



## ANNUAL REPORT ON FORCED AND CHILD LABOUR IN SUPPLY CHAINS

January 1, 2023 – December 31, 2023

### BACKGROUND

Canada's new supply chain transparency law (the ***Fighting Against Forced Labour and Child Labour in Supply Chains Act*** (the "Act")) came into effect on January 1, 2024. The Act aims to prevent and reduce the risk of forced labour and child labour in supply chains. The Act requires that certain entities submit an annual report (the "Report") to the Minister of Public Safety each year detailing the steps taken during the previous financial year to prevent and reduce the risk of forced labour or child labour used by the entity or in their supply chain. The Report must be provided to the reporting entities' shareholders and be made available on the entity's website.

This Report is made pursuant to the Act by ARC Financial Corp. and the entities that ultimately control the ARC Funds: AF7 Holdings Ltd., AF8 Holdings Ltd., and AF9 Holdings Ltd. (collectively "ARC"). This Report constitutes ARC's forced labour and child labour reporting statement for the December 31, 2023 financial year (the "Reporting Period").

### STRUCTURE AND ACTIVITIES

All of ARC's entities are Canadian controlled private companies and partnerships under common ownership and control with offices in Calgary, Alberta. The board of ARC Financial Corp. is comprised of eleven ARC employees, who are also board members of the other companies that make up ARC. Each ARC reporting entity is incorporated under the *Business Corporations Act* of Alberta. All employees are based in Calgary.

ARC is a private equity manager, investing in growth focused oil and gas companies and established, growth focused energy transition companies with high quality management teams. As the private equity manager of the ARC Energy Funds, ARC exercises control over certain of our portfolio companies (the "ARC Portfolio Companies"). Each ARC Portfolio Company, including those controlled by ARC, operates independently and is not consolidated in ARC's financial reporting. As each ARC Portfolio Company has distinct operations and risks, they have not been included in this report. Instead, the ARC Portfolio Companies will report independently on their supply chains to the extent required by the Act. ARC's role is to ensure that the ARC Portfolio Companies are aware of the Act and have the necessary policies and procedures to meet their obligations.

## **STEPS TAKEN TO PREVENT AND REDUCE RISKS OF FORCED LABOUR AND CHILD LABOUR**

ARC took the following steps during the Reporting Period to respond to the Act:

- Reviewed the reporting guidance published by the Government of Canada.
- Attended information sessions and received presentations concerning the pending implementation of the Act and the scope of its requirements from various external bodies.
- Reviewed our supply chain to identify suppliers in countries of higher risk of having forced labour and/or child labour.
- Confirmed with all portfolio companies controlled by the ARC Energy Funds that they were aware of the Act and were preparing reports on their activities, if applicable.
- All employees are required to certify compliance with ARC's Code of Ethics and Business Conduct and all of ARC's other policies on a quarterly basis.

## **ARC's SUPPLY CHAIN**

During the Reporting Period, ARC had approximately 250 suppliers. Of these, approximately 90% were Canadian, 9% were in the United States, and 1% in Europe/UK. The categories of goods and services accounting for our highest procurement spend include professional services, travel, data subscriptions, information technology (including software and hardware) and office-related goods and services. As none of ARC's vendors are located in countries where the risk of forced or child labour is high, ARC did not perform any additional due diligence on its supply chain.

## **ARC PORTFOLIO COMPANIES**

The ARC Portfolio Companies are all based in Canada or the United States and primarily operate in these countries. ARC has ensured that the ARC Portfolio Companies are aware of the Act and plan on complying, including preparing a report if applicable. ARC employees regularly sit on the board of directors of each ARC Portfolio Company. These employees are aware of the Act and will be responsible for tracking compliance with it at the ARC Portfolio Companies.

## **PARTS OF THE BUSINESS AND SUPPLY CHAINS THAT CARRY A RISK OF FORCED LABOUR OR CHILD LABOUR BEING USED**

As a private equity manager whose employees work in an office environment and are based in Calgary, we consider the risk of modern slavery in our own operations to be very low.

As noted above, ARC has limited suppliers of primarily professional services, travel, data subscriptions, information technology (including software and hardware), and



office-related goods and services, none of which are located in a country where the risk of modern slavery is high.

ARC is only aware of one portfolio company that has significant imports where the risk of forced or child labour is high. This portfolio company has a rigorous process to ensure the materials it imports are not produced with forced or child labour, including providing evidence to US Customs and Border Protection. To our best knowledge, all other portfolio companies have minimal supply chains outside of North America.

## **POLICIES**

ARC's Code of Ethics and Business Conduct emphasizes our commitment to conducting ourselves with the highest ethical standards in every aspect of our business and affairs. ARC will not tolerate any wrongdoing, unethical behaviour or impropriety and will immediately take appropriate disciplinary action to correct the problem. This policy guides our behaviours to maintain an ethical and accountable workplace. This applies to all directors, officers, employees, and consultants/contractors. The areas of the policy that most notably apply to forced labour and child labour are:

- Compliance with Laws, Rules and Regulations
- Compliance with Environmental Laws

ARC has several other policies related to the area of labour standards, including:

- ESG Policy that governs ARC's investment process and that emphasizes ARC's belief in proper labour and working conditions at ARC and the ARC Portfolio Companies and the importance of supportive relationships with suppliers;
- Harassment and Violence in the Workplace Policy that emphasizes that ARC will not tolerate any form of harassment or violence in the workplace; and,
- A Whistleblower Policy outlining the process for reporting any known or suspected violations of our policies, applicable laws, rules, and/or regulations, as well as any alleged fraud, wrongdoing, and/or unethical behaviour.

## **REMEDIATION**

ARC has not identified any forced labour or child labour in its operations or supply chain. As a result, we have not had to take any measures to remediate any forced labour or child labour or to remediate a loss of income for vulnerable families.

## **TRAINING**

ARC has made its staff aware of the requirements to screen for and report forced labour and child labour. Information regarding the Act has been provided to ARC's board of directors and employees who sit on the boards of the ARC Portfolio Companies.



## ASSESSING OUR EFFECTIVENESS

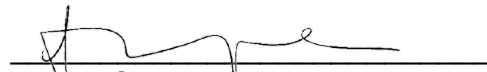
As ARC has not identified any forced labour or child labour or material risks of forced labour or child labour in its activities and supply chains, a formal assessment process with regards to ARC's effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains has not been implemented at this time. We will consider implementing measures to assess our effectiveness in managing such risks, should our assessment of such risks change.

## APPROVAL AND ATTESTATION

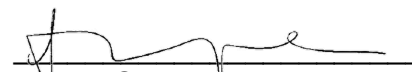
This report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the board of directors of ARC Financial Corp. and each of the ARC Funds holding companies.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest for and on behalf of the Board of Directors of the company listed below that I have reviewed the information contained in the report for the entities listed below. Based on the knowledge of the Board, having exercised reasonable diligence, I attest for and on behalf of the Board that the information in the report is true, accurate and complete in all material responses for the purposes of the Act, for the Reporting Period.

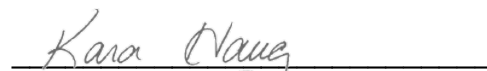
### ARC Financial Corp.

  
Tanya Causgrove  
Managing Director and CFO

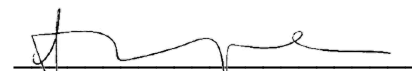
### AF7 Holdings Ltd.

  
Tanya Causgrove  
Managing Director and CFO

### AF8 Holdings Ltd.

  
Kara Haug  
Director and SVP, Finance

### AF9 Holdings Ltd.

  
Tanya Causgrove  
Managing Director and CFO

Date: May 31, 2024