



Forced Labor in Canadian Supply Chains

Updated May 29, 2024

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Introduction

This report is SEW-Eurodrive Company of 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 SEW-Eurodrive Company of Canada Ltd. (business number: 104809033).

For the purposes of the Act, SEW-Eurodrive Company of Canada Ltd. ("SEW-Eurodrive") meets the Entity definition as it has a place of business in Canada, does business in Canada, has assets in Canada and meets the threshold for assets, revenue, and employees. SEW-Eurodrive also meets the definition of reporting entity as it produces goods in and outside of Canada, sells goods in Canada, distributes goods in Canada and imports into Canada goods produced outside of Canada.

SEW-Eurodrive is part of the SEW-Eurodrive Group and is a wholly owned subsidiary of SEW-Industriebeteiligungs-GmbH, Germany, a wholly owned subsidiary of SEW-Eurodrive GmbH & Co KG, Germany, which itself is wholly owned by BV Beteiligung GmbH & Co, KG, Germany in accordance with consolidated financial statements.

SEW-Eurodrive is a federal and provincial corporation obligated to submit a report to the Minister of Public Safety in response to the Act by May 31, 2024. In accordance with the Act, this report outlines the measures by SEW-Eurodrive over the previous financial year to mitigate risks associated with forced and child labour in its supply chain and operations.

1. Structure, Activities and Supply Chain

SEW-Eurodrive is a global, family-owned company and leader in drive technology manufacturing and a supplier of choice among Canadian companies in pulp and paper, mining, food & beverage processing, and manufacturing. Our success is based on our ability to offer reliable drive products backed by an infrastructure that offers extensive support for customers from coast to coast.

Our network is comprised of 16 production plants, 70 Drive Technology Centers in 50 countries, 3 assembly plant locations in Canada (Toronto, Montreal, and Vancouver) and we have approximately 250 employees.

Our drive technology manufacturing requires the assembly of gear units and gear motors.

Our supply chain activities include:

- Planning – demand planning and product lifecycle planning
- Sourcing – supplier selection, supplier relationship management and procurement of raw material and components
- Purchasing – acquiring raw materials, components, goods, and services needed for production, service, or other purchase requisitions
- Inventory control – maintaining inventory levels to keep up with customer demand and to manage inventory turnover
- Logistics – combination of sea freight, air freight and transportation; including planning, managing, and controlling the flow of goods and services, information, and real-time data to delivery
- Assembling – using machinery and labour to transfer parts components to finished goods
- Delivering – coordinating orders, picking, packing, scheduling deliveries, and invoicing
- Collaboration – working with other departments to fulfill customer needs (Production, Receiving, Warehousing, Shipping, Engineering and Sales)

We supply a portfolio of products and services which includes automated solutions which are procured wholly or assembled and then supplied.

Our products stand for variety, quality, reliability, and innovative strength which are at the heart of our product portfolio. Our product portfolio includes: automation systems, gear units, gear motors, motors, decentralized drives / mechatronics, inverter and servo drive technology, industrial communication, control and safety technologies, contactless energy transfer systems, energy transfer and power supplies, didactics for electromechanics, gear technology and systems and operation terminals and software, and

software products that support our clients through the engineering process and lifecycle of a machine or plant from project planning through planning to start up to operation. We also offer system automation solutions that are tested and validated in our own test centers. Related consulting services are also available from planning to implementation.

Our services portfolio includes consulting (engineering, energy efficiency, safety), engineering tool selection, and drive technology training, start-up and maintenance services, delivery and material flow process solutions, and electronic procurement process solutions.

The North American Industry Classification System (NAICS) Canada 2022 Version 1.0 was used to classify the sectors applicable to SEW-Eurodrive's operations, supply chain and related activities. SEW-Eurodrive operates in the following sectors, sub-sectors, and related industry groups:

- (31-33) Manufacturing
 - (333) Machinery manufacturing
 - (3336) Engine, turbine, and power transmission equipment manufacturing
 - (335) Electrical equipment, appliance, and component manufacturing
 - (3353) Electrical equipment manufacturing
- (54) professional, scientific, and technical services
 - (541) professional, scientific, and technical services
 - (5413) architectural, engineering, and related services

90% of our business activities are associated with machinery manufacturing.

