



**REPORT ON CES' COMMITMENT TO THE FIGHT AGAINST FORCED LABOUR AND
CHILD LABOUR IN SUPPLY CHAINS ACT**

FINANCIAL YEAR ENDING DECEMBER 31, 2023

APPLICATION

This report is prepared in accordance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act"), which has been in effect since January 1, 2024. This legislative framework encompasses provisions aimed at combatting modern slavery, child labour, servitude, forced or compulsory labour, and human trafficking, while also addressing measures for the protection of victims.

The report outlines the annual commitment of the CES Transformers, collectively referred to as the "Company," "we," and "our," to prevent modern slavery, child labour, forced labour, and human trafficking in all our activities and relationships with partners. It details the measures implemented by the Company to achieve these objectives.

Measures to prevent and reduce the risks of forced labour and child labour

Generally speaking, in FY24 we have taken the following measures to prevent and reduce the risk of forced labour or child labour in our activities and supply chains: we have adopted a Policy Against Forced and Child Labour, we have adopted a Supplier Code of Conduct and we have adopted a Code of Ethics applicable to our employees. We take the issue of forced and child labour very seriously and will revisit our policies and processes regularly in this regard.

OUR POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND CHILD LABOUR

CES Transformers unequivocally condemns modern slavery, child labour, forced labour, and human trafficking, as these practices contradict our fundamental values and ethics.

Furthermore, CES Transformers maintains a zero-tolerance policy towards child labour, demonstrating our firm stance against any form of exploitation of children in the workforce and are committed to working with suppliers who make it a priority to do the same.

OUR STRUCTURE, COMMERCIAL ACTIVITIES, VISION, AND SUPPLY CHAIN

OUR STRUCTURE:

We are a family-owned business. Having nearly four decades of experience in manufacturing transformers, our vision has translated into significant growth, knowledge, and adaptable manufacturing processes.

Our primary focus is on providing customers with top-notch products, competitive pricing, and unparalleled delivery times. Through strategic supplier relationships and a cross-trained employee base, our manufacturing approach allows us to design and build both standard and customized transformers.

OUR ACTIVITIES:

Our manufacturing capabilities span a wide range, including transformers up to 10 MVA, 72kV, 350 BIL. With extensive industry knowledge, CES Transformers has served customers and contributed to large-scale projects in various energy sectors.

OUR VISION:

At CES, we envision a future where our innovative electrical transformers power a sustainable world. Our vision is to be the driving force behind a connected and sustainable world, where every watt counts in shaping a brighter and greener tomorrow. Through our relentless commitment to excellence, technological advancement, and environmental care, we strive to empower industries, communities, and individuals with reliable, energy-efficient solutions.

In this report, we provide an overview of the corporate governance, processes, and policies implemented to ensure compliance with human rights standards, including the prevention of forced labour and child labour, across the supply chains of CES Transformers bound by the Act.

SUPPLY CHAIN:

CES Transformers is a Canadian manufacturer whose operation is manufacturing of electrical transformers.

The vast majority of our direct suppliers of goods and services are located in North America, China, Turkey, and India.

POLICIES AND DUE DILIGENCE PROCESSES

a) Policy Against Forced and Child Labour

We have adopted a Policy against the use of forced and child labour for the fiscal year 2024. Our employees and suppliers will be required to confirm their adherence to this Policy.

b) Code of Ethics

Our Code of Ethics, extends to all personnel including employees, executives, and directors, as well as entities with whom we have contractual agreements. This Code aims to promote socially responsible behaviour, integrity, and corporate accountability.

It outlines principles fostering a conducive work environment and equitable business practices, empowering our workforce to make well-informed decisions. We insist that our employees uphold honesty, integrity, and fairness in promoting and selling our products and services, as well as in all aspects of our operations.

c) Supplier Code of Conduct

In addition to the Code of Ethics, we have implemented a Supplier Code of Conduct in 2024, to broaden its application to all our suppliers. The primary objective is to ensure that each supplier adheres to the principles and requirements governing our business practices. This Code sets our ESG (environmental, social, and governance) standards, and we expect full compliance from our suppliers, who are also urged to impose similar standards on their partners, suppliers, staff, and subcontractors. Notably, the Code unequivocally prohibits any form of forced labour or the utilization of child labour by any supplier. Suppliers are further mandated to evaluate child labour risks within their supply chains and undertake appropriate measures to eliminate any instances of child labour detected.

