

FUNCTIONALABGROUP

Forced Labour and Child Labour in Supply Chains Report

Fiscal Year 2024

1. ABOUT THIS REPORT

This report relates to the financial year ending December 31, 2024. It is published by Functionalab Group inc. (the “**Company**”) in compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”).

References in this report to “Functionalab”, “Company”, “we”, “our” and similar terms are to Functionalab Group inc..

2. PREVENTING AND REDUCING RISKS OF FORCED LABOUR AND CHILD LABOUR

We highly value the importance of upholding human rights and consider it a core responsibility of our business. We hold our business partners to the same standard, placing emphasis on relationships built on trust, integrity, and ethical practices. Although no specific measures or policies were in place as of December 31, 2024 to address the risk of forced labour and child labour in our operations and supply chains, Functionalab is committed to taking tangible steps to combat these issues. During the last financial year, we sustained our commitment to prevent and mitigate the occurrence of forced labour and child labour in our activities and supply chains, as follows:

- We continued requesting from our suppliers’ certificates of compliance as well as information on the policies and measures implemented by these suppliers to combat forced labour and child labour in the context of the Act coming into force.
- We adopted a supplier code of conduct which will be effective and enforceable for our suppliers before the end of 2025.
- We continued to review our policies and practices to identify areas of improvement, while ensuring that our approach to preventing human rights risks is proportional to our exposure, which we consider to be relatively low.

Following the end of the financial year, we have amended our Code of Ethics to reflect our commitment to preventing forced labour and child labour.

These actions are more fully described in this report.

3. ABOUT US & OUR SUPPLY CHAIN

About Us

Functionalab takes a holistic approach to beauty, providing a full range of professional care and combining two business divisions: our product division develops and distributes cosmetic brands, while our clinical division regroups a network of medical aesthetic clinics with retail space for the sale of professional skincare brands.

We adhere to strict quality control guidelines of Health Canada for cosmetics regulations.

Our high-quality formulas are dermatologist developed to be used in conjunction with aesthetic medicine treatments, and they are free of unnecessary ingredients or harmful chemicals such as parabens, silicones, colourants and artificial fragrances, and we never test on animals.

Our Supply Chain

Our supply chain encompasses a network of suppliers and stakeholders involved in each step, from initial purchases to the delivery of the final product or service. While our clinical division does not import goods as part of its activities, our product division sources its products from various international locations.

Product Division:

The marketing and sales department collaborates closely with our research and development team to design and develop innovative cosmetic products. We create a range of professional skincare, backed by scientific research and developed by our scientific team. We select our active ingredients based on strict criteria related to quality, efficacy, and safety. However, the responsibility for purchasing such ingredients for production lies with our manufacturing partners. These partners source raw materials through distributors based in Canada, the United States, Western Europe, and South and East Asia, in compliance with applicable laws and regulations from Health Canada.

Our direct importations are limited to packaging materials (bottles, tubes, jars), which constitute a minor portion of our overall transactions. Approximately 20% of our packaging are of Canadian origin, while 80% of the components are supplied by partners located on all continents, primarily in Asia (China, South Korea), Europe (Italy), and America. We recognize that our suppliers in Asia are at higher risk of labour rights abuses. Therefore, we select suppliers with a solid track record and good international reputation. When publicly available, we verify who their clients are (by asking questions or searching their website) and prefer to work with a limited number of partners, many of whom we have been collaborating with for decades.

Upon receipt of the components, our operations department coordinates production and packaging planning with our manufacturers based in Canada. The manufacturers adhere to labour standards issued by our various levels of government. The finished product is then delivered to our warehouse and distributed to our clinics and our clients across Canada.

4. POLICIES AND DUE DILIGENCE PROCESSES

Since the Act came into force on January 1, 2024, we have been continuously working towards the integration of responsible business conduct into our policies and management systems specifically by extending the protection and promotion of labour rights to our supply chain. This commitment reflects our dedication to upholding the principles of social responsibility and contributing to the advancement of workers' rights in the broader business landscape.

