

FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS



Annual Report 2024

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CMC Electronics Inc.

Fighting Against Forced Labour and Child Labour in Supply Chains Act
2023 Annual Report

INTRODUCTION

This report constitutes the first report prepared by CMC Electronics Inc. pursuant to Canada's new Fighting Against Forced Labour and Child Labour in Supply Chains Act (the **Act**).

The report is a report (the **Report**) made by CMC Electronics Inc. for the financial year ended September 30, 2023 (the **Reporting Period**).

CMC Electronics Inc. is incorporated under the federal laws of Canada and CMC Electronics Inc. is headquartered in Montreal, Canada.

As of May 22, 2024 had 649 employees located in Canada and the United States

CMC Electronics Inc. designs and manufactures cutting-edge commercial and military avionics

This Report sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the import of goods into Canada by CMC Electronics Inc.

STEPS TAKEN TO PREVENT AND REDUCE RISKS OF FORCED LABOUR AND CHILD LABOUR

In general terms, CMC Electronics Inc. took the following steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in its business and supply chains:

- assessed internally the risks of the use of forced labour or child labour in our activities and supply chains;
- established an action plan to fight against the use of forced labour or child labour within our activities and supply chains;

- initiated the adoption of policies and procedures to determine and prohibit the use of forced labour or child labour in our activities and supply chains; and
- audited and monitored a number of our suppliers.

Details of the above actions are set out in this Report.

COMPANY

CMC Electronics Inc. (CMC) as founded in 1903 as a Canadian avionics manufacturer located in Montreal, Quebec with additional facility in Sugar Grove, Illinois, United States. For decades, CMC's cockpit solutions have been leading the way to better safety reliability, situational awareness, and mission effectiveness in the aviation industry.

CMC established policies and procedures to comply with the global trading laws and regulations. Our Supplier Risk Management program is developed for forming mutually beneficial relationships with suppliers, identifying and mitigating legal, finance, trade compliance and reputation risks that may exist in our operations and supply chains. CMC recognizes the risks of forced labour and child labour exist, and understand managing these risks requires a collaboration with our suppliers, workforce and stakeholders.

This report (the Report) outlines CMC's governance processes, current measures and the establishment of new additions to the existing policies and procedures in the 2023 fiscal year to limit the risk of using forced labour and child labour in our supply chains.

BUSINESS STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

CMC has three primary operating business units: Integrated Solutions, Displays and Sensors, Navigation Systems. Our team designs and manufactures avionics systems supporting 70% military and 30% commercial sales transactions.

Integrated Solutions:

- Complete and partial cockpit solutions leveraging extensive systems integration

- Flexible and open-architecture solutions for forward-fit and retrofit applications
 - Federated solution allowing selection of best-in-class avionics systems
- Incorporating CMC's latest generation technologies
 - Avionics computer: the world's first multicore avionics computer
 - Multi-Function Display: the latest generation of smart displays
 - Core flight and navigation software applications
- Serving civil and defense fixed wing and rotary wing markets
 - Over 600 military cockpit solutions delivered globally

Displays and Sensors:

- Displays, control devices and sensors tailored to specific customer needs
 - Sophisticated display and control devices developed for a broad range of OEMs and integrators
 - Hybrid integrated circuits and multichip modules for military applications and sensors for laser range/laser spot tracking and LIDAR applications
- Classic products with unique capabilities
 - Enhanced vision systems: infrared camera systems with over 1,500 units delivered
 - TacView: More than 1,500 portable mission computers deployed in military, paramilitary, law enforcement and civil applications
 - Doppler velocity sensors: over 5,000 units deployed, used for GPS-denied and autonomous navigation

Navigations Systems:

- Multiple generations of products and systems with fully-integrated civil and military capabilities
 - Over 12,000 Flight Management Systems (FMS) sold
 - Over 30,000 GPS sensors delivered
- Civil certified FMS with a wide variety of mission functions for fixed wing and rotary wing platforms
 - Configurability allowing OEMs to adapt to specific requirements
 - Flexibility to support OEMs in defining functions providing aircraft level discriminators
 - Deployed on a large number of military platforms

- Highly reliable and technology-leading family of GPS receivers for demanding environmental and mission applications

CMC's Supply Chain Team works with suppliers, agents, consultants, and other third parties who share the same commitment enforcing the compliance of the global trading laws and regulations. Our global suppliers provide a wide range of goods and services including hardware components, software, lab and test services from the various countries of origin;

Country of Origin	Import Value Percentage
USA	59.76%
Canada	34.52%
France	1.43%
Other	1.19%
Great Britain	0.95%
Germany	0.48%
Singapore	0.48%
Taiwan	0.48%

POLICIES AND PROCESSES

CMC recognizes the importance of preventing forced labour and child labour, and formed a committee led by a member of the executive management team with internal support from the Finance, Supply Chains, Human Resources, Quality and International Trade Compliance departments and to our hiring of external counsel to assist us with the preparation and subsequent adoption of policies that would be well suited for our profile. The committee is in the process of incorporating additional processes into our current Transaction Due Diligence (TDD) Policy, Vendor Management Policy and Risk Management Policy to identify and assess risks.