Additionally, we retain the right to request supplementary information from our suppliers to effectively manage and monitor adherence to the code. Individuals may report violations via a dedicated email address (hr@cestransformers.com), and we commit to assisting suppliers in rectifying compliance issues.

DETERMINING THE RISK OF FORCED LABOUR OR CHILD LABOUR

a) Among our personnel

At CES Transformers, we consider the likelihood of forced labour or child labour within our workforce to be minimal. Oversight of our human resource policies is conducted by our Managing Partners and its Human Resources Director. Our recruitment procedures are designed to align with the prevailing standards in Canada, from where most of our personnel originate.

b) Within our supply chains

We acknowledge the potential risk of forced labour in our supply chain. Currently, our company's procedures for assessing the risk of forced labour or child labour are limited to CES Transformers' personnel, and its primary suppliers.

Concerning the services provided by CES Transformers, we evaluate the risk of forced labour or child labour as minimal within our direct suppliers. However, for certain goods and services, threats become more prevalent among suppliers and subcontractors further down the supply chain. Identifying and addressing these unknowns for these indirect suppliers, where our control and visibility are limited, may be complex and may necessitate additional measures to be revisited in the future.

STEPS TAKEN TO ASSESS AND MANAGE THE RISK IDENTIFIED IN OUR OPERATIONS AND SUPPLY CHAINS

The provision of goods and services is guided by a set of operating philosophies and principles that align with our growth strategy. We have a responsibility to leverage our influence in combating forced labour and child labour. However, all stakeholders within the supply chain also bear a role in this endeavour. We depend on the cooperation of our suppliers, expecting them to adhere to the highest standards of quality and ethics outlined in our policies and codes of conduct, as elaborated upon in this report.

Additionally, we rely on close collaboration among key stakeholders within the supply chain to ensure compliance with processes and effective risk prevention.

Furthermore, we conduct due diligence before entering agreements with new suppliers, which may involve visiting the supplier's premises where necessary.

Policy on Forced Labour and Child Labour

In FY24 we have adopted a Policy on Forced Labour and Child Labour. This Policy sets out our zero-tolerance approach to the use of forced labour and child labour in our operations and in our supply chains. Suppliers and employees are required to confirm their adherence to the Policy requirements. We follow-up with outstanding confirmations to ensure that, to the best of ability, all employees and suppliers have confirmed that they will abide by the Policy requirements.

a. Audits/visits

Before engaging in any agreement with a new supplier, we undertake a thorough due diligence process. This process may involve visiting the supplier's premises when deemed necessary.

REMIEDIATION MEASURES

During the previous fiscal year, we did not encounter any instances of forced labour or child labour within our operations or supply chain. Consequently, no remedial actions were required to address such incidents. However, in the event that we do identify any cases of forced labour within our activities or supply chains, we will

diligently assess and implement appropriate remediation strategies in accordance with international standards.

MEASURES TAKEN TO REMEDIATE THE LOSS OF INCOME TO THE MOST VULNERABLE FAMILIES THAT RESULTS FROM MEASURES TAKEN TO ELIMINATE THE USE OF FORCED LABOUR OR CHILD LABOUR

We have not identified any loss of income for vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our supply chain.

TRAINING

Throughout the year, CES offers training sessions, including some that are compulsory, to educate employees on diverse human rights-related subjects. These sessions also underscore the existing mechanisms for reporting behaviour that contradicts the Company's established principles. We are also investigating the possibility of providing training that is specific to child and forced labour issues in FY24.

ASSESSMENT OF EFFICIENCY

CES implemented measures to mitigate the risk of forced labour or child labour within our operations and supply chains. However, we have not yet conducted an assessment to evaluate the effectiveness of these measures. We will review our policies and our relationships with our suppliers periodically in this regard.

CONCLUSION

We are committed to preventing and fighting all forms of modern slavery and human trafficking in CES' activities and supply chains. As such, we will continue to regularly review our processes, practices, and policies in order to identify opportunities for improvement.

APPROVAL AND ATTESTATION

In accordance with the requirements of the Act, and in particular section 11 thereof, we hereby attest that we have reviewed the information contained in the report. To the best of my knowledge, and after having exercised due diligence, we attest that the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above. This report is was approved in accordance with section 11(4)(a) of the Act.



Chris Espelithies
Managing Partner



Nick Espelithies
Managing Partner



Emanuela Myers
Managing Partner

Date: 05/28/24

Date: 05/28/24

Date: 05/28/24

We have the authority to bind the corporation