



May 31, 2024

Fighting Against Forced Labour and Child Labour in Supply Chains Act Annual Report 2024

1. Company structure, activities and supply chains;

Schaeffler Aerospace Canada Inc., is a manufacturing company and part of the Schaeffler group of companies, headquartered in Herzogenaurach, Germany, with an international supply chain.

2. Its policies and its due diligence processes in relation to forced labour and child labour;

Sustainability is a central component of Schaeffler's corporate strategy. In the [Schaeffler Group's Sustainability Report 2023](#), our holistic sustainability strategy and our ambitious sustainability targets as well as our activities for consistent implementation are explained in detail. For purposes of this report, "Schaeffler" shall be defined as Schaeffler AG and all companies which Schaeffler AG directly or indirectly holds majority interest, including, but not limited to, Schaeffler Aerospace Canada Inc.

Our sustainability efforts also include the supply chain. Together with our business partners, we want to tackle the associated challenges to meet the requirements and expectations of our stakeholders.

Several renowned ratings confirm our sustainability performance with outstanding ratings and we are happy to share some respective assessments with you:

- For the third year in a row, we have achieved '**platinum status**' in the **EcoVadis sustainability** rating with 79 out of 100 points. This places Schaeffler among the top 1% of all rated companies.
- In the NQC SAQ 5.0 of the industry initiative '**Drive Sustainability**', all our locations are rated with the excellent **score of B92**, which we share with almost all our automotive customers.
- Schaeffler was awarded the leadership **score of A in the CDP Climate Change and A- in the CDP Water Security Rating 2023**.

Comprehensive [certifications](#) for quality management (ISO 9001, IATF16949), environmental and energy management (EMAS, ISO 14001, ISO 50001), occupational safety (ISO 45001) as well as environmental statements at site level underpin our high standards.

Moreover, Schaeffler is globally committed to widely recognized international guidelines and standards, underscoring responsible corporate behavior. We are committed to

- the **UN Guiding Principles on Business and Human Rights**
- the **Ten Principles of the [UN Global Compact](#)**

- the **UN Universal Declaration of Human Rights**
- the **eight ILO core conventions**
- the targets of the **Paris Agreement** on Climate Change

We would also like to draw attention to our certified compliance management system, which covers all relevant compliance issues and the Schaeffler Codes of Conduct as well as other relevant policies and statements that we have established to implement our sustainability principles:

Codes of Conduct

[Code of Conduct](#)
[Supplier Code of Conduct](#)

Policies and Statements

[Sustainable Procurement Policy](#)
[Human Trafficking Policy](#)
[Modern Slavery Statement](#)
[Statement on Respect for Human Rights](#)
[Conflict Minerals Policy](#)
[Critical Raw Materials Policy](#)
[Guideline Whistleblowing System](#)
[EHS Policy](#)
[Energy Policy](#)

Whistleblowing System for Reporting Violations

[Schaeffler Whistleblowing System](#)

Please see the 2023 Sustainability Report of the Schaeffler Group for further details.

3. The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk;

For Schaeffler, respect for human rights is an ongoing commitment which Schaeffler integrated into a holistic Human Rights Compliance Management System. The System is continuously challenged and reviewed based on changing contextual conditions, type of business activity and the enterprise's size and structure. Therefore, Schaeffler has anchored human rights-related due diligence processes as an integral part of the organization and in the relationships with the business partners to ensure respect for human rights.

Since 2022, we have performed a risk analysis at least once a year, during which the most important human rights issues are assessed. The 2023 risk analysis focused on customers as well as suppliers from sectors for which there were increased human rights risks according to independent research reports. In the reporting year, we extended the Human Rights Risk Assessment (HRRR) in Schaeffler's own business area to all areas covered by the German Supply Chain Act (LkSG). This includes the following issues: discrimination, human trafficking, forced labor and modern slavery, living wages, maximum working hours, freedom of association and collective bargaining, child labor, use of security forces, land rights and indigenous populations, occupational health and safety, and the use of hazardous substances. This helps us identify and assess potential or actual risks to compliance with human rights in our own business area. The

methodology initially includes identifying country- and sector-specific human rights risks. Building on this, a detailed, site-specific risk analysis is performed. Based on the priority risks identified – discrimination, freedom of association, and the use of security forces – preventive measures were defined and introduced for the Schaeffler, for example, online training for employees, to prevent potential violations and reduce human rights-related risks.

It is important to note that neither forced labor nor child labor have been identified as significant risks in the Schaeffler organization itself, nor in its supply chain. Therefore, we have concluded there was no need for preventive measures beyond the industry-standard human rights preventive measures (training, code of conduct, publication of a human rights statement).

