



Hydro-Québec's 2024 report on steps to prevent and reduce the risks of forced labour or child labour in its supply chain

Direction principale – Approvisionnement stratégique

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1. Introduction

This report was prepared by Hydro-Québec as required under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) to outline the steps Hydro-Québec has taken to address forced labour and child labour in recent years, and during the last year in particular.

Child labour and forced labour are serious human rights violations and generally involve the most vulnerable members of society. Found mainly in low-skilled labour-intensive industries that are often unregulated, these practices impact large international companies like Hydro-Québec whose supply chains are complex and include many types of suppliers and subcontractors in all parts of the world.

Hydro-Québec obtains goods and services from suppliers and subcontractors exposed to these risks in countries where such labour practices—considered forms of modern slavery—exist. In preparing this report, we used the definitions of child labour and forced labour provided in the Act.

2. Presentation of Hydro-Québec

Hydro-Québec is a government corporation with its head office in Montréal. The Québec government is its sole shareholder. Hydro-Québec’s mission is to provide reliable electric power to the Québec market by using primarily clean and renewable sources of energy and operating an integrated electricity generation, transmission and distribution system. The company also exports electricity to neighbouring markets in Canada and the United States.

The largest hydropower producer in Canada and a major player in the global hydropower industry, Hydro-Québec procured goods and services totalling about \$6 billion from approximately 8,500 suppliers in 2024.

3. Our structure, policies and due diligence process

Hydro-Québec is aware of the level of complexity of its supply chain and the risks to which it is exposed; the organization has been including an ethics component in its strategic thinking for a number of years. For instance, Hydro-Québec has implemented a rigorous governance structure to effectively deal with the risk of human rights violations.

3.1 Corporate structure

Hydro-Québec's Board of Directors (the "**Board**") oversees the company's human rights action plans and the progress of the company's human rights work.

The Board is supported in this oversight by the Governance and Customer Experience Committee, composed of independent directors, and by a management system and governance structure built on integrity.

All parties concerned work together tirelessly to increase the ethical awareness and commitment of corporate stakeholders. Hydro-Québec has implemented a governance structure based on reference documents and stringent verification measures to guarantee compliance and transparency. The documents listed below reflect this guarantee and are applied to the company's supply chain management in order to minimize risks involving human rights violations.

3.2 Our policies and reference documents

Code of Conduct

The *Supplier Code of Conduct*⁽¹⁾ (the "Code") sets out what Hydro-Québec expects from suppliers and subcontractors with whom the company has a business relationship, that is, any connection or exchange, whether verbal or written, and with or without a contract.

The Code clearly states that suppliers must undertake to comply with applicable human rights legislation such as the *Charter of Human Rights and Freedoms* and with international instruments such as the *Universal Declaration of Human Rights*, the fundamental conventions of the International Labour Organisation (ILO) and the *United Nations Global Compact* guiding principles on business and human rights.

The Code applies in addition to laws, regulations, standards, rules and contractual agreements between Hydro-Québec and suppliers.

Mandatory disclosure: Conflicts of interest and solemn declarations

Suppliers must sign the *Déclaration obligatoire : conflits d'intérêts et affirmations solennelles*⁽²⁾ (mandatory disclosure : conflicts of interest and solemn declarations) to confirm they have read the Code and agree to be bound by its provisions for each step in the procurement process for which they submit a bid. The disclosure was updated in 2024 to include a specific provision on human rights and requires that suppliers read and undertake to comply with the Act, the *Universal Declaration of Human Rights*, the fundamental conventions of the International Labour Organisation and the *United Nations Global Compact*. In addition, as in the past, suppliers are required to declare that they have not been sanctioned by another organization or under a sanctions regime in the last five years.

Similarly, the disclosure now requires suppliers to declare that, to the best of their knowledge, they and their subcontractors do not appear on the Consolidated Canadian Autonomous Sanctions List. It also requires suppliers to disclose any other fact, situation, business relationship or transaction of which they are aware that could expose Hydro-Québec to risks involving human rights violations.

Reporting policy

In the event of a risk involving human rights violations, Hydro-Québec encourages suppliers and other stakeholders to use the reporting mechanism it has implemented.

Anyone can in good faith report ethical misconduct by calling 1 866 384-4783 or completing a secure form as provided in the *Politique de signalement à l'égard des activités d'Hydro-Québec et de demande d'accompagnement ou de médiation en cas de situation difficile au travail*⁽³⁾ (policy for reporting on Hydro-Québec's activities and requesting support or mediation in the event of a difficult situation in the workplace.) This entire process is handled confidentially.

Handling of breaches

In the event of a breach to the Code, the *Norme de traitement des manquements au Code de conduite des fournisseurs d'Hydro-Québec*⁽⁴⁾ (standard for handling breaches of Hydro-Québec's Supplier Code of Conduct) specifies procedures for handling breaches to determine appropriate sanctions and fair decisions. A governance structure specific to the analysis of breaches ensures that verifications and investigations can be conducted and sanctions can be applied to Hydro-Québec suppliers in situations where allegations of breaches have been confirmed.

