

## TRANSX LTD.

### ***Fighting Against Forced Labour and Child Labour in Supply Chains Act*** **2023 Annual Report**

#### **1. Introduction**

This report constitutes the first report (“**Report**”) made by TransX Ltd. (“**TransX**”) pursuant to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) for the financial year ended December 31, 2023 (the “**Reporting Period**”). The Report sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of goods imported into Canada by TransX.

As required by the Act, the Report will be published annually to chronicle our ongoing journey to protect human rights and reduce the risk that forced labour or child labour being used in TransX’s operations and supply chain.

#### **2. Steps to Prevent and Reduce Risks of Forced Labour and Child Labour**

In general terms, TransX took the following steps during the Reporting Period and the first five months of 2024 to identify, prevent and reduce the risk of forced labour or child labour in our business and supply chains:

- engaged external counsel and partnered with our parent company, Canadian National Railway Company (“**CN**”), to review the impact of the Act on TransX;
- took steps to begin to map and understand our supply chains; and
- conducted an initial internal assessment of the risks of forced labour and child labour in our activities and supply chains.

#### **3. Structure and Activities**

TransX is a Canadian-based transportation and logistics company incorporated under *The Corporations Act* of Manitoba and headquartered in Manitoba, with operations across Canada. The company also operates in the U.S. through a subsidiary. TransX has nine terminals and facilities in Canada and two in the U.S. TransX is a wholly-owned subsidiary of CN and operates at arm’s length of CN.

As at the date of this Report, within Canada, TransX employed approximately 875 people directly, with a further 600 people contracted through an owner / leaseholder-operator model. In addition, a subsidiary of TransX employed approximately 26 people in the U.S., with a further 38 contracted through an owner / leaseholder-operator model.

TransX offers different types of transportation services across Canada and the U.S. (truckload, less-than-truckload (“**LTL**”), flat deck, and intermodal), as well as specialized transportation services and logistics management.

## Truckload

TransX's full slate of truckload services includes everything from one-time pick-up and deliveries to dedicated fleets, and they routinely take on multi-drop and special projects such as surge capacity and flex solutions. Canadian domestic and trans-border freight service includes dry, refrigerated, and heated service. US domestic services include dry, heated, and hazardous material handling.

## LTL

Our LTL service offers a variety of equipment for specific pick-up and delivery needs, including dry, heated and refrigerated tandem vans, and dry, heated and refrigerated containers of various dimensions. LTL services are offered at TransX's nine terminals in Canada and the US.

## Flat Deck

TransX provides flat deck, step deck, and regional Super B Train services through its flat deck specialized transportation division called DeckX Transport. DeckX provides flat deck and step deck services domestically in Canada and internationally between the United States and Canada. In Western Canada, DeckX Transport offers additional regionalized services for many of North America's largest manufacturers and suppliers. DeckX provides open deck service for the steel, agricultural, oil and gas, construction equipment, construction material, aerospace, and mining industries, as well as many other specialty manufacturing sectors. DeckX service offerings also include project heavy haul, through which DeckX handles individual heavy haul shipments or entire project movements including rail heavy haul component and truck road service.

## Intermodal

For shipments where transit times are flexible, TransX offers cost-effective truckload, LTL, and temperature-controlled intermodal service within Canada, relying on a fleet of over 1000 containers and dedicated chassis pools throughout its network.

TransX also offers overseas intermodal shipping through ports in Eastern and Western Canada.

TransX can also provide order management for shipments requiring stuffing and de-stuffing services for both inbound or outbound overseas shipments.

## Specialized Services

Our specialized services include trans-load service involving stuffing and de-stuffing for marine container movements, polarization and pick and sort services for both dry and temperature sensitive freight, contract shunt and shuttle services for yard management utilizing shunt trucks, day cabs, or highway tractors, as well as deconsolidation services for customer shipments that need to be broken down and delivered to multiple locations.

TransX can also provide multi-vendor pick-ups for both truckload and LTL shipments as well as consolidate the freight and execute delivery for retail, wholesale, or distribution networks.

Additionally, TransX designs and provides customized solutions for customers with multi-modal requirements (LTL and TL road/Intermodal) where shipping needs are complicated by weight restrictions, temperature control sensitivities, and/or and transit time restrictions.

## Logistics

Through TX Logistics, TransX provides complete third-party logistics solutions from warehousing to comprehensive transportation management, all fully integrated with TransX's full slate of transportation services.

### **4. Supply Chains**

Our suppliers are located in Canada and the United States, although we appreciate that many of our suppliers supply us with products that originate from other jurisdictions and have their own global supply chains.

TransX procures a range of goods and services from Canada and the U.S. to support its transportation and other activities. During the Reporting Period, we imported diesel fuel, software and electronic parts from suppliers in the US, and sub-contracted certain U.S. companies for rail and truck transportation services.