Our Policies will draw upon international standards and best practices to cover a wide range of issues, including forced labour and child labour in our supply chains. Our efforts will be to prepare well-suited Policies, with the help of external counsel and the active contribution of our internal teams.

We believe that ethical conduct goes beyond compliance and resides in a comprehensive governance culture. In addition to upcoming establishment of our Policies, which will be regularly reviewed once adopted, we will maintain a method for employees and third parties to anonymously report any concerns or violations with regards to such Policies.

TRANSACTION DUE DILIGENCE

The Transaction Due Diligence (**TDD**) Policy focus on validating the Bona Fides of transactions. The policy identifies the requirements for completing the various stages of the TDD, including Prohibited Party Screening, Know Your Counterparty, Red Flag Checks, review for sanctions, embargoes, unsanctioned boycotts during any transaction whether international or domestic.

CODE OF CONDUCT

Our Code of Conduct (the **Code**) affirms CMC is commitment to integrity, sustainability and social responsibility across its activities and sets out the ethical and responsible business practices that we expect from our employees and Suppliers. The Code applies to our direct Suppliers as well as to their own suppliers across the supply chain.

Our Code establishes multiple principles and covers a wide array of matters, labour standards, and prohibits the use of forced labour and will incorporate child labour by our Suppliers. Furthermore, our Code requires Suppliers to comply with local laws and ensure fair

practices in relation with the following: freedom of association and the right to collective bargaining, terms of employment, prohibition of harassment and discrimination, health and safety of workers, working hours, as well as wages and benefits.

Suppliers are required to sign a declaration of acknowledgment and acceptance regarding the Code, in order to establish a business relationship with CMC.

WHISTLEBLOWER PROTECTION

CMC has established whistleblower procedures, through its Code, and its Policy contain provisions encouraging anyone who becomes aware of a violation of our Policies to speak up. The Policies will provide an anonymous reporting line that can receive complaints made by Suppliers or their workers, as provided for by the Code.

To protect whistleblowers, the Policy prohibits retaliation against any person for reporting, in good faith, contraventions of the Policy, or for filing a complaint or testifying, assisting or participating in any manner in any investigation or hearing conducted by a government enforcement agency, as provided for by the Code.

ASSESSING AND MANAGING RISK

CMC recognizes the greatest risk exposure to forced labour and child labour is through purchasing goods and services from suppliers destined in the higher-risk countries. Each employee encounters any activities with a supplier is instructed to use the third-party counterparty screening application to check individuals, business, countries against government and non-government most current restricted, denied, or prohibited party lists to ensure no transactions occur with an entity that is prohibited by laws and regulations.

CMC incorporates automatic daily database screening that checks database lists of business partners against prohibited party lists.

For parties that fails the screening, CMC escalates to the International Trade Compliance (ITC) Site Lead. The ITC Site Lead performs the following actions:

- Check restrictions for the particular hits;

- Decide business action required;
- Override or deny hit;
- Record reason;

CMC encourages reporting potential risks. Each report is treated seriously and a thorough investigation will be carried out in a timely manner.

CMC understands the importance of risk mitigation and relationship management throughout the procurement process, including complying with the Act.

REMEDIATION MEASURES

As CMC has not identified any forced labour or child labour in its business or supply chain, it has not had to take any measures to remediate any forced labour or child labour or to remediate any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities or supply chains

TRAINING

In 2023, in addition of the Code of Conduct Training, Human Trafficking Training, CMC implemented the mandatory Trade Compliance Overview Training as new employee's onboarding program. Employees are required to complete these trainings and obtain certificates annually. While these trainings do not address the issues on forced labour and child labour, it attests our commitment to ensuring the enforcement of the domestic and international regulations.

During the Reporting Period, CMC works with the corporate office in regards to the purpose of the Act and complying with the Act. CMC is actively working on updating its training offered to our employees, namely in connection with the upcoming adoption of our Policies, to further develop their understanding of the risks of forced labour and child labour in our supply chains and better equip them in addressing such risks.

APPROVAL AND ATTESTATION

This Report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the boards of directors of CMC Electronics Inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, we, the undersigned, attest that we have reviewed the information contained in this report for the entity specified below. Based on our knowledge, and having exercised reasonable diligence, we attest that the information in this joint report is true, accurate and complete in all material respects, for the purposes of the Act, for the Reporting Period specified above.

I have the authority to bind CMC Electronics Inc.

Pierre Rossignol
President CMC Electronic Inc.
Board of Directors

Date: _____