

2023 Report

Modern Slavery: Fighting Against Forced Labour and Child Labour Review

May 2024

EXECUTIVE SUMMARY

The Newfoundland and Labrador Hydro Group of Companies (Hydro) is a provincial crown corporation, providing safe, cost-conscious, reliable electricity while harnessing sustainable energy opportunities to benefit the people of Newfoundland and Labrador (NL). Hydro manages the province's electricity system, generating and transmitting the vast majority of electricity used in the province every day.

Hydro believes it's not only what we achieve, but how we achieve it, that allows us to be proud of what we accomplish. That's why we work each day to minimize our impact and ensure we harness opportunities that promote a sustainable future for our province for generations to come. In 2018, Hydro achieved Electricity Canada's Sustainable Electricity Leader™ Designation which recognizes our commitment to responsible environmental, social and economic practices, and to the principles of sustainable development.

"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. The measures introduced through former 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), aim to increase industry awareness and transparency and drive businesses to improve practices."

Public Safety Canada, 2024

As per our requirements under the *Fighting Against Forced Labour and Child Labour in Supply Chain Act*, Hydro has submitted the following report to Public Safety Canada. The report outlines Hydro's actions and plans to prevent and reduce the risk that forced labour or child labour is used across our operations.

1.0 Introduction

This Report is made jointly by the Newfoundland and Labrador Hydro Group of Companies which includes the parent corporation, Nalcor Energy, and its subsidiaries¹ (collectively, “Hydro”, “we”, “our” or “us”) for the financial year ending December 31, 2023 and sets out the steps Hydro has taken to prevent and reduce the risk that forced labour or child labour is used by Hydro’s operations or in the production of goods imported into Canada used by Hydro.

This Report constitutes the first report prepared by Hydro pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chain Act* (“the Act”).

2.0 Hydro’s Structure, Activities & Supply Chain

2.1 Structure

Hydro consists of two statutory corporations, as well as, a number of subsidiaries and affiliates incorporated and existing pursuant to the *Corporations Act* (Newfoundland and Labrador) or the *Canadian Business Corporations Act* (Canada). Hydro’s corporate head office is in St. John’s, Newfoundland and Labrador. Hydro’s business is the provisions of utility and related services.

Hydro’s organizational structure consists of an independent Board of Directors and Executive Leadership Team, providing oversight and management of Hydro and its operations.

The Board and Executive Leadership structures as at December 31, 2023 are as follows:

¹ Refer to Organization Chart page 4

NALCOR ENERGY BOARD OF DIRECTORS:

ALBERT WILLIAMS

Chairperson (On Leave)
Retired Engineering Executive

JOHN GREEN K.C.

Acting Chairperson
Retired Lawyer, McInnes Cooper

GEOFF GOODYEAR

Retired Executive, Universal Helicopters
Newfoundland and Labrador LP

JACK HILLYARD

Retired BMO Executive

MARK MACLEOD

Formerly President and CEO, C-Core

JENNIFER WILLIAMS

President & Chief Executive Officer
Nalcor Energy

DEBBIE MOLLOY

Vice President, Human Resources Eastern
Health

DEREK PURCHASE

Corporate Director

DAVID OAKE

President, Invenio Consulting Inc.

EDNA TURPIN, ICD.D

Corporate Director

NEWFOUNDLAND AND LABRADOR HYDRO BOARD OF DIRECTORS:

ALBERT WILLIAMS

Chairperson (On Leave)
Retired Engineering Executive

JOHN GREEN K.C.

Acting Chairperson
Retired Lawyer, McInnes Cooper

JENNIFER WILLIAMS

President & Chief Executive Officer
Nalcor Energy

DONNA BREWER

Retired Deputy Minister of Finance

CHRIS LOOMIS

Retired Professor, Memorial University of
Newfoundland

DAVID OAKE

President, Invenio Consulting Inc.

FRASER EDISON

President & CEO Rutter Inc.

