

Pond Technologies Holdings Inc

2023 Report to the Minister of Public Safety on Forced Labour Policies and Risks under Bill S-211

Requirement A – Structure, activities and supply chains

Pond Technologies Holdings Inc is publicly traded on the TSX Venture Exchange. As a result, it is required to submit a report on forced labour policies, risks and prevention under the 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)*.

Pond Technologies Holdings Inc. is a company incorporated in the Province of Alberta with two wholly owned active subsidiaries: Pond Technologies Inc. and Pond Naturals Inc. (together Pond). These subsidiaries are provincially incorporated in Ontario and British Columbia, respectively, and controlled by Pond Technologies Holdings Inc.

Pond Technologies Holdings Inc has no employees. Pond Technologies Inc. develops carbon capture and utilization technology in Ontario, holding significant IP, and employing ~15 full-time equivalent employees for operations, sales, and technology development in Markham, Ontario and St Marys, Ontario. Pond Naturals Inc. is a vertically integrated nutraceutical and food ingredient distribution company, with operations in Agassiz, British Columbia, where it employs approximately 3 full-time equivalent employees and manufactures select products for distribution and sale by Pond Naturals. Further information on the financial statements and operations of these divisions can be found at <https://www.sedarplus.ca/>.

The activities of Pond Technologies Inc. include the purchase of engineering services and select electronic equipment, primarily for research and development work. This includes imported equipment. Pond Technologies Inc. sold \$CDN 142,000 in physical products and services in 2023. Goods purchased for our research work included laboratory equipment and chemical supplies, and goods sold included specialized laboratory and electronic equipment for growing microalgae.

The activities of Pond Naturals Inc. include the purchase, import and manufacturing of nutraceutical and food ingredients, for distribution in Canada and the USA. Total revenue from the distribution of wholesale and retail products was \$CDN 4,405,000. All manufacturing of products took place at our location in Agassiz, British Columbia, where \$CDN 337,000 in products were manufactured.

Pond Naturals procured and imported raw ingredients from a variety of suppliers from a variety of locations in the world, including Germany, Japan, Holland, Canada, China, India and the USA. Total purchased and imported goods was \$CDN 3,303,000 in 2023.

Requirement B – Policies and due diligence processes

Pond Technologies Holdings Inc is currently reviewing and embedding responsible business conduct into policies and management systems. Specifically, this means modifying our procurement procedures in both the Pond Naturals Inc. and in Pond Technologies Inc. In Pond Technologies Inc., most procurement is for large capital equipment, generally done through a tendering process. These suppliers are generally large, often sophisticated multinational corporations and may already have processes in place to identify forced labour risks. Pond is currently developing and expects to implement responsible business clauses into our tender documents, ensuring that suppliers commit to identifying and eliminating forced labour in their own operations, can provide proof of following procedures and policies designed to achieve this, and that mechanisms for significant financial penalties in the contracts exist. Once developed, we expect that a tendering process will include scoring of suppliers based on their own processes and warranties for identifying forced labour risk and communicating this to Pond in their tender response, periodic reporting to communicate any risks identified to Pond and the related mitigation measures, along with legally enforceable procurement penalties if forced labour is discovered.

In Pond Naturals Inc., most procurement is for food and food ingredients. Pond purchases here from generally smaller and businesses who are less likely to have policies and procedures in place. Pond is currently developing a framework for identifying suppliers with the largest forced labour risk and will need to engage these companies directly. This likely means a requirement for these suppliers to warranty that their operations are free of forced labour, and a questionnaire they will need to complete to qualify as a supplier. Once developed and implemented, Pond will track the responses of each supplier, and communicate these in future annual S-211 reports. The expectation of suppliers will be of continuous improvement in identifying and eliminating forced labour risks in supply chains.

Requirement C – Forced labour and child labour risks

Pond is currently assessing major procurement activities in both Pond Technologies Inc. and in Pond Naturals Inc. against the statistics on forced labour and child labour produced by the international labour organization. These statistics detail where forced labour is both most and least prevalent in the world.

