



Table of Contents

Introduction	2
1. <u>Structure, Activities and Supply Chain</u>	3
2. <u>Policies and Processes in Relation to Forced and Child Labour</u>	3
3. <u>Identification of Forced and Child Labour Risk</u>	3
4. <u>Remediation of Forced and Child Labour</u>	4
5. <u>Remediation of Loss of Income</u>	5
6. <u>Employee Training</u>	5
7. <u>Assessing Effectiveness</u>	5
8. <u>Approval and Attestation of the Report</u>	6



Introduction

This report is DESCH Canada Ltd.'s response to comply with Section 11 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act ("the Act") for the financial year ending December 31, 2023. The reporting entity covered by this statement is DESCH Canada Ltd., business number 800959850.

For the purposes of the Act, DESCH Canada Ltd. ("DESCH", "The entity") meets the entity definition by having a business in Canada, does business in Canada, has assets in Canada and meets the threshold for revenue, and assets.

As a market-leading drive technology partner, DESCH provides innovative, customized, complete solutions along the entire drive train. Our name stands for the highest quality and top of the line service.

Forced labour and child labour is contrary to our statement of purpose, vision, and values, therefore DESCH does not endorse any human trafficking and modern slavery within its organization or any organization with whom it conducts business with.

1. Structure, Activities and Supply Chain

DESCH is an industry leader in manufacturing precision drive components and parts manufacturing and assembly. We source goods from domestic and international suppliers, including those in Germany, China, Mexico, and the United States, for use in our manufacturing and assembly processes.

Using the NAICS (North American Industry Classification System) Canada 2022 Version 1.0, sectors in DESCH's supply chain and related activities were classified into the following industries:

- 33 – Manufacturing
 - 332 - Fabricated metal product manufacturing
 - 333 - Machinery manufacturing
- 41 – Wholesale trade
 - 417 - Machinery, equipment and supplies merchant wholesalers

2. Policies and Processes in Relation to Forced and Child Labour

For the previous reporting year, DESCH did not have policies or processes in place which focused primarily on forced and child labour.

However, DESCH maintains a firm-wide Purchasing Policy. The purchase policy mandates that all suppliers implement and maintain a quality management system, meeting ISO 9001:2015 standards. Suppliers must ensure compliance with quality expectations, including the prevention of counterfeit parts, continuous process improvement, and adherence to safety procedures. DESCH emphasizes ethical and professional supplier relationships, rigorous supplier audits, and performance evaluations to maintain high standards across its supply chain.

Honesty, high standards and due diligence are the fundamental pillars of DESCH's supply chain principles and ethics. All employees are expected to work under these guiding pillars.

To ensure that DESCH adheres to the spirit of the Act, we intend to develop policies and procedures to mitigate forced and child labour risks in the supply chain, including risk assessments of our suppliers.

3. Identification of Forced and Child Labour Risk

To understand potential areas of forced or child labour risks in the supply chain, DESCH recently carried out a risk assessment process. This process was guided by insights provided by the Walk Free Global Slavery Index, the OECD Due Diligence Guidance for Responsible Business Conduct, and by the US Department of Labor's List of Goods produced by Child Labour or Forced Labour.

Our risk identification exercise does not presuppose the actual use of forced or child labour within our operations or supply chains, rather, it is aimed at recognizing potential scenarios where such risks might arise, thereby further enabling us to implement effective preventative measures. Our assessment acknowledges that no industry is entirely exempt from the risks of forced and child labour and there are inherent vulnerabilities within certain sectors of our supply chain, particularly in regions where regulatory frameworks and enforcement mechanisms might not be robust.

Our analysis considered specific geographic regions that, according to the Walk Free Global Slavery Index and other credible sources, present a higher risk of forced and child labour practices. This geographic risk assessment, was combined with an assessment of at-risk-goods categories, further enabling us to apply a targeted lens to our risk assessment.

Risk Assessment Findings

DESCH is involved with both domestic and foreign suppliers for purchase of goods. DESCH's direct (tier-1) foreign suppliers are in US, Germany, China, and Mexico. Through the application of the analysis, DESCH identified Mexico as a country in its supply chain having a heightened risk of forced labour prevalence. However, it is important to note that Mexico accounts for less than 0.02% of our total procurement expenditure. In contrast 99.9% of the total procurement expenditure is associated with Canada, US and Germany, countries that are widely considered as having a low prevalence of forced labour or slavery in their workforce.

DESCH also considered the data from the US Department of Labor's List of Goods Produced by Child Labour or Forced Labour. This is an important step in isolating specific goods from our import portfolio, or our suppliers' import portfolio that may be susceptible to forced or child labour. By considering this data against the products that DESCH imports, it was found that none of our imports are subject to a risk of being associated with forced or child labour practices.

Overall, the findings from our risk assessment suggest that there is minimal exposure to forced and child labour risks within the supply chain in the context of overall expenditures. DESCH would also like to highlight the highly technical and specialized nature of precision part manufacturing industry, which itself would pose a barrier to the employment of child labour.

4. Remediation of Forced and Child Labour

After a thorough analysis of our supply chain, DESCH has not found any instances of forced and child labour in the previous reporting year.



5. Remediation of Loss of Income

After a thorough analysis of our supply chain, DESCH has not found any instances of forced or child labour in the previous reporting year, and hence, have not identified any vulnerable families which may have experienced a loss of income.

6. Employee Training

There was no training that was provided to the employees of DESCH that specifically focused on forced or child labour for the previous reporting year.

7. Assessing Effectiveness

DESCH is unable to ascertain the effectiveness of the measures implemented to assess and manage the risk of forced labor and child labor for the previous reporting year.

DESCH is committed to continuous improvement on this subject as an organization to ensure transparency and accountability in our supply chain operations.



8. Approval and Attestation of the Report

In accordance with the requirements of the Act, and in particular Section 11, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable due 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.

Full Name: HENDRIK DESCH

Title: DIRECTOR & PRESIDENT

Date: 30/5/24

Signature: H. Desch

"I have the authority to bind DESCH Canada Ltd. "