JOHN MALLAM

Retired Newfoundland and Labrador Hydro
Executive

BRIAN WALSH

Retired FortisTCI Executive

TRINA TROKE

Director, Project Delivery, Cahill Group

BOB BARNES

Retired Newfoundland and Labrador Hydro
Executive

JAMES HAYNES

Retired Newfoundland and Labrador Hydro
Executive

HYDRO GROUP OF COMPANIES LEADERSHIP TEAM:

JENNIFER WILLIAMS

President & Chief Executive Officer

GERARD DUNPHY

Vice President, Churchill Falls & Muskrat Falls

ROBERT COLLETT

Vice President, Hydro Engineering & NLSO

GAIL COLLINS

Vice President, People & Corporate Affairs

SCOTT CROSBIE

Vice President, Hydro Operations

DANA POPE

Vice President, Regulatory & Stakeholder Relations (Acting)

LISA HUTCHENS

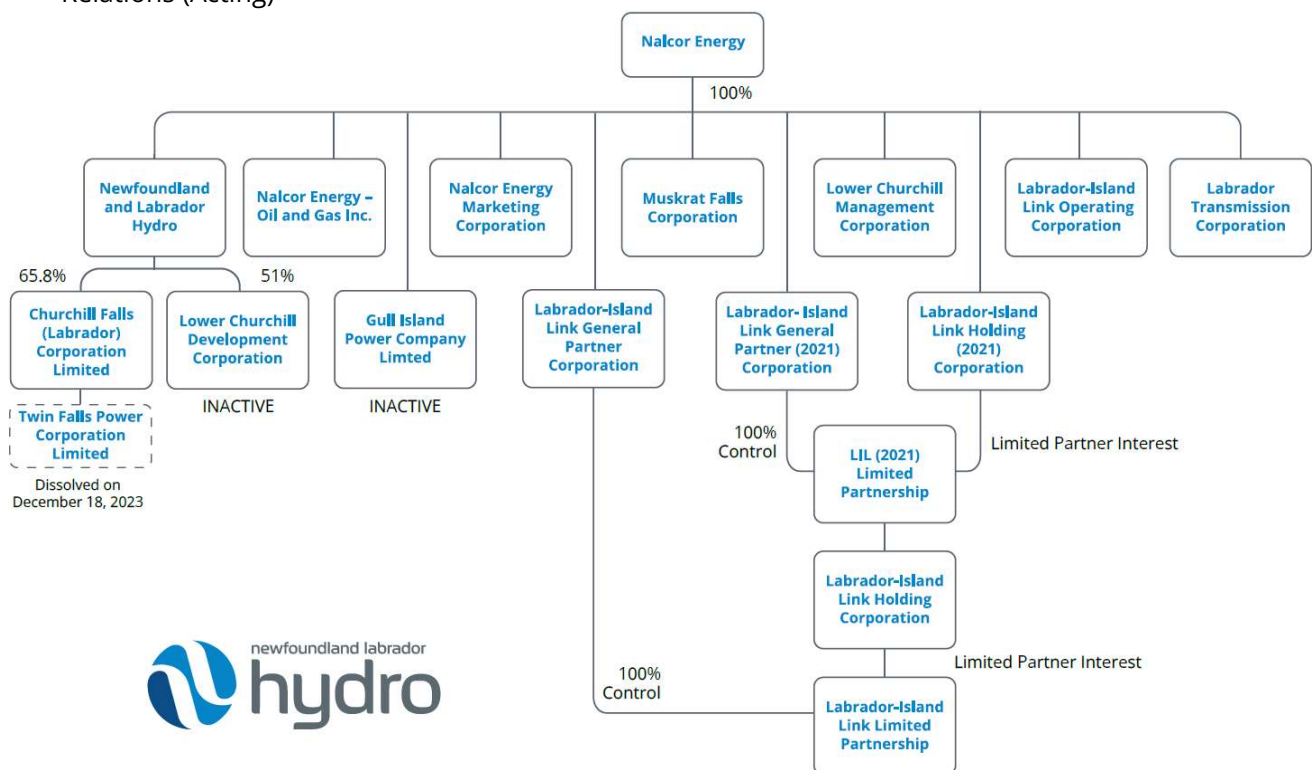
Vice President, Chief Financial Officer

MICHAEL LADHA

Vice President, Chief Legal Officer & Corporate Secretary

WALTER PARSONS

Vice President, Transmission Interconnections & Business Development



Newfoundland and Labrador's Hydro (Nalcor) subsidiaries organizational chart.

