



COOLIT SYSTEMS, INC. – FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS

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1 Introduction

This report (the **Report**) is made by CoolIT Systems Inc. for itself and on behalf of any wholly-owned subsidiary having a reporting obligation pursuant to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the **Act**). The Report constitutes our forced labour and child labour reporting statement for the financial year ending December 31, 2023 (**2023**). Where this Report refers to “CIT”, “CoolIT”, “we”, “us” or “our”, it is a reference to CoolIT Systems Inc. and its wholly owned subsidiaries.

2 Structure and Operations

CIT is a Canadian-based liquid cooling solution manufacturing company headquartered in Calgary, Alberta. We assemble liquid cooling solutions for the desktop gaming and the datacenter industries. CIT leases and operates from three buildings in Calgary, and leases office space in Taiwan and Shenzhen, China. CIT also remotely employs a global salesforce. In total, CIT has approximately 300 employees.

CIT also utilizes two principal third-party contract manufacturers based in Shenzhen, China, who either ship parts to Calgary for assembly or function as original equipment manufacturers, producing and shipping finished products directly to CIT's customers.

Canadian Operations

CIT leases and operates from three buildings in Calgary, Alberta.

The first building primarily focuses on the assembly of complex passive coldplate loops, manifolds, and coolant distribution units and ships these products to customers globally. This building also houses finance, human resources, supply chain, quality, and engineering teams. Component parts and finished products are also warehoused here on multilevel shelving units.

The second building houses our Innovation Lab, which includes office space for the research and development teams as well as a testing floor. The testing floor includes prototype assembly, workshops, CNC machines and several test chambers.

The third building is used as office space for engineering, supply chain, professional services and business development teams. This building is also used for prototyping, automated assembly and shipping.

Asian Operations

The CIT Taiwan office functions to facilitate sales, research and development and project management. The team at this office is primarily responsible for product design and communications with customers.

The CIT Shenzhen office functions include project management, quality control, procurement, logistics and technical support. Our principal contract manufacturers are managed from this office.

United States of America Operations

CIT employs a small number of remote workers based in the USA to perform engineering, business development and administrative functions.

3 Supply Chains

We do business with a wide range of suppliers, and we strive to ensure their commitments to conformity with standards, rules, or laws across multiple areas including working conditions, environmental, social, and ethical responsibility. Suppliers provide materials and services locally and globally.

CoolIT has adopted a Vendor Code of Conduct. In furtherance thereof, suppliers are required to complete a Supplier Qualification Questionnaire, which covers topics that include labour, health and safety, environmental and ethics matters. CoolIT has the right to immediately terminate the business relationship with the supplier should they fail to comply with the Vendor Code of Conduct.

Suppliers commit to providing documentation to support compliance with the Vendor Code of Conduct upon request of CoolIT. Examples of documentation include, but are not limited to policies, procedures, or internal codes of conduct. Should CoolIT deem additional information is required from our suppliers, they are expected to willingly comply via answering questions, conducting self-assessments and/or providing additional documentation.

Apart from its two primary contract manufacturers, the balance of CIT's product sourcing comes primarily from suppliers based in China, Taiwan, France, and the USA.

4 Steps to Prevent and Reduce the Risks of Forced Labour and Child Labour in 2023:

CIT took the following steps during 2023 to prevent and reduce the risk of forced labour or child labour in our business and supply chains:

