

# Fighting Against Forced Labour and Child Labour in Supply Chain Report 2023

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, 2023 to December 31, 2023 (the "2023 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 440 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 conductors, 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, 2023, Carte International undertook the following steps to prevent and reduce the risk that forced labour or child labour is used in its supply chain:

- Drafted 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.
- Reviewed its internal operations activities and concluded that forced labour or child labour is not used in Carte International operations.
- Evaluated purchasing policies and vendor assessment practices and how they function to ensure that no forced labour or child labour is utilized in the supply chain.
- Reviewed the public reporting of certain of its Tier 1 (first level) suppliers to assess their level of reporting relating to forced labour and child labour in their operations and supply chain.
- Began to develop training and awareness materials to train the Board of Directors, executive management, procurement personnel and other employees about the Forced Labour and Child Labour Act and related Carte Policy.

## **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.

Procurement policies held by the Company include regular evaluations of new and continuing suppliers. Through 2023, the Company's supplier evaluation process was primarily focused on evaluating quality and customer service. In 2023, Carte International began to develop policies and due diligence processes aimed at preventing the use of forced labour and child labour throughout its supply chain.

The Company conducted a review of certain raw material suppliers' publicly available policies and practices. This included those supplying electrical steel used in transformer

cores, aluminum and copper conductor used in coils, and mild and stainless steel used in tank and cooling panel fabrication. The review focused on whether these suppliers had any of the following policies, codes, or statements:

- Forced labour / Child labour / Human rights policy
- Supplier code of conduct
- Employee code of conduct
- Conflict minerals statement
- Policies relating to staff training and increasing awareness of modern slavery.

The review conducted by Carte International found that several key suppliers had well developed policies and disclosures.

## **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.). Accordingly, the Company did not conduct a risk assessment of those suppliers for the 2023 reporting year.

## **REMEDIATION**

For the 2023 reporting year, the Company did not find any evidence of forced or child labour in its supply chain and accordingly did not implement any remedial actions.

## **TRAINING**

For the 2023 reporting year, the Company did not provide training to employees related to forced labour and child labour.

## ASSESSMENT OF EFFECTIVENESS

For the 2023 reporting year, the Company did not have policies and procedures in place to assess its effectiveness in ensuring that forced labour and child labour are not being used in operations or the supply chain.

## CONCLUSION

Carte International is committed to participating in the fight against forced labour and child labour. In 2024 the company will conduct training and enhance procurement policies and processes to prevent the use of forced labour and child labour in the company's 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.



Brian Klaponksi  
Director and Officer  
Klaponksi Holdings Inc., Carte Limited and Carte International Inc.

May 28, 2024  
Date

I have the authority to bind Carte International.