For Pond Naturals Inc., all food ingredients must specify the country of origin for a food ingredient. Pond can use this information to map the locations in its supply chains and undertake a risk assessment. Pond can use a location-based framework to identify suppliers with the greatest risk of forced labour occurring (e.g., if the specified country of origin has a high incidence of forced labour, the forced labour risk to Pond will be higher). Suppliers can then be ranked on their risk, and Pond can prioritize the resulting engagements as appropriate, looking for more information from suppliers with a higher risk, and eventually identify any forced labour occurrences if they are present.

For Pond Technologies Inc., part of the procurement process will be specifying the country of origin of different pieces of major equipment in the procurement contract in a tender document. Once

the country of origin is specified in a tender response, Pond can rank its own risks accordingly, using the same mapping and risk assessment approach as specified above for Pond Naturals.

Requirement D – Remediation measures

Pond will prioritize receiving more information from suppliers with a higher risk, with the goal of identifying any forced labour occurrences if they are present in our supply chain. Once identified, Pond will take action to attempt to remedy the adverse impact and the substantive outcomes to counteract, or “make good,” the adverse impact. In the case of forced labour and child labour, remedies provided may take a range of forms, the aim of which will be to counteract or address any human rights harms that have occurred. Appropriate remedies vary depending on the circumstances.

In general, Pond aims to follow the United Nations *Guiding Principles on Business and Human Rights*, especially Principle 13, which states that:

The responsibility [of businesses] to respect human rights requires that business enterprises:

- (a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
- (b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

The risk assessments and the resulting engagements with suppliers are intended to increase Pond’s suppliers’ transparency.

If forced labour issues are identified, Pond will again follow the principles of the United Nations *Guiding Principles on Business and Human Rights*, especially principle 23, which states:

In all contexts, business enterprises should:

- (a) Comply with all applicable laws and respect internationally recognized human rights, wherever they operate;
- (b) Seek ways to honour the principles of internationally recognized human rights when faced with conflicting requirements;
- (c) Treat the risk of causing or contributing to gross human rights abuses as a legal compliance issue wherever they operate.

In general, this means that Pond will comply with all applicable local laws on forced labour if it is identified, and will seek to engage suppliers on their forced labour policies and practices. If Pond deems it necessary, Pond will change suppliers if this would materially reduce human rights risks to Pond.

Requirement E – Remediation of loss of income

Efforts to prevent and reduce the risk of forced labour and child labour can have the unintended consequence of contributing to a loss of income for vulnerable families. Pond will first seek to identify suppliers at high risk of forced labour, then seek more information from these suppliers. If forced labour is identified, Pond will first seek to notify and engage the supplier on international human rights law and the International Bill of Human Rights, as defined by the United Nations Office of the High Commissioner. If human rights risks and/or suspected violations are not mitigated immediately, Pond will take additional steps, which may include reporting to local authorities and/or switching suppliers.

Requirement F – Training

Pond is currently reviewing training options from external providers, and will offer training to all staff involved in procurement in Pond Naturals and Pond Technologies, as well as all executives training on forced labour and child labour. This training will be mandatory in 2024. The options currently under evaluation are generally online courses that amount to 2-5 hours of online training.

Requirement G – Assessing effectiveness

Pond will track and report on the number of Pond Naturals suppliers that have received a ‘high’ risk rating following the location-based risk assessment framework, without strong mitigation in place. We will also track the companies that we have undertaken risk mitigation measures with. Our intention is that the number of suppliers with high risk but who have not undertaken mitigating measures decline over time.

Pond will also report any actual human rights violations it has uncovered, and the remedial actions undertaken.

Appendix A – 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.

Grant S. Smith

Title: President & CEO

Date: May 31, 2024

Signed,

A handwritten signature in black ink that reads "Grant S. Smith". The signature is written in a cursive style with a large initial 'G'.

Grant S. Smith, President & CEO

I have the authority to bind Pond Technologies Holdings Inc.