

Active Dynamics Group's 2024 Report on Our Commitment to the Fight Against Modern Slavery *Financial Year End: December 2, 2023*

Introduction

This is the first report to be filed by Active Exhaust Corp. dba Active Dynamics Group (“Active Dynamics”, “we”, “our”) pursuant to Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, S.C. 2023, c. 9 (the “Act”). It sets out Active Dynamics’ commitment, renewed annually, to prevent modern slavery, child labour, forced labour, and human trafficking in all activities, business operations, and supply chains. This report describes the measures in place at Active Dynamics to achieve this and ensure compliance with the Act.

Active Dynamics’ Structure, Operations and Supply Chain

After 60 years of providing excellence in design and manufacturing to its customers, Active Dynamics/Active Exhaust Corp (formerly ACS Limited) has solidified its position in the marketplace as progressive Original Equipment Manufacturer (OEM) supplier specializing in design, test, and manufacture of unique emission solutions for various applications and industries. Active Dynamics is a forward-thinking global (OEM) supplier; evolution is a fundamental aspect of our business philosophy.

Active Dynamics is a privately owned company operating from a 180,000 square foot facility in Toronto, Canada. Approximately 450 employees staff the Canadian R&D, engineering, and manufacturing center, many of whom have been active in the business for over 30 years.

Our primary markets currently include outdoor power equipment, recreational vehicles, construction, forestry and agricultural equipment as well as material handling equipment, stationary engine powered generators, pumps, and compressors.

Active Dynamics also provides customers with tubular products, weldments and other components.

Active Dynamics’ supply chain is complex with a variety of suppliers that provide, either directly or indirectly, manufacturing components, services, and raw materials. Two key suppliers to Active Dynamics include the Joint Venture partners: Active Xianzhong Exhaust and Active Chromewell Exhaust. As partners of Active Dynamics, both suppliers mirror Active Dynamics’ North American integrated manufacturing capabilities and ethics. The remainder of Active Dynamics’ suppliers, including suppliers of tooling, components, and raw materials, are primarily located in North America, China, Europe, and India.

Active Dynamics engages with its direct suppliers and expects that they adhere to the Active Dynamics Code of Conduct, including prohibitions on forced and child labour pursuant to the Act.

Risk Assessment

As a supplier to primarily OEMs in highly regulated industries, Active Dynamics is regularly required to validate its product and the process used to manufacture its product. Active Dynamics is committed to adhering to all customer requirements and expects the same adherence from its suppliers. Based on these rigorous standards and expectations, at this time, Active Dynamics identifies its risk as low.

Policies and Due Diligence Processes in Relation to Forced and Child Labour

Active Dynamics facilitates a culture dedicated to protecting and improving the lives of Active Dynamics' employees, customers, and other stakeholders.

As a supplier to OEMs, Active Dynamics engages in a number of due diligence practices required as part of this business relationship. For example, Active Dynamics participates in third party auditing, conducted by EcoVadis, that focuses on sustainability, ethics, environment, and labour practices. Through this auditing process, and other customer standards and requirements, Active Dynamics is able to assess the risk of forced labour and child labour associated with its operations and the operations of its direct suppliers. The OEMs may audit Active Dynamics to ensure compliance with the foregoing and require that Active Dynamics, and in turn our suppliers, comply with their standards.

Beyond this, Active Dynamics has several measures in place to ensure compliance with the Act, including but not limited to, the following:

1. **Code of Conduct:** Active Dynamics has a Code of Conduct which outlines our commitment to ensuring human rights protections and our aim at respecting and honouring the integrity of individuals globally. The Code outlines how Active Dynamics demonstrates our commitment to business integrity and ethics. The Code applies to all employees, Joint Ventures, business partners and stakeholders. The Code requires that all individuals and entities comply with the Code as well as all laws and regulations where Active Dynamics does business. The Code includes a statement outlining Active Dynamics' commitment to eliminating forced or compulsory labour and child labour.
2. **Human Rights Policy:** Active Dynamics conducts our business in a manner that respects the human rights and dignity of all. We support international efforts to promote and protect human rights, including an absolute opposition to forced labour, slavery and human trafficking.
3. **Adherence and Commitment to Sustainability Principles:** Active Dynamics' Employee Handbook includes a policy that outlines our commitment to taking a progressive, responsible approach to sustainability and social responsibility. Further, Active Dynamics produces an annual Sustainability Report that reports on our people, environmental sustainability, and company principles.

