

Fighting Against Forced Labour and Child Labour in Supply Chains Report 2024

Carte International – Winnipeg | Manitoba | Canada

This report was prepared by Carte International Inc. in compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the "Act"), for the period January 1, 2024 to December 31, 2024 (the "2024 reporting year"). This is a joint report of Klaponski Holdings Inc. and its subsidiaries, Carte Limited and Carte International Inc. (collectively "Carte International" and the "Company"). Klaponski Holdings Inc. and Carte Limited are holding companies and rely on Carte International Inc., the operating company, to manage their compliance under the Act.

INTRODUCTION

Carte International is committed to preventing and reducing the risks of forced labour and child labour in its operations and supply chain. Carte International's business and supply chain partners are expected to uphold this principle.

STRUCTURE, ACTIVITIES, AND SUPPLY CHAIN

Carte International Inc. is a manufacturer of liquid-filled electrical transformers used in power delivery systems operated by electrical utilities and other companies in Canada and the United States. The Carte International production facility and head office is located at 1995 Logan Avenue in the City of Winnipeg, Manitoba.

Each of the companies covered by the joint report are privately held and incorporated in the Province of Manitoba. Carte Limited and Carte International Inc. are both governed by a Board of Directors to which the President and Chief Executive Officer (CEO) reports. Officers of the corporation include the CEO, Chief Financial Officer and Vice Presidents having responsibility for the various segments of the operation. Carte International employs approximately 450 people in Canada and one person in the United States.

Carte International is ISO 9001:2015 certified and vertically integrated, with all major transformer components including cores, coils, tanks, and assemblies made in-house. Transformer cores are made from premium grades of steel and are produced using a strictly controlled annealing process. Transformer coils are manufactured with either aluminum or copper conductor, depending on customer and design requirements. Tanks are made from either mild or stainless steel, much of which is pre-cut and shaped by suppliers. Other materials and components are primarily sourced from suppliers in Canada and the United States.

STEPS TAKEN TO PREVENT AND REDUCE THE RISK OF FORCED LABOUR OR CHILD LABOUR

For the year ended December 31, 2024, Carte International undertook the following steps to prevent and reduce the risk that forced labour or child labour is used in its supply chain:

- Implemented a *Forced Labour and Child Labour Policy* to express the Company's commitment to prevent and reduce the risk that forced labour or child labour is used in the supply chain.
- Conducted training with the Board of Directors, executive management, procurement personnel and other employees about the Act and related Carte Policy.
- Updated human resources onboarding procedures to include the *Forced Labour and Child Labour Policy*.
- Reviewed internal operations activities and concluded that forced labour or child labour is not used in Carte International operations.
- Identified opportunities to improve vendor assessment practices in relation to forced labour and child labour in the supply chain.
- Developed a Supplier Code of Conduct to communicate the Company's expectations and standards for its suppliers regarding responsible and ethical business practices. Its purpose is to ensure that suppliers operate in a manner that aligns with the Company's ethical principles and values.

POLICIES AND DUE DILIGENCE

The Company's Ethics policy requires all employees to act with integrity and in accordance with the law respecting human rights and dignity. The policy requires employees to report any observed violations of this policy.

The Company implemented a *Forced Labour and Child Labour Policy* in 2024. The policy was implemented along with a Supplier Code of Conduct to express the Company's commitment to prevent and reduce the risk that forced labour or child labour is used in the supply chain.

Procurement policies held by the Company include regular evaluations of new and continuing suppliers. In 2024, Carte International began to develop policies and due diligence processes, including a Supplier Code of Conduct, that is aimed at preventing the use of forced labour and child labour throughout its supply chain. Prior to implementing the Supplier Code of Conduct, the Company's supplier evaluation process was primarily focused on evaluating quality and customer service.

RISK ASSESSMENT

Due to the nature of its workplace and the human resource policies and collective agreements that are in place, Carte International concluded that there is no risk of forced labour or child labour in its internal operations.

It is recognized that there may be a risk of forced labour or child labour in the supply chain.

Procurement evaluation procedures provide the Company with visibility and a process to review first level suppliers located primarily in Canada and the United States. The risk that first level suppliers are using forced labour or child labour was assessed to be low. The Company has little visibility and no control relating to those vendors servicing its first level suppliers (Tier 2, 3, etc.).

REMEDIATION

For the 2024 reporting year, the Company did not find any evidence of forced or child labour in its supply chain and did not implement any remedial actions.

TRAINING

For the 2024 reporting year, the Company conducted training with the Board of Directors, executive management, procurement personnel and other employees about the *Forced Labour and Child Labour Act* and related Policy.

ASSESSMENT OF EFFECTIVENESS

For the 2024 reporting year, Carte International implemented a Supplier Code of Conduct. Responses and feedback from existing suppliers will be collected and tracked throughout 2025 and will be required from all new vendors moving forward.


The Company's updated human resources onboarding procedure ensures that forced labour and child labour policies are reviewed and considered in its internal operations.

CONCLUSION

Carte International is committed to participating in the fight against forced labour and child labour. In 2025 the Company will continue training staff on the Forced Labour and Child Labour Policy and will communicate the Company's expectations that our suppliers operate in a manner that aligns with our ethical principles and values. The Company will continue to enhance procurement policies and processes to prevent the use of forced labour and child labour in its operations and its supply chain.

ATTESTATION

In accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains 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.

A blue ink signature of Brian Klaponski, consisting of a stylized 'B' and 'K' followed by a horizontal line.

Brian Klaponski

Director and Officer

Klaponski Holdings Inc., Carte Limited and Carte International Inc.

April 15, 2025
Date

I have the authority to bind Carte International.