



Hanon Systems Canada Inc.

360 University Ave.
Belleville, ON K8N 5T6
p. (613) 969-1460

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

This report prepared by Hanon Systems Canada Inc. (BN 121839666RM0001) (“Hanon Systems”), is a single report which covers the fiscal period January 1st, 2023 to December 31st, 2023. It outlines the activities and compliance measures taken during the 2023 reporting period.

It is with great pride and a deep sense of responsibility that we present this report detailing our commitment and efforts to prevent forced labour within our supply chain. At Hanon Systems, we recognize the gravity of the global challenge posed by forced labour and its impact on human rights. Our commitment to ethical business practices extends beyond mere compliance—it is a cornerstone of our identity.

In this report, we will share the comprehensive measures we have implemented to identify, assess, and mitigate the risk of forced labour in our supply chain. By embracing transparency, accountability, and collaboration, we aim to set a standard for responsible business conduct that goes beyond mere compliance with regulations. Our journey towards eradicating forced labour is not just a corporate obligation but a moral imperative that we embrace wholeheartedly.

As you delve into the pages of this report, we invite you to join us on this journey of continuous improvement and ethical leadership. Together, we can create a supply chain ecosystem that stands as a beacon of fairness, dignity, and respect for all. Thank you for your interest in our commitment to preventing forced labour, and we look forward to your engagement and support in this critical endeavor.

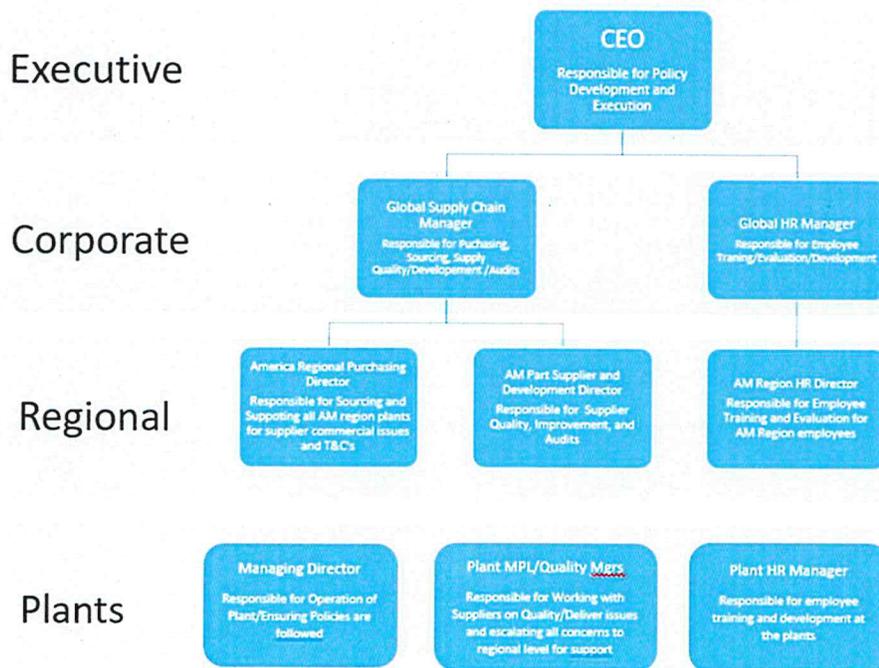
Company

For more than 30 years, Hanon Systems has grown as a technology innovator by continually adapting to industry trends and exceeding customer expectations. The company that formed in 1986 as a traditional automotive climate supplier has grown dynamically in its technology breadth, technical expertise, and global reach to become what is Hanon Systems today, a full-line thermal and energy management solutions provider. The history of Hanon Systems is one of growth, which has been made possible by its



unwavering commitment to support its customers, employees, shareholders, and the communities where it operates.

Hanon Systems aspires to be a leader in innovative thermal and energy management solutions and is steadfast in its commitment to create sustainable long-term success. To complement the vision are three strategic pillars that serve as a guide for all employees through clear and defined direction to achieve company growth. The third element of Hanon Systems' corporate is its values, which guide the organization's conduct and its relationship with key stakeholders.



Hanon Systems Canada Inc. is a corporation wholly owned by Hanon Systems Korea. Hanon Systems has 51 automotive manufacturing and engineering facilities around the world focusing on HVAC, pumps and other cooling products for both ICE and EV vehicles. Hanon Systems has suppliers making a variety of different commodities and parts found throughout the globe that are then imported into the Canadian plants. Hanon Systems supplies finished assembled parts to automotive OEM customers across most major companies in Canada, US, Europe, and Asia.



Hanon Systems Canada Inc. employs approx. 500 employees at its Belleville ON location.

Our Workplace

Informed by the international standard (ISO 26000) for social responsibility, these eight guiding principles intend to further develop the company's corporate responsibility efforts by establishing a strong foundation for the organization.

1. Accountability and Transparency
2. Continuous Improvement
3. Ethical Behaviour
4. Compliance
5. Respect for Stakeholder Interests
6. Respect for International Norms of Behaviour
7. Focus on Relevant Issues
8. Respect for Human Rights

Supply Chain ESG Management

While we recognize business partners operate at different stages of sustainability and corporate responsibility practices, Hanon Systems expects its network of partners to read the company policies, embrace and adopt similar attitudes and protocols throughout the supply chain. Our Supplier Sustainability Policy outlines the expectations which suppliers are expected to acknowledge and adhere to its principles in all dealings on behalf of Hanon Systems.