4.1 Our Policies

Supplier Code of Conduct

To fulfil such commitment, we adopted a supplier code of conduct that addresses the following topics, among others:

- Prohibition of child labour and compliance with labour laws for underage workers;
- Interdiction for suppliers to participate in or benefit from any form of human trafficking or forced labour, including coercive practices and mandatory overtime;
- Promotion of respect towards employees and prohibition of harassment or misconduct of any kind; and
- Adherence to legal working hour regulations, ensuring workers' rights to rest periods and preventing excessive work hours, with exceptions only in rare circumstances.

We expect our supplier code of conduct to become effective and enforceable to our suppliers before the end of 2025.

Code of Ethics

Our Code of Ethics sets out our values: we care about our people, we innovate to achieve, we dare to be different, and we empower to elevate. It provides a roadmap for individuals within our organisation to make decisions that uphold the highest standards of integrity, professionalism, and ethical behaviour.

Functionalab continuously adheres to equity, fairness and respect in employment. We do not tolerate violence, harassment, or any abusive behaviour and actively promote diversity and inclusion. We honor the dignity and individuality of every employee and ensure all actions comply with the law, seeking advice when needed to provide truthful and complete information.

We are currently updating the employee handbook, which contains the Code of Ethics, to highlight and reinforce our firm stance against forced labour and child labour.

Anti-Harassment Policy

Functionalab remains committed to preventing and addressing workplace harassment effectively whenever it arises. We pledge full support to any affected individual and believe that every employee plays a role in fostering a harassment-free workplace. As such, we have an anti-harassment policy which provides that workplace harassment may be punishable by disciplinary measures ranging from warnings to employee termination.

To ensure clarity and understanding, we maintain informative sessions for all staff members and ensure widespread distribution of our anti-harassment policy. Any complaints receive prompt and confidential attention by thorough investigation.

4.2 Our Due Diligence Processes

As part of our due diligence processes, we require our suppliers to send us third party audit report results and the policies they have in place to prevent forced and child labour risks. The fact that we have streamlined and centralised our procurement activities facilitates the implementation of our due diligence processes, the oversight of our suppliers and the assessment of supply chain risks.

5. RISK ASSESSMENT AND REMEDIATION MEASURES

As part of our ongoing commitment to promote ethical practices among our suppliers, including with respect to the use of forced and child labour, we strive to acquire better visibility on our entire supply chain.

In 2024, we initiated a summary assessment of the risks associated with forced labour and child labour in our supply chain and determined that such risks may arise from the manufacturing of some of our components only, given that the production of finished goods is carried out in Canada, and our laboratories and suppliers adhere to the labour standards established by Canadian laws. Human rights risk may also be more prevalent deeper into the lower tiers of our supply chain (our level 2 and level 3 suppliers) on which we do not have complete visibility or oversight. Our risk assessment remains an ongoing process.

That said, we have not been made aware of specific instances of forced labour or child labour and as such, no measures have been taken during the reporting period to remediate forced labour or child labour or loss of income in our activities and supply chain.

6. TRAINING

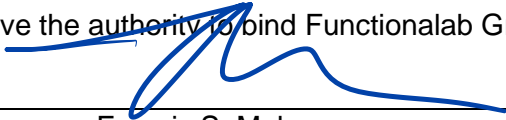
We currently offer training to our employees on our general policies and codes during their onboarding. As for human rights issues specifically, we intend to address them with our procurement team through awareness sessions focused on the applicable procedures and policies, as well as best practices in this area.

7. ASSESSING THE EFFECTIVENESS OF OUR APPROACH

We have implemented several measures to prevent and reduce the risk of forced labour or child labour in our activities and supply chains, and have begun reviewing and updating these measures, on an as-needed basis. For example, we recently revised our Code of Ethics.

In accordance with the requirements of the Act, and in particular section 11 thereof, this report was approved by the Board of Directors of the Company on May 22, 2025 pursuant to paragraph 11(4)(a) of the Act and constitutes the Company's report for the financial year ending December 31, 2024.

I have the authority to bind Functionalab Group inc.

A handwritten signature in blue ink, appearing to read 'Francis S. Maheu', is written over a horizontal line.

Full name: Francis S. Maheu

Title: CEO and member of the Board of Directors

Date: