



Composite
Alliance
Group

Forced Labour and Child Labour Supply Chain Assessment

May 31 2024

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2023 Report – Introduction

This report has been prepared jointly by Composite Alliance Group Inc. and its subsidiaries, Techni-Module Engineering, Composite Alliance Corp and Composite Alliance Asia in response to the reporting requirements under Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”) for our financial year ending December 31, 2023.

Composite Alliance Group Inc (CAG) recognizes that the industry plays an important role in preventing and assessing the risk of forced labour and child labour in Canada’s supply chain. We acknowledge the risks of forced labour and child labour in our manufacturing sector and are committed to continuous improvement in our due diligence, risk assessment, remediation, and training processes.

CAG is committed to respecting the human rights of people impacted by our operations and supply chain, consistent with the International Bill of Human Rights, ILO Core Conventions, UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises.

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

Organizational structure, activities, and supply chain

CAG satisfies the definition of an Entity within the Act by having a place of business in Canada, conducting business in Canada, having assets in Canada, and meeting both asset and revenue thresholds.

Structure

The Company was incorporated on September 26, 2008, under the Business Corporation Act (Alberta), (BN 83217 4825 RC0001)The Company's head office is located at Suite 800, 333 – 7 Avenue S.W., Calgary, Alberta, T2P 2Z1, Canada.

The Company owns 100% of Techni-Modul Engineering S.A. ("TME"), an S.A.S company registered in France, through a reverse takeover in February 2019.

The Company conducts its sales activities in North America through its Dallas-based subsidiary, Composite Alliance Corp. ("CAC"). CAC was 90% owned by CAG until CAG purchased the remaining 10% equity shares of CAC from one non-controlling shareholder on December 16, 2021. CAC is 100% owned by CAG.

In September 2019, the Company established Composite Alliance Asia Limited in Hong Kong ("CAA") with the intention of positioning it as its sales and after-sale hub for Asian customers in the future. However, as of the date, CAA has not engaged in any business activities. The group has approximately 40 employees most of which is at TME.

Activities

The Act requires CAG to report on our activities in relation to the production, sale, distribution of goods, both in and outside of Canada, and the importation of goods into Canada.

CAG's subsidiary in France, TME, specializes in industrial turn-key solutions by designing and manufacturing the machines and processes that it sells to customers who use those machines and processes to fabricate composite materials for the aerospace and automotive industries and is located in Coudes, France.

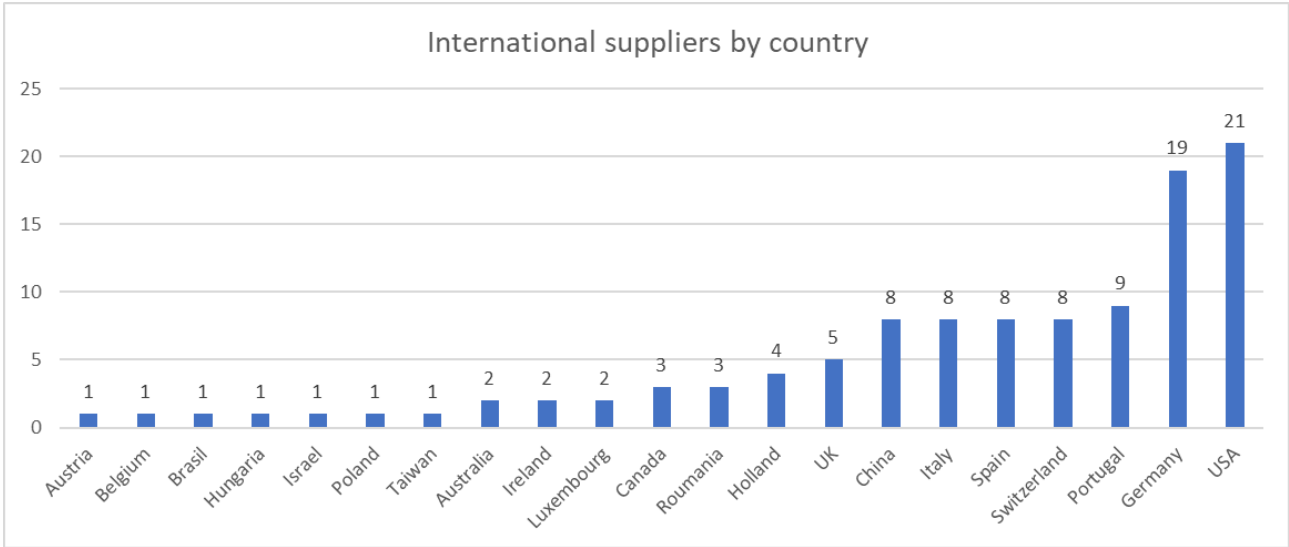
CAG's subsidiary in the USA, CAC, serves as the sales office for TME and other strategic partners in Europe and is located in Dallas, Texas.

