

## California Transparency in Supply Chains Act (SB 657)

In 2010, a law was passed in the state of California requiring companies to disclose what they are doing to address human trafficking in their supply chains. Referred to as SB 657, the California Transparency in Supply Chains Act seeks to “educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains ... to improve the lives of victims of slavery and human trafficking.”

Under no circumstance is it acceptable for child, forced or trafficked labor to be used in the production of any Schaeffler product. We believe that no person should be subject to a situation where basic needs and fundamental rights are denied.

Our efforts to address human trafficking in the automotive industry are guided by adherence to the principles contained in the UN Global Compact, The Global Sullivan Principles of Corporate Social Responsibility, and the standards of Social Accountability International, as stated in our Code of Conduct.

The United States’ Victims of Trafficking and Violence Protections Act (TVPA) of 2000 defines human trafficking as:

*“Any recruitment, harboring, transportation, provision, or obtaining of a person for labor services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.”*

For our vendors we have advised them of our requirement to adhere to the Schaeffler Code of Conduct and include terms in our contracts allowing for unilateral termination in the event a violation of these principles have occurred. We further intend to develop a Vendor-specific Code of Conduct that will provide more rigorous adherence to our internal beliefs for conducting business as a socially responsible company.

This prohibition applies to both employees and vendors. Failure of employees to abide by Schaeffler’s Code of Business Conduct can result in corrective action up to and including termination of employment.

A sustained, collaborative effort is required to bring about an end to this global, urgent issue. We are committed to continuing to work with NGOs, companies, and other entities to ensure that we are effectively contributing to the global fight against human trafficking.

To further promote this commitment, we verify our product supply chains through both announced and unannounced visits to measure factories’ compliance with our business conduct expectations, which includes strict prohibition of “forced labor ... or involuntary labor of any kind.” Most of Schaeffler’s audits are conducted by our own internal teams.

Our Compliance team also provides education and training to all employees regarding our business conduct expectations. We provide focused training to a number of key employees, including procurement/supply chain management, to communicate the prohibition against the use of involuntary labor of any kind and to understand the risks of failure to abide by these standards.

---

**INTERPRETATION****CONTACT:****Americas Region – Chief Compliance Officer**

---