



## Fighting against forced labor and child labor in supply chain

May 2024

## **1. About this report**

This joint report is submitted pursuant to subsection 11(2) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, S.C., 2023, c.9 (the Act) and has been prepared on behalf of ElringKlinger Canada, Inc.

As a wholly owned subsidiary of the German ElringKlinger Group, the plant in Canada mainly produces lightweight components for the automotive industry.

As required by law, this report summarizes the steps taken by the ElringKlinger Group, and therefore ElringKlinger Canada, Inc., in the fiscal year ended December 31, 2023, to prevent and mitigate the risk of forced or child labor being used in any step of the production of goods in Canada by ElringKlinger Canada or of goods imported into Canada by ElringKlinger Canada.

The terms "Company" and "ElringKlinger Canada" used in this document refer to ElringKlinger Canada, Inc. These terms are used for convenience only and are not intended to accurately describe a separate legal entity within the ElringKlinger Group.

## **1. Measures to prevent and reduce the risk of forced labor and child labor**

ElringKlinger Canada's core values include safety, integrity, respect, inclusion and high performance. ElringKlinger Canada is committed to making a difference economically and socially - as an industry leader, as an exceptional employer and as a responsible corporate citizen. The company is committed to operating in a safe, ethical, inclusive, transparent and socially and environmentally responsible manner that also respects the rights of people and Aboriginal peoples, and to engaging meaningfully with employees and communities.

ElringKlinger Canada has policies and processes in place to prevent and reduce the risk of forced and child labor in its own operations and supply chains, as detailed later in this report. These policies and processes apply company-wide and support the commitment to respect human rights. ElringKlinger Canada has a zero-tolerance policy for human rights abuses, including the use of forced and child labor. The Group utilizes an internal risk management system designed to screen, assess and continuously monitor suppliers and potential suppliers to identify potential human rights risks.

In addition, ElringKlinger took steps across the Group last year to prevent and reduce the risk of forced and child labor in the supply chain. These include:

- Convening an internal working group to analyze the different legal requirements regarding the adoption of due diligence obligations in the supply chain and to determine the current situation.
- Identify areas of the business and supply chains where there is a higher risk of forced and child labor and take measures to actively address this risk. Publish an enhanced Code of Conduct and Supplier Code of Conduct, as well as a Human Rights Policy Statement.
- Raising awareness of the risks of modern slavery and child labor among affected departments and developing further measures to be implemented in 2024.

## 2. Structure, activities and supply chains

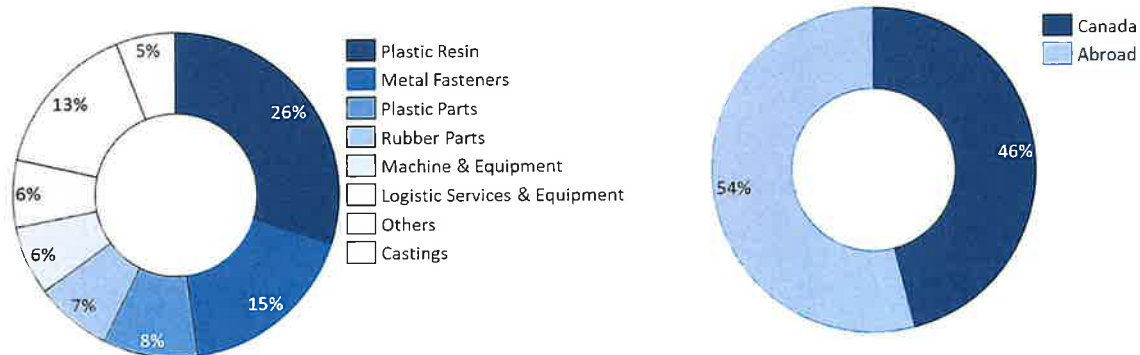
The ElringKlinger Group, headquartered in Dettingen/Erms, Germany, is an internationally positioned, independent development partner and series producer for the automotive industry, actively shaping the mobility transition towards a sustainable future through innovative products. ElringKlinger Canada is wholly owned by the ElringKlinger Group. In Canada, only injection-molded plastic parts and hybrid components are manufactured, which help to reduce vehicle weight and, as a result, fuel consumption and CO emissions. 2

ElringKlinger's Strategy 2030 comprises five success factors, one of which is sustainability. Sustainable action is therefore an integral part of the long-term corporate strategy aimed at increasing value. This aims to combine long-term economic success and growth in all business divisions with the protection of social and ecological interests. For these reasons, values, actions and goals derived from aspects of sustainability are reflected in the Group's guidelines. In addition, the Group aims to achieve CO<sub>2</sub> neutrality by 2030 (Scope 1 and Scope 2 emissions).

