



PROFOUND MEDICAL CORP.

Report on Fighting Against Forced Labour and Child Labour in Supply Chains Act

Fiscal Year 2023

INTRODUCTION

This report (the "**Report**") relates to the fiscal year ended December 31, 2023 and outlines the actions taken by Profound Medical Corp. ("**Profound**" or the "**Company**") to prevent and reduce the risks of modern slavery, including forced labour and child labour, in its operations and supply chains in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**").¹

STEPS TAKEN TO PREVENT AND REDUCE SUPPLY CHAIN RISKS

Profound does not tolerate any form of modern slavery, forced labour or child labour in its operations or supply chain. The Company recognizes its responsibility to protect these values and to ensure that it is preventing and addressing these risks within its operations and supply chain that may arise. The Company expects its business partners and suppliers to uphold these same principles within their operations and adhere to applicable human rights and employment standards laws.

Profound welcomes constructive engagement with all stakeholders, including suppliers, governmental authorities and clients, to increase the effectiveness of its modern slavery risk mitigation practices. The Company will continue to adapt to maintain the highest standards of ethics and integrity in its business and relationships.

In the Company's 2023 financial year, it gained a better understanding of the risks associated with forced labour and child labour and how such risks may be present in its operations and supply chains. In particular, the Company took the following steps during fiscal 2023 to prevent and reduce the risk of forced labour or child labour in the Company's business and supply chains:

- conducted a preliminary internal assessment of the risk that forced labour and/or child labour is present in the Company's supply chain;
- reviewed its own and its suppliers' policies and procedures to address forced labour and child labour risks in the supply chain and increased communication and transparency with each of its suppliers;

¹ The Company has prepared this Report based on information available to it at the time of preparation. This Report contains forward-looking statements relating to Profound's policies and practices with respect to forced labour and child labour risk management, including statements of current intention and expectation and statements of opinion. There can be no assurance that such statements will prove to be accurate, as the Company's actual results and future events could differ materially from those anticipated in this forward-looking information because of the factors discussed in the "Risk Factors" section in Profound's Annual Information Form, which is available at <https://profoundmedical.com/> or on SEDAR+ at www.sedarplus.ca. Except as required by applicable laws or regulations, the Company does not undertake to publicly update or review any forward-looking statements.

- updated the Company's supplier due diligence process and created a process for remedying any identified instances of child labour or forced labour;
- engaged the services of external counsel to assess the legislative framework and advise the Company regarding obligations under the Act and existing frameworks for management of modern slavery risks, and similar frameworks, applied by Canadian and international peers;
- established an internal working group, composed of management representatives, to continue to review the impact of the Act on the Company and assess the effectiveness of the actions taken to address the risks of modern slavery.

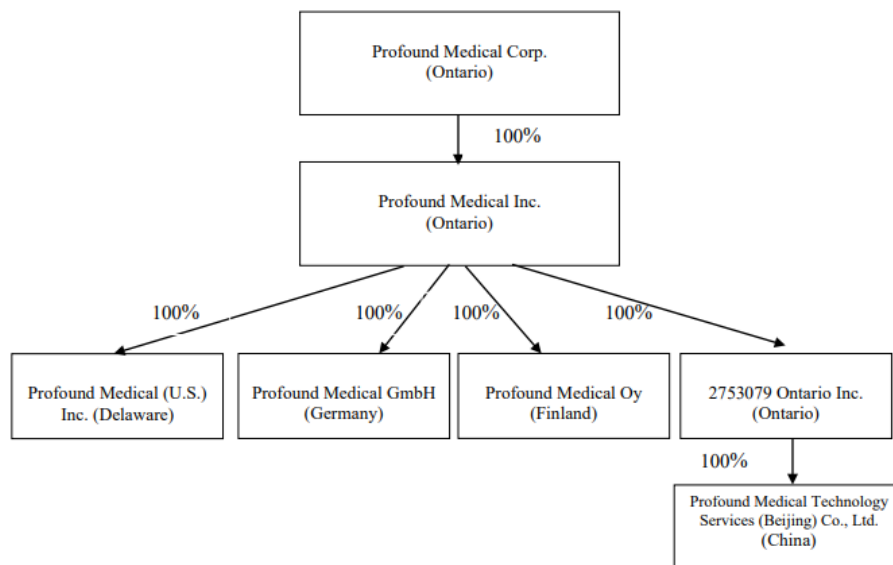
STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

Structure

The Company was incorporated under the *Business Corporations Act* (Ontario). The common shares in the capital of the Company are listed for trading on the Toronto Stock Exchange under the symbol "PRN" and on the Nasdaq under the symbol "PROF".

Profound operates its business through its direct subsidiary, Profound Medical Inc., and its indirect subsidiaries, Profound Medical Oy (Finland), Profound Medical GmbH (Germany), Profound Medical (U.S.) Inc. (United States), Profound Medical Technology Services (Beijing) Co., Ltd. (China), and 2753079 Ontario Inc. (Canada).

The following diagram illustrates the organizational structure of Profound and its subsidiaries, their respective jurisdictions of incorporation and the percentage of voting and non-voting securities owned by Profound as of the date hereof.



