

Fighting Against Forced Labour and Child Labour in Supply Chains Act Report

2024 Report

Northern Transformer Corporation, located in Maple, Ontario.

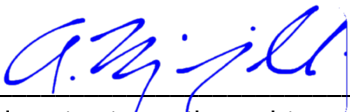
Financial reporting year: From July 1, 2024 to June 2025

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Introduction

This report identifies the steps taken during the 2025 financial reporting year to prevent and reduce the risk of forced or child labour within our supply chains. It has been prepared in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* and has been approved by Alexei Miecznikowski pursuant to section 11(4)(a) of Act1.



Alexei Miecznikowski, President and CEO

About Northern Transformer

Established in 1981 in Concord, Ontario, Northern Transformer began as a manufacturer of liquid-filled transformers. In 2012, Canadian Entrepreneur Mr. Giovanni Marcelli

acquired the company, and immediately set out on a plan to expand into a new state of the art manufacturing facility in Maple, ON, which officially opened in 2016. Since then, our continued growth and expansion has enabled us to develop a robust manufacturing process within a 120,000 sq. ft. facility, encompassing production, testing, and office space for engineering and client support. We specialize in the procurement of high-quality materials to produce and distribute power transformers, auto transformers, mobile transformers, and generator step-up transformers. Additionally, we offer comprehensive services including site supervision, assembly and commissioning, aftermarket support, and storage solutions. At Northern Transformer, our vision is to be the leading provider of power transformers in North America, driving the transition to a cleaner, electrified, and more prosperous future.

Supply Chains and Identifying Risk

At Northern Transformer, we are committed to upholding the highest standards of ethics, quality, and sustainability across our supply chain practices. Our supplier expectations are rooted in these principles, ensuring that every stage of the procurement process aligns with our core values of integrity, responsibility, and environmental stewardship. The primary materials and goods we source for our operations include core steel, tank steel, copper conductor, bushing, oils, insulation materials, along with other 3rd party transformer accessories. Our supply chain is composed of 156 vendors, with over 83% of our sourcing coming from North America. Approx 16% of our remaining suppliers are based in the Europe, with less than 1% sourced from other jurisdictions.

By sourcing the majority of our materials from North America, we significantly minimize the risk of child and forced labour entering our supply chain. Both Canada and the United States have well-established legal and regulatory frameworks that rigorously address and mitigate the risk of unethical labour practices, including child and forced labour. In Europe, similar regulations are in place, further enhancing our efforts to ensure that our supply chain remains free from exploitation and unethical practices. These regulations are complemented by a commitment to transparency and compliance,

ensuring that every link in our supply chain adheres to the same ethical and responsible standards.

In line with this commitment, Northern Transformer prioritizes cultivating long-term partnerships with companies that share our unwavering commitment to ethical business practices. We have a strong preference for working with suppliers from well-established markets, where industry standards and regulations around labor rights are well-defined and rigorously enforced. By nurturing these types of relationships, we help ensure that our supply chains remain free from unethical labor practices, including child and forced labor. Furthermore, within Northern Transformer, all prospective employees are required to indicate their legal eligibility to work in Canada as part of their employment application process. They must also provide a piece of government-issued identification to verify their age and eligibility. This policy reinforces our commitment to legal and ethical hiring practices within our own operations.

While the risk of child and forced labor occurring within our business operations and supply chains is minimal, we recognize that certain areas may present potential risks for unethical labor practices. In our proactive approach, we have carefully examined various factors such as geography and industry sector to identify these risks. For example, sectors such as copper and mineral mining have been flagged due to their association with child labor in certain regions. By identifying these high-risk areas, we can take targeted action to ensure that our sourcing practices remain ethical, transparent, and aligned with our core values. We continue to monitor, evaluate, and refine our supply chain practices to ensure that they meet the highest standards of labor rights and sustainability. Through ongoing diligence and partnerships with trusted suppliers, we are confident in our ability to uphold our commitment to ethical sourcing and the protection of human rights.

Policies

At Northern Transformer, we prioritize maintaining a supply chain that is transparent, ethical, and fully committed to the prevention of forced labor, child labor, and human trafficking. We recognize the significant challenges associated with identifying and addressing potential instances of forced and child labor. We understand that eradicating

these practices is a long-term effort that requires consistent due diligence, transparency, and collaboration with our suppliers. We have established policies and due diligence processes to prevent such labour practices.

1. Forced and Child Labour and Human Trafficking Policy

The foundation of our approach to combating forced labor, child labor, and human trafficking is outlined in our Forced and Child Labor and Human Trafficking Policy. This policy establishes our firm zero-tolerance stance toward modern slavery and provides the framework for assessing and managing risks related to labor practices within our supply chain. Suppliers are required to fully comply with the principles outlined in this policy, which include a commitment to ethical labor practices and the protection of human rights. The policy explicitly prohibits any form of forced or child labor.

