

2023 Modern Slavery Report

1. Introduction

This Report is produced by Paradigm Electronics Inc. (“Paradigm” or the “Corporation” or “our” or “we”) for the financial year ending July 31, 2023 (the “Reporting Period”) and sets out the steps taken 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 or of goods imported into Canada by the Corporation.

This Report constitutes the first report prepared by the Corporation pursuant to Canada’s new Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”).

2. Steps to prevent and reduce risks of forced labour and child labour

We consider the respect of human rights to be a fundamental corporate responsibility and a value governing all our activities. We place the highest importance on respecting human rights while conducting our business activities everywhere we operate. Likewise, we expect the same from our business partners.

In general terms, we are taking the following steps during the upcoming Reporting Period to prevent and reduce the risk of forced labour or child labour in our business and supply chains.

- Modified our internal Human Resource (HR) policies to ensure there is no violation of forced labour and child labour in our domestic operations.
- Prepared a Supplier Questionnaire and asked all vendors to complete the document to help us assess our exposure as it pertains to The Forced Labour and Child Labour Act.
- Reach out to all of our domestic and international vendors and ask them to provide a signed declaration confirming that they are not and will not violate the Forced Labour and Child Labour Act.

3. Structure, activities and supply chains

Paradigm’s products are manufactured in Canada (Mississauga, Ontario), China, and Vietnam. Operations conducted in those facilities vary from preparing prototypes, manufacturing of sub-assemblies, and manufacturing of complete finished goods. Research and development (R&D) is done in Mississauga, Ontario (head office) and in our strictly R&D facility in Ottawa, Ontario. Marketing is also based out of our head office in Mississauga, Ontario. Sales are made globally through various independent dealers as well as distributors. To support such a vast distribution, we have one major logistics facility in Mississauga, Ontario, one 3PL warehouse in Buffalo, NY, one 3PL warehouse in Reno, NV, one 3PL warehouse in Wijchen, Netherlands, and one 3PL warehouse in eastern China. It is through this vast network of warehouses we ensure that our goods reach our customers in a timely manner. Repairs (Parts & Service), for goods that are under and/or out of warranty are handled through our facility in Mississauga, Ontario.

Paradigm’s global supply chain consists of various product suppliers, providing complete drivers as well as raw sub-assemblies for drivers, grilles, metal trim pieces, crossovers, wire harnesses, knobs, cabinets, feet, amplifiers, electronic components/sub-assemblies, and various other parts required for assembling the product. Paradigm seeks long-term relationships with major direct and indirect suppliers to maintain consistency, quality,

and reliability. Paradigm's vast network of suppliers consists of over 250 vendors located in North America, Europe and Asia. Paradigm consistently strives to keep all of its partners/suppliers to the highest standard possible.

4. Policies, Governance and Due Dillgence processes

4.1 Human Rights Statement

Paradigm's Human Rights Statement reiterates our commitment to not using child or forced labour. In support of this commitment, we expect all employees at all levels, as well as our business partners/suppliers, to act accordingly. Paradigm's Human Rights Statement can be found in our Employee Handbook and Supplier Declaration.

4.2 Code of Ethics (the "Code")

The Code applies to all members of the Paradigm community, including the Board of Directors, management, and employees at every level and in every country where Paradigm conducts its business. It addresses ethical conduct in our work environment, business practices and relationships with internal and external stakeholders. The principles set out in the Code reflect Paradigm's belief that honesty and integrity foster a positive work environment that strengthens the confidence of all stakeholders. The Code details the standards of behavior expected from everyone to whom it applies in their daily activities and in dealings with others. It also outlines the key responsibilities of Paradigm leadership, which are to provide a model of high standards of ethical conduct and to create a work environment reflecting both the content and the spirit of the Code. Our Code requires us to uphold our core values, our standards of behavior, and our commitment to upholding Human Rights across all our global activities.

4.3 Supplier Declaration

in line with Paradigm's vision for its suppliers, Paradigm actively engages its supply chain by requiring suppliers to adhere to its Supplier Declaration/Code. The Supplier Declaration, which formally came into effect in 2024, details our expectations of suppliers regarding human rights, labour, legal compliance, health and safety, the environment, anti-corruption, ethics, and governance.