2.2 Activities

Hydro is a provincial crown utility, providing safe, cost-conscious, reliable electricity while harnessing sustainable energy opportunities to benefit the people of Newfoundland and Labrador. Hydro, through its subsidiaries, delivers on the core activities:

Generation

As the province's primary power generator, Hydro produces the majority of the electricity that serves the province every day. Its mix of generation assets have an installed capacity of more than 8000 MW, delivering more than 40 TWh of energy annually. Hydro teams operate 13 hydroelectric plants, one oil-fired plant, four gas/combustion turbines, and 23 remote diesel plants. Hydro also operates the Exploits hydroelectric plants on behalf of the provincial government and have entered into a number of power purchase agreements with non-utility generators to supplement generating capacity.

Distribution and Transmission

Hydro's provincial system includes more than 10,000 km of transmission and distribution lines that span through some of the most geographically challenging and isolated areas of NL. The system includes dozens of high-voltage terminal stations and lower-voltage distribution stations, connecting power from Labrador to the island. This system also includes three 35 km submarine cables that stretch along the seabed of the Strait of Belle Isle. Hydro distributes electricity directly to approximately 38,000, supported by a customer service team. Hydro also provides electricity to Newfoundland Power which further distributes to its 274,000 customers.

Newfoundland and Labrador System Operations

The Newfoundland and Labrador System Operator (NLSO) is responsible for the safe and reliable operation of the bulk electric system in Newfoundland and Labrador. The system is monitored 24/7 by a team of highly trained System Operators in our Energy Control Centre (ECC).

Electrification and Energy Efficiency Services

Hydro launched and is actively working to expand the province's first ever network of Electric Vehicle fast chargers. Hydro is also a partner of takeCHARGE, which combines its expertise and customer reach with that of Newfoundland Power. As part of the takeCharge team, Hydro works to bring energy efficiency awareness and rebate programs to Newfoundlanders and Labradorians.

Energy Marketing

Hydro's Energy Marketing team works 24 hours a day, 7 days a week, monitoring the system's supply, local electricity use, and demand for electricity in other markets. Comprised of three main areas, Trading (including Information Systems), Analytics, and Regulatory, Energy Marketing's structure reflects its multifaceted role. Trading oversees daily optimization of assets and energy sales, Analytics monitors market trends, and Regulatory ensures compliance with regulatory requirements.

Corporate Services

Corporate Services provides certain centralized support services to Hydro's businesses, including governance, risk management, finance, treasury, internal audit, information services, supply chain management, human resources, learning and development, customer service, public and government affairs, legal, regulatory affairs, employee engagement, community investment, and health, safety and environment.

Employees: As of December 31, 2023, Hydro had approximately 1500 full-time equivalent positions.

Locations: The following map shows the primary locations of Hydro's activities. Hydro does not own or operate any goods production, manufacturing, growing, extracting, and processing, sale or distribution facilities outside of Canada.

LEGEND

- Hydroelectric Generating Station
- Gas/Combustion Turbine
- ◆ Holyrood Thermal Generating Station
- ▲ Diesel Plant
- ⚡ Wind Generation
- ★ Operated on behalf of Mushuau Innu First Nation
- ★ Operated under licence from the Government of Newfoundland and Labrador
- PPA Power Purchase Agreement



2.3 Supply Chains

Hydro purchases a variety of goods and services to support its operations. Hydro's supply chain spans across many industries and sectors, with several having complex multi-tiered and global downstream supply chains.