4. **Bi-Annual and/or Quarterly Meetings with Joint Venture Suppliers:** Active Dynamics holds bi-annual and/or quarterly meetings with our two key Joint Venture partnership suppliers: Active Xianzhong Exhaust and Active Chromewell Exhaust. Active Dynamics requires its Joint Venture partners to adhere to our Code of Conduct and business ethics. Regular meetings allows for an opportunity to audit the Joint Venture suppliers' business practices, including via the submission of a Corporate Compliance Summary at each meeting. Beyond the key Joint Venture partnership suppliers, Active reserves the right to audit any direct suppliers.
5. **Supplier Procurement and Approved Vendor List:** When procuring new suppliers, Active Dynamics has a supplier qualification process in place which collects data that assists Active Dynamics to make informed sourcing decisions. Active Dynamics maintains an Approved Vendor list file to ensure meticulous tracking of suppliers, including their overall profile, where they conduct business, and other pertinent information.

In the upcoming fiscal year, Active Dynamics is implementing further measures in furtherance of its aforementioned principles. Such measures include, but are not limited to: (a) updating our corporate procurement policy and Approved Vendor list to more clearly capture information pertaining to eliminating forced and child labour; (b) requesting that all direct suppliers complete our ESG assessment that will include questions pertaining to compliance with the Act; and (c) rolling out our Supplier Code of Conduct that will fully capture all the requirements and standards for our suppliers. Suppliers are already expected to adhere to Active Dynamics' standards and requirements, including compliance with the Act, but the facilitation of a Supplier Code of Conduct will allow for streamlining of this information.

Measures Taken to Remediate Any Forced Labour or Child Labour

No instances of forced labour, including bonded labour, indentured labour, slave labour, child labour, or human trafficking have been detected within our supply chain or business relationships and no instances have reported to Active Dynamics. We do however continue to encourage reporting and ensure due diligence processes are followed. As we continue to develop and implement our strategy and compliance measures, we will have greater visibility on these issues and any remediation measures they may necessitate.

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 Our Activities and Supply Chains

As no instances of forced labour, including bonded labour, indentured labour, slave labour, child labour, or human trafficking have been detected or reported to Active Dynamics, no measures have been required to remediate any loss of income to the most vulnerable families that resulted from any measure taken to eliminate the use of forced labour of child labour in our activities and supply chains.

Employee Training

Active Dynamics Employees are trained on the Employee Handbook and associated policies at the time of hiring, as well as throughout their employment. Active Dynamics' training ensures that employees: (a) understand Active Dynamics' commitment to compliance with all applicable laws and governance, including the Act; (b) understand Active Dynamics' zero tolerance standard for any form of form of forced labour, including bonded labour, indentured labour, slave labour, child labour, or human trafficking; and (c) effectively implement Active Dynamics' policy and procedures to address and mitigate any risk of forced labour, including bonded labour, indentured labour, slave labour, child labour, or human trafficking.

Assessment of Our Effectiveness in Ensuring that Forced Labour and Child Labour Are Not Being Used In Our Business and Supply Chains

Active Dynamics is committed to ensuring the actions we take to prevent and reduce the risk of forced and child labour in our supply chains and business relations are effective. To date, Active Dynamics is pleased that no instances of forced labour, including bonded labour, indentured labour, slave labour, child labour, or human trafficking involving our suppliers were detected or reported.

In the upcoming fiscal year, Active Dynamics is committed to implementing the additional measures currently in progress to further our due diligence efforts. We will continue to monitor the development and implementation of our compliance strategy and efforts. We will continue to regularly review our processes, policies, and practices in order to continually identify opportunities for improvement.

Review and Approval

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. 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.

I have the authority to bind Active Dynamics,

A handwritten signature in blue ink, appearing to read 'AH', with a small number '3' written below it.

Ashley Hampton
Chief Administration Officer

Effective May 31, 2024