

2024 Report on Forced Labour and Child Labour in Supply Chains

Prepared by: MDS Aero Support Corporation

1. Introduction

This first report is prepared pursuant to requirements under Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (*the "Act"*), as enacted in 2023. This report is prepared by MDS Aero Support Corporation ("MDS") and is in respect of its fiscal year ending March 31, 2024 ("reporting period").

The objective is to summarize 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 MDS or of goods imported into Canada by MDS.

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

MDS is committed to human rights and stands against contributing to, participating in, or enabling the use of child, forced, or exploited labor, forced or exploitative conditions, and human trafficking. MDS expects these same commitments to be adhered to by all its business partners, including clients and suppliers, across the globe.

During the reporting period, MDS undertook the following actions to prevent and reduce the risk of forced labour or child labour in its business and/or supply chains:

- Conducted preliminary internal assessment of existing procedures, processes, and policies designed to prevent and reduce risk;
- Prepared a plan for the existing procedures, processes, and/or policies, and/or new as required, in order to prevent and reduce any risk;
- Reviewed the existing "Global Supplier Code of Conduct";

3. Our business activities and supply chains

MDS is incorporated under the Canada Business Corporation Act. The shares of the company are privately held.

MDS designs and supplies equipment, systems, and complete test facilities for propulsion testing in a world-wide marketplace across aerospace, industrial and marine industries. MDS operates in the gas turbine engine test market as well as emerging electric-hybrid electric, and hydrogen powered propulsion systems. The majority of MDS's 170 employees are located at its headquarters in Ottawa, Ontario.

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Since 1985, MDS has conducted its business with major clients in many countries including the United Kingdom, France, Germany, and the United States of America, to name a few. Over the decades it has partnered with and been a supplier to numerous world-class clients who are OEMs, Research and Development organisations, and Maintenance Repair and Overhaul operations.

MDS procures goods and services from suppliers located worldwide. The items purchased covers a very wide variety due to the nature and breadth of supply of our equipment and the turnkey projects that we deliver. Because we are aerospace adjacent, energy and transportation related, and ourselves a supplier of high quality and reliable systems with demanding clients, it is important that we have a quality and approved supplier base. Our Approved Vendor process highlights and demands the need for quality and ethical supply of goods and services to MDS.

Major equipment and parts supplies range from electronic and mechanical consumables all the way to custom designed and fabricated components. Items may be structural, electro-mechanical, hydro-mechanical, fluid delivery, electrical and electronics, acoustic attenuating, and many others as relates to engine/propulsor and related components testing. As such, the majority of the items demand a high level of precision, skill and experience in manufacture that is not typically seen in the Child and Forced Labour environments. Each Approved Vendor is obligated to also take the source of their raw materials into consideration per the MDS "Global Supplier Code of Conduct".

4. Policies and due diligence processes

Policies:

MDS's *Global Supplier Code of Conduct* ("**Code**") has existed for many years and is publicly available on its website¹. Every supplier to MDS is provided with a copy of the code and is obligated to adhere to it. Furthermore, *"suppliers are expected to cascade these principles to their own suppliers in order to ensure alignment across the supply chain."*²

In addition to requiring our suppliers to be *"ethical, responsible and to fully comply with all applicable laws and regulations"*, the code also explicitly forbids the use of any *"child labour"*.³

MDS is committed to an environment that encourages ethical behaviour and respect of human rights. MDS onboarding integrity training requires employees to adhere to the MDS Human Rights Policy as well as the Ant-Bribery Corruption and Illegal Acts Policy. As an ISO 9001 certified company, policies are reviewed and operations audited on a regular basis, including those relating to our supply chain.

¹ <https://mdsaero.com/wp-content/uploads/2023/01/MDS-Supplier-Code-of-Conduct.pdf>

² Ibid, paragraph 1

³ Ibid, paragraph 4

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Due diligence processes:

MDS carries out initial assessments and evaluations of major (non-commodity) suppliers at their sites to assess, among other things, their performance, processes, quality output, and also adherence to the requirements imposed by MDS, including those found within the Global Supplier Code of Conduct. Approved Vendors must maintain their good standing and are inspected in-person on an irregular basis as depending on to volume and schedule of work with each vendor. Some vendors may not be issued purchase orders for years, however are still required to meet the vendor qualifications and Global Supplier Code of Conduct to remain approved and in good standing.

5. Assessing and managing risk of forced labour or child labour in supply chains

MDS established a risk-based approach to assess and manage the risk of forced labour or child labour in its supply chains. MDS has assessed our industry, areas of operation, products supplied to MDS, and supplier areas of operation. Countries or regions at highest risk of using forced labour or child labour were identified using established indexes. As mentioned earlier, the technologies and products MDS incorporates are not typical of outputs seen in forced and slave labour; however individual suppliers were evaluated when located in and producing materials from any country or region identified as high-risk.

6. Measures taken to remediate any forced labour or child labour

MDS has not assessed nor received any evidence of any forced labour or child labour in our supply chain. In accordance with our policies, if a situation of non-compliance is identified, MDS will work to develop and implement a corrective plan to improve and remedy the situation, including remediation for lost income to the most vulnerable families that results from any measure taken to eliminate the use of such labour in MDS's activities and supply chains.

7. Training provided to employees on forced labour or child labour

MDS currently focuses training at onboarding of new employees on ethical behaviour and supplier performance through the Vendor Approval process for employees in the Purchasing department. MDS will continue to evaluate in the coming year whether additional training is required in the monitoring and performance of our supply chain above and beyond the current vendor approval process.

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8. Assessing effectiveness in ensuring that forced labour or child labour are not being used in supply chains

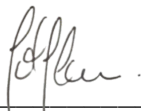
MDS is in the process of reviewing and updating its existing procedures, processes, and policies to prevent and reduce forced labour or child labour throughout its supply chains. The next step will be to assess the effectiveness of these measures, which is expected to occur in the short to medium term.

9. Approval and attestation

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of MDS Aero Support Corporation.

In accordance with the requirements of the Act, and in particular section 11 thereof, I, the undersigned, attest that I have reviewed the information contained in this report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind MDS Aero Support Corporation.



Full Name: John Jastremski
Title: President and Chief Executive Officer
Director of MDS Aero Support Corporation
Date: May 31, 2024