

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



Table of Contents:

- I. Executive Summary
- II. Introduction
- III. Actions Taken within Previous Financial Year
- IV. Implementation Progress
 - A. Company Structure, Activities, and Supply Chains
 - B. Policies and Due Diligence Processes
 - C. Risk Assessment and Management
 - D. Remediation Measures
 - E. Measures to Remediate Income Loss
 - F. Employee Training
 - G. Effectiveness Assessment
- V. Attestation of Report

I. Executive Summary:

This annual report on the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, provides insights into the steps taken by PWO Canada Incorporated during the previous financial year, 2023, to prevent and reduce the risk of forced labor and child labor being used at any step of the production of goods in Canada or elsewhere by PWO Canada Incorporated or of goods imported into Canada by PWO Canada Incorporated. This annual report outlines the progress of these efforts and provides insight in accordance with the supplementary information requested within this report by the Minister of Public Safety and Emergency Preparedness (Minister).

II. Introduction:

PWO Canada Incorporated, as part of the PWO Group, expects from its business partners the recognition of the "Universal Charter of Human Rights" of the United Nations, the principles of the UN Global Compact, and the core work standards of the International Labor Organization (ILO), in addition to country-specific laws in the interest of human rights, including the *Ontario Human Rights Code*, and *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. PWO Canada Incorporated expects its business partners to ensure compliance with fundamental human rights in their business operations in accordance with applicable national laws and regulations.

In accordance with PWO Canada Incorporated's Code of Conduct, PWO Canada Incorporated expects that its business partners prohibit and refrain from any kind of child labor at their companies. PWO Canada Incorporated prohibits any kind of human trafficking, slavery, forced labor or comparable practices and expects the same from its business partners.

III. Actions Taken within Previous Financial Year

During the 2023 financial year, PWO Canada Incorporated implemented a supplier questionnaire self-assessment for any new BOM (serial production) or significant investment suppliers to complete prior to commencing business with the supplier. The Questionnaire Self-Assessment, Section G, covers risk management in terms of compliance and requires the supplier to indicate if their company has their own code of

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



conduct that addresses the following sustainability aspects; "ban on child labor; ban on human trafficking, slavery and other forms of forced labor; guarantee of appropriate work conditions for employees, including appropriate remuneration and maintenance of employability". If any supplier indicates "no" to this question within the questionnaire, they must indicate which aspects are not covered by their code of conduct to be reviewed by PWO Canada Incorporated. If these cannot be resolved, we initiate appropriate measures, which may also include legal steps and can lead to the termination of the business relationship.

Additionally within the introduced questionnaire, suppliers must also indicate if their company has formal guidelines or instructions which observe the respective national laws, sector requirements, and international standards, and deal with issues such as the ban on child labour, human trafficking, slavery and other forms of forced labor, as well as a guarantee of appropriate work conditions for employees, including appropriate remuneration and maintenance of employability. This section also requires the supplier to indicate for how many employees their company provides annual training on these issues to.

All BOM (serial production) suppliers that PWO Canada Incorporated currently works with have also signed our Code of Conduct which outlines that PWO Canada Incorporated expects that its business partners prohibit and refrain from any kind of child labor at their companies and that PWO Canada Incorporated prohibits any kind of human trafficking, slavery, forced labor or comparable practices and expects the same from its business partners. This Code of Conduct also contains a confirmation and acknowledgment sign off where the Business Partner (supplier) will indicate that they have received the PWO Business Partner Code of Conduct and acknowledge and accept it; they know all the relevant laws and regulations of the countries in which their company operates; they conduct their business based on ethical principles, applicable laws, and social responsibility; and they take into account all standards described in the PWO Business Partner Code of Conduct when it comes to selecting their own business partners.

Additionally, PWO Canada Incorporated has contractual agreements with different recruitment agencies that may be utilized on an as needed basis, by PWO Canada Incorporated, to assist with employment recruiting needs of the company. PWO Canada Incorporated verifies that all contracts with respective agencies are reviewed to ensure that they maintain internal controls to ensure that all workers are recruited voluntarily. The agencies that we partner with indicate that they will inform their candidates of the opportunities to work with PWO Canada Incorporated, and will also receive consent from the potential candidate to have their resume sent for consideration. In the event of a confidential search, the recruitment agencies for which we have contract agreements with, will still ensure that they receive consent by the candidate to submit their resume, whether or not they are able to disclose to the candidate that PWO Canada Incorporated is the Client they are fulfilling for.