2. Supplier Code of Conduct

Our Supplier Code of Conduct outlines the expectations we set for all suppliers, emphasizing compliance with relevant local, national, and international laws, particularly those related to labor standards, human rights, and business integrity.

A key component of the Code is our strict zero-tolerance policy towards forced and child labor. Additionally, suppliers are required to maintain a workplace that is free from harassment, violence, and discrimination, ensuring fair wages and reasonable working conditions for all employees. Furthermore, the Health and Safety section of the Code mandates that suppliers provide a safe and healthy work environment, including the provision of necessary protective equipment and appropriate training. The Code further encourages suppliers to foster inclusivity and diversity within the workplace, while upholding the highest standards of business integrity. Suppliers must refrain from any form of corruption or unethical business practices, ensuring that all business relationships are built on fairness and transparency.

3. Supplier Engagement

In alignment with our commitment to transparency and legal compliance, we have provided a formal letter to our key suppliers regarding Bill S-211, the Fighting Against Forced Labour and Child Labour in Supply Chains Act. We have requested that all key suppliers provide confirmation on their company letterhead stating their commitment to preventing and reducing the risk of forced and child labor. This confirmation should include details about the policies and measures the supplier has in place to address these issues.

By engaging with our key suppliers in this manner, we ensure that all parties in our supply chain are fully aligned with the legal requirements and ethical standards set forth by Northern Transformer. This proactive approach strengthens our ability to mitigate risks associated with modern slavery and labor exploitation.

Risk Assessment, Management, and Training

Northern Transformer assesses the risk of child and forced labour occurrences in our supply chains using our supplier approval processes. The purpose of the Supplier Approval process is to evaluate suppliers and their products prior to being added to our list of approved suppliers.

The Supplier Approval process begins with our Supplier Assessment Questionnaire. The questionnaire is intended to assess a range of factors including the supplier's environmental practices, quality management, and health and safety standards. Crucially, the questionnaire prompts suppliers to provide us with established policies addressing forced and child labour in their operations. The Supplier Assessment Questionnaire, in conjunction with the applicable risks we have identified, allows us to assess each supplier and decide if they can provide us with high quality goods and services while upholding our expectations and values. Upon review of the questionnaire, a decision will be made as to whether the supplier can move forward in the approval process.

The risks of child and forced labour within our supply chains are managed by adhering to our purchasing and procurement processes. These processes ensure that we are only sourcing materials and goods from suppliers that have been properly evaluated and assessed for the risk of child and forced labour use. Additionally, we encourage all Northern Transformer employees and stakeholders to come forward with any suspected modern slavery.

Northern Transformer provides training to its employees as part of our commitment to managing the risk of child and forced labour in our supply chains. All employees are required to understand and follow our Code of Conduct, which mandates that all Company transactions must be conducted in an ethical and lawful manner. Employees

involved in purchasing and procurement are also trained in accordance with our Purchasing Process, Procurement, and Approving Suppliers documents. These documents outline our expectations for ethical purchasing and procurement practices. Additionally, employees involved in Buying, Quality Assurance, Receiving, Human Resources, and anyone who interacts with suppliers undergo training on the prevention of child, labour, forced labour, and human trafficking.

Assessing Effectiveness

To ensure that our efforts to combat child and forced labour are effective, we assess the outcomes of our actions through a variety of monitoring and evaluation methods. This allows us to continuously improve our approach and identify any potential gaps or risks in our supply chain.

1. Supplier Audits and Random Assessments

We conduct random assessments of suppliers that may be at risk of non-compliance with our child and forced labour policies. These audits help us evaluate the effectiveness of our risk management strategies and identify potential areas for improvement.

2. Supplier Self-Assessment

Suppliers are required to assess their own supply chains for child and forced labor risks. This self-assessment provides an additional layer of oversight and helps us gauge the effectiveness of our suppliers' internal controls. We review these assessments regularly to ensure they align with our expectations and standards, identifying areas where further action or support may be needed.

3. Ecovadis Platform for Transparency and Evaluation

We use the Ecovadis platform to assess our own sustainability practices, including our policies on child and forced labour. Ecovadis allows our clients and business partners to evaluate our efforts and compare them to industry standards. This platform helps us measure our performance in preventing child and forced labour and provides valuable feedback on how we can improve.

4. Raising Concerns Program for Continuous Monitoring

Our Raising Concerns Program is a key tool in assessing the effectiveness of our efforts. It provides employees with a confidential way to report concerns related to child and forced labour. We track all reports made through this channel, evaluating whether our actions to prevent these practices are effective, and whether further steps need to be taken based on the feedback received.

Through these ongoing assessments, we are able to monitor the effectiveness of our efforts to combat child and forced labour, ensuring that we remain vigilant and proactive in addressing any risks within our supply chains.