Our supply chain additionally, is comprised of approximately 26 Tier 1 suppliers spanning 10 countries. For the fiscal year ending December 31, 2023, SEW Eurodrive Company of Canada Ltd. purchased goods from the following affiliated companies which are a part of our supply chain in addition to external suppliers: SEW-Eurodrive Inc. USA, SEW-Eurodrive GmbH & Co., SEW-Eurodrive Basil Ltda, SEW Industrial Gears OY (Finland), SEW-Eurodrive CZ S.R.O., SEW Industrial Gears (Tianjin) Co. Lt and SEW-Eurodrive (SuZhou) Co. Ltd. (China).

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

As part of the SEW-Eurodrive Group, our German parent, SEW-EURODRIVE GmbH & Co KG is required to submit a disclosure report to comply with the Supply Chain Due Diligence Act. This legislation requires German organizations to comply with environmental and human rights standards in their supply chains. All risk management practices, human rights strategy and preventative measures are adopted by all related SEW-Eurodrive subsidiaries.

For the reporting period, SEW-Eurodrive Company of Canada Ltd. had in a place a human rights strategy which prohibits the use of child labour and forced labour and an environmental protection strategy that is part of our Code of Conduct, a commitment to Sustainability in operations and a defined Supplier Management process which governs the assessment and selection of new suppliers, as well as ongoing evaluation of suppliers, to ensure that suppliers and products that are procured meet our requirements.

We integrate international reference regulations (listed below) into the internal processes or guidelines that support our business activities. We also obtain appropriate contractual commitments from our suppliers, to ensure all suppliers commit to compliance with our Code of Conduct.

Code of Conduct

Our Code of Conduct guides the actions and behaviours of all individuals and external stakeholders. Our Code of Conduct applies to our branches and business units and our affiliated companies in Germany. The Code of Conduct is binding for every individual within

SEW-Eurodrive, it applies to all managing directors, management staff, all employees, consultants, and temporary staff. This document covers compliance with all applicable laws and reinforces our company values of freedom, reliability, and humanity.

As a company we have a social responsibility to our employees, our customers, our suppliers, and the general public which we aim to fulfill. This responsibility includes abiding by applicable laws, respecting core ethical values and basing our actions on the 10 core principles of SEW-Eurodrive. Misconduct that violates the Code of Conduct may be harmful and will not be tolerated.

Within SEW-Eurodrive all adhere to our corporate principles to ensure the continuing success of our company. We are committed to the Ten Principles of the United Nations Global Compact initiative, and we also observe the following international conventions:

- The Minamata Convention on Mercury, adopted on October 10, 2013
- The Stockholm Convention on Persistent Organic Pollutants, adopted on May 23, 2001
- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, adopted on March 22, 1989.

The Ten Principles of the United Nations Global Compact are derived from the Universal Declaration of Human Rights, the Declaration of the International Labor Organization, the Rio Declaration on Environment and Development of the United Nations Convention against Corruption and include:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2: Businesses should make sure they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5: Businesses should uphold the effective abolition of child labour.
- Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges.
- Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms including extortion and bribery.

Our corporate principles include:

1. **Abiding by the law** – we abide strictly by the law which means compliance with applicable laws in each country but also any relevant provisions such as official directives.
2. **Management culture** – our management staff take special responsibility of their employees and act as role models, basing their behaviour on the Code of Conduct
3. **Human rights / prohibition of child and forced labour** – we respect and ensure full compliance with internationally recognized human rights, and as a business we unconditionally observe the national regulations of the United Nations (UN) on children’s rights and the prohibition of forced labour. We are committed to upholding the Convention concerning Minimum Age for Admission to Employment (Convention 138 of the International Labor Organization (ILO)) and the Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (Convention 182, ILO).
4. **Employee rights** – We respect the national statutory requirements of labour law including all its provisions and support its application in our company. We comply with fundamental employee protection rights and principles set out in international conventions of the UN and the standards of ILO. Contracts of employment must be entered into voluntarily and work must be remunerated fairly. If security personnel are utilized, they must not use any form of force or violence.
5. **Health and safety at the workplace** – Safety at the workplace services to prevent work-related accidents, illness, and risks to health. We ensure compliance with occupational health and safety requirements at the workplace, in accordance with applicable national provisions. We provide our staff with the necessary personal protective equipment (PPE) free of charge