During the Reporting Period, we procured goods and services from suppliers within Canada across a wide range of categories and industry sectors. The following categories of goods and services account for our highest procurement spend:

- Diesel fuel
- Industrial storage units
- Tires and tire tubes
- Air conditioning or ventilating or refrigeration equipment manufacture services
- Vehicle bodies and trailers
- Rail truck transportation services
- Industrial trucks and vehicle maintenance and repair services
- Financial and insurance services

### **5. Policies and Due Diligence Processes**

#### ***Code of Conduct***

TransX adheres to the Code of Conduct that governs CN and its subsidiaries. The Code of Conduct establishes the values and expectations that underpin the ethical approach to business of TransX. The Code of Conduct applies to all employees, directors, and officers of TransX.

While the Code of Conduct does not directly speak to issues of child and forced labour, it affirms our commitment to ensuring everyone working on behalf of TransX adheres to the highest ethical standards. The Code of Conduct details the standard of behaviour expected from all employees. It also outlines the key responsibilities of leaders within the organization to foster a culture that reflects the Code of Conduct's goals and standards. Leaders are also mandated to build and maintain a workplace where employees feel comfortable raising issues and voicing their concerns. Each director, executive officer and management employee must certify annually their compliance with the Code of Conduct.

Specifically, the Code of Conduct addresses matters such as conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing, compliance with laws, and reporting of any illegal or unethical behaviour. Our employees have a duty to report in good faith any real or potential violation of the Code of Conduct.

While TransX does not have a standalone whistleblower policy, protections for whistleblowers are included in both the Code of Conduct, and in the Violence & Harassment Policy.

### ***Human Rights Policy***

TransX also adheres to the Human Rights Policy that governs CN and its subsidiaries. We recognize the fundamental importance of human dignity and equality. We believe economic growth and social progress go hand-in-hand and, as such, we strive to provide a workplace that reflects these values. We are committed to protecting human rights through our operations and business relationships. This commitment is anchored by our Human Rights Policy, which draws on international standards and best practices, including the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization.

In addition to the principles outlined above, our Human Rights Policy specifically prohibits the use of all forms of forced labour, including prison labour, indentured labour, bonded labour, military labour, modern forms of slavery, and any form of human trafficking. Employment of individuals below the minimum age permitted by local law is also strictly prohibited.

### ***Due Diligence Processes***

Although TransX does not currently screen potential suppliers on the basis of forced labour or child labour-related risks, we are committed to respecting human rights in all aspects of our operations and business activities and are considering how such processes may be incorporated into our procurement processes. TransX is continuing to review its supplier due diligence and onboarding procedures and will work to improve them over time as required.

In 2023, our parent company CN engaged the services of a third-party risk assessment platform to help begin to assess the specific risks of forced labour and child labour in its supply chains, including those of TransX. This platform provides a risk score for suppliers using weighted inputs of individual risk components based on country of operations, industry, products and adverse media reports.

## **6. Assessing and Managing risks of Forced Labour and Child Labour in our Business and Supply Chains**

### ***Operations***

Due to the nature of our business, we consider the risks of forced labour and child labour in our direct operations to be low. Our entire workforce is within Canada and the U.S., with the vast majority in Canada. All drivers require a particular class of license requiring them to be at least 18 years of age. They are subject to regulated safety and driving standards, as well as to applicable labour laws. Our other employees have salaried positions in either office settings or in our maintenance groups, and are considered highly-skilled workers.

### ***Supply Chains***

As TransX sources all of its equipment and other goods and services from vendors headquartered in Canada and the United States, we generally consider the risk of modern slavery in the first tier of our supply chain to be low.

In the first quarter of 2024, CN utilised a third-party platform to conduct an initial analysis of the top suppliers of TransX, representing approximately 50% of the total spend on goods and services by TransX during the Reporting Period. The results of the assessment classified approximately 3% of suppliers as moderate risk and 97% of suppliers as low risk. No suppliers were identified as high risk. The suppliers identified by the study as being moderate risk provide TransX with tires and tire tubes and automotive parts and accessories.

**7. Remediation Measures**

As TransX has not identified any forced labour or child labour in its business or supply chain, it has not had to take any measures to remediate any forced labour or child labour or to remediate any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities or supply chains.

**8. Training**

As a subsidiary of CN, TransX deploys an online training course on the Code of Conduct as part of every new employee's onboarding program. Management employees are required to undergo training on the Code of Conduct every two years, with certification of compliance required annually from each director, executive officer and management employee. While the Code of Conduct does not directly speak to issues of modern slavery, it affirms our commitment to ensuring everyone working on behalf of TransX or other member of the CN Group adheres to the highest ethical standards.

TransX anticipates that its management employees will receive training on the issues of forced labour and child labour in 2024 through enhanced training on the Code of Conduct provided by CN.

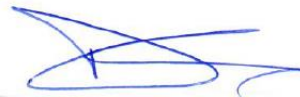
**9. Assessing Our Effectiveness**

Given the newness of the Act and the fact that TransX is still in the beginning stages of understanding the issues and risks of forced labour and child labour, the organization is not yet in a position to assess the effectiveness of any actions taken to prevent and reduce risks of forced labour and child labour in our business and supply chains.

**10. Approval and Attestation**

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the board of directors of TransX Ltd.

Per:



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Name: Derek Lachaine

Title: Director and President, TransX Ltd.

Date: May 29, 2024