IV. Implementation Progress:

In expansion to Section III., Section IV. serves to report supplementary information in respect to PWO Canada Incorporated as outlined and required in *Part 2 – Reporting*

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



Obligation – Entities, Section 11.3 of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, SC 2023, c 9. This section includes information on the measures implemented, policies in place and adopted, and initiatives undertaken by PWO Canada Incorporated to uphold its obligations under the Act.

A. Company Structure, Activities, and Supply Chains:

PWO Canada Incorporated is a subsidiary of a global PWO Group with the headquarters located in Oberkirch, Germany. PWO Canada Incorporated's manufacturing facility is located in Kitchener, Ontario, and at the end of 2023 had 269 employees.

PWO Canada Incorporated is primarily a Tier II supplier in the automotive industry, specializing in high tech metal stampings and subassembly systems including Deep Drawn Parts, Steering/Seat Parts, and Body Structure Parts.

Within PWO Canada Incorporated, there are four typical supply chains each with their respective potential supply chain;

Steel

- a) Mill in Canada produces the master coils and service center in Canada slits and delivers to PWO Canada
- b) Mill in US produces the master coils and service center in Canada slits and delivers to PWO Canada
- c) Mill in Germany produces the master coils and service center in US slits and delivers to PWO Canada

Purchased Parts (Fasteners)

- a) Produced in Taiwan or China and distributed through Canadian or US distributors
- b) Produced by US suppliers and delivered direct to PWO Canada
- c) Produced by German suppliers and delivered direct to PWO Canada

Purchased Parts (Tubes)

Mill in Canada or US produces the master coils and delivers to Canadian service centers where steel is slit and delivered to tube manufacturer. Tube manufacturer in Canada manufactures tubes and delivers to PWO Canada

Subcontracting (E-coating, Plating, Part Washing)

Primarily done locally in Ontario with rare instances of PWO Canada using US suppliers.

In addition to our typical supply chain suppliers as indicated above, PWO Canada Incorporated has capital investments that have been purchased from suppliers located within Canada, the US, Sweden, and Germany. PWO Canada Incorporated's purchases from these suppliers provide PWO Canada Incorporated with capital investments in machinery, expansion/building material, and other capital investments when applicable.

B. Policies and Due Diligence Processes:

Responsibility in the supply chain is rated as the most relevant issue in the area of "respect for human rights" within PWO's materiality matrix. In addition to our PWO Code of Conduct, PWO Canada Incorporated has also established the PWO Business Partner Code with regard to this responsibility. These two codes of conduct reside within the "value" level of our value pyramid within PWO's compliance management system (CMS) and have mandatory annual training to be completed by all employees within the company.

In addition to the value level, within the organizational level PWO Canada Incorporated also has a whistleblowing system in place. The guideline for the whistleblowing system provides direction to Whistleblowers in the event of a reasonable belief of misconduct or risks within PWO Canada Incorporated or its supply chain and describes the appropriate reporting procedures to be taken. The Guideline outlines what kind of submissions can be reported, explicitly outlining "violations of human rights or environmental obligations and human rights or environmental risks" within the included but not limited to list of reportable submissions.

The process of sustainable procurement and business partner compliance requires certain new suppliers, or significant investment suppliers, as outlined in IV.A. that undergo an Integrity check regarding our sustainability requirements before PWO Canada Incorporated will consider placing an order with them. This integrity check is completed via our Questionnaire Self-Assessment, in which Section G covers risk management in terms of compliance in relation to human rights, forced labour and child labour.

After the results are received and reviewed, they are saved within PWO Canada Incorporated's Purchasing Department's internal drive for master suppliers in which all supplier information is stored.

PWO Group is also a signatory to the UN Global Compact and has taken serious measures to ensure adherence to its principles.

C. Risk Assessment and Management:

PWO Canada Incorporated has set out our standards and what we expect of our business partners in our PWO Business Partner Code. For PWO Canada Incorporated, compliance with the standards formulated therein is a prerequisite for successful cooperation. In addition, a due diligence process is in place for our procurement to check our suppliers with regard to respect for recognized human rights standards and corresponding risks. PWO Canada Incorporated conducts audits and assessments of its suppliers, utilizing methods including the supplier questionnaire self-assessment for any new BOM (serial production), or significant investment suppliers, and comprehensive country-related risk assessments during new potential supplier reviews, to ensure compliance with labor laws and ethical standards.