In 2023, Hydro's Canadian-based operations issued purchase orders totaling \$530 million CAD with 898 active Tier 1 suppliers. Hydro's supply chain consists of the following major spend categories:

- Construction contractors and trades
- Engineering and architectural services
- Major equipment including power transformers.
- Utility infrastructure products (cable, wire, utility poles, etc.)
- Maintenance, repair, and operations products including electrical hardware, tools, consumables, furniture, office equipment and supplies, etc.
- Personal protective equipment and apparel
- Fleet vehicles and fleet maintenance parts and services
- Information technology hardware, software and related services
- Professional services including management consultants and contractors and legal, regulatory and tax services

3.0 Summary of the parts of Hydro's business that carry a risk of forced labour or child labour, and steps Hydro has taken during the previous financial year to assess and manage the risk

Hydro completed the following steps in 2023:

Step 1: Established governance to address risks of forced labour and child labour

Hydro formed a Modern Slavery Review Committee (MSRC), including members of Hydro's Supply Chain, Legal (which includes compliance), Human Resources and Public Affairs teams, for the purpose of preventing and reducing the risk of forced labour and child labour being used within its business and supply chains.

Step 2: Assessed the risk

Hydro completed internal meetings to determine how to prepare to complete an assessment to determine the risks of forced labour and child labour within its supply chains.

Hydro will evaluate how to identify high risk goods (i.e. those at a higher risk of being produced using forced labour or child labour) that it purchased. Below is high level plan to begin in 2024.

1. Identify and list Tier 1 suppliers and their locations (where practicable).
2. Cross referenced the list of Tier 1 suppliers against the U.S. Department of Labor 2022 list of goods at risk for forced and child labour, and a reputable Human Rights Group Global Slavery Index list to identify Tier 1 suppliers that are located in countries where there is a high risk of forced labour and child labour. From this list Hydro will identify Tier 1 suppliers located in high risk countries.
3. Identify and begin a review of goods that were purchased from suppliers located in high risk countries.
4. Assess whether or not the goods identified in Step 3 were high risk, based on information included on the 2022 U.S. Department of Labor list of Goods Produced by Child Labor or Forced Labor and a Global Slavery Index.

Based on the above, Hydro will be able to identify any high risk goods. If Hydro identifies, or becomes aware of the use of forced labour or child labour in its goods supply chains, it would respond as outlined in section 5.0 below.

With respect to its supply chains and businesses, Hydro must comply with all Canadian labour laws. As a result, the risk of forced labour and child labour in Hydro's services supply chains and businesses is perceived as low.

Step 3: Ensured forced labour and child labour restrictions are included in its standard form contracts' Terms and Conditions

In 2023, Hydro began a review of the Terms and Conditions (T&Cs) included in its various goods and services contracts. These new T&C's and new contract templates are to be released in 2024 with the intention to address a variety of global issues including restrictions on the use of forced labour and child labour.

Two actions were identified for 2024:

1. Hydro will include a clause restricting the use of forced labour and child labour in the T&Cs used in all of its goods contracts.
2. Hydro will add a contractual requirement on goods and services providers to notify Hydro if they identify that forced labour or child labour is used within their business or supply chains.

4.0 Hydro's policies and due diligence processes in relation to forced labour and child labour.

Hydro is committed to responsible business conduct and has implemented a number of due diligence processes and policies to support governance in areas of business conduct and ethics, economic, social and environmental sustainability. For more information, please see Hydro's 2023 Environmental Social and Governance (ESG) Report, available on nlhydro.com.

Hydro's policies and due diligence related to forced labour and child labour are discussed below.

Code of Business Conduct and Ethics (the Code). The Code is our guide to practice responsible and ethical behaviour - outlining our commitment to professional and ethical business practices.

Hydro is committed to ensuring the highest possible standards of business conduct and ethics in our relationships with all parties with whom we conduct business on either a commercial or non-commercial basis. Hydro expects all employees, officers, and directors of the Company, as well as contractors (including embedded contractors and professional service consultants), suppliers, agents and representatives to the extent practical, to conduct themselves in a professional manner at all times, and to avoid any business practices or conflicts of interest which have the potential to be in conflict with the Company's core values; impair the reputation of the Company; or expose the Company to unnecessary financial or other liabilities.