3.3 Our corporate due diligence and monitoring process

The objective of Hydro-Québec's corporate due diligence ("CDD") process is to ensure that our supplier base is continuously monitored and that none of our suppliers have business relationships with individuals or entities sanctioned nationally or internationally for human rights violations. Hydro-Québec also has advisors who are called upon regularly to prepare exhaustive corporate due diligence reports. This allows information obtained about suppliers to be verified. In addition, human rights issues (or potential issues) can be detailed and documented thoroughly. In 2023, Hydro-Québec awarded a contract to an outside expert to support its teams in complex international due diligence investigations.

Each year, the monitoring mechanisms instituted in 2021 give rise to preventive measures concerning certain suppliers on the human rights front. Various administrative sanctions were imposed on the suppliers concerned in accordance with the standard for handling breaches of Hydro-Québec's Supplier Code of Conduct mentioned above. These included remedial measures, loss of bidding privileges and preventive measures.

To date, Hydro-Québec has not identified any situations involving forced labour that resulted in a loss of income.

4. Risk assessment in our supply chain

4.1. Hydro-Québec

The objective of Hydro-Québec's policies, mechanisms and action plan to prevent and reduce the impacts of risks involving forced labour is to reiterate the organization's expectation concerning suppliers and their subcontractors, improve transparency and ensure that its supply chain does not include any forced labour.

Hydro-Québec worked with an external firm in 2022 to channel its efforts and identify the risk levels of various purchase categories. The in-depth analysis helped ascertain at-risk sectors, providing a sound basis for directing efforts in the fight against forced labour. As a result, Hydro-Québec can now focus its actions more effectively and bolster its commitment to responsible and ethical supply practices.

4.2. Hydro-Québec subsidiaries

Hydro-Québec has also developed similar mechanisms specifically for its subsidiaries, notably:

- Application of a Code of Ethics and Rules of Professional Conduct for Directors and Executives of Hydro-Québec and Its Wholly Owned Subsidiaries;
- Application and update of a code of ethics for employees of corporations in which Hydro-Québec holds at least 90% of the voting shares directly or indirectly;
- Application of a policy on governance of Hydro-Québec subsidiaries that sets forth Hydro-Québec's commitments.

4.2.1 Hilo Services inc. ("Hilo") and Hydro-Québec Industech inc. ("Industech")

Hilo is a corporation and a wholly owned subsidiary of Industech (also a corporation), within the meaning of section 10 of the Act. More specifically, Hydro-Québec holds all the shares of Industech, which in turn holds all the shares of Hilo.

Hilo's mission is to develop innovative, value-added products and services for customers in the energy sector and related fields. Industech's mission is to pursue the industrial production and marketing of technologies resulting from Hydro-Québec's research activities, in partnership with the private sector, a mission accomplished by holding shares in subsidiaries such as Hilo. As such, Industech is a management company that does not engage in any commercial activity and therefore has no supply chain of its own.

Given the above, all measures taken by Hilo, including the application of a Procurement Policy and employee training, also constitute modern slavery risk prevention and reduction measures for Industech.

4.2.2 Marketing d'énergie HQ inc. ("MEHQ")

MEHQ is a corporation and a wholly owned subsidiary of Hydro-Québec, within the meaning of section 10 of the Act. More specifically, Hydro-Québec holds all the shares of MEHQ.

MEHQ's main mission is to hold shares for Hydro-Québec in the energy sector and to conduct energy transactions in Canadian markets outside Québec. MEHQ is also authorized by the Federal Energy Regulatory Commission to negotiate energy transactions at market price in the United States.

MEHQ's market, credit and liquidity risks in the course of its business operations are largely assumed by its parent company, Hydro-Québec.

MEHQ's sole supplier is Hydro-Québec. Accordingly, all measures taken by Hydro-Québec and described in this report also constitute modern slavery risk prevention and reduction measures for MEHQ.

4.2.3 Société en commandite hydro-électrique Manicouagan ("SCHM") and HQ Manicouagan inc. ("HQM")

SCHM is a limited partnership controlled by Hydro-Québec, within the meaning of section 10 of the Act. More specifically, the general partner of SCHM is Société Hydroélectrique Manicouagan Commandité, and its limited partners are HQ Manicouagan Inc. (a corporation and wholly owned subsidiary of Hydro-Québec) and Alcoa Canada Co.

SCHM's main mission is to operate the McCormick hydroelectric generating station, which means its activities are similar to those performed by Hydro-Québec. HQ Manicouagan Inc. is a management company that does not engage in any commercial activity and therefore has no supply chain of its own. Given the above, all measures taken by SCHM and described in this report also constitute modern slavery risk prevention and reduction measures for HQM.