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



Even after the conclusion of a contract, compliance with legal requirements on the part of our business partners is mandatory. We resolve questions on possible violations of laws or our PWO Business Partner Code, or risks related to human rights together with our business partners. If these cannot be resolved, we initiate appropriate measures, which may also include legal steps and can lead to the termination of the business relationship. We consider our business partners to be obligated to pass on the contents of our PWO Business Partner Code of Conduct to their business partners as well, and to advocate compliance with it.

D. Remediation Measures:

PWO Canada Incorporated prioritizes the identification, prevention, and remediation of instances of forced labor or child labor within its operations and supply chains to ensure ethical and sustainable business practices.

PWO Canada Incorporated conducts audits and assessments of its suppliers, utilizing methods including the supplier questionnaire self-assessment for any new BOM (serial production), or significant investment suppliers, and comprehensive country-related risk assessments during new potential supplier reviews, to ensure compliance with labor laws and ethical standards. PWO Canada Incorporated also maintains a clear and comprehensive Business Partner Code of Conduct, outlining expectations regarding labor practices and prohibiting forced labor and child labor. This Code of Conduct also contains a confirmation and acknowledgment sign off where the Business Partner (supplier) will indicate that they have received the PWO Business Partner Code of Conduct and acknowledge and accept it; they know all the relevant laws and regulations of the countries in which their company operates; they conduct their business based on ethical principles, applicable laws, and social responsibility; and they take into account all standards described in the PWO Business Partner Code of Conduct when it comes to selecting their own business partners.

Additionally, PWO Canada Incorporated provides employee training as outlined in Section F to raise awareness and enhance their ability to identify and address these issues effectively. Employee training is outlined in further detail in section IV.F. PWO Canada Incorporated also engages a third-party organization to assess compliance with labor standards, as outlined in Section IV.G.

Should instances of forced labor or child labor be detected within our business or supply chain, PWO Canada Incorporated is committed to remediation via initiating appropriate measures, which may include legal recourse and could result in the cessation of business ties with any supplier found to be in breach of our Code of Conduct, Human Rights Policy, Business Partner Code of Conduct, or any other Human Rights Policies or Employment Standards within Ontario and Canada.

E. Measures to Remediate Income Loss:

PWO Canada Incorporated has not identified any families that would be deemed vulnerable under the definition provided; however, PWO Canada Incorporated has actively taken on measures to remediate the loss of income for any vulnerable

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



families resulting from efforts to eliminate the use of forced labor or child labor in our activities and supply chains.

PWO Canada Incorporated stands for fair treatment and fair working conditions. The rights of our employees are fully protected. Complaint conduct is ensured by our CMS. PWO Canada Incorporated complies with all statutory working time regulations that are applicable, such as limits on the number of working hours, compliance with statutory rest periods, and the entitlement to recreational leave. PWO Canada Incorporated actively promotes a proper work-life balance and family life. Wherever possible, personal interests of our employees are taken into account in the organization of their working hours. PWO Canada Incorporated stands for fair, competitive pay that rewards good work and dedicated performance, and we always apply the principle of "equal pay for work of equal value". The remuneration paid by PWO Canada Incorporated is transparent, straightforward, and at least equivalent to the statutory remuneration and remuneration components as required by legislation. Our remuneration scales are displayed within our facility to support this transparency of pay and is visible and assessable to all employees. In addition, there are voluntary social benefits as well as separate compensation for additional stress factors such as shift work. Our employees share in the company's profits as well through profit-sharing programs that are clearly outlined, detailed, and communicated to all employees.

PWO Canada Incorporated respects the right of our employees to elect representatives, conduct collective negotiations and to strike, subject to applicable local laws. The formation of, membership in, or affiliation with an employee representative body recognized under applicable laws may not be used as a reason for unequal treatment. PWO Canada Incorporated ensures that, in accordance with applicable laws, our employees can openly and regularly communicate with management about working conditions through appropriate employee representative bodies. As such, employee interests are well represented within our in-house employee representative meetings, which provides a form of involvement that allows all employees the ability to work in close cooperation with upper management. These meetings are well-established, meet on a regular basis, provide employees with an opportunity to articulate their interests, concerns, and ideas, and the discussions and results of each meeting are published within the facility and are viewable by all employees, which contributes significantly to creating and maintaining a transparent and motivated work atmosphere.

