



ARROW SPEED CONTROLS: ANNUAL REPORT ON MODERN SLAVERY

FINANCIAL YEAR ENDED AUGUST 31, 2023

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1. Introduction

Regulatory Compliance Overview:

The Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") mandates that entities disclose the measures they have implemented over the fiscal year to mitigate the risks of forced and child labour (collectively, "**modern slavery**") in their operations and supply chains. This is a report prepared for Arrow Speed Controls ("**Arrow**") (herein referred to as "we", "us", or "our"), a company operating within the Madison Industrial Group of businesses, and a subsidiary of Madison Venture Corporation ("**MVC**") and its holding company Ael Holdings Ltd. ("**Ael**"). MVC and Ael have submitted their own joint report. Arrow is required to publish and report under the applicable Act. This report covers Arrow's fiscal year ending August 31, 2023, and details the actions taken by Arrow beginning in fiscal 2023 and into fiscal 2024 to address these critical issues.

About the Business

Arrow, a key business within the Madison Industrial Group of businesses, is based in Richmond, British Columbia, with additional facilities in Mississauga, Ontario, and Lynwood, Washington. Arrow offers advanced solutions in automation, systems integration, E-houses, motion and robotics, and custom panel manufacturing. As one of the leading distributors of industrial controls and automation products in Canada, Arrow must report under the Act.

Commitment Statement:

Arrow is dedicated to the ethical and responsible conduct of our businesses. We strongly discourage and do not endorse modern slavery in our business and supply chains. We are committed to aligning our practices with the Act to uphold human rights and dignity.

Report Scope:

This report outlines the efforts undertaken beginning in fiscal 2023 and into fiscal 2024 by Arrow Speed Controls to mitigate the risk of forced and child labor within their operations and supply chains, both within and beyond Canada's borders.

2. Company Structure and Supply Chains

Organizational Structure:

Arrow Speed Controls operates within the Madison Industrial Group of businesses, and is a subsidiary of Madison Venture Corporation and Ael Holdings Ltd.

Madison Venture Corporation and Ael Holdings Ltd. have reported in a separate submission detailing their own compliance measures and actions under the Act.

Supply Chain Overview:

Supporting Arrow's domestic operations, its supply chain consists of:

- **Direct suppliers** who provide IT hardware and software, tooling, components, parts, automation and control products, electric motors, and other items incorporated into the core offerings of the Industrial Automation and Energy Services companies. The Company establishes long-term relationships with direct suppliers, and, whenever possible, identifies potential substitute supply arrangements for smaller components.
- **Indirect suppliers** who provide services or goods that support Arrow's operations but are either not incorporated into its core offerings, such as waste removal, facility maintenance, information technology, and accounting services, or which offer consumables such as warehouse and office supplies.

Arrow Speed Controls is supported by a diverse group of direct suppliers, each contributing essential products and components that enhance our automation and control capabilities. These suppliers provide an extensive array of items, including servo systems, variable frequency drives (VFDs), programmable controllers, large AC and DC motors, photovoltaic inverters, manual motor controllers, torque control solutions, process instrumentation, motion systems, electrical enclosures, control panel components, and industrial safety devices.

Arrow engaged with over 180 direct suppliers in fiscal 2023, all situated within Canada and the United States, except for one supplier located in Germany. We manage risks of forced or child labour in our supply chain by engaging reputable suppliers based primarily in Canada and the United States.

3. Company Policies

Arrow is unequivocally committed to ethical business practices, including embedding human rights considerations into our policies, governance framework, and decision-making, as detailed in the subsequent sections:

Policies:

For fiscal 2023, Arrow did not have formal policies in place to address modern slavery. However, in fiscal 2024, Arrow implemented efforts to address the risks of modern slavery, supported by the following policies. These policies establish the baseline expectations and reinforce the values and objectives of Arrow.

- **Company Policy**

The following is a summary of the Arrow's *HR1.39: Forced Labour and Child Labour* policy:

Arrow is committed to ensuring that workers have the right to choose employment freely, without threats to their safety. We seek to do business with entities that do not engage in forced or child labor. Compliance with Bill S-211 requires reporting on measures to prevent and reduce the risk of forced and child labor.

Suppliers must follow employment standards, labor laws, non-discrimination, and human rights legislation. Supplier contracts include terms related to compliance, ensuring alignment with these principles. Arrow is dedicated to upholding human rights, dignity, and ethical practices, aiming to contribute to the eradication of forced and child labor for a sustainable and equitable future.

