

April 24, 2025

## **Report on Bill S-211 Fighting Against Forced Labour and Child Labour in Supply Chains Act**

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

#### **a) Structure**

##### Legal & Corporate Structure & Employees

Festival Hydro Inc. ("FHI") is a wholly owned subsidiary of the City of Stratford. FHI was incorporated on November 1, 2000 under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act Laws of the Province of Ontario, Canada.

FHI employs 43 people. Most of this workforce is engaged directly via employment contracts or via a Collective Bargaining agreement. Our employment contracts and workplace policies are regularly reviewed to ensure compliance with workplace laws.

#### **b) Activities**

FHI's mandate is to provide safe, reliable, efficient / cost effective delivery of electricity to the residents and businesses in our service territory, the citizens of the City of Stratford, the Town of St. Mary's, and the communities of Brussels, Dashwood, Hensall, Seaforth, and Zurich, under a license issued by the Ontario Energy Board ("OEB"). FHI is regulated by the OEB and adjustments to FHI's electricity distribution rates require OEB approval.

#### **c) Supply Chains**

The bulk electricity system in Ontario is broken into three main segments:

- 1) Generation: the production of electricity through the operation of nuclear, hydro, natural gas, solar, or wind, etc. facilities;
- 2) Transmission: the bulk movement of the electricity from the generating site along high-voltage power lines over long distances; and
- 3) Distribution: carrying the electricity from the transmission system to individual consumers.

Another important participant in the bulk electricity system, is the Independent Electricity Operator ("IESO"), which operates and monitors the province wide electricity grid, directing the flow of electricity, balancing the hundreds of supply resources with demand.

As a distributor, FHI's role is to deliver electricity safely and reliably, at a reasonable cost. However, as the point of contact for electricity with the end-use customer, FHI invoices and receives revenue for the entire bulk electricity system, including generation, transmission, and distribution. The revenues collected for generation and transmission are remitted as a pass through (with no profit gained) to the corresponding entities via the IESO.

Depending on which stance you take on the definitions, and the thresholds for compliance of Bill S-211, FHI may or may not be deemed to comply. According to FHI's financial statements, two of the three thresholds for compliance are satisfied. Though there are facts not explained in the financial statements that add complexity to our decision to comply.

- i. The definition of a good, in the normal sense of the word, would not include the delivery of electricity.
- ii. Effectively, the 2024 revenue earned from FHI's system and delivery of electricity, is approximately 99% of Total Revenues, or CAD \$80.6 million of CAD \$81.4 million.
- iii. As the owner, constructor, and maintainer of the distribution system within its territory, FHI's Total Assets is largely based on the infrastructure assets which have an operating life of between 30 and 60 years. In 2024, FHI's Total Assets were CAD \$70 million. However, the capital expenditures in 2024, which more closely reflects the purchase of new assets, totaled CAD \$7.8 million, or 11% of Total Assets.

Despite the size of the organization in comparison to the Act's thresholds, and without complete clarity on the definition of a good, FHI has chosen to comply.

## **2) Policies and Due Diligence Processes**

### **a) Internal**

FHI values its reputation and the trust that exists between FHI, its employees, the public, our customers, and our business associates. We encourage employee actions that align with our purpose, and to be a long-term community partner. We maintain a respectful workplace free of discrimination, sexual harassment, and workplace harassment, and believe that all workplace incidents, illnesses, and environmental impacts are preventable and that no task or production schedule is more important than the mental and physical health of a worker, the safeguarding of the public, or the protection of the natural environment.

FHI complies with all applicable provincial and federal laws and regulations as a minimum standard. All employees acting on behalf of FHI are expected to comply with this commitment and all related corporate policies, including:

#### Laws and Regulations

- Employment Standards Act 2000;
- Labour Relations Act, 1995;
- Personal Information Protection and *Electronic Documents Act* (Canada), 2000;
- Ontario Human Rights Code, R.S.O. 1990; and
- Occupational Health and Safety Act as amended, R.S.O. 1990 ("OHSA).

#### Internal Codes & Policies

- Code of Conduct;
- Mission, Vision and Values Policy;
- Health & Safety Standards and Procedures;

- Diversity, Equity, and Inclusion Policy, referring to the Ontario Human Rights Code, and Canadian Human Rights Act;
- Discrimination and Harassment Policy;
- Violence in the Workplace Policy;
- Code of Business Ethics and Conduct; and
- Accessibility (AODA) Policies.

