

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

Version: 02
Date: 2025-04-03

1 Identification information (Joint Report)

1.1 Reporting entity

Legal name of reporting entity : CEL Aerospace Test Equipment Ltd.

Head Office : Canada, Quebec

Business number(s) : 121045579

Reporting year : September 1, 2023 to August 31, 2024

Sector/Industry :

- Economic activity code (EAC) : 3199
- Activity : Other machinery and equipment industries
- Details (optional) : Design and manufacture of aerospace test equipment

Identification of a revised report : Not applicable

1.2 Joint reporting entities

- CEL Industriel Inc.
Company number : 1165902538 / 85472 6668 RC001
- CEL Test Equipment Poland sp. Z o.o. (limited liability company)
Company number: 0000380042
- CEL Aero USA Inc.
Company number: 37-1783975

2 Measures taken to prevent and mitigate the risk of the use of forced or child labor at any stage of the entity's production of goods (in Canada or elsewhere) or their importation into Canada

The company is committed to adhering to the OECD Principles and CCC's Framework for Responsible Business Conduct. This demonstrates our commitment to conducting our business in an exemplary environmental, social and ethical manner, both in Canada and internationally.

We have established an ESG policy (Policy on our commitment to social responsibility and sustainable development) aimed at integrating the 17 United Nations Sustainable Development Goals (SDGs), including the prohibition of forced labour and the use of child labour at all stages of our operations and supply chain. This policy has been presented to all our employees since it was created and is presented to all new employees.

We are committed to complying with the AS9100 standard, in particular by implementing the provisions of its clause 7.3 concerning “Ethical and responsible behavior”. It sets out the requirements for ethical behavior as part of the quality management system. The clause 7.3 stresses the importance for the organization of promoting ethical behavior in all its activities and interactions, both internal and external, including provisions such as anti-bribery policies, conflict of interest guidelines, fair employment practices, and other aspects related to professional ethics.

We also attach great importance to compliance with our customers' codes of ethics and conduct, which we integrate into our own internal operations through the “flow down” principle. We also ensure that these same codes of ethics are respected by our suppliers and subcontractors, by including them in our contracts or asking them to comply with them as part of our business relations. In this way, compliance with ethical standards is spread throughout the supply chain.

When dealing with our suppliers, we implement our internal supplier audit procedure, ensuring that our business partners comply with the ethical and moral standards we promote.

3 Structure, business activities and supply chains

3.1 Structure

The company is a limited liability company, which indicates its legal structure as a separate legal entity.

As regards its organizational structure, the company is departmentalized into two main branches:

- Operations: Comprising Project Management, Engineering, Quality, Production and Service Center to meet operational needs.
- Administration: Comprising Business Development, Purchasing, Finance, Information Technology and Human Resources to ensure the smooth running and growth of the company.

At the end of its fiscal year, the company had 117 employees, with 105 based in Canada, 7 in the United States and 5 in Poland. This geographical distribution illustrates the international scope of our operations and our commitment to diverse markets.

Our mission is to provide reliable, state-of-the-art, high-quality equipment to all our customers in a variety of fields, including engine test cell design, data acquisition system design and maintenance of existing equipment. Our research and development activities enable us to offer the best solutions to the various mandates entrusted to us, while expanding our horizons and fields of activity thanks to the participation of our competent and highly qualified employees.

At CEL Aerospace Test Equipment Ltd., we believe that every customer should accept nothing less than equipment that meets their real needs. Since 1988, we've been delivering products that meet our customers' exact needs, because we take nothing for granted, and all our work is focused on finding the best possible solutions for all our customers. This attitude is deeply rooted in our business philosophy.

Serving both the commercial and military sectors, we offer solutions to Leading Engine and Aircraft manufacturers, Airline companies and Maintenance, Repair and Overhaul shops worldwide. We make quality and safety our priority on every project.

3.2 Business activities

Our company specializes in the design, development, assembly, manufacture and installation of test equipment for gas turbines and associated components. Our commitment to excellence leads us to provide first-rate after-sales technical support for our customers.

Our assembly and manufacturing processes are carried out entirely in Canada. To meet our customers' international needs, we have design and after-sales technical support capabilities in the USA and Poland. For the year ending August 31, 2024, 91% of our sales were generated abroad.

The majority of our parts are purchased in Canada, the United States and Europe. Equipment is manufactured to our specifications, parts are produced according to our drawings and specifications, and commercial parts are acquired from our reliable and reputable suppliers.

3.3 Supply chains

CEL's supply chain is managed in a process that takes into account the risk level of suppliers and requires each of the company's suppliers and subcontractors to meet high standards in terms of quality and compliance with local and international laws.