- Implemented the CoolIT Vendor Code of Conduct. The Vendor Code of Conduct aims to ensure vendors' workers meet all legal standards regarding age and expects vendors to regularly conduct documentation checks including officially issued proof of age documents. The Vendor Code of Conduct prohibits forced, bonded or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons. Vendors are committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community. Compliance with the Vendor Code of Conduct was made mandatory for all CoolIT vendors.
- Implemented a Supplier Qualification Questionnaire, which among other things inquires whether suppliers and their supply chains are Social Accountability (SA) 8000 compliant. SA8000 requires compliance with eight performance criteria, including child labour, forced and compulsory labour, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours and remuneration.
- Implemented the CoolIT Request for Quotation form. The Request for Quotation includes expectations for suppliers to source, develop, manage, and monitor quality of all Tier 2 vendors. It is the supplier's responsibility to ensure that all commercial components are sourced from reputable authorized distributors or manufacturers. The Request for Quotation allows for CIT to audit any facility or process to determine compliance with the requirements of the Purchase Order. By completing the Request for Quotation, suppliers agree to comply with all laws and not use forced labour, regardless of its form; employ any person below the age of 15 unless it is part of a government approved job training, apprenticeship or other program that would be clearly beneficial to its participants; or engage in physically abusive disciplinary practices. These requirements apply both to the supplier and any subcontractors the supplier may retain.

5 Policies

CIT staff and suppliers play a vital role in ensuring all businesses activities are carried out in an ethical, legal and socially responsible manner. As part of our commitment to the policies and standards set by the CIT Board of Directors (Board) and management, CIT seeks to work with staff and suppliers who share our commitment. We have an expectation that they will uphold our corporate values.

The following policies and standards guide our commitment to upholding our ethical responsibilities, and all have global application, across international entities and operated partnerships – specific human rights language is noted:

Policy	Overview	Policy in Action
Employee Handbook	<p>The Employee Handbook defines who CoolIT employees are and how we work together. CoolIT strives to create a fair and productive workplace. The Employee Handbook is a collection of our expectations, commitments, and responsibilities. There are policies contained within each section that we expect employees to acknowledge in writing having read and understood.</p>	<p>This policy applies to all Board of Directors members and staff at CoolIT.</p>
Anti-Harassment & Workplace Violence Policy	<p>CoolIT is committed to providing a workplace environment based on safety, respect, and dignity, and that is free from all forms of discrimination, violence, and harassment.</p> <p>CoolIT does not and will not tolerate harassment or violence from employees, contractors, or visitors. Harassment and violence are contrary to basic standards of conduct between individuals. It constitutes a serious violation of company policy for any employee, contractor, or visitor to engage in any acts of behavior defined as harassment and/or violence. CoolIT will take corrective action where an employee, contractor or visitor is determined to have violated the Anti-Harassment & Workplace Violence Policy. Such action will include disciplinary measures</p>	<p>The Anti-Harassment & Workplace Violence Policy applies to all employees, consultants, visitors, contractors, sub-contractors, including their employees and agents, working for CoolIT or on CoolIT premises.</p>

	up to and including termination and removal from the premises.	
Whistleblower Policy	CoolIT is committed to maintaining high standards of ethical behavior and integrity in all business activities. The purpose of the Whistleblower Policy is to provide a mechanism for employees and other stakeholders to raise concerns regarding illegal or unethical behavior, without fear of retaliation.	The Whistleblower Policy applies to all employees, contractors, and other stakeholders of CoolIT.
Code of Conduct & Ethical Behavior Policy	<p>The Code of Conduct & Ethical Behavior Policy outlines expectations for how CoolIT and its employees conduct themselves and governs the way we deal with each other and our stakeholders.</p> <p>Topics include respecting the law, anti-slavery, conflicts of interest, bribery, corruption, insider trading, solicitation and distribution, confidential information, protecting external client information, protecting employee information, grievances and escalations, expense management, training and refreshment of training.</p>	Compliance with the Code of Conduct & Ethical Behavior Policy is part of the terms and conditions of employment with CoolIT. Every employee and member of the Board of Directors of CoolIT is expected and required to assess every business decision and action on behalf of the organization considering whether it is right, legal, fair and within our risk appetite.
Vendor Code of Conduct	The Vendor Code of Conduct is established to drive conformity with standards, rules, or laws across multiple areas, including working conditions and environmental, social and ethical responsibility. The Vendor Code of Conduct outlines the minimum requirements expected to be met by any vendor providing goods or services to CoolIT. These requirements reflect	The Vendor Code of Conduct is applicable to all vendors and their affiliates globally, who in turn can present and support its adoption by their respective supply chain and/or subcontractors.

