



# NorthQuip Inc. operating as Arrowquip

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Forced Labour and Child Labour in Supply Chains Company  
Assessment

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## Executive Summary

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Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act)*, NorthQuip Inc. (“NorthQuip”, “the Company”, operating as Arrowquip) has begun prioritizing the analysis of forced labour and child labour through mapping activities for the 2023 fiscal year. NorthQuip has statements and policies in place that emphasize our commitment to human rights and abiding by local and international legislation, but also recognizing there is always room for continuous improvement. NorthQuip’s policies and everyday practices serve as a strong foundation as we implement more anti-forced and anti-child labour measures. As a growing, socially conscious manufacturing company, NorthQuip recognizes and is strongly committed to removing the risk of forced labour and child labour in our operations and supply chains.

## Background

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The measures introduced through the Act, aims to increase industry awareness and transparency and drive businesses to improve practices. There are eight mandatory reporting areas that must be investigated and reported on which include:

- The steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.
- Its structure, activities and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

# Introduction

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The financial year for which NorthQuip is reporting is January 1, 2023, to December 31, 2023. This is the first version of the report submitted and the report is for the entity, NorthQuip Inc. and is a joint report. The Company satisfies the definition of an Entity within the Act and meets two of the three reporting thresholds with revenue in excess of 40 million and assets worth more than 20 million.

NorthQuip is a private company that manufactures equipment that is sold predominantly within the USA with some sales in Canada and the UK. NorthQuip sells a number of livestock equipment which include chutes for cattle and custom cattle working systems and pens that are designed to make cattle handling easier, faster and safer.

## Business Structure, Activities and Supply Chain

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### Structure

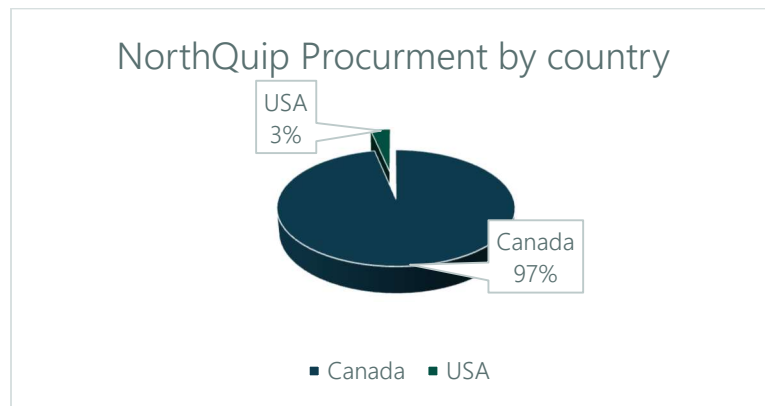
NorthQuip is a private company with offices in Manitoba, Canada, that manufactures Cattle ranching equipment. The Company is comprised of the following operating and non-operating entities: Arrowquip Holdings Inc., 7109602 Manitoba Inc., A&A Firth Holdings Ltd., 10030609 Manitoba Inc., Arrowquip USA Inc., 10128442 Manitoba Ltd., and 10128439 Manitoba Ltd. Currently, 149 employees work for NorthQuip in our offices and manufacturing warehouse.

### Activities

NorthQuip operates within Manitoba's manufacturing sector, focusing on livestock equipment. All production activities are undertaken in Manitoba, Canada. The Company's primary market is USA (United States of America) along with Canada and UK (United Kingdom). While, we source our raw materials from Canada, USA, UK, and Italy. All our products are sold to distributors who, in turn, sell to farmers.

### Supply Chain

NorthQuip's supply chain is comprised of 742 direct suppliers from four countries, namely the USA (29), UK (1), Italy (1), and Canada (711). 72% of our procurement spend is with 32 suppliers, while the remaining suppliers individually account for less than 1%. While the majority of our suppliers originate from Canada. The Pie chart depicts our spend per country excluding the UK and Italy that attribute less than 1%.



## Policies and Due Diligence

### Current Policies

The *Employee Handbook*, which is provided to all employees during onboarding, includes sections on the fair and equal treatment of employees and our commitment to creating a safe and non-threatening work environment. We also believe in a flexible work schedule with paid hours of work, overtime and time off, which includes vacation, sick leave, compassion leave, jury duty, and maternity/paternal & adoptive leave. These policies highlight our unwavering resolve to cultivate a workplace characterized by safety, respect, and integrity that is free of child and forced labour, not only for our employees but also for every individual associated with NorthQuip.

Our *employee agreements* make it clear that remuneration and hours of work are in accordance with the Employment Standards Code of Manitoba, implying that there is no possibility of forced labour within NorthQuip. This agreement also outlines our commitment to compliance with applicable federal and provincial laws in the conduct of our business.

