



Composite
Alliance
Group

Forced Labour and Child Labour Supply Chain Assessment

May 31, 2025

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2024 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, 2024.

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. In line with our commitment to continuous improvement CAG has taken additional steps to create awareness of the issue internally as well as introduced additional supplier due diligence steps.

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 and having assets in Canada. Additionally, CAG meets the reporting requirements as an entity listed on the Canadian stock exchange and by meeting both the asset and revenue thresholds.

Structure

The Company was incorporated on September 26, 2008, under the Business Corporation Act (Alberta). 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"), a 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.

Activities

CAG is engaged in the distribution business for products from Magnum Venus Products ("MVP") in the People's Republic of China, operating through sub-distributors. MVP, headquartered in Knoxville, Tennessee, USA, specializes in spray gun systems for industrial applications. However, this distribution business represents only a very small fraction of the Company's total annual revenue.

CAG's subsidiary located in Coudes, France, TME, specializes in industrial turn-key solutions. TME designs 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.

CAG's subsidiary in the USA, CAC, serves as the sales office for TME and other strategic partners in Europe and is located in Spartanburg, South Carolina. As of the date of this report, CAC has no employees on its payroll.

Sales Mix for CAG:

Region	2024
Asia	49%
Europe	40%
North America	11%
Total	100%

Supply Chain

CAG's distribution business for MVP products sources 100% from the U.S. and is handled by TME's employees.

TME's supplier distribution is heavily concentrated in France, which accounts for 84% of the total of their supplies. The United States and Germany each represent 3% of the supplier base. Portugal, Spain, Switzerland, and China each contribute 1%. All other countries including the UK, Ireland, Netherlands, Poland, Canada, Belgium, Luxembourg, Australia, Brazil, Hungary, Austria, and Taiwan each represent less than 1%.

For CAC, the majority of vendors originate from the United States, accounting for 64% of the total number of suppliers. This is followed by France with 27%, and Denmark with 9%, indicating a strong reliance on North American and European suppliers.

CAG has a localized sourcing pattern, with 83% of vendors based in Canada, and the remaining 17% coming from the United States.

Policies & Due Diligence:

CAG has different internal policies and due diligence process in place relevant to this Act, to prevent child labour and forced labour.

Policies

A Code of Conduct underscores its dedication to honesty, ethics, and high-quality standards. It mandates that all directors, officers, employees, contractors, and partners uphold the highest ethical standards in their operations and interactions. The Code emphasizes ethical behaviour, legal compliance, and the importance of seeking guidance when legal uncertainties arise. By requiring strict adherence to applicable laws and promoting fair treatment, the Code of Conduct plays a crucial role in preventing exploitative practices such as forced and child labour. It fosters a corporate culture rooted in vigilance, legal integrity, and respect for human rights.

Furthermore, a Whistleblower Policy establishes a confidential and anonymous process for employees to report concerns related to auditing, accounting, or financial misconduct. The Audit Committee is responsible for investigating all complaints impartially and thoroughly, ensuring confidentiality and protection against retaliation. Employees are encouraged to report concerns openly or anonymously, with all complaints documented and retained for five years. The policy underscores CAG's commitment to integrity, transparency, and accountability in financial reporting and internal controls. This policy also presents an opportunity to demonstrate compliance with S211 reporting obligations by reinforcing protections for employees who report unethical or unlawful practices.

Due Diligence

TME has implemented a due diligence process in the selection and evaluation of their subcontractors and suppliers. This outlines the steps for selecting and monitoring subcontractors and suppliers, with all purchases linked to specific projects and governed by a call-for-tender process. Each order or contract is evaluated based on three key criteria: quality, cost, and delivery. The procedure applies to all suppliers and subcontractors who have a direct impact on the products delivered to end customers.

Importantly, TME's general terms and conditions of purchase publicly available on its website explicitly state the company's opposition to child and forced labour. These conditions require all suppliers to comply with relevant laws, reinforcing TME's commitment to ethical sourcing and human rights. This process 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.

TME's management also issued a signed memo, prominently displayed throughout the company, to engage every employee with its content. This memo aligns the organization with national and international labor standards, emphasizing the protection of fundamental workplace rights. It underscores the global and ethical imperative to prevent forced and child labor and provides clear, accessible definitions of these terms to foster shared understanding. The memo outlines TME's refusal to tolerate or enable such practices, mandates that all partners, subcontractors, and suppliers uphold these standards, and establishes internal systems to detect and report any violations. Employees are encouraged to report suspected child labor with assurances of confidentiality and whistle-blower protections. Through these proactive initiatives, TME fosters a corporate culture dedicated to ethical conduct and human rights.

As a simplified joint-stock company, TME ensures its operations are fully aligned with both French and European legal frameworks aimed at eradicating forced and child labour. In France, the company adheres to the *Loi sur le devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre* (2017), which mandates large companies to implement vigilance plans that identify and prevent serious human rights violations, including forced and child labour, across their supply chains. At the European level, TME complies with Article 32 of the Charter of Fundamental Rights of the European Union, which prohibits child labour and mandates protective working conditions for young people, as well as Directive 94/33/EC concerning the protection of young workers (1994).

Risk Assessment

A risk assessment of goods procured by CAG and their countries of origin was conducted under the Act. This assessment used Walk Free's Global Slavery Index and the US Department of Labor's List of Goods Produced by Child Labour or Forced Labour to determine inherent risks of forced and child labour. As a manufacturer, our industry is identified as high-risk for these issues by Walk Free's index.

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 2024. 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

TME has incorporated a clause prohibiting forced labour and child labour as part of its Risk Evaluation of Suppliers and Subcontractors process. Despite most suppliers being located in countries deemed “low risk” for forced and child labour, this measure formally underscores their commitment to addressing these issues when onboarding new suppliers and subcontractors.

Awareness Training

TME, with the largest workforce in the group, has issued a memo to all employees about preventing forced and child labor. The memo outlines definitions, the company's zero-tolerance policy, expectations for partners and suppliers, and encourages confidential reporting. A clause will be added to the Employee Handbook for new hires.

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 2024, 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, such as adding a clause to suppliers' general terms and conditions of purchase and

distributing a memo to employees, reinforcing the company's commitment to combat forced and child labor. 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

Signature

Debbie Chien



CFO

May 30, 2025

Title

Date

I have the authority to bind CAG and this report covers the financial year 2024 and applies to CAG and all entities considered reporting entities in terms of the Act and any controlling subsidiaries of CAG if they apply.