Sales Mix for CAG:

Region	2023
Asia	52%
Europe	41%
North America	7%
Total	100%

Supply Chain

Techni-Modul Engineering manufactures machines and tools and uses services and buys most of its materials and services from 588 suppliers from France and the following countries, as per below:



Policies & Due Diligence:

CAG has the following internal policies in place relevant to this Act:

Policy	Description	Support in Mitigating Forced and Child Labour
<p>Selection and evaluation of subcontractors and suppliers</p>	<p>This procedure describes the actions for choosing subcontractors and suppliers and ensuring their monitoring. All TME purchases are linked to projects (businesses) and are therefore subject to management by call for tenders.</p> <p>Three criteria: Quality, Costs and Delivery are specified in each order or contract.</p> <p>The objective of this procedure is to describe the actions for choosing subcontractors and ensuring their monitoring and it applies to all suppliers and subcontractors having a direct impact on the products sold to our end customer.</p>	<p>Indirectly, it helps prevent forced labour and child labour by mandating thorough supplier vetting and continuous oversight. It would be an opportunity to incorporate labour standards into supplier contract and procedures and requiring regular compliance audits ensures that ethical practices are upheld, promoting a responsible supply chain.</p>
<p>Code of Conduct</p>	<p>This document emphasizes the company's commitment to maintaining a reputation for honesty, ethics, and high quality. It mandates that all directors, officers, employees, contractors, and partners adhere to the highest ethical standards in their daily operations and interactions with shareholders, customers, suppliers, and competitors.</p> <p>Key points include:</p> <ul style="list-style-type: none"> • Ethical Standards: The Corporation values ethical behaviour and expects everyone associated with it to maintain these standards consistently. • Legal Compliance: The Corporation and its associates must comply with all applicable laws and regulations. Ignorance of the law is not an acceptable defence, and compliance should be evident in both written agreements and conduct. • Seeking Guidance: Due to the complexity of business laws, individuals should seek advice from the chairman of the Audit Committee when in doubt about legal requirements or their interpretation. 	<p>The code of conduct supports compliance with laws against child labour and forced labour by mandating high ethical standards and strict adherence to all applicable laws. It emphasizes fair treatment, rejects exploitative practices, and requires vigilance to avoid legal contraventions. Additionally, it provides guidance for seeking advice on legal matters, promoting a proactive approach to preventing violations and fostering an ethical corporate culture.</p>

Due Diligence

By extending its commitment to high ethical standards and strict legal compliance, the Code of Conduct helps fight child labour and forced labour. It ensures that all business activities and partnerships adhere to laws prohibiting these exploitative practices, promotes fair treatment, and requires vigilance to prevent any involvement in such activities. This proactive stance, coupled with the provision for seeking legal advice, fosters a corporate culture dedicated to upholding human rights and ethical conduct.

Additionally, the selection and evaluation of subcontractors and suppliers presents an excellent opportunity to integrate evaluations of child labour and forced labour into the supplier selection and monitoring process. This not only strengthens the overall integrity and reliability of the supply chain but also demonstrates a firm commitment to social responsibility and ethical sourcing.

Risk Assessment

As a company operating as a manufacturer, our industry is deemed as having inherent risk of forced labour of child labour by Walk Free's Global Slavery index.

A risk assessment of the goods procured by CAG and countries from which the goods are procured from has been performed in relation to the Act. This risk assessment used two separate indices to conclude on inherent risk of forced labour and child labour related to goods and countries — Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labour or Forced Labour.

Goods Procured

Most of the goods procured are material. These materials are Invar, Steel, Aluminum and Silicone.

None of these materials are directly identified within the two noted indices; therefore, they carry low inherent risk of forced labour and child labour.

Countries of Procured Goods

For assessing country associated risks of forced labour or child labour, CAG evaluated all vendors where goods were purchased from in fiscal year 2023. Based on the list of our vendors, and according to the Walk Free Index, Brazil, China and Taiwan are considered high to extreme risk countries. All other European countries, Australia, Canada, and the United States are considered low risk.

CAG is aware that these vendors may procure their goods from other regions or other vendors, but at this time, CAG does not know the full extent of where all vendors' goods are sourced from.

Mitigating Activities

Suppliers

From 2024 and onwards, in line with the Act requirement, CAG will implement measures and actions throughout all the companies, namely TME, CAC and if applicable, CAA, to mitigate the risk of engaging with suppliers from countries at high risk of engaging in forced labour and child labour.

TME will also include, as part of its Risk Evaluation of Suppliers and Subcontractors process, a clause about forced labour and child labour.

Even with most of its suppliers being in “low risk” countries when it comes to forced labour and child labour, the implementation of measures during suppliers’ site visits as well as onboarding new suppliers and subcontractors will reinforce these measures in a formal way by adding a clause to all its new contracts as part of “Forced labour and child labour” prohibition and also a questionnaire to each of the current suppliers and subcontractors to solicit their support and engagement to this cause.

Awareness Training

As far as its internal workforce is concerned, TME being the company that has most of the group’s headcounts, training sessions will be held to raise awareness, and a clause will be added to the Employee Handbook while onboarding new employees.

Should the other companies of the group, like CAG, CAC and CAA hire new employees, all new hires will undergo an introduction on the law about the Act which is about fighting forced labour and child labour.

Remediation Forced and Child Labour & Vulnerable Family income Loss.

CAG is in the process of discovering the full depth of its supply chain and is continuing to review procurement practices to enhance the rigour of its due diligence processes, including raising awareness with suppliers. To date, CAG has not identified or detected, nor has CAG had any reason to suspect instances of forced labour or child labour within its operations or those of suppliers. Consequently, no remediation measures were required in fiscal 2023, either in respect of any forced labour or child labour, as well as addressing any resulting in the loss of income to vulnerable families.

Steps Taken to Prevent & Reduce Risk of Forced Labour or Child Labour

1. Conducting an internal risk assessment of forced labour and/or child labour in the organization's activities and supply chains. CAG has identified goods and countries within the supply chain that have inherent risks of forced labour and/or child labour in this report.
2. Enacting measures to provide for, or cooperate in, remediation of forced labour and child labour: Mitigating activities have been identified to reduce the risk of forced labour and child labour within supply chains. See mitigating activities section for further explanation.

Attestation

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 for the entity or entities listed above. 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, for the reporting year listed above.

Full name
SICHENG ZHANG

Signature


CEO

May 27 2024

Title

Date

I have the authority to bind CAG and this report covers the financial year 2023 and applies to CAG and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of CAG if they apply.