Activities and Supply Chains

Profound is a commercial-stage medical manufacturing device company focused on the development and marketing of customizable, incision-free therapeutic systems for the image guided ablation of diseased tissue. The Company's two products are manufactured in-house with all components and raw materials sourced from domestic suppliers in Canada and international suppliers in the United States and Europe. Profound strives to work with suppliers who operate legally, ethically and responsibly that are aligned with the Company's safety and operational integrity requirements.

The Company's suppliers are crucial partners in the operation and success of the business and expect them to abide by Profound's standards with respect to modern slavery. We communicate these expectations through policies, contracts, and procedures. Profound operates and maintains an approved supplier list. The Company conducts due diligence on all suppliers before allowing them to become an approved supplier. As noted above, this due diligence may include an audit to ensure that an organization complies with the legal requirements. The direct suppliers of components and materials for Profound are located in Canada, United States and Finland. Raw materials, parts, and components that Profound procures for direct use in manufacturing are classified as direct. Profound sources over one thousand parts from over one hundred direct suppliers, many of which are available from multiple vendors and some which are single-sourced.

POLICIES AND DUE DILIGENCE

There are several policies, processes, and practices that the Company uses to minimize the risk of forced labour or child labour practices in the Company's supply chains.

Policies

The Company is committed to conducting its business and affairs with honesty, integrity and in accordance with high ethical and legal standards. Profound's Code of Business Conduct and Ethics (the "**Code**") provides a set of ethical standards by which each employee, consultant, contractor, officer and director of the Company and all its subsidiaries is required to conduct his or her business, which includes compliance with all applicable laws, rules and regulations of the countries and jurisdictions in which the Company conducts its business.

The Company continues taking a risk-based approach to combatting forced labour and child labour. During the Company's 2023 financial year, it focused on creating policies, supply chain monitoring, upskilling staff, assessing risks and investing in internal and external resources. Profound continues to assess the factors, sectors and geographies in which it operates to determine whether they may cause, contribute to, or directly link the Company's operations or supply chains to instances of forced labour or child labour. Profound's close working relationships with its Tier 1 Suppliers provides Profound with visibility to assess the risks of forced labour or child labour in its direct supply chain. However, there may be high risk factors and sectors within the Company's broader supply chain that may pose higher risks of modern slavery. A "**Tier 1 Supplier**" is a supplier with whom Profound has a direct relationship.

Due Diligence

Internally, the Company has reviewed its hiring and manufacturing practices and determined there is no internal risk of forced labour or child labour. Externally, the Company has identified overseas suppliers as having a heightened risk of the potential for the use of forced labour and child labour.

Profound, working with its suppliers, reviews its suppliers' forced labour and child labour risks to ensure there are no current issues. In order to build out an effective reporting process during the Company's 2023 financial year, Profound assessed its business and its supply chains for forced labour and child labour risks, reviewed its own and its suppliers' policies and procedures to address forced labour and child labour risks in the supply chain, updated the Company's supplier due diligence process, created a process for remedying any identified instances of child labour or forced labour and increased communication and transparency with each of its suppliers.

SUPPLY CHAIN RISKS

Profound recognizes that the nature and location of its operations means that the risks of forced labour or child labour practices in its supply chains are relatively low. Similarly, Profound's risk of involvement in modern slavery practices by its suppliers is considered relatively low, as assessed by the Company's review of suppliers' evaluations of their own modern slavery risks and the Company's understanding of its suppliers' operations. Nonetheless, Profound remains committed to taking steps to identify and address potential incidents of forced labour or child labour in its supply chains.

Profound's suppliers are reputable and well-known, go through an approval process and are located in either the USA or Europe, which are jurisdictions with high standards of protection for employees and the rights of individuals and do not pose a high degree of risk of forced labour or child labour practices. The Company currently relies on single source suppliers for the components used in its systems. In connection with Profound's manufacturing processes, it intends to procure alternative supply arrangements for these components as required.

REMEDATION MEASURES

Profound is evaluating industry best practices and internal processes and will diligently take all appropriate remediation measures, as required. To date, there have been no identified or reported instances of forced labour or child labour in Profound's activities and supply chain, therefore, Profound has not had to take any remediation measures.

LOSS OF INCOME

Profound recognizes that efforts to prevent and reduce the risks of forced labour and child labour can have the unintended consequence of contributing to a loss of income for the most vulnerable families. Profound is not aware of any instance to date where its efforts to mitigate the risk of forced labour or child labour in its activities and supply chains may have contributed to a loss of income for vulnerable families.

TRAINING

Profound assigns mandatory training to employees, using a risk-based approach, for completion through its online learning management system, and such online learning system is also made available to all

employees. Profound has created new mandatory training for all new hire employees, which includes general training and awareness initiatives regarding modern slavery risks, ethical sourcing and human rights as they relate to Profound's operations and supply chain.

EFFECTIVENESS ASSESSMENT


The due diligence processes described above provide a method of managing the risks; however, the Company will continue to look at ways to enhance its capability to identify any risks indicators within its supply chains and its capability to investigate and address any concerns.

Profound will continue to review its approach and continuously improve its processes to respond to the risks of forced labour or child labour in its supply chains. The Company has not received any complaints of any modern slavery issues or notifications from its suppliers of identification of modern slavery practices.

APPROVAL AND ATTESTATION

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors on May 9, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I 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.

By: 
Name: Rashed Dewan
Title: Chief Financial Officer
Date: May 9, 2024
I have the authority to bind the Company.