NorthQuip has a strong commitment to preventing child and forced labour and works to keep employees safe. This is demonstrated by the fact that during employee *safety orientation*, we encourage employees to refuse work if they feel it's unsafe or if they feel they are being discriminated against. As part of the onboarding process, we also validate the age of new hires by asking them to state their age on the *financial information form*. These requirements underscore NorthQuip's holistic approach to creating a workplace that is not only safe and conducive to productivity but also respectful and inclusive. By fostering a culture of mutual respect and understanding, NorthQuip endeavors to create an environment where everyone feels valued, supported, and empowered to thrive while ensuring there is no child or forced labour.

In essence, our policies encapsulate our overarching commitment to ethical excellence and underscores NorthQuip's dedication to creating a workplace that exemplifies the highest standards of integrity, respect, and inclusivity. Through proactive measures, transparent processes, and a steadfast commitment to upholding ethical principles, we strive to ensure that we remain a beacon of ethical leadership in all aspects of operations.

## Due Diligence

NorthQuip onboards **new suppliers** by first conducting due diligence activities, which include desktop research to understand the supplier's background, performing reference checks with the customers of the supplier, conducting virtual interviews, and, where possible, site inspections of local suppliers may be done. While NorthQuip does not have a prescribed due diligence process to assess whether the suppliers engage in any activities stipulated in the Act, we intend to adopt appropriate measures to ensure this risk can be mitigated.

As part of NorthQuip's commitment to prevent child or forced labour within our supply chain, NorthQuip has requested that suppliers complete a **questionnaire**. This questionnaire is used to obtain confirmation from suppliers that they do not engage in child and or forced labour. In the upcoming year we will follow-up with suppliers to get responses.

We recognize that there are limited due diligence processes in place and aimed to reduce the risk of child labour and/or forced labour within our activities and supply chain.

## Risk Identification and Management

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A risk assessment of NorthQuip's operation, goods procured, and countries goods are procured from has been performed over material direct suppliers. For the purposes of this report, material suppliers are those who account for at least 1% or more of NorthQuip's total procurement spend during the 2023 fiscal year.

This risk assessment used two separate indices to conclude on the inherent risk of child and/or forced labour related to goods and countries - *Walk Free's Global Slavery Index* and the *US Department of Labor's List of Goods Produced by Child Labor or Forced Labor*.

### Industry of Operations

NorthQuip conducted a risk assessment on the countries where they have operations and found that there had low inherent risks of forced labour or child labour in our Canadian operation. This does not mean that no evidence of forced labour or child labour was found to support this risk analysis but that there is a low inherent risk and continued due diligence is required.

### Countries of Suppliers and Risk

NorthQuip had a risk assessment conducted on the countries of origin for our suppliers and found that there were low inherent risks of forced labour or child labour in the USA, UK, Italy, and Canada. This, however, does not mitigate all the risks associated with child labour and forced labour, and NorthQuip will continue to implement necessary practices to maintain an environment free of child or forced labour.

### Type of Goods Procured and Risk

Using the two indices, NorthQuip conducted a risk assessment on the types of goods purchased from our suppliers. From the goods purchased a number were found to have an inherent risk of forced and/or child labour. These categories of goods included: Coffee, Copper, Electronics, Gloves Gravel (crushed stones), Leather Goods/Accessories, Locks, Nails, Polysilicon, Rubber, Rubber Gloves, Sand, Tea, and

Textiles. While the overall inherent risk for these products is considered lower as they are procured from Canada and USA, the majority are purchased from distributors, increasing the risk that child and forced labour may exist in the supply chain associated with these items. Further analysis and understanding by NorthQuip will be undertaken to mature our approach to identifying and reducing the risk of child labour or forced labour.

## Remediation Forced and Child Labour and Vulnerable Family Income Loss

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NorthQuip is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. NorthQuip is committed to identifying and addressing human rights incidents and violations that occur within our operations and communities. To date, NorthQuip has not identified instances of the use of child labour or forced labour within its operations or those of suppliers. NorthQuip recognizes the significant impact forced and child labour can have on individuals and their families and thus relies on the stringent policies and procedures in place currently to ensure that our supply chain is free of unethical practices while holding NorthQuip and its suppliers up to the highest standards of practice.

## Awareness Training

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There is currently no training in place within NorthQuip on the topic of child labour or forced labour. However, for the policies noted above, orientation is performed over the employee handbook.

The orientation training that is mandatory for all employees highlights some of the company risks and policies that specifically state that NorthQuip employs people in accordance with provincial and federal laws. This statement implies that the practice of using forced and child labour is prohibited within NorthQuip.

NorthQuip recognizes the opportunity to enhance employee training relevant to this Act, therefore, will be evaluating applicable training for staff in the foreseeable future.