and support continuous development of occupational health and safety measures to improve our working environment. All our operating facilities and resources comply with the applicable legal and internal fire safety requirements, and we expect our external stakeholders to guarantee and ensure a safe and healthy working environment for their own employees.

6. **Working together and prohibition of discrimination** – we treat each other with humanity and respect and endeavor to ensure employee qualification, motivation, and a sense of identification throughout the company. We want our dealings with each other to be unprejudiced and open, and are committed to opposing any form of discrimination, in line with applicable legislation. We reject discrimination of people on the basis of their gender or race, any disability, their ethnic or cultural origin, their religion or world view or their age or sexual orientation.
7. **Environmental protection** – this is a major part of our corporate philosophy and are committed to sustainable environmental protection for both current and future generations. The objective of comprehensive environmental protection is just as important as efficient health and safety measures and the high quality of our products when it comes to safeguarding the future of the company and the workforce. We prevent environmental hazards and conserve resources as a matter of course. We base our actions on the ISO 14001 (environmental protection) and ISO 50001 (energy management standards).
8. **Land, forest, and water rights and forced eviction** – We respect the applicable local, national, international, and traditional land, forest, water, and resource rights. In particular, the rights of Indigenous peoples and local communities should be respected, supported, and protected throughout the supply chain, in line with the UN Declaration of Rights of Indigenous Peoples. We do not tolerate any involvement in land grabbing. If areas of land, forest, or water that serve as a person’s livelihood are acquired, developed, or used in some other way, we will play no part in illegal forced evictions of any kind. Within our practices, we obtain the free, prior and informed consent (FPIC) of existing land users, for example as defined under the UN-REDD Programme and ensure appropriate compensation if we are given consent to use the land.

External stakeholders, such as suppliers and consultants are also important partners in the implementation of our Code of Conduct. The acknowledgement of our fundamental statement or proof of having a comparable statement is a prerequisite for collaboration. This is clearly stated in contracts and other agreements.

Furthermore, we communicate our commitment to the Code of Conduct on our company website to inform our customers and other external stakeholders, providing them with transparency about our corporate values.

Our corporate strategy which is anchored in our Code of Conduct is integrated into operational processes and workflows and includes:

- Supplier selection and evaluation
- Contract management
- Compliance and risk management
- Sustainability and environmental protection
- Continuous improvement

Risk Management on the use of Forced or Child Labour

Our parent SEW-EURODRIVE GmbH & Co KG outlined in their 2023 report to comply with the Supply Chain Due Diligence Act in Germany, outlined the following preventative measures to prevent and minimize risk, which applies to practices within SEW-Eurodrive. This includes the integration of expectations into supplier selection and contractual assurances for compliance and implementation of expectations.

Sustainability

Sustainability is a top priority for our company. Comprehensive environmental protection and the sparing use of natural resources are therefore integral to our corporate principles as well as a requirement for complying with ISO 14001 within the defined scope. We are committed to continually improving our environmental protection performance and avoiding environmental pollution. Energy efficiency is another key aspect of sustainability, and a requirement for complying with ISO 50001 within the defined scope. In addition to conserving resources with an eye to the environment, we endeavor to use energy efficiently throughout the product lifecycle.