The program also includes a complaint mechanism: Both employees and third parties can report potential human rights violations via the Schaeffler's global whistleblowing system. In addition to various similar reporting channels, an electronic system is available in 20 languages and provides whistleblowers with a confidential, encrypted, and secure form of communication. Whistleblowing notifications can generally be provided in all languages. Notifications are reviewed by a team of responsible departments and specialists in internal investigation from the compliance function, if possible, with the involvement of the whistleblower. This procedure for processing the information is defined by corresponding rules of procedure. Corrective measures to eliminate and remediate are initiated if a violation is confirmed. Relating to the Schaefflers business partners, the company reserves the right to respond appropriately, from requesting that the violation be remedied immediately to taking legal action and terminating the business relationship. A total of 2 reports of discrimination in Schaeffler's own business area were confirmed in the 2023 reporting year. Action was taken to remedy human rights violations for a total of 8 (prior year: 3) confirmed cases, including 6 incidents reported during prior years. The individual cases confirmed in the reporting period were all related to discrimination or harassment. As required by the LkSG, a description of the whistleblowing system – with a particular focus on information about process accessibility, responsibilities, and implementation – is publicly available.

In the 2023 reporting year, Schaeffler also conducted a risk analysis of all direct suppliers. This is used to determine the individual risk potential of the direct supplier. This includes all suppliers that have had revenue with the Schaeffler Group in the past 24 months. Risks are identified for each procurement or service category and measures on human rights processes already implemented by the supplier are considered. In addition, the Schaeffler Group conducted corresponding ad hoc risk analyses in cases where substantiated knowledge of a potential incident at indirect business partners was obtained. This made it possible to assess and minimize potential risks for those affected. Potential risks were identified by external service providers using statistical analyses.

In 2023, a process for addressing and tracking measures for high-risk suppliers was rolled out. The process followed a defined escalation path to eliminate potential supplier risks in a targeted and consistent manner. A sustainability team at the Shared Service Center in Wrocław (Poland) follows the tracking of measures according to the risk analysis to implementation.

The activities include the use of standardized surveys (self-assessment questionnaires, SAQs) from the Drive Sustainability Initiative, which can be shared with other customers free of charge by the supplier. In the reporting year, additional relevant suppliers received questionnaires as a result of the risk analysis. The Schaeffler Group Supplier Code of Conduct remains an important element in communication and transfer of requirements, in addition to other contractual components.

Stakeholders and affected groups are involved in the annual stakeholder dialog, to which supplier representatives are invited.

The human rights due diligence of indirect suppliers was also conducted in selected regions under consideration of the corresponding sanction requirements.

Please see the 2023 Sustainability Report of the Schaeffler Group for further details.

4. Any measures taken to remediate any forced labour or child labour;

No forced labour nor child labour has been identified.

5. Any measures taken to remediate the loss of income to the most vulnerable families that results from any measures taken to eliminate the use of forced labour or child labour in its activities and supply chains;

None at this time (?)

6. The training provided to employees on forced labour and child labour; and

Schaeffler has implemented an extensive range of trainings. The formats focus on the management of individual human rights risk topics, such as equal treatment and data protection as well as occupational health & safety and information security. These training courses are mandatory for all or relevant groups of employees and must be completed upon joining Schaeffler and repeated at regular intervals. In addition, Schaeffler developed mandatory training on human rights in July 2023, which was made available to all employees and managers in Germany in 2023. It was rolled out globally in beginning of 2024. Separate training was developed for Shopfloor employees. In addition, starting in January 2023, the "Human rights in the supply network" training was defined as mandatory for Schaeffler employees in the purchasing function. Free training offers on human rights due diligence is available to suppliers via a known external provider.

Please see the 2023 Sustainability Report of the Schaeffler Group for further details.

7. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

The effectiveness of the grievance mechanism was examined internally during the reporting year. The review was based on the effectiveness criteria of the UN Guiding Principles on Busi-

ness and Human Rights and the German supervisory authority guidance "Complaints procedure under the Supply Chain Due Dilligence Act". The grievance was evaluated as effective and the need for further development was defined.

Furthermore, during the reporting period, appropriate preventive measures were defined and implemented within our own business area and towards direct suppliers. Risk-based control measures will be carried out in 2024 in order to achieve a reliable result. The measures derived and implemented generally require a certain duration so that a risk-based control can be carried out. With regard to the remedial measures derived during the reporting period (other than forced labor and child labor) in our own business area and with direct suppliers we evaluated whether the respective measures were implemented in individual cases and the desired remedial goal was achieved.

Especially, in the 2023 reporting year, the company's commitment as a founding member of the Responsible Supply Chain Initiative (RSCI) increased by planning social audits at relevant high-risk suppliers with some already performed. Suppliers also have the opportunity to share the results with other customers to avoid duplicate audits.

It is planned for the 2024 reporting year that the risk management established during the reporting period in the form of the Human Rights Compliance Management System will be examined in more detail for its appropriateness. In particular, conclusions from the effectiveness analyzes carried out on measures and complaint processes should be a key indicator for evaluating the intensity and scope of Schaeffler's efforts. It should be ensured that risk management is suitable for identifying risks as early as possible and responding to them appropriately.

Please see the 2023 Sustainability Report of the Schaeffler Group for further details.

We are confident that based on the comprehensive set of goals and principles described in the present report, one will be left fully convinced that we are contributing to a more sustainable future.

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.

I attest that I have the authority to bind **Schaeffler Aerospace Canada Inc.**



Name KELLY WALSH

Title DIRECTOR - FINANCE

Date 2024.05.21