	<p>CoolIT values and how we conduct business.</p> <p>The Vendor Code of Conduct requires that workers meet all legal standards regarding age and that vendors regularly conduct documentation checks including officially-issued proof of age documents, and prohibits forced, bonded or indentured labour, involuntary or exploitative prison labour, slavery or trafficking of persons. Vendors are required to uphold the human rights of workers, and to treat them with dignity and respect as generally accepted by the international community.</p>	
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6 Board Oversight

The CIT Board of Directors approves CIT’s Code of Conduct & Ethical Behavior Policy, Anti-Harassment & Workplace Violence Policy, Employee Handbook and Whistleblower Policy and Vendor Code of Conduct, which collectively speak to our commitments to respecting human rights.

7 Due Diligence

The following is a summary of the due diligence processes undertaken by CIT related to assessing risks in its supply chain:

- The Vendor Code of Conduct and Supplier Qualification Questionnaire are sent to existing and prospective vendors to collect information regarding, among other things, their human rights practices. As a condition of doing business with CoolIT, vendors must agree to the Vendor Code of Conduct so as to align with CIT's expected standards of business practices relating to labour, health and safety, environmental and ethics matters.
- CIT reviews vendor responses from the Supplier Qualification Questionnaire. Vendors are evaluated and assigned a Total Risk Score based on likelihood of supply disruption, suitable alternatives, financial stability, impact on operations/projects, cost control difficulty/potential for price volatility, outgoing quality control risk and ESG risk. Highest Total Risk Score suppliers are slated for phase out.

8 Identifying Forced Labour or Child Labour Risks

2023 Opportunities

In late 2023, CIT retained Environmental Resources Management (ERM) Inc. to conduct an ESG assessment related to CIT's operations. ERM compared supplier programs of peers that integrate ESG criteria to CIT and supply chain was identified as a material topic. Several action items for 2024 were recommended:

- Update the Vendor Code of Conduct and Supplier Qualification Questionnaire with stronger ESG language, including child labour and forced labour and require vendors to sign and acknowledge.
- Integrate ESG further into the risk assessment of suppliers based on the responses from the Vendor Code of Conduct and Supplier Qualification Questionnaire.
- Conduct risk assessments for Tier 1 suppliers based on new risk assessment process.
- Update the CoolIT Request for Quotation form to bolster ESG language and include compliance with the Vendor Code of Conduct.
- Conduct additional training for CoolIT personnel on ESG issues.
- Work with contract manufacturers to map supply chain.

CIT does not employ people under the age of 18 and collects the date of birth provided by each new hire. CIT does not require employees to make any payments to or deposits with the company or any third-party recruitment agent upon hire. As per CoolIT's Employee Handbook, employees are free to terminate their employment with us without advance notice. As such, CIT believes the risk for forced labour or child labour in our direct operations to be negligible.

9 Managing Forced Labour or Child Labour Risks

CIT operates offices in Shenzhen and Taiwan and receives products and services from numerous vendors located in China. According to the International Labour Organization Global Estimates of Modern Slavery, published in September 2022, the Asia and Pacific region has the highest number of people in forced labour. In 2023, CIT began taking steps to shift critical component suppliers to North America and envisions taking additional strides towards nearshoring manufacturing suppliers in the future.

We treat all labour matters seriously. Should we be alerted to a potential infraction from a supplier, CIT would take appropriate action to ensure the incumbent supplier is acting in good faith. This would include validating the execution of governing policies, gathering information from supplier sites, and initiating an investigation.

10 Remediation Measures

In 2023, CIT has not identified any instances of forced labour or child labour in its operations or supply chain. As a result, CIT has not had to take any measures to remediate any forced labour or child labour and, accordingly, did not have to evaluate the impact of any such measures to the income of vulnerable families or to remediate any such impacts.