Supplier Management Process

We have a comprehensive, documented supplier management process which outlines how we manage our relationships with suppliers during selection, qualification, evaluation, development and phase out. Our Head of Procurement is responsible for this process and participants in the process include QA plant managers, planning and scheduling departments in plants, PSRM-CFQ (Central Functions Quality) and Development teams. Explicitly excluded from this process are suppliers who must be selected because they are directly specified by a customer or over whose selection (on a case-by-case basis) SEW-Eurodrive has no control. The supplier management process applies to all production material suppliers that supply the following plants as long as purchasing is in charge of processing the supplier management: Graben plant, Bruchsal electronics plant, Bruchsal plant for large gear units, Ostringen plant and SEW USOCOME plants.

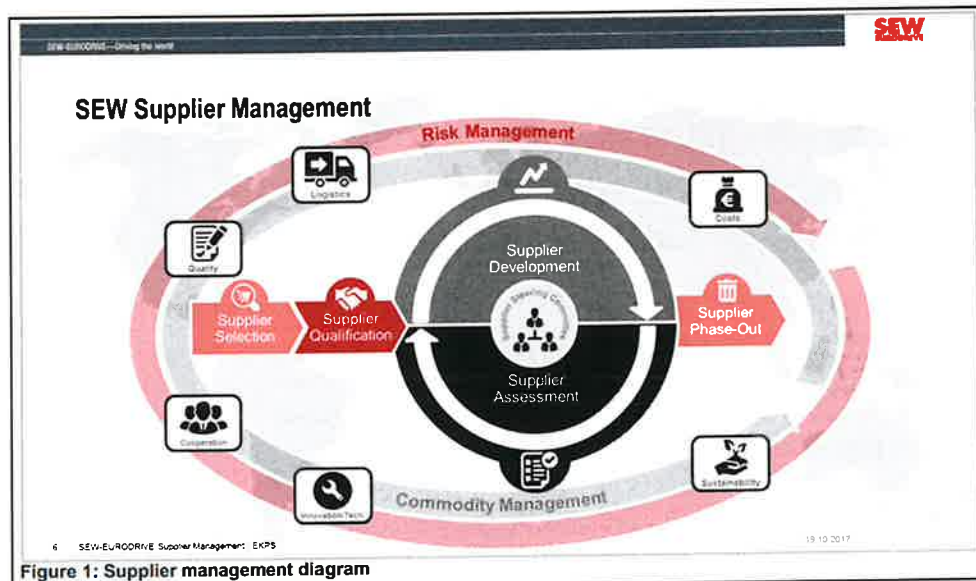


Figure 1: Supplier management diagram

Supplier Selection

Suppliers are required to meet the valid minimum requirements in order to be approved for supplying. The process is detailed at length in our process document and an RSI supplier selection and qualification form is used to carry out and document steps in the process. An assessment is also performed using an approval audit based on information previously obtained.



Figure 3: Diagram of the supplier selection/qualification process

Supplier Qualification: Assessment and Audits

We conduct supplier audits for non-tool-specific parts and tool-specific parts after the sampling stage, for standard products without sampling, and after sampling.

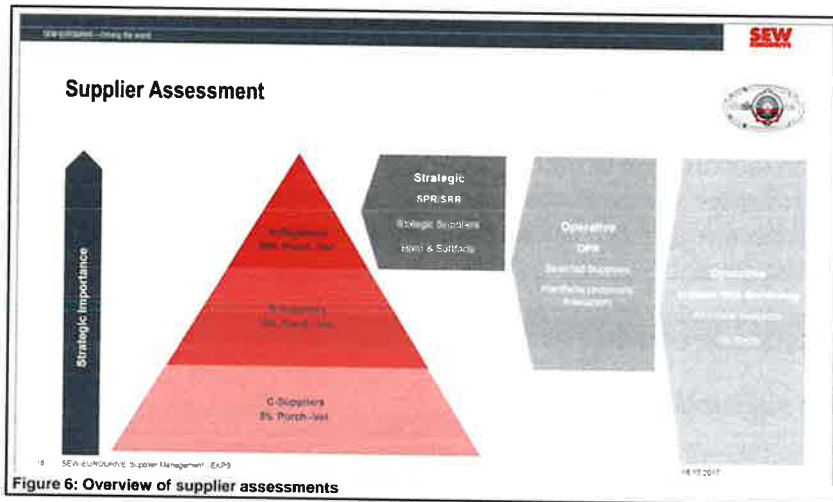


Figure 6: Overview of supplier assessments

Supplier assessments are used as management internal control measures to:

- Establish effective in-house and external transparency about the supplier’s performance,
- Provide a basis for procurement strategies,
- Support sourcing decisions and negotiations,
- Systematically evaluate, structure, and reduce the cross-location supplier base,
- Work primarily with preferred, strategic suppliers in the future,
- Continue optimizing relationships to suppliers and,
- Initially implement a risk assessment and do an annual update if necessary.

Requirements for suppliers included in the assessments are basic requirements for further development of the business relationship.

Supplier audits are used for supplier selection and assessment, generally they are a combination of process and system audits. ISO9001 certification is not a substitute for supplier audits.

Supplier Approval

Approval is required for any placement of a delivery order.

Supplier Performance

As defined in our supplier process document, suppliers are evaluated based on their classification: Preferred, Advanced, Accepted, Not Accepted. All suppliers are given a supplier risk rating (SRR), where supplier risk can be evaluated in terms of probability and extent of damage and/or a strategic supplier performance rating (SPR), where suppliers belonging to a product group are evaluated according to our SPR methodology.



Figure 10: Supplier risk rating (SRR) criteria

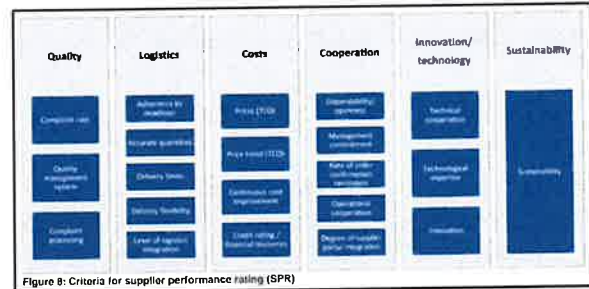


Figure 8: Criteria for supplier performance rating (SPR)

The SPR / SRR classification is used to create a supplier development plan and includes but is not limited to the following: developing, implementing, and tracking an action plan, performing a process analysis on the supplier’s premises, providing programs to support quality and delivery reliability, performing CIP workshops, providing employee training, performing a supplier audit, etc.

Supplier Escalation Process

We have an established escalation process that covers the following areas: quality, planning, scheduling, and procurement. All escalations are documented using our protocol document and if we can verify measures taken have been effective, suppliers can be returned to a lower escalation stage or taken out of the escalation process. The decision to lower the escalation stage is made by a supplier steering committee (SCC).