## Self-Assessment Process and Requirements

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Currently, we do not have any self-assessment process or practices to assess our efficacy against fighting forced labour or child labour. However, as part of reviewing our supply chain and internal processes, we are committed to holding our supply chain against the high standards we set for the rest of our business and processes. NorthQuip will evaluate and perform appropriate assessments to ensure that we can identify appropriate key performance indicators ("KPI") metrics, internal auditing mechanisms, quality assessment programs internally and with our suppliers to ensure that our supply chain is free of any

forced labour or child labour.

## Conclusion and Key Takeaways

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Through our analysis, NorthQuip found that none of the countries from which we procure have a high risk for forced labour and child labour, although inherent risks could be attributed to some of the goods purchased. However, NorthQuip has several measures in place to maintain a low risk of these practices occurring. NorthQuip is committed to continuous improvement and has identified areas within our internal processes that have the opportunity for enhancement to further reduce the risk of forced labour and/or child labour within the NorthQuip supply chain.

In the upcoming year, NorthQuip has identified areas and mechanisms where we have opportunities for enhancement to further reduce the risk of forced labour and/or child labour within activities and supply chain.

### ***Recommendations Related to NorthQuip Activities:***

1. **Update Internal Policies:** We will investigate the addition of a clause related to zero-tolerance for the use of child labour and/or forced labour within NorthQuip's activities. Additionally, detail may be added about who employees should discuss concerns and potential or actual instances of child labour or forced labour with. These updates will both be made to our employee orientation (Employee HR Handbook) documents while an addendum could be added for our existing employees to read and sign. While we will consider the introduction of an identification check in the onboarding process for all employees to ensure that all employees accurately record their ages. Expansion of the current company culture document will be considered to include language around employees refraining from any practices that are considered illegal or in contradiction of the company culture.
2. **Risk management:** NorthQuip will investigate the possibility of establishing a risk management team. This team will be tasked with performing periodic risk assessments of the industry, the entity and our supply chain. All potential risks will be analysed, and mitigation measures will be incorporated into our business processes and policies. It will also be the responsibility of this team to investigate and remediate any potential or actual instances of child and forced labour.
3. **Self – Assessment Mechanism:** As part of both the HR and procurement processes NorthQuip will explore developing a self-assessment process that includes assessing compliance with our policies, covering aspects such as age verification, working conditions, completeness of staff records and files. Additionally, NorthQuip will consider periodically performing internal audits of the procurement function ensure compliance with our policies. We will also investigate the establishment of appropriate KPI metrics to monitor compliance.
4. **Formal Recruitment Strategy:** NorthQuip will consider the introduction of a defined centralised recruitment strategy developed to ensure that all hiring decisions are made on a consistent criterion resulting in fairness in hiring processes and compliance with regulatory requirements.
5. **Whistleblower Policy:** NorthQuip will consider the introduction of a whistle blower policy and awareness campaign that is communicated annually to employees. This policy and campaign will



highlight an employee's right to report suspected instances of non-conformance with company policy and culture which includes adherence to bill S211 without the fear of retaliation.

***Recommendations Related to Suppliers:***

1. Formal Procurement process: NorthQuip will consider formalising the procurement process with the introduction of policies and detailed procedures. This should include the onboarding and vetting process for all new suppliers as well as the monitoring requirements expected to manage suppliers.
2. Purchase Orders: A terms and conditions section will be added to our purchase orders which will specifically state that compliance to all provincial and federal legislation within Canada is a condition of doing business with NorthQuip.
3. Due Diligence Over Suppliers: We are committed to improving our due diligence processes and as such will investigate the possibility of adding the following when engaging with new suppliers:
  - a. Potential Supplier Questionnaire: A questionnaire relating to the supply chain, employees, policies and procedures could give NorthQuip a deeper understanding of the suppliers. This would include questions relating to the use of child labour and forced labour.
  - b. Background Checks: Conducting background checks is a proactive approach to assess the practices of suppliers NorthQuip may want to engage with. NorthQuip will expand the scope of background checks to ensure it contains criteria relevant to the Act.
  - c. Supplier Inspection Schedule: NorthQuip will identify major suppliers and consider visiting them on an annual basis to ensure adherence to our company standards and requirements.
  - d. Supplier code of conduct: The possibility of introducing a supplier code of conduct will be investigated. This contract could be used to ensure that suppliers that regularly do business with NorthQuip are aligned with the Act and our company ethics.

# Attestation

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In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities 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 above.

Mark Firth

A handwritten signature in black ink on a light beige background, appearing to read "Mark Firth".

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**Full Name**

**Signature**

Chief Executive Officer

May 28, 2024

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**Title**

**Date**

I have the authority to bind *NorthQuip* and this report covers financial year *December 31<sup>st</sup>, 2023*, and applies to *NorthQuip*. and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of *NorthQuip*.