We are committed to providing access to effective reporting mechanisms related to concerns arising from compliance with our policies. As part of our Whistleblower Policy, we provide anonymous ways for employees to share their concerns about how we conduct our operations, including concerns regarding illegal or unethical behavior.

11 Training

Newly hired staff in 2023 were required to review the Code of Conduct & Ethical Business Policy, which included topics such as respecting the law, anti-slavery, conflicts of interest, bribery, corruption, and insider trading, solicitation and distribution, confidential information, protecting external client information, protecting employee information, grievances and escalations and expense management. Staff were required to sign off once the training was completed. We are working to establish training for all employees on this important matter in 2024.

12 Assessing Our Effectiveness

To assess the effectiveness of our Vendor Code of Conduct and Supplier Qualification Questionnaire, CIT relies on internal and external stakeholders to work collaboratively with supply chain vendors ensuring their compliance. CoolIT reviewed the responses from vendors for these two documents and no suppliers reported utilizing child labour or forced labour. CIT plans to bolster our effectiveness by implementing opportunities listed in our Looking Forward statement.

13 Looking Forward

As we look ahead, CIT remains dedicated to enhancing our efforts to combat forced labour and child labour within our supply chain. We recognize that the journey towards eradicating these practices is ongoing and requires constant vigilance, proactive measures, and a commitment to continuous improvement. Our strategy moving forward will focus on auditing, reporting, and being exemplary stewards in the global community.

Auditing & Monitoring

In addition to the measures described elsewhere in this Report that CIT employed in 2023 to evaluate the effectiveness of its forced labour and child labour due diligence processes, CIT intends to advance an auditing and monitoring framework to assess for ongoing compliance with our Vendor Code of Conduct and Supplier Qualification Questionnaire that contemplates:

- **Audits:** Conduct periodic supplier audits to verify compliance with labour standards, focusing on identifying any signs of forced labour or child labour. Audits will be both announced and unannounced to support transparency and honesty in reporting.
- **Third-Party Verification:** Explore opportunities with independent third-party auditors to assess high-risk suppliers. These auditors will provide unbiased evaluations and recommendations for improvements.
- **Supplier Self-Assessments:** Require suppliers to complete self-assessments on labour practices, to be reviewed by CIT's supply chain team.

Infractions

We are committed to transparency and accountability. Should any infractions related to forced labour or child labour be identified, we expect to:

- **Corrective Action Plans:** Work with suppliers to develop and implement corrective action plans to address and rectify identified issues. This includes setting clear timelines and follow-up audits to ensure compliance.
- **Supplier Termination:** Terminate relationships with suppliers who fail to comply with our standards and are unwilling to make necessary changes.

- **Reporting:** Determine whether reporting to relevant authorities is necessary or appropriate to help remediate any identified cases of forced labour or child labour.

Continue Being Good Stewards to the Global Community


CIT believes in the importance of ethical business practices and corporate social responsibility. To demonstrate our commitment to being good stewards to the global community, we expect to:

- **Stakeholder Engagement:** Engage with stakeholders, like NGOs, industry groups, and government agencies, to stay informed about best practices and collaborate on initiatives to eradicate forced labour and child labour.
- **Community Investment:** Invest in community programs and initiatives aimed at improving education and economic opportunities in regions where our suppliers operate. This helps address the root causes of child labour and forced labour.
- **Employee Training and Awareness:** Continue to educate our employees on the importance of ethical labour practices and their role in upholding CIT’s values. This includes annual training sessions and updates on emerging issues and regulations.

14 Approval and Attestation

The undersigned attests, for and on behalf of CoolIT Systems Inc. and in his capacity as a director thereof, that this Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the CIT Board of Directors.

COOLIT SYSTEMS INC.

By: 
Steven Walton
Director and Chief Executive Officer

Date: May 30, 2024