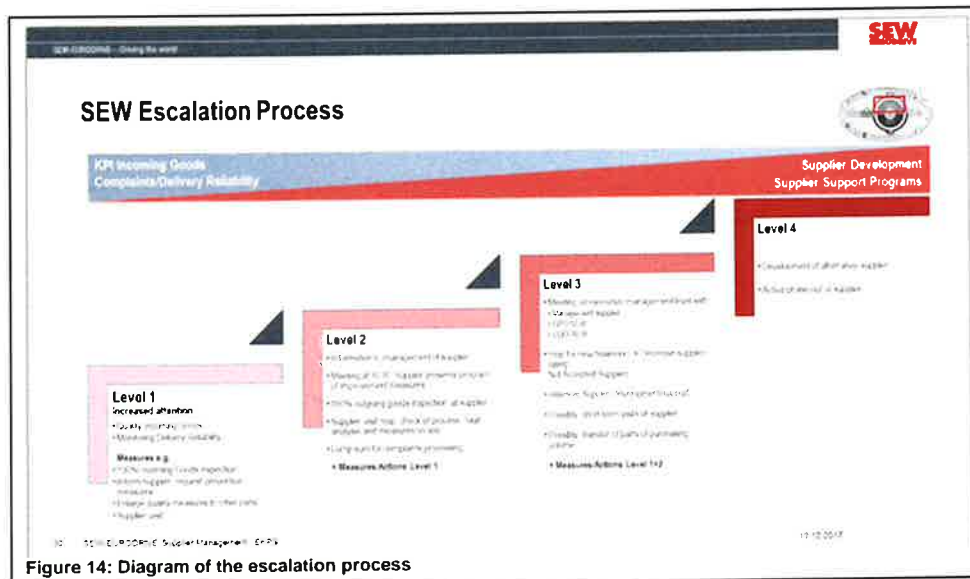


Figure 14: Diagram of the escalation process

Other relevant criteria for selecting and working with suppliers with respect to ecological, economic, and social aspects:

With respect to Austria, Canada, France, Germany, Hungary, Malaysia, New Zealand, and Thailand:

- It is expected that in these regions there be a consistent implementation of guidelines and standards outlined by SEW-Eurodrive Group

With respect to China:

- A special service certificate was developed by SEW-Eurodrive China – which outlines criteria that must be consistently implemented and complied with by all suppliers and partner companies.
- Safety regulations specified by SEW-Eurodrive China for suppliers and partners must be consistently implemented and complied with by all suppliers and partner companies in accordance with the relevant agreements.

3. Identification of Risks

As a business we believe our priority lies in our duty to ensure human rights and environmental protection standards are applied and we analyze our suppliers in detail in terms of country-specific and industry-specific risks. Further, checks are subsequently carried out based on the results of this analysis. With suppliers we have a risk monitoring process and there is an established steering committee. This supplier steering committee or SCC is responsible for initiating supplier development steps, escalating suppliers and regularly reporting to senior leadership (CFO/CTO).

Risk Assessment Methodology

To understand where in the supply chain forced or child labour risks may exist, SEW-Eurodrive recently carried out a supply chain risk assessment. This assessment was informed 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. In conducting a supply chain forced and child labour risk analysis, we were able to highlight potential risks of forced or child labour associated with certain goods and certain countries.

This risk identification exercise does not presuppose the actual use of forced or child labour within operations or supply chains, rather, it is aimed at recognizing potential scenarios where such risks might arise, thereby further enabling the organization to strengthen existing 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.

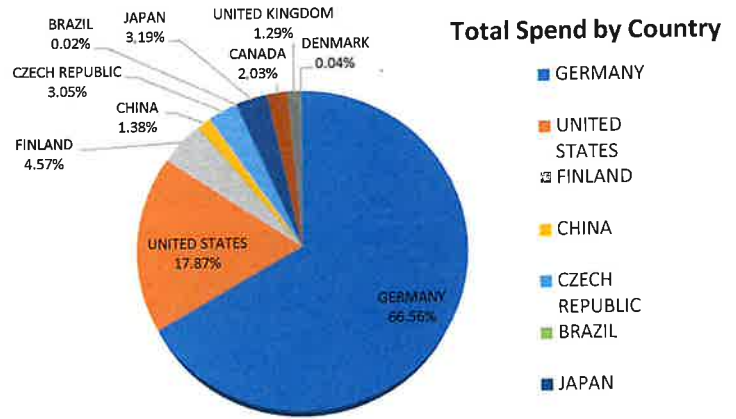
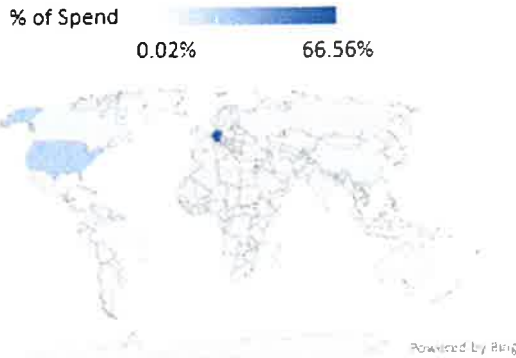
Our analysis considered specific geographic regions that, according to the Walk Free Global Slavery Index and other credible sources, present a higher risk of forced and child labour practices. This geographic risk assessment, was combined with an assessment of at-risk-goods categories, further enabling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