#### Hiring Practices & Policies

Within the various policies and hiring procedures, FHI adheres to the following extracted items:

- All open job opportunities are posted on a variety of website job boards, and on FHI's website, inviting candidates to apply;
- In compliance with provincial regulations, we adhere to all requirements regarding minimum age of employment and eligibility for student placements;
- Barring exceptional circumstances, in no case shall an employee be required to work more than 60 hours in any one week;
- In accordance with the Employment Standards Act, 2000, employees are generally not required to work on public or paid holidays, except as required for business operations or in exceptional circumstances, including scheduled on-call duties as agreed in the union contract;
- Employees are entitled to rearrange their work duties without loss of pay in order to observe the religious holiday(s) of their faith; and
- Employees are offered: sick leave, bereavement leave, pregnancy leave, parental leave, family medical leave.

FHI has 30% of employees represented by IBEW Local 636, providing the prompt and equitable resolution of employment related complaints, grievances and disputes, promoting co-operation and understanding between FHI and members of the bargaining unit, and recognizing the mutual value of joint discussions and negotiations in matters pertaining to the improvement of working conditions, scale of wages, employee benefits and other employment-related matters.

#### **b) External**

FHI strives to only work with suppliers and manufacturers that align with our key principles, behaviours, and core values. The current supplier contract includes provisions requiring suppliers to comply with applicable Canadian laws.

Working to maintain an open and competitive purchasing environment, FHI has a Purchasing Policy in place to ensure reliable suppliers and contracts. Furthermore, all FHI suppliers have acknowledged compliance with Federal Labour Standards.

### **3) Risk of Forced Labour and Child Labour, Mitigation of the Risk**

#### **a) Internal**

Given the adherence to laws, and the policies and procedures in place for all employees, FHI is confident that there is no forced labour or child labour within its employees, all of whom work and reside in Ontario, Canada.

#### **b) External**

FHI purchases finished products or electrical distribution equipment ("equipment") that it then uses to assemble according to its own engineered designs to provide the service of electricity. The equipment and the assemblies of the equipment must be specifically designed for a few main factors: 1) electricity is dangerous to everyone and anything that is near it, 2) electricity is a necessary service that every resident, business – commercial and industrial customer connected to the electricity system relies on; 3) the system is installed and operates in the public domain, overhead along the streets, highways, and underground of the streets and houses. In order to deliver a safe, reliable system that will withstand the outside environment in which it is situated for many decades, the majority of the equipment utilized is designed to an industry specification and must meet performance tests as per an industry standard, such as those developed by the Canadian Standards Association. As a further step of due diligence, all equipment used in FHI's system is approved for use by a Professional Engineer as per Ontario Regulation 22/04, which includes an annual audit on the approval process. Therefore, production of electricity distribution equipment requires high quality and precision, which is achieved with a manufacturing sector that has high skill, training, and labour rates. As such, the electricity sector is not prone to forced labour or child labour.

Bill S-211 seeks to help eradicate child and forced labour contributions to the Canadian economy particularly in the areas as identified by the report *Ending child labour, forced labour and human trafficking in global supply chains*: International Labour Organization, Organisation for Economic Co-operation and Development, International Organization for Migration and United Nations Children's Fund, 2019. The report specifically identifies Africa, Asia, Latin America, and the Caribbean as areas of concern.

A review of the equipment used by FHI in the electricity distribution system notes that, based on the 2024 spend of CAD \$7,800,000, 100% is supplied from Canada or the United States of America.

### **4) Assessment its Effectiveness, Steps to Prevent and Reduce Risks of Forced Labour and Child Labour**

FHI has witnessed no evidence of forced labour or child labour in its supply chains. We have completed a review of our first tier suppliers and some second tier manufactures, finding that many of the manufacturers have addressed forced labour and child labour in their Codes of Conduct. FHI has also updated their supplier contract and purchasing policy to include language regarding forced labour or child labour. Given this and the location and high quality involved in manufacturing the equipment purchased by Entity to be used in the distribution system, the risk of forced labour and child labour being present in FHI's first and second tiers of the supply chain is relatively low.



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FHI has also completed training for employees making contract and purchasing decisions called "forced and child labour in business supply chains" to raise awareness and understanding within the company.

However, FHI is committed to working collaboratively with the suppliers we are in business with, along with industry stakeholders to understand where risks are, and where we need to make changes. We are committed to improving our practices to combat forced labour and child labour. We recognise that forced labour and child labour is a real yet hidden issue. We will not tolerate either forms of slavery in our business or supply chain.

**5) 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 Festival Hydro Inc. 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

Gerry Guthrie

Title

Chair, FHI Board of Directors

Date

2025-04-25

Signature

  
Gerry Guthrie, Apr 25, 2025 16:48:01

"I have the authority to bind 'Festival Hydro Inc.'"