Suppliers must fully cooperate with any requests for assessments or audits of company records or of specific supplier locations. Hanon Systems assumes all global suppliers will adhere to this Code. In the event a supplier is non-compliant in any aspect of this Code, the supplier is obligated to provide the company with a detailed Corrective Action Plan to address such deficiencies. As a supplier partner to Hanon Systems, businesses can access the supplier portal that is a secured online platform to receive important news and information, and access data scorecards. We reserve the right to terminate any agreement with a supplier that cannot demonstrate compliance with the Code.

As outlined in our Ethics Policies, suppliers shall comply by conducting business in an ethical and fair manner while operating in full compliance with all applicable laws and regulations in the countries where it operates.



This includes conflict minerals reporting rules and requirements. We expect appropriate due diligence measures be taken to help identify the sources of these minerals, to the smelter level and to support global effort to eradicate the use of conflict minerals that directly or indirectly finance or benefit the armed conflict and social human injustice in the Democratic Republic of Congo and adjoining countries.

Our expectation that suppliers have establishing protocols and management systems to ensure compliance and respect for human rights that encompass these highlighted principles:

Forced or Compulsory Labour: We will not tolerate physically abusive disciplinary practices of abuse or labour in any form.

Child Labour and Human Trafficking: Supplier's shall comply with International Labour Organization (ILO) standards and adhere to the minimum employment age as defined by law.

Rights of Minorities and Indigenous People: Supplier's to respect the rights of local communities to decent living conditions; education, employment, and the right to Free, Prior and Informed Consent (FPIC) to developments that affect them.

Harassment Free: Zero tolerance for harassment or bullying of any kind.

Hanon Systems embeds responsible business conduct with consideration to human rights into its policies, governance and decision-making illustrated but not limited to these key governance programs:

- Ethics & Integrity Policy
- Workplace & Environment
- Code of Basic Working Conditions
- Responsible Minerals Procurement
- Corporate Responsibility Policy

Protecting Human Rights

Hanon Systems is committed to valuing and respecting human rights. The company adheres to international human rights policies and working condition regulations. It requires strict compliance with labour and human rights laws and regulations in the countries and regions where the company conducts business and supports globally recognized human rights principles, including the Universal Declaration of Human Rights.

In instances where national or regional laws and regulations conflict with international standards, Hanon Systems prioritizes adherence to internationally recognized human rights principles. The company applies universal respect for basic labour rights including freedom of association and collective

bargaining and considers any violation of human rights a serious offense including child or forced labour and encourages reporting of any known and suspected violations through its Ethics Hotline. Specific to child labour, the company regularly reviews its hiring practices and processes. Among the actions includes screenings, background checks and visual identification. The company also reviews the practices

of its employment agencies of record. As a result, Hanon Systems has experienced no violations of child labour, forced labour resulting in remediation at any level of our supply chain.

Code of Basic Working Conditions

The Hanon Systems Code of Basic Working Conditions outlines the company’s commitment to create and maintain an environment where all employees are treated with integrity and respect, and differences are highly valued. It supports the company’s basic fundamental values and is the basis for building strong relationships with workers.

Environment, Health and Safety



- Establish standards for occupational safety and health
- Provide and maintain a safe and healthy working environment

Forced Labor



- Prohibit forced labor
- Not tolerate physically abusive language or disciplinary practices

Freedom of Association and Collective Bargaining



- Respect the rights of freedom of association and collective bargaining
- Work in a constructive manner with recognized representatives

Harassment and Discrimination



- Not tolerate harassment or discrimination on the basis of sex, race, color, ethnic or social origin, age, creed, religion, caste, nationality, marital/parental status, health status, disability, sexual orientation



Code of Basic Working Conditions

Compensation



- Promote the material well-being of employees by providing compensation and benefits that are competitive and comply with applicable laws regulations and collective agreements.

Child Labor



- In no event shall the company employ a person below the age of 15 unless it is part of a government authorized job training or apprenticeship program

Work Hours



- Comply with applicable laws related to regulating working hours

Responsibility and Implementation



- Comply with Code of Basic Working Conditions
- Seek the support and assistance of unions and employee representatives
- Require business partners to adopt and enforce similar workplace codes of conduct
- Identify and leverage business partners who aspire to conduct business in a manner that is consistent with codes of conduct



Training

To raise awareness among our employees, Hanon Systems conducts mandatory training and onboarding modules on various social sustainability topics including human rights and policies and procedures. The average training time per person was 25 hours, the training was completed through LMS systems.

Effectiveness Assessment

Hanon Systems has in place many measures to prevent and reduce the risks of forced labour or child labour. We will continue to work to assess the effectiveness of those actions to eradicate these activities within our supply chain.

Reporting and non-retaliation

All employees and anyone working on behalf of Hanon Systems have an affirmative duty to act with integrity and exhibit unquestionable ethical behavior at all times. The hotline service is provided by an independent external provider in complete anonymity and supports all major languages. Access is available with an online link from our website, email and telephone and available 24 hours on 7 days a week. An audit team is assigned and conducts a thorough investigation.

At Hanon Systems Canada Inc., we remain steadfast in our commitment to ethical sourcing and supply chain integrity. As detailed in this report, our efforts encompass comprehensive supplier sustainability programs and partnerships with credible third-party organizations to ensure compliance with internationally recognized labour standards. Furthermore, we recognize the importance of transparency and accountability, which is why we are dedicated to openly sharing our progress and challenges in combating forced labour. While we are proud of the strides we have made, we remain committed to this cause and will continue to work tirelessly to uphold the dignity and rights of all workers throughout our supply chain.

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.

Full name:



Hanon Systems Canada Inc.

René Veillette

Title: Managing Director

Date: May 20, 2024

Signature:

A handwritten signature in black ink, appearing to be "René Veillette", written over a horizontal line.

I have the authority to bind 'Hanon Systems Canada Inc.'