



**DELTA
STAR**



**FORCED LABOUR IN
CANADIAN SUPPLY CHAINS**

Annual Report for Fiscal Year Ended December 31, 2023

Introduction

This report is prepared pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) on behalf of Delta Star, Inc. (“DSI” or “Delta Star”). The statement is issued for the fiscal year that ended December 31, 2023.

Delta Star does business in Canada through Transformateurs Delta Star Inc., a wholly owned subsidiary of Delta Star, Inc. Transformateurs Delta Star Inc. does not meet the definition of a reporting entity as stipulated by Section 9 of the Act. The parent, Delta Star, Inc., submits this report as the controlling entity of Transformateurs Delta Star Inc.

DSI Corporate and Supply Chain Overview

Headquartered in Lynchburg, Va., Delta Star, Inc. is an American-owned transformer manufacturer serving investor-owned utilities, electric cooperatives and municipals in North America. Delta Star operates two manufacturing facilities in the United States and one, operated by its wholly owned Canadian subsidiary Transformateurs Delta Star Inc., in Quebec, Canada. Delta Star employs more than 850 individuals across its manufacturing, headquarters operations, and field service teams in North America. Delta Star derives approximately 25% of its revenue from sales to Canadian customers.

Delta Star is committed to supporting the local communities in which its customers operate through its purchasing activities. Nearly 85% of purchased components and raw materials were sourced from US and Canadian suppliers in FY2023. 11% of purchases came from European suppliers, with the remainder shared from India and Mexico. Delta Star’s largest purchasing categories include grain-oriented electrical steel, copper wiring, and radiators. Purchases are made by a centralized team working for Delta Star, Inc. on behalf of all subsidiaries.

Delta Star only allows core steel to be sourced from pre-approved steel mills in the US, Japan, South Korea, India, and Europe. Delta Star does not allow steel to be sourced from China or Russia.

Outside of expenditures on transformer products, Delta Stars key expenditures relate to its workforce and equipment required to operate its manufacturing locations and support field service teams.

Identification of Supply Chain Risks

Recognizing that due diligence should be commiserate with risk and appropriate to the company’s operations and supply chain, Delta Star has conducted an internal assessment of potential risk areas. Delta Star believes there is a low risk of forced and child labor in its supply chain due to the high volume of purchases originating in North America and Europe. Nevertheless, Delta Star is committed to enhancing its supply chain due diligence processes to identify emerging risk areas and address prospective DSI suppliers operating in Japan, South Korea, and India.



Delta Star has also taken targeted actions to address risks associated with metal exploration and mining, an element of Delta Star's supply chain that was identified as a high-risk area. Delta Star only allows core steel cutting and assembly suppliers to source from approved core steel mills. Copper is sourced primarily from US companies, that in turn, source copper from US and South American mines.

Policies and Due Diligence Practices

As an employee-owned company, employee well-being is the key to Delta Star's success. Delta Star is committed to compliance with federal and state labor laws at all DSI facilities.

Similarly, Delta Star will not tolerate forced or child labour in its supply chain. Delta Star has several measures in place to ensure its suppliers operate in compliance with ethical labour standards, including:

- Policy requiring that transformer product purchases only be placed with approved suppliers that are appropriately vetted by Purchasing, Engineering, and Quality in conformance with Delta Star onboarding processes.
- Onboarding processes that include a review of suppliers' financial status, as companies that are not financially secure may attempt to reduce costs through the use of forced or child labour.
- Clearly documented policies and procedures for reviewing, approving, disapproving, and monitoring transformer product suppliers.
- On-site audits which are increasing in frequency for suppliers of critical and/or high risk components
- Sourcing from market leaders, all of which adhere to strict quality and safety standards.

These procedures also prescribe record-keeping requirements and responsibilities. In FY2024, these procedures will be updated to include collection of additional information related to supplier labor practices and supply chain due diligence to further address the risks of forced and child labour in Delta Star's supply chain.

Both Delta Star and its Canadian subsidiary have also mapped Tier 1 supplier locations and product country of origin for transformer product purchases (direct spend). Delta Star is continuing to work with its suppliers to increase transparency into Tier 2 suppliers.

To further Delta Star's commitment to preventing forced and child labor in its supply chain, Delta Star is proposing to take the following activities in its fiscal year 2024:

- Communicate responsible business conduct policies to Delta Star suppliers.
- Review and update Delta Star's Supplier Survey and Questionnaire to collect information on supplier labour practices and supply chain due diligence activities.
- Implementing new Master Agreements with suppliers that include a provision banning the use of forced and child labour.

Employee Training on Forced and Child Labour

While current Delta Star purchasing teams are aware of the risks and indicators of force and child labor, the organization does not currently provide formal training to employees on forced and child labour. Delta Star plans to require third-party training to identify and reduce the risks of forced and/or child labour in its supply chain for all employees responsible for selecting and onboarding suppliers in FY24.

Remediation Measures

As of December 31, 2023, Delta Star has not faced situations of forced labour or child labour in our activities or supply chains and has therefore not had to take actions to remediate such situations. Delta Star also has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.

Assessing Effectiveness

Delta Star has engaged a third-party to perform a review of the organization's policies and procedures related to forced labour and child labor for FY24, and will be implementing enhancements to its due diligence practices based on that assessment.

Approval and 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.

[Full name] *Jason Lewis Greene*

[Title] *President & CEO*

[Date] *5/30/2024*

[Signature]



I have the authority to bind Delta Star, Inc. and Transformateurs Delta Star Inc.