



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

CIT-RPT-002 | Revision: R0 | 2025-05-26

Table of Contents

1 Introduction.....3

2 Structure and Operations.....3

2.1 Canadian Operations.....3

2.2 Asian Operations4

2.3 United States of America Operations4

3 Supply Chains.....4

4 Steps to Prevent and Reduce the Risks of Forced Labour and Child Labour in 2024:5

5 Policies.....5

6 Board Oversight8

7 Due Diligence8

8 Identifying Forced Labour or Child Labour Risks.....8

8.1 2024 Activities8

8.2 Quantitative Indicators.....9

8.3 2025 Planned Activities – Response to Updated PSC Guidance10

9 Managing Forced Labour or Child Labour Risks10

10 Remediation Measures10

10.1 Forced or Child Labour Response Process.....11

11 Training12

12 Looking Forward12

12.1 Auditing, Monitoring & Enhanced Governance12

12.2 Continuing Our Commitment as Responsible Global Partners.....13

13 Approval and Attestation13

1 Introduction

CoolIT Systems Inc. meets the definition of an “entity” under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (S.C. 2023, c. 9) (the “**Act**”), as it:

- Is has a place of business in Canada;
- Meets the financial threshold of at least \$20 million in assets or \$40 million in revenue; and
- Employs more than 250 employees globally.

This report is submitted in compliance with the Act for the financial year ending December 31, 2024.

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 the Act. The Report constitutes our forced labour and child labour reporting statement for the financial year ending December 31, 2024 (2024). 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 design and assemble liquid cooling solutions for desktop gaming and datacenter industries. CIT operates in Calgary, and in Taiwan and Shenzhen, China. CIT also remotely employs a global salesforce. In total, CIT has approximately 363 employees as at December 31, 2024.

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

2.1 Canadian Operations

As at December 31, 2024, CIT leases and operates from four 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, operations, quality, and executive leadership. 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.

The fourth building is a manufacturing facility, which produces and ships row-based coolant distribution units to customers globally.

2.2 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 by this office.

2.3 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.

CIT has continued to require suppliers to adhere to the updated Vendor Code of Conduct. In furtherance thereof, suppliers are required to complete the Supplier Qualification Questionnaire, which covers topics that include labour, health and safety, environmental and ethics matters. CIT 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 CIT. Examples of documentation include, but are not limited to policies, procedures, or internal codes of conduct. Should CIT 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 located in China, Taiwan and Vietnam, the balance of CIT's product sourcing comes from suppliers in the following countries: Australia, Belgium, Canada, China, Costa Rica, Czechia, Germany, Hong Kong, India, Italy, Malaysia, Mexico, Netherlands, Singapore, Spain, Switzerland, Taiwan, United Arab Emirates, United Kingdom, United States. CIT acknowledges potential risks in upstream supply chains beyond Tier 1, particularly in regions with higher prevalence of forced labour risks such as China and Southeast Asia. Mapping of Tier 2 suppliers has been identified as a key supply chain activity, and we are developing plan to better identify Tier 2 suppliers and mitigate associated risks.

4 Steps to Prevent and Reduce the Risks of Forced Labour and Child Labour in 2024:

CIT took the following steps during 2024 to prevent and reduce the risk of forced labour or child labour in our business and supply chains:

Continued to utilize 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 CIT vendors.

CIT Systems recognizes the importance of internationally recognized social accountability standards in mitigating the risk of forced labour and child labour in supply chains. SA8000 is a globally acknowledged certification developed by the non-governmental, Social Accountability International (SAI) organization that focuses on child labour, forced or compulsory labour, health and safety, freedom of association, non-discrimination, disciplinary practices, working hours, and remuneration standards. To confirm supplier alignment with these principles, CIT requests suppliers to complete our Supplier Qualification Questionnaire, which includes questions regarding SA8000 compliance or equivalent labour standards.

In light of evolving geopolitical conditions and the complexities surrounding global supply chains, CIT has prioritized a deeper analysis of international trade dynamics before engaging Tier 2 suppliers. 2024 was dedicated to evaluating geopolitical risks, trade restrictions, and economic trends that may impact vendor reliability and sourcing strategies. This approach allows for informed decision-making that aligns with CIT's long-term supply chain integrity and resilience. Moving forward, supplier engagements will be based on comprehensive risk assessments, ensuring compliance, ethical sourcing, and operational stability within a rapidly shifting global landscape.

By completing the Request for Quotation (RFQ), 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 continued 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 | 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. | This policy applies to all Board of Directors members and staff at CoolIT. |
| 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 up to and including termination and removal from the premises.</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. |
| Whistleblower Policy | CoolIT is committed to maintaining high standards of | The Whistleblower Policy applies to all employees, |

| | | |
|---|---|--|
| | <p>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.</p> | <p>contractors, and other stakeholders of CoolIT.</p> |
| 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> | <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.</p> |
| Vendor Code of Conduct | <p>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 CoolIT values and how we conduct business.</p> <p>The Vendor Code of Conduct requires that workers meet all legal standards regarding age</p> | <p>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> |

| | | |
|--|---|--|
| | 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. | |
|--|---|--|

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 identified and a mitigation plan with associated actions is implemented, this may include an alternate supplier being identified and utilized.

8 Identifying Forced Labour or Child Labour Risks

8.1 2024 Activities

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 and listed below are the corresponding actions/decisions for each topic:

| <u>2024 Activities</u> | <u>2024 Action/Decision</u> |
|--|---|
| 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. | Additional language added, based on ESG report including additional child labour, forced labour standards including acknowledgement and signature for compliance. |
| Conduct risk assessments for Tier 1 suppliers based on new risk assessment process. | Due to geopolitical shifts, CIT prioritized global trade analysis before engaging suppliers to ensure long-term stability. |
| Conduct additional training for CoolIT personnel on ESG issues. | Employees were required to complete the annual refresher training on the Code of Conduct & Ethical Behavior Policy which contains ESG content. |
| Integrate ESG further into the risk assessment of suppliers based on the responses from the Vendor Code of Conduct and Supplier Qualification Questionnaire. | Due to ongoing geopolitical developments and emerging risk factors, the risk assessment has been deferred, with additional inputs being incorporated. The updated evaluation is planned for 2025 to ensure alignment with evolving global conditions and organizational strategy. |
| Update the CoolIT Request for Quotation form to bolster ESG language and include compliance with the Vendor Code of Conduct. | Due to geopolitical shifts, CIT prioritized global trade analysis before updating this content, deferred to 2025 and will align with the MSA update (listed below in 2025 Planned Activities). |
| Work with contract manufacturers to map supply chain. | Mapping on-going, adjustments and modifications needed due to geopolitical changes. |

8.2 Quantitative Indicators

To enhance transparency, we provide the following metrics for 2024:

- **New North American suppliers onboarded:** 2 (Wieland, Stoltz)
- **Employees completing annual Code of Conduct & Ethical Behavior Policy training:** 100%
- **Instances of forced or child labour identified:** Zero (0)

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.

8.3 2025 Planned Activities – Response to Updated PSC Guidance

In response to significant geopolitical developments in late 2024 and the revised guidance issued by Public Safety Canada (PSC) in November 2024, CIT has identified key activities to address compliance, risk mitigation, and alignment with current regulatory expectations.

The following initiatives will be prioritized in 2025:

1. Master Supply Agreement (MSA) Updates
 - Integrate enhanced language regarding mandatory reporting obligations, supplier audit rights, and disclosure requirements.
 - Ensure MSAs are aligned with current geopolitical risk factors and sustainability expectations.
2. Risk Assessment Enhancements
 - Expand our plan to include Tier 2 suppliers and components.
 - Update geopolitical risk criteria to reflect emerging threats and country-specific guidance.
 - Reassess supplier risk tiers using updated data and impact modeling.
3. Document and Process Alignment
 - Update the following documents to align with revised MSAs and Purchase Order expectations:
 - Vendor Code of Conduct
 - Request for Quotation (RFQ) Template
 - Supplier Qualification Questionnaire (SQQ)
 - Ensure language consistency and integration of mandatory compliance and due diligence obligations.

These initiatives are critical to ensure that CIT remains compliant, competitive, and resilient amid evolving global conditions.

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 2024, CIT continued taking steps to shift critical component suppliers to North America. In 2024 CIT specifically targeted and brought on North American vendors Wieland and Stoltz in an effort to near shore specific component suppliers.

10 Remediation Measures

In 2024, CIT did not identify 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

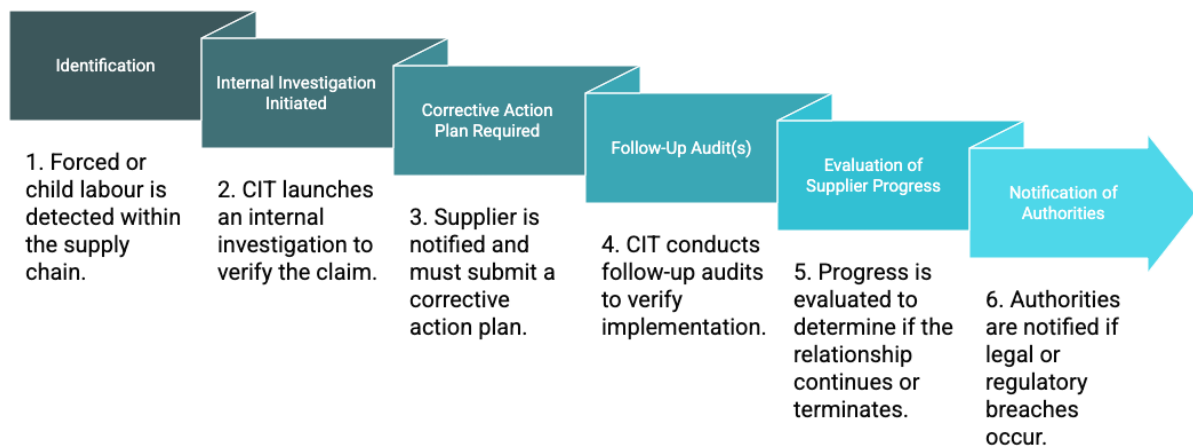
employees to share their concerns about how we conduct our operations, including concerns regarding illegal or unethical behavior.

10.1 Forced or Child Labour Response Process

While CIT is committed to maintaining a responsible and ethical supply chain, we recognize the importance of having a clear and actionable process in place should a serious human rights violation occur. If CIT were to identify an incident involving forced or child labour within our supply chain, the following protocol would be activated to ensure timely investigation, remediation, and accountability

1. **Identification**
 - Forced or child labour is detected within the supply chain (via audit, report, or disclosure).
2. **Internal Investigation Initiated**
 - CIT launches an internal investigation to verify the claim and assess the extent of the issue.
3. **Corrective Action Plan (CAP) Required**
 - Supplier is formally notified.
 - Supplier must submit and implement a corrective action plan.
 - Timeline and milestones are clearly defined.
4. **Follow-Up Audit(s)**
 - CIT conducts follow-up audits to verify implementation and progress.
 - Documentation and evidence of remediation are reviewed.
5. **Evaluation of Supplier Progress**
 - If progress is deemed satisfactory:
 - Relationship may continue under heightened monitoring.
 - If progress is unsatisfactory:
 - Proceed to terminate the supplier relationship.
6. **Notification of Authorities (if appropriate)**
 - CIT notifies relevant authorities in cases where legal or regulatory breaches require external reporting.

Figure 10.1.1 Forced or Child Labour Response Process



11 Training

In 2024, newly hired employees were required to review and acknowledge the Code of Conduct & Ethical Business Policy, which outlines key principles such as legal compliance, ethical business practices, and data protection. This policy covers critical areas including anti-slavery, bribery and corruption, conflicts of interest, insider trading, solicitation and distribution, grievance procedures, and expense management. In accordance with CIT's internal policies, all employees must complete an annual refresher training course to reinforce these standards. Assessing Our Effectiveness

To assess the effectiveness of our Vendor Code of Conduct and Supplier Qualification Questionnaire, CIT continues to rely on internal and external stakeholders to work collaboratively with supply chain vendors ensuring their compliance. CIT 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 below.

12 Looking Forward

As we look ahead to 2025, CIT remains committed to strengthening our approach to responsible sourcing and supply chain integrity. While we have not identified any instances of forced labour or child labour to date, we recognize the importance of remaining proactive, especially in light of evolving global expectations and the updated guidance issued by Public Safety Canada (PSC) in November 2024.

We are committed to aligning with this guidance and enhancing our internal processes to ensure we continue meeting both regulatory and ethical standards.

12.1 Auditing, Monitoring & Enhanced Governance

In 2025, we will advance our efforts by embedding audit and compliance mechanisms into our contractual frameworks and supplier engagement processes. This includes:

- **Contractual Enhancements:** Updating key documents—such as Master Supply Agreements (MSAs) and Request for Quotations (RFQs)—to include clear language on audit rights, disclosure expectations, and due diligence requirements.
- **Supplier Audits:** Expanding the use of supplier audits to assess ongoing alignment with our Vendor Code of Conduct and labour standards.
- **Third-Party Verification:** Exploring partnerships with independent auditors for objective evaluations of higher-risk suppliers.
- **Self-Assessment Tools:** Continuing to use supplier self-assessments to support transparency and encourage continuous improvement.

12.2 Continuing Our Commitment as Responsible Global Partners

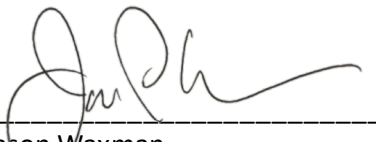
CIT believes responsible supply chain management is not just about compliance — it's about leadership. In that spirit, we will:

- **Engage Stakeholders:** Continue conversations with suppliers, customers, industry associations, and regulatory bodies to stay informed and aligned with best practices.
- **Foster Internal Awareness:** Strengthen employee training on responsible sourcing practices, ensuring our teams are informed and equipped to support our values.

13 Approval and Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I, in the capacity of Chief Executive Officer, attest that I have reviewed the information contained in the report on behalf of the governing body of the entity 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 within this report.

COOLIT SYSTEMS INC.

By: 

Jason Waxman
Chief Executive Officer
I have the authority to bind CoolIT Systems Inc.

Date: May 30, 2025