authority to inspect construction projects to ensure compliance with local laws, regulations, and standards. These inspections cover various aspects such as safety, environmental impact, labor conditions, and building codes, and are aleatory.

IDG hires suppliers for construction materials after a due diligence process including multiple bids, review of their legal documents, good standing, financial position and their social and corporate responsibility policy for each bidder. IDG ensures it works with companies with strong corporate responsibility and ethical practices. IDG regularly monitors its suppliers with monthly project status meetings. Any compliance or performance issues are addressed proactively and directly with the supplier and escalated to management and Board, as necessary.

In the future, the Company will develop new standard contractual language requiring suppliers where feasible to attest to compliance with certain standards, including the requirement that suppliers either meet or exceed the labour standards as reflected in applicable laws in the Republic of Panama. In addition, the Company will formalize the processes to monitor its suppliers throughout the contractual term.

#### **Remediation Measures (including Remediation of Loss of Income)**

IDG has not identified any instances of forced labour or child labour in its supply chains and therefore the question of remediation is not applicable.

## **Training**

IDG provides health and safety training to all new hires as part of onboarding at the time of hiring. Additional training is provided if the employee's job changes or additional work responsibilities are assigned. This training is repeated by each employee every quarter. In addition, the employee receives technical skills training covering quality control, construction techniques and best practices based on the job responsibilities. Going forward, IDG will enhance the training programs to include materials on human rights, ethical labour practices, modern slavery and importance to eliminating child labour and forced labour in efforts to empower employees with the knowledge to identify, prevent, and address instances of forced labor and child labor within their operations and supply chains.

## **Assessing Effectiveness**

To assess the effectiveness of the foregoing measures, IDG will implement measures including, but is not limited to, periodic reviews of its corporate policies to determine whether updates are warranted, and working with suppliers to measure the effectiveness of their actions to address forced labour and child labour.

### Workplace, Health and Safety Activities

IDG will continue to track workplace incidents and review all inspection reports, investigating each report to ascertain any relevance to forced labor or child labor. IDG maintains a zero-tolerance policy towards workplace harassment, ensuring all reported incidents are promptly conveyed to the executive management and Board, as necessary, along with a corrective action plan for timely resolution.

### Supplier Activities

IDG has identified the need to understand their key suppliers better. This may include further collaboration on where suppliers source their materials from as part of the supplier due diligence process and if suppliers have identified any forced labour or child labour within their company activities currently or in the past.

## **Steps Taken to Prevent & Reduce Risk of Child or Forced Labour**

IDG is currently exploring potential approaches and will look to select the most applicable avenue that is applicable to IDG's business eco-system to prevent forced labour and/or child labour at the company's operating sites. Some of these approaches may include:

- Mapping supply chains and regular supplier audits and reassessments
- Supplier questionnaires during selection process to assess supplier hiring and procurement policies and code of conduct to be adhered to by the supplier
- Anti-forced labour and/or child labour contractual clauses
- Anti-forced labour and/or child labour standards, codes of conduct and/or compliance checklists for employees, subcontractors and suppliers
- Assessment of risks of forced labour and/or child labour in the organization's activities and supply chains including continuous reporting to the Board
- Enacting measures to remediate the income loss of forced labour and/or child labour
- Training and awareness materials to employees and subcontractors
- Procedures to track performance

### **Concluding statement on Identifying Forced Labour and Child Labour Risks**

IDG acknowledges that no industry can be assumed to be entirely free of forced labour and child labour risks and is aware of the need to identify risks in its supply chain. IDG has not done a comprehensive internal assessment to identify the categories of goods that it procures from foreign jurisdictions through its suppliers with known or suspected forced or child labour violations.

IDG is currently working on this assessment and concurrently in the process of maturing its Fraud Risk policy and procurement due diligence procedures to address evolving risks and incorporate best practices. As part of this work, IDG will develop a risk assessment framework to be used to review IDG's supply chains and identify any areas that may carry increased risks. This exercise will be completed and will be addressed in IDG's next disclosure.

### **Statement of Approval:**

This statement was approved for publication by the Chief Executive Officer of IDG on May 30, 2024.

### **Attestation:**

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 reporting year listed above.

Full name: Thomas Wenz

Title: Chief Executive Officer

Date: May 31<sup>st</sup> 2024

Signature: Thomas B Wenz

I have the authority to bind IDG.