F. Employee Training:

All employees of PWO Canada Incorporated take part in mandatory Environmental, Social and Governance (ESG) training on a yearly basis. This training is completed in person for all hourly employees, and is completed digitally through PC workstations for all salaried employees. Within this training, the prohibition of child labour and forced labour, as outlined within our PWO Group Human Rights Policy, is addressed.

PWO Canada's Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



PWO Group outsourced the development of the ESG Training, which includes the topics of Forced and Child Labour. This external provider utilized the contents of the UN Global Compact to ensure compliance and all relevant material was covered through the training. The training is mandatory to be completed annually by all employees and take approximately 2 hours to complete in its entirety. Within the training, there are built in questions to assess retention of training modules and a test at the end, which a 100% must be obtained at the conclusion of the training in order to receive a certificate of completion.

Within 2023, PWO Canada Incorporated achieved 100% completion among its personnel for this Environmental, Social and Governance (ESG) training program.

Additionally, PWO Canada Incorporated trains our employees on human rights due diligence and occupational safety and environmental protection regulations, and empower them to apply these to our business processes. A method that PWO Canada Incorporated utilizes for ensuring compliance is through monthly audits of completed training conducted by the Human Resources Department of PWO Canada Incorporated.

G. Effectiveness Assessment:

PWO Canada Incorporated has taken on measures to actively assess its effectiveness in ensuring that forced labor and child labor are not being used in its business and supply chains.

PWO Canada Incorporated requires its key suppliers to sign the Business Partner Code of Conduct, which explicitly prohibits any form of child labor. By setting clear expectations for suppliers, PWO Canada Incorporated aims to prevent the exploitation of vulnerable families for labor purposes.

PWO Canada Incorporated conducts comprehensive country-related risk assessments during new potential supplier reviews. Sections 1.1 to 1.3 and 2.1 to 2.2 within the risk assessment specifically cover compliance with the ban on child labor and compliance with the prohibition of other forms of forced labor. In cases where suppliers operate in countries categorized as high-risk (red category), additional web searches are conducted utilizing key words to determine if there is any public information on labor issues. This proactive approach helps PWO Canada Incorporated to mitigate the risk of forced labor and child labor within the supply chain. PWO Canada Incorporated's Guideline for Sustainable Procurement, particularly sections 7.1 and 7.2 and Annex 6, expands on the country list test and the Web Searches that PWO Canada Incorporated conducts.

The country test list is a context-based risk assessment for evaluating aspects of governance, based on supplier locations, which is created from the country list inspection. The supplier locations relevant to respective supply chains are compared with the country list and matches are documented. In the web search, a (potential) supplier is examined for indicators of participation in negative impacts on governance aspects using current search engines and from publicly available information. PWO Canada Incorporated maintains a keyword list for both simple and advanced web searches. If possible, the search should be made

PWO Canada’s Annual Report for Financial Year 2023 on the implementation of the Fighting Against Forced Labour and Child Labour in Supply Chains Act



in the languages spoken in the supplier’s locations. If the web search produces reliable evidence of the obstruction of an aspect of governance by the supplier, this is recorded in the filing system. In the event that there is any doubt over the reliability of an information source, the Compliance Office would be consulted.

PWO Canada Incorporated has started working with a third party organization that provides information to PWO Canada Incorporated regarding key suppliers, focusing on labor rights, human rights, health & safety, and environmental practices. By leveraging data analytics and monitoring tools, PWO Canada Incorporated is able to identify potential instances of forced labor or child labor within the supply chain and with potential new suppliers. This information enables PWO Canada Incorporated to take remedial actions within a timely manner to address raised labor abuses and mitigate adverse impacts on vulnerable families.

V. Attestation of Report

The annual report presented herein, pertaining to a single entity, PWO Canada Incorporated, has been duly approved by its governing body in accordance with paragraph (4)(a) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act, SC 2023, c 9.

This statement is attested to by the signature(s) of one or more members of the governing body of the entity that approved the report.

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.

Andreas Haas
Chief Executive Officer
PWO Canada Incorporated

May 30, 2024

Lana Takarenka
Chief Financial Officer
PWO Canada Incorporated

May 30, 2024