The Code explains what accountabilities exist for employees, Supervisors and Managers, and others who are representing the views or interests of our Company. The Vice President of People and Corporate Affairs is accountable for overall

management of the Code. The Board of Directors is responsible to approve the Code as well as any significant revisions.

Collective Agreements

Hydro's unionized employees represent the majority of workers and are covered by five collective agreements that provide for labour and bargaining rights including various protections. This helps ensure that Hydro's unionized workforce is free of forced labour and child labour.

The following labour unions are present at Hydro:

- International Brotherhood of Electrical Workers local 1615 (have three collective agreements)
- International Brotherhood of Electrical Workers local 2351 (have two collective agreements specific to Churchill Falls Co. Limited)

Employment Policies that ensure compliance with employment standards.

Hydro's employment policies are aligned with legislative requirements and practices that meet required labour standards and which would ensure the workforce is free of forced labour and child labour.

Legal Standard Form Contracts & Contract Review Procedure. With limited exceptions, Hydro uses standard form contracts to ensure that Hydro contracts mitigate risks and bind suppliers to applicable legislative or regulatory requirements, and Hydro policies.

In 2024 Hydro's standard form contracts will contain express provisions dealing with compliance with policies and the law, including those related to forced labour and child labour.

Comply with Applicable Laws and Trade Agreements. Hydro complies with all applicable Canadian laws and trade agreements where required, such as the *Canada-European Union Comprehensive Economic and Trade Agreement*.

Ongoing Plans

In 2024, the following actions are planned to help strengthen Hydro's due diligence processes related to mitigating risks associated with forced labour and child labour:

- Include clauses restricting forced and child labour in the T&Cs used in all of its standard form contracts and add a clause requiring all providers to notify Hydro if they identify that forced labour or child labour is used within their business or supply chains;
- Review Hydro procurement processes and consider the creation of a Supplier Code of Conduct with specific requirements related to forced labour and child labour;
- Review potential training programs to deliver relevant training to employees who play a role in supporting the identification of, protection against, and risk mitigation of any cases, or suspected cases, of forced labour or child labour; and
- Investigate methods used to assess the effectiveness of Hydro's approach to ensuring that forced labour and child labour are not being used in its business and supply chains.

4.1 Any measures taken to remediate any forced labour or child labour.

In 2023, Hydro did not identify any cases, or suspected cases, of forced labour or child labour. As such, Hydro did not undertake any remediation measures in its business or supply chains.

If Hydro does identify a suspected case of forced labour or child labour used in its businesses or supply chain, it will follow the steps outlined by a reputable human rights organization specializing in eradication of modern slavery which may include:

- Investigate and Verify
- Remediate Harm to Workers
- Mitigate and Prevent Future Harms
- Escalation if required
- Incident Reporting and Tracking
- Review

6.0 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.

As Hydro did not identify any cases, or suspected cases, of forced labour or child labour in 2023, Hydro did not take actions to remediate any loss of income to vulnerable families that would have resulted from measures taken to eliminate the use of forced labour or child labour in its activities and supply chains.

7.0 Training provided to employees on forced labour and child labour.

As noted above, in 2023 Hydro formed its MSRC and commenced information gathering and planning, including possible training for procurement and/or other personnel. As part of its plans in 2024, Hydro is reviewing potential internal and external training programs for delivery to employees who play a role in supporting the identification of, protection against, and risk mitigation of any cases, or suspected cases, of forced labour or child labour.

8.0 How Hydro assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

In 2023, Hydro formed its MSRC and conducted the steps described in Section 3 above. In 2024, Hydro plans to investigate further methods to conduct effective assessments.

Attestation

In accordance with the requirements of the Act, and in particular section 11(4) (b) (ii) 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 year listed above.

Full name: John Green, K.C.

Title: Acting Board Chairperson

Date: May 29, 2024

Signature: 

I have the authority to bind Hydro Group of Companies, including parent company Nalcor Energy and subsidiaries listed herein.