- **Due Diligence**

No due diligence processes were in place during the 2023 fiscal year; however, beginning in fiscal 2024, Arrow solicited information from our high-priority suppliers¹ regarding their adherence to guidelines and processes that support ethical business practices and combat modern slavery. Through our *Bill S-211 Vendor Risk Assessment*, we ask suppliers to detail their controls, policies, and training aimed at identifying, mitigating, and addressing risks of forced and child labor within their operations and supply chains, including:

- › Modern Slavery Risk Controls
- › Formal Modern Slavery Policy
- › Modern Slavery Training Programs
- › Supply Chain Mapping and Risk Analysis
- › Incident Reporting and Mitigation
- › Insurance and Compliance
- › Quality Assurance
- › Safety and Human Rights Compliance

¹ Beginning in fiscal 2024, Arrow conducted a risk assessment for 80% of our suppliers based on our supply chain expenditure.

4. Assessing and Managing Risk

In fiscal 2023, Arrow did not formally assess or manage the risk of modern slavery across our workforce, operations, and supply chains. However, starting in fiscal 2024, Arrow began addressing modern slavery risks in these areas, as detailed in the subsequent sections:

Assessing and Managing the Risks of Modern Slavery:

Arrow evaluates the potential risks of modern slavery across three key areas, as described below:

- **Among the Arrow's workforce:** Arrow believes that the risk of modern slavery among its employees is low. Although Arrow does not directly employ full-time Human Resources and EHS managers, it benefits from the support provided by these roles within the wider Madison Industrial Group. This dedicated team helps oversee and enforce labor standards and safety protocols, ensuring compliance with local, provincial, and federal labor laws and conducting regular training sessions on workplace safety. Additionally, proactive third-party compliance checklists, internal audits, and thoughtful hiring practices, including background checks and verification processes, have been implemented to further mitigate any risk of modern slavery within our operations.
- **Within Arrow's Operations:** Arrow operates with a commitment to transparency and ethical practices at all levels of production and service provision. Regular reviews are conducted, in part, to identify and address any potential risks related to modern slavery. Our proactive approach includes engaging with employees through open communication channels to report unethical practices without fear of retaliation.

Moreover, Arrow benefits from EHS and HR professionals that, in part, confirm these employment factors within our operations:

- › Facilities comply with applicable employment standards, including minimum age requirements.
- › Labour is voluntary, ensuring that workers are not coerced into employment.
- › Working hours align with local laws and standards, promoting fair labour practices.
- › Workers are properly compensated according to legal and industry norms.
- › Facilities adhere to health and safety laws and regulations, safeguarding worker well-being.
- › Workers are not exploited.

- **Within Arrow's Supply Chains:** Recognizing the potential for risks of modern slavery, Arrow actively query all suppliers through our *Vendor Pre-qualification* and *Bill S-211 Risk Assessment* processes, which seek alignment with practices that combat forced and child labor. While we trust our suppliers to adhere to these ethical standards, we can conduct targeted audits should significant risks be identified.

Starting in fiscal 2024, Arrow conducted a risk assessment for 80% of our suppliers, prioritized based on expenditure. This proactive measure, utilizing supply chain mapping for our direct vendors, located almost entirely within Canada or the United States, ensured that none were flagged for risks when checked against the U.S. Department of Labor's ILAB [list of suspect goods and source countries](#).

Our exposure to the risk of forced labour and/or child labour increases when we do not have visibility of the indirect suppliers in our supply chain. Given the complexities of assessing risks associated with direct suppliers, over whom Arrow has limited control and visibility, we acknowledge the necessity of adopting specific supplementary measures. These measures, detailed in the next section, aim to enhance our oversight and management of such risks.

Measures Implemented:

For fiscal 2023, Arrow did not formally assess or manage the risks of modern slavery across our workforce, operations, and supply chains. However, several foundational policies and practices implemented in fiscal 2023 indirectly addressed these issues:

- **Compliance with Business Standards:** Human Rights and Conflict of Interest internal policies were implemented.
- **Ethical Business Practices:** Business Ethics and Anti-Corruption and Bribery, and Diversity, Equity, and Inclusion internal policies were implemented.
- **Oversight and Management:** Arrow benefits from a Environmental, Health, and Safety (EHS) manager and a Human Resources (HR) manager. These roles are important in maintaining compliance with labour laws, conducting training sessions, and overseeing workplace safety, all of which contribute to minimizing the risks of modern slavery.