The supply chain includes suppliers of goods and services that contribute to the manufacture of goods produced, sold or imported by the company. It therefore includes direct and indirect suppliers and service providers both in Canada and outside Canada. ElringKlinger Canada purchases various parts for the production of goods both domestically and abroad. The finished products are sold to various automobile manufacturers.

Most important expenditure on goods in 2023:

Geographical origin of goods purchased in 2023  
(as % of total expenditure on goods)



The supply chains of the globally active Group are complex. ElringKlinger Canada attaches great importance to environmentally oriented operational management and to regulated behavior and processes with regard to the implementation of the company's environmental policy in the supply chain. To this end, the company requires a quality management system in accordance with ISO 9001 and IATF 16949 and an environmental management system in accordance with ISO 14001 from its direct suppliers in the automotive sector.

## 3. Policy and due diligence on forced labor and child labor

The ElringKlinger Group has introduced and implemented a range of policies and practices at all its sites that support human rights and socially responsible business practices. The business practices are based on the ten principles of the United Nations (UN) Global Compact, the UN International Bill of Human Rights, the Declaration

on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), the UN Guiding Principles on Business and Human Rights and the Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD).

#### **Declaration of business conduct**

ElringKlinger Canada does not tolerate human rights abuses of any kind, including forced or child labor, at its own facilities, in its supply chains, or by third parties with whom it does business. One of the ways in which the company upholds human rights is by conducting due diligence and requiring that third parties with whom it does business do not engage in human rights abuses or support others who engage in such abuses. ElringKlinger Canada requires its suppliers to adhere to the human rights, labor, health, safety, environmental and business ethics practices prescribed in the Guidelines.

In 2023, the parent company ElringKlinger published a Code of Conduct for Suppliers. This makes economically, ecologically and socially responsible working practices a binding contractual component for trusting cooperation with suppliers. In addition, suppliers are required to impose corresponding obligations on their own suppliers and subcontractors. The ElringKlinger Group is thus committed to ensuring that suppliers act in compliance with the law, respect human rights, guarantee fair working conditions, take environmental concerns into account and take action against corruption.

In addition to other protective measures, the Code of Conduct for Suppliers contains specific requirements relating to forced labor and child labor:

- Supplier agrees to prevent any form of forced or involuntary labor, including slavery, bonded labor, human trafficking and forced or indentured labor, in accordance with international labor standards and laws. The Supplier shall ensure that it does not use labor that originates from unlawful sources of procurement or forced labor camps.
- The supplier undertakes to comply with the prohibition of child labor. In particular, it undertakes to comply with ILO Convention No. 138 on the minimum age for employment and No. 182 on the elimination of the worst forms of child labor. The supplier shall ensure that no child labour is practised in its operations and that it does not maintain any business relationships with persons or organizations that commit child labour.
- The supplier undertakes to ensure fair working conditions in accordance with national and international labor and social standards such as the ILO guidelines. This applies in particular to the payment of appropriate remuneration and compliance with all applicable statutory labor regulations, e.g. with regard to working hours, remuneration and social benefits.

In 2023, the parent company also published a declaration of principles for human rights. In this policy statement, the Group sets out the principles and methods that guide the Group in implementing the legal requirements. To this end, the Group identifies potential risks. Based on this, the ElringKlinger Group takes preventive measures to avoid human rights violations and environmental damage.

#### **4. Our due diligence process**

Together with Central Purchasing, the Supply Chain Management and Supplier Management departments are responsible for all aspects of the supply chain. This includes strategic and tactical procurement, materials management, logistics and the associated contract management.

The Corporate Legal & Compliance department is responsible for the further development of ethics and compliance programs within the Group, including the annual risk analysis of the supply chain. Based on external and internal data for direct suppliers and the Group's own business division, high-risk suppliers were also identified for ElringKlinger Canada in 2023 in a two-stage process as follows:

#### **First step**

In a first step, a probability of occurrence of human rights violations was calculated for each risk area on the basis of country and product group information and weighted with the severity of a violation per risk area. This calculation was carried out for each direct supplier.

The probability of occurrence, weighted by the potential impact of human rights violations on those affected, was divided into the categories 'low risk', 'medium risk' and 'high risk' using a scoring model. These gross risks per supplier, determined at an abstract level, were then prioritized. Immediate suppliers with a 'high risk' in one of the risk fields and with opportunities to influence the supplier (significant purchasing volume) were prioritized.

#### **Second step**

In a second step, these prioritized direct suppliers identified at an abstract level were reviewed with regard to the regulations and procedures or management systems implemented within the company and the audits conducted by ElringKlinger.

The risk analysis for the company's own business division follows the same system, although no product group information is used to determine the gross risk. Furthermore, no prioritization is carried out, as the risks in our own business division were given priority in order to do justice to the increased contribution to causation. In addition, a self-assessment was prepared for the company's own business division in order to examine issues relating to human rights due diligence.

#### **Contractual requirements**

In order to prevent and minimize risks with direct suppliers, the Code of Conduct for Suppliers became an integral part of the contract in 2023. In this way, the ElringKlinger Group ensures that suppliers are aware of the expectations placed on them and have actively agreed to them. A breach of applicable laws or company policies constitutes a material breach of contract, which allows the company to take immediate remedial action, including termination.

#### **Supplier management**

ElringKlinger Canada conducts regular audits of its suppliers during the onboarding process and continues this practice throughout the business relationship. When a supplier audit is conducted, a sustainability audit is also conducted to investigate possible violations of forced and child labor and misconduct. If there is a deviation, the ElringKlinger auditor immediately informs the Chief Compliance Officer of the ElringKlinger Group. Supplier Quality Management, the compliance organization and the supplier jointly draw up an action plan. The fulfillment of these measures is monitored by Supplier Quality Management.

#### **Reporting concerns**

Various reporting channels are available for reporting possible compliance violations. Possible compliance violations can be reported within the organization via the managers or directly to the compliance organization, i.e. the compliance officers of the individual regions or countries or the Chief Compliance Officer. The confidentiality of the whistleblower is guaranteed, if desired.

In addition, the digital whistleblower system "share with us" can be used to report potential misconduct directly to the body responsible for investigating the matter using a predefined reporting form. Reports can be submitted completely anonymously. It is not possible to trace the whistleblower or their identity.

ElringKlinger Canada's suppliers are also obliged by the Supplier Code of Conduct to inform their employees and subcontractors about the existence and functioning of ElringKlinger's reporting channels, in particular the SHARE

WITH US whistleblower system: <https://sharewithus.elringklinger.com/de>, and to encourage them to report legal violations, in particular human rights risks or violations, via the system. The report will be dealt with in an appropriate internal company complaints procedure.

## **5. Parts of the company and supply chains at risk for incidents of forced and child labor, and measures to address these risks**

The risk analysis for ElringKlinger Canada's direct suppliers, which is based on external and internal data, identifies ten prioritized direct suppliers with a 'high risk' in one of the risk areas of forced and child labor, as well as a significant purchasing volume within the ElringKlinger Group. These suppliers come from China and Mexico and are mainly assigned to the 'metal fasteners' product group. ElringKlinger Canada has reviewed the suppliers with regard to the regulations, procedures and management systems implemented within the company and has also conducted audits. In addition, the Supplier Code of Conduct was submitted as a contractual assurance of compliance with and implementation of ElringKlinger Canada's expectations along the supply chain. As a result of these measures, the risk for eight of the ten suppliers has been reduced to such an extent that the residual risk is in line with the human rights strategy for forced and child labor described in the policy statement. In the case of the remaining two suppliers, the ElringKlinger Group's purchasing department is working on supplier certification. In the case of the second remaining supplier, cooperation with the supplier is being intensified in order to reduce the risk.

At the ElringKlinger Canada site itself, the risk of forced and child labor is 'medium'. In order to reduce the risk, ElringKlinger Canada was reviewed with regard to the regulations, procedures and management systems implemented within the company.

Specific guidelines, measures and procedures have been implemented to prevent forced labor. This includes ensuring that employees receive a written employment contract and can terminate their employment without penalty. In addition, employees can move freely within the company, subject to certain access restrictions. Upon recruitment, it is ensured that no identity or immigration documents (such as ID cards, passports or work permits) are withheld or destroyed by the company or recruitment agencies.

Specific guidelines, measures and procedures have also been implemented at the site to prevent child labor. In the summer months of July and August, students and school pupils are hired to bridge the vacation period and give the students and school pupils practical work experience. Students and pupils aged 17 and over are employed and must work the same shift rotation as employees with longer periods of employment. The legal minimum age for employment in the automotive industry is 17. It is ensured that employees under the age of 18 do not perform any hazardous work that could endanger their health and safety, including night shifts and overtime. Before signing a contract, the employee's ability to work is checked and copies of proof of age are kept for all employees. The local law regarding wage levels for student employees, interns and apprentices will be adhered to.

The site adheres strictly to the ElringKlinger Group's Code of Conduct.

## **6. Employee training on forced labor and child labor**

Due to the importance of compliance issues, all employees receive the relevant guidelines and policies as part of the onboarding process when they join the company. The ElringKlinger Group uses a standardized training program to provide its employees and managers with the necessary understanding of compliance and to raise

their awareness of compliance risks in day-to-day business. The standardized compliance online training must be completed by all employees with a personalized Office account every two years. In the 2023 reporting year, this training was completed by 55 employees at ElringKlinger Canada.

In addition, every employee in the Group received detailed information on compliance issues in 2023, specifically the ElringKlinger Code of Conduct and the company's own complaints procedure in the form of a flyer. The flyers are available in all Group languages.

In 2023, the global purchasing organization underwent extensive training on the topic of sustainability, in particular the Supplier Code of Conduct. In addition, suppliers also undertake to ensure that their employees and the employees of their suppliers are informed about ElringKlinger's human rights and environmental requirements and have received the necessary training to ensure that the requirements of ElringKlinger's Supplier Code of Conduct are implemented. In addition, the supplier undertakes to participate in training and further education on the principles of the Code of Conduct if it is requested to do so by a third-party supplier.

## **7. Evaluation of effectiveness in ensuring that forced and child labor is not used in our business and supply chains**

### **Review of risk management for appropriateness and effectiveness**

An interdisciplinary project team has been established within the ElringKlinger Group to implement the due diligence obligations. This team operates on a cross-divisional basis and is made up of experts from various divisions. These experts contribute their respective specialist knowledge and experience in order to implement the project effectively and efficiently. This interdisciplinary cooperation ensures that all due diligence obligations and stakeholder interests are covered and the best possible results are achieved.

ElringKlinger's risk management approach follows best practice. As a result, the Group currently sees no need for an appropriateness and effectiveness test. The ElringKlinger Group regards the identification of risks and potential impacts and the derivation of effective preventive and remedial measures as core elements of its human rights and environmental due diligence obligations. The Group views the fulfillment of this responsibility as a continuous improvement process. The human rights strategy is integrated into operational processes and procedures by anchoring the processes in the organization. Existing regulations and processes are continuously reviewed on a risk basis and, if necessary, adapted in accordance with the requirements of the law. If necessary, new regulations and processes are introduced and trained worldwide in order to comprehensively map due diligence obligations.

### **Internal audit as a further control instrument**

In addition, the Group conducts internal audits. Alongside the internal control system (ICS), the risk management system (RMS) and the compliance management system, Internal Audit is an independent body and a key element of the ElringKlinger Group's corporate governance system. Internal Audit provides independent and objective auditing and consulting services aimed at creating added value and improving business processes. It supports the organization in achieving its objectives by using a systematic and targeted approach to assess the effectiveness of risk management, controls and management and monitoring processes and to contribute to their improvement. Internal Audit is independent of instructions both in the performance of its tasks and in the evaluation of its findings. This also applies with regard to determining the scope of the audit and reporting on the audit results. At the beginning of 2024, an internal audit was conducted at the company's Canadian site, which did not reveal any anomalies in the areas of child and forced labor.

**Supplier audits**

As described above, the ElringKlinger Group's Supplier Quality Management conducts supplier audits at irregular intervals and also ensures that human rights issues are complied with unconditionally.

**8. Notarization**

In accordance with the requirements of the Act, in particular section 11, I confirm that the management has reviewed the information contained in this report. To the best of my knowledge, having taken all reasonable care, I certify that the information contained in this report is true, accurate and complete in all material respects in accordance with the Act for the year under review referred to above.



Glen Pearson,  
Managing Director  
ElringKlinger Canada, Inc.

May 28, 2024

**Contact**

If you have any questions about the report "Combating forced labor and child labor in supply chains", please contact [csr@elringklinger.com](mailto:csr@elringklinger.com).

**ElringKlinger Canada, Inc.**  
1 Seneca Road, R.R. #4  
Leamington, Ontario N8H 5P2  
Canada  
Telephone: +1 519 326 6113