All new suppliers are assessed and, depending on the level of risk established, audited on a regular basis to validate their compliance with the various CEL requirements. A company located in a country where the rule of law does not comply with our requirements will be rejected.

Within the framework of international laws on forced labor and child labor, the level of risk is assessed as low given the rigorous selection of suppliers and their geographical location. In 2024, CEL did business exclusively with suppliers from Canada (71%), the United States (27%), and continental Europe (1%), places where the rule of law exists and where standards and laws protect the integrity of workers.

It should be noted that with each purchase order, CEL sends purchasing conditions and requirements to be passed on to subcontractors, in line with the AS9100 standard and applicable Canadian and international laws. Among the requirements to be passed on, CEL asks that employees be made aware of the importance of ethical behavior.

4 Due diligence policies and processes relating to forced labor and child labor

As part of our approach to sustainable development and social responsibility, we are committed to integrating responsible business conduct (RBC) into all our policies and management systems. In line with the OECD Guidelines and the CCC Principles for Responsible Business Conduct, as well as our own ESG

policy, we implement measures to assess and manage negative impacts on our operations, supply chains and business relationships.

We strive to cease, prevent or mitigate any adverse effects arising from our activities, by adopting responsible practices at all levels of our organization. This includes careful monitoring of the implementation of our policies and actions, as well as regular evaluation of the results achieved. Communication is at the heart of our approach. We are committed to informing all our stakeholders about how we deal with the negative impacts of our activities. This transparency reinforces our responsibility and fosters mutual trust.

5 Parts of business and supply chains where there is a risk of forced or child labor, and measures taken to assess and manage this risk

To ensure that the company identifies risks in its activities and supply chain, a risk analysis is carried out for each customer, taking into account the specific features of the country or region, customs, religion and internal resources. The qualification of subcontractors and suppliers is carried out according to the criteria of the occupational health and safety (OHS) program, the quality program in force and the country of origin. In addition, for each project, a detailed risk analysis is carried out, incorporating considerations relating to religion, internal resources and suppliers, to ensure rigorous and proactive risk management.

6 Set of measures taken to remedy any use of forced labor or child labor

Not applicable, we have not identified any forced or child labor in our operations or supply chains.

7 Measures taken to remedy the loss of income for the most vulnerable families caused by any measures to eliminate the use of forced labor or child labor in its activities and supply chains

Not applicable, since no use of forced or child labor has been identified, no loss of income has been determined for vulnerable families resulting from measures taken to eliminate the use of forced or child labor in our operations and supply chains.

8 Employee training on forced labor and child labor

As part of our internal policy, a mandatory 45-minute training session is given to all employees. The purpose of this training is to raise awareness of the AS9100 standard, which has been developed in-house by our Quality department to meet the specific requirements of AS9100. As part of this training, article 7.3 on ethical behavior is addressed.

This training is offered to all levels of the organization, from upper management to employees, with the aim of ensuring a common understanding and consistent application of ethical and quality standards. To assess participants' understanding, a dynamic True or False quiz is included in the training process.

A total of 117 employees have received this training, which is integrated into the onboarding process for new employees. In addition, a session to present this training is scheduled each year to ensure that all employees have access to this crucial training.

Finally, the presentation of our ESG policy is also part of the onboarding process for new employees, underlining our commitment to environmental, social and governance practices right from the start of their career with our company.

9 How the company assesses the effectiveness of its efforts to avoid the use of forced or child labor in its commercial and supply chains

To ensure that our suppliers comply with the ethical and operational standards set by our company, we carry out an audit at the start of each business relationship with each of them. These audits are carried out in strict compliance with our internal purchasing department procedure. They enable us to assess our partners' performance in depth, highlighting strengths and areas for improvement.

In addition to these audits, we have set up reporting lines to enable our employees and stakeholders to report any problems or non-compliant behavior observed at our suppliers. This approach enables us to quickly identify potential risks and take appropriate corrective action to maintain the integrity of our supply chain.

By integrating these practices into our procurement process, we are committed to promoting sustainable relationships with our suppliers, while ensuring that our business operations are aligned with our ethical values and high-quality standards. With regard to commercial relationships, a risk assessment is carried out prior to each project.

However, no specific measures have been taken to assess the company's effectiveness in avoiding the use of forced or child labor in its supply chain.

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10 Certification

In accordance with the requirements of the Act, and in particular section 11 thereof, I certify that I have reviewed the information contained in the Report for the entities listed above. To the best of my knowledge and having exercised due diligence, I confirm that the information contained in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year referred to above.

I have the authority to bind CEL AEROSPACE TEST EQUIPMENT LTD.

Pierre-Alexandre Morais
CEO

Signature