Starting in fiscal 2024, Arrow began implementing specific measures to address modern slavery risks directly. These measures, detailed in the subsequent sections, build on our existing policies and enhance our oversight and management of such risks across our workforce, operations, and supply chains.

- **Commitment and Policies:** The Company formalized its commitment to addressing modern slavery with its Policy (*HR1.39: Forced Labour and Child Labour*, included above) and *Bill S-211 Vendor Risk Assessment*.
- **Proactive Communication and Supplier Assessment:** Beginning in fiscal 2024 and based on data from fiscal 2023, Arrow proactively communicated with our most relevant direct suppliers, covering 80% of our annual expenditure, ranking them based on location, and goods purchased categories. We distributed a detailed letter alongside an assessment tool, as outlined in our comprehensive *Bill S-211 Vendor Risk Assessment* document. This initiative was aimed at ensuring our suppliers are compliant to prevent and mitigate risks of modern slavery within their operations and supply chains as per the Government requirements.
- **Due Diligence and Verification of New Suppliers:** Beginning in fiscal 2024, new suppliers are onboarded with a pre-qualification process to verify alignment, in part, with our corporate values and compliance requirements. This process is guided by our detailed Vendor Pre-qualification form, which assesses potential suppliers on various criteria essential to maintaining our standards, including Operational Compliance, Safety and Environmental Compliance, Quality Assurance, Training Programs, and Insurance and Legal Compliance.

The due diligence process for onboarding new suppliers may, where deemed necessary, involve on-site visits to the supplier's premises. While the primary purpose of these visits is not exclusively to detect modern slavery, they provide an opportunity for individuals to observe and report any concerning practices. This allows Arrow to take appropriate actions, including potential follow-up visits for existing suppliers, to address any issues identified.

Beginning in fiscal 2024, and based on fiscal 2023 data, Arrow required their most relevant suppliers to acknowledge, complete, and sign off on our *Bill S-211 Vendor Risk Assessment*. This was a crucial part of our risk assessment process, ensuring that suppliers not only understand but also actively comply with our anti-forced and child labor standards as detailed in the *Bill S-211 Vendor Risk Assessment* document. This document compels suppliers to verify and describe their procedures and controls for identifying, investigating, and mitigating any risks of modern slavery within their operations and supply chains, thus aligning with our commitment to ethical business practices. Arrow is in the process of collecting these acknowledgments and will keep them on record for future reference.

- **Training:** Although our employee training in fiscal 2023 did not include any dedicated materials to address forced or child labour, in fiscal 2024, Arrow has outlined a training program on Bill S-211 compliance, focusing on raising awareness about the risks of forced and child labor in our operations and supply chains.

5. Remediation Actions

In the last fiscal year, no modern slavery issues were identified within Arrow's operations or supply chains. Consequently, no remedial actions were taken to remediate any forced or child labour, nor any measures to remediate the loss of income to the most vulnerable families resulting from any such action. Starting in fiscal 2024, we have initiated assessments, and so far, no issues have been identified.

6. Effectiveness Assessment

Beginning in fiscal 2024, Arrow has implemented specific measures, detailed in this report, designed to minimize the risk of modern slavery within Arrow's activities and supply chains. While Arrow consistently evaluates the effectiveness of its initiatives through established governance and reporting structures, a formal assessment of our effectiveness in ensuring that forced labor and child labor are not being used in our business and supply chains was not conducted in the reporting period. This documentation is expected to be developed and may be included as part of Arrow's ongoing action plan to address and mitigate the risks of modern slavery.

7. Approval and Attestation

In accordance with paragraph 11(4)(a) of the Act, this report has been reviewed and approved by the Board of Arrow Speed Controls Ltd. This report is also available on our company website at <https://arrowspeed.com/>.

On behalf of the board of directors of Arrow Speed Controls and not in my own personal capacity or on behalf of any other entity, and in compliance with the Act, specifically section 11, I hereby attest that I have reviewed the information contained in this report for the listed entities. Based on my knowledge and after exercising reasonable diligence, I confirm that the information provided in this report, insofar as it relates to Arrow Speed Controls only, is true, accurate, and complete in all material respects for the purposes of the Act for the reporting year noted above.

I have the authority to bind Arrow Speed Controls.

|

/s/ John Oldham

John Oldham

John Oldham

Arrow Speed Controls Ltd. | President

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