Paradigm's Supplier Code/Declaration specifically includes provisions prohibiting child labour and forced labour, as follows:

Human Rights & Working Conditions

Human Rights

We will ensure that the company, through its operations, does not cause or contribute to any infringement of human and labour rights, such as the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the declaration of the international labour Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Supplier is committed to implementing and enforcing effective systems to minimize risks of human rights infringements caused or contributed to in our operations or related to our operations, products or services through our supply chain or business partners.

Child labour

We will not employ children under the age of 15. We shall take special precautions to safeguard the health, security, and rights of persons under the age of 18 and ensure that they do not perform any hazardous work.

Forced Labour

We will not engage or employ people against their own free will, nor will personnel be required to lodge "deposits" or identity papers upon commencing employment. As a Supplier to Paradigm Electronics Inc., we will not engage or employ people through any form of forced, bonded or prison labour. We will follow international legislation on forced labour and human trafficking, including Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act.

Employment Practices

We will comply with applicable laws, regulations and agreements regarding working hours and ensure that working hours are not excessive. We will ensure that wages paid to employees and hired labour are considered fair and in compliance with applicable laws, regulations, and agreements. We will ensure responsible housing and accommodation arrangements for our own and subcontractors' workforce in line with applicable local legislation and tariff agreements. As a Supplier to Paradigm Electronics Inc., we will offer our employees vacation time, leave periods and holidays consistent with applicable law and/or agreements. All employees will be free to leave their employment after giving reasonable notice.

We will ensure that all our employees are provided with written agreements of employment setting out employment conditions in a language understandable to the employee and have access to effective grievance mechanisms.

Non-Discrimination

We will treat our employees and hired labour equally and fairly. We will not accept any form of harassment or discrimination based on age, gender, religion, or any other reason. We will promote equal opportunity and fair treatment in employment and occupation for our employees and hired labour, including migrant workers.

4.4 Due Diligence Practices

While improving operational efficiency, we continue to strengthen our processes to reduce risks related to forced and child labour. In line with our Due Diligence practices, our supply chain organization will be periodically audited by our Procurement/Purchasing Specialists. If any nonconformances are identified, they will be leveled up, and the supplier will be reprimanded. Furthermore, when we onboard a new supplier, our Purchasing Specialist will conduct a thorough review to ensure the supplier has values as well as practices that are in line with expectations outlined in the Supplier Declaration document.

4.5 Reporting and Non-Retaliation Policy

In accordance with our Reporting and Non-Retaliation Policy and our Supplier Declaration, should employees or suppliers have concerns regarding forced or child labour, they have a responsibility to report their suspicions. To that effect, Paradigm provides multiple channels for them to report any potential breach, on a confidential basis or not, such as reporting:

- to colleagues, including supervisors, HR representatives, or next level of management;
- to Paradigm's Purchasing Specialists by email or phone; this
is specifically intended for outside suppliers/vendors (both domestic and international);

5. Remediation Measures

Paradigm's HR department is adequately trained in dealing with any ethical or legal violations reported by our Team Members, including any concerns related to forced labour or child labour. In addition to this, we have

asked our suppliers to report back any nonconformance that they see (as per their Supplier Declaration). Once the situation of non-compliance has been identified, then Paradigm will work to develop and implement appropriate countermeasures to improve and remedy the situation.

6. Training

All new Paradigm Team Members have to review and sign the Employee Handbook at the time of onboarding, which outlines the code of conduct/ethics; we intend to incorporate a section which educates them on identifying and preventing forced labour and child labour.

7. Assessing effectiveness

Paradigm will be putting in a number of measures to prevent and reduce the risk that forced labour or child labour is used in our activities and supply chains. Once appropriate measures are put in place, Paradigm will then assess the effectiveness of those actions.

I have the authority to bind Paradigm Electronics Inc.

Per:  _____

Full Name: Scott Bagby

Title: CEO Paradigm Electronics Inc.

Date: May 30, 2024