Risk Assessment Findings

Through comprehensive analysis, we identified suppliers in the United States, China and Brazil as having a heightened risk of forced or child labour. The exercise was conducted on information that was best available for scrutiny at the time of the assessment and we understand that the proportion of expenditure by country can change as we work together with our suppliers to gather more information on sourcing for transparency and compliance. SEW-Eurodrive, nonetheless, evaluates this risk seriously. In contrast, 81% of procurement spend for the reporting period was associated with countries that have a significantly lower estimated prevalence of forced or child labour.

In addition to geographic risk factors, we also utilized data from the US Department of Labor's List of Goods Produced by Child Labor or Forced Labor. This step was crucial for isolating specific goods within our import portfolio that may be susceptible to forced or child labour issues. Our risk assessment found that no product risk was associated with goods procured from countries where we identified jurisdictional risk.

% of Total Purchase Spend by Country



In addition to SEW-Eurodrive Company of Canada’s risk assessment for the reporting period, our parent SEW-EURODRIVE GmbH & Co KG also conducted a risk assessment as part of the compliance requirements outlined by the Supply Chain Due Diligence Act in Germany. Countries in our parent’s supply chain with jurisdictional risk of child or forced labour identified for the reporting period included suppliers from China and the United States that are also in our supply chain. However, “no violations were identified with immediate or indirect suppliers”.

4. Remediation of Forced and Child Labour

For this reporting period, no incident of forced or child labour was identified in our supply chain, therefore no remediation was required.

5. Remediation of Loss of Income

For this reporting period, no loss of income due to forced or child labour was identified in our supply chain, therefore no remediation of loss of income was required.

6. Employee Training

For the reporting period, SEW-Eurodrive did provide mandatory training for its employees on the issue of forced and child labour.

A key component of our employee onboarding process is the integration of the Code of Conduct. For every new hire, including temporary workers, employees receive insights into our fundamental statements on human rights and forced and child labour. A Code of Conduct brochure is also included in our hiring packages to ensure all employees are familiar with company policies from the beginning. To continuously strain and raise awareness of the Code of Conduct, our parent company regularly conducts mandatory training sessions for relevant target groups. They also offer ad-hoc training if specific needs or changes arise. This training is available and applies to all SEW-Eurodrive employees. Training includes how to use the Code of Conduct in their respective role.

In addition to this, Environmental, Social and Governance (ESG) training that was delivered by our parent company for all SEW-Eurodrive employees. The ESG training provided employees with content related to ethics and governance, our people, products and services, supply chain and raw materials and our production and business processes and how these align with our Corporate Sustainability Reporting Directive under the European Green Deal which came into effect in January 2023. This outlined the legal requirement for SEW-Eurodrive and scope of impact for the organization and customers, who the individuals responsible were in the organization supporting compliance with this Directive and a general timeline for data collection to support reporting for all impacted operating entities.

SEW-Eurodrive also provided Workplace Hazardous Materials Information System (WHMIS) training and functional training for employees in procurement. WHMIS training was delivered by the National Quality Assurance team.

7. Assessing Effectiveness

The Code of Conduct is issued and amended by management and establishing the fundamental pillars for our corporate strategy.

Within our parent company effectiveness is built into our governance structure and applies to affiliates. For example, for our German parent, a steering committee was established to ensure compliance with the German Supply Chains Due Diligence Act and included representatives from Procurement, Legal and Compliance teams. Risk management is coordinated with adjacent departments such as Sustainability, Human Resources and Sales.

SEW-Eurodrive, carries out ad hoc and regular audits to check the veracity of the statements made by our suppliers including compliance with our Code of Conduct. Management staff are also expected to report on any violations of the Code of Conduct to the compliance organization if it becomes known to them and local Compliance Officers are appointed in all regions to enable reporting of these issues. We also have defined internal responsibilities for recognizing and complying with our due diligence obligations