Analysis and assessment of the risks of using forced labour or child labour in SCHM's supply chain indicate that most SCHM suppliers remain Hydro-Québec suppliers, as they were last year. Accordingly, all measures taken by Hydro-Québec and described in this report also constitute measures to prevent and reduce the risk of forced labour or child labour for SCHM.

5. Measures to prevent or reduce the risk of forced labour or child labour

5.1. Sending of verification letters to suppliers

Hydro-Québec communicates proactively with its suppliers to ensure they comply with the human rights obligations set out in the Code. In 2023, Hydro-Québec sent out 161 requests to suppliers in at-risk categories to complete a disclosure. By requiring that suppliers bound by contract to Hydro-Québec sign a disclosure confirming the absence of a relationship with sanctioned entities, as listed in the Consolidated Canadian Autonomous Sanctions List, the organization is ensuring their accountability. This in turn reduces the associated risks. Also, after receiving the suppliers' disclosures, Hydro-Québec further verified the measures implemented by suppliers.

This initiative gave rise to a major collaboration between Hydro-Québec and its suppliers, which allowed for greater visibility of the supply chains and limited risks. This process continued until the end of 2024. To date, 126 suppliers have declared that their supply chain minimizes risks.

5.2. Corporate due diligence (CDD)

In 2024, 186 basic CDDs were conducted through a collaboration between the Direction sécurité corporative (corporate security branch) ("DSC") and the Direction principale de l'approvisionnement stratégique (strategic procurement) ("DPAS"), while the DSC completed 286 exhaustive CDDs.

5.3. Sustainable development questionnaire

By including a sustainable development questionnaire in most calls for tenders and RFPs having a human rights aspect demonstrates Hydro-Québec's efforts to identify potential upstream risks in this area. The responses provided in the sustainable development questionnaire are taken into account when assessing proposals submitted, which fosters best practices among our suppliers. This initiative also allows us to gather information about the concrete steps they have taken.

6. Training for employees and other stakeholders

In the last several years, Hydro-Québec has also worked to raise awareness and train the various stakeholders in the procurement process at all levels of the organization.

- The Governance and Customer Experience Committee, the Board of Directors' Audit Committee, Hydro-Québec's management team and committees and groups specializing in ethics participated actively in numerous discussions of human rights, focusing on issues and actions in connection with forced labour.
- Employees involved in Hydro-Québec's procurement process are required to attend mandatory training sessions on rules of conduct governing procurement and strategic tools for developing their accountability. A number of the training sessions focused on ethics, integrity and human rights.
- In 2024, a human rights component was included in the training sessions.
- In addition, the tools mentioned in this report were distributed to personnel directly involved in the procurement process during training sessions and through advisors providing support. Distribution to cross-company teams continues in order to raise awareness among Hydro-Québec personnel in connection with procurement activities.
- Renewing ISO 37001 certification of our anti-bribery management system. The fight against corruption plays a role in the prevention of forced labour by enhancing protection systems and deterring organized crime.

We are committed to continuing our awareness and training activities in 2025 to strengthen our ability to identify and manage major human rights risks.

Similarly, we will continue to work closely with our suppliers and stakeholders to ensure that issues involving the risks of forced labour or child labour are handled with the utmost care and diligence.

7. Evaluation of effectiveness

At the end of every year, Hydro-Québec evaluates the effectiveness of the measures outlined in this report to determine which improvements can be implemented to maintain and strengthen our commitment to prevent and reduce the risk of modern-day slavery in our supply chain.

As part of Hydro-Québec's initiatives under its *plan de développement durable 2024-2028* (Sustainable Development Plan 2024-2028), the organization monitors its suppliers in targeted purchasing categories on an ongoing basis to ensure they have undergone due diligence and apply human rights risk mitigation measures.⁽⁴⁾

8. Approval

As required by the Act, and section 11(4)(b)(ii) in particular, I declare that I have reviewed the information in this report for the entity or entities listed above. To my knowledge and having exercised due diligence, I confirm that the information in this report is true, accurate and complete in all material respects for purposes of application of the Act for the specified reporting year. I have authority to bind Hydro-Québec.

[SIGNATURE]

Manon Brouillette
Présidente du conseil d'administration d'Hydro-Québec
14 février 2025

REFERENCE DOCUMENTS

- (1) [Supplier Code of Conduct](#)
- (2) [Déclaration obligatoire : conflits d'intérêts et affirmations solennelles \[mandatory disclosure of conflicts of interest and solemn declarations\]](#)
- (3) [Policy for reporting on Hydro-Québec's activities and requesting support or mediation in the event of a difficult situation in the workplace](#)
- (4) [Standard for Handling Breaches of Hydro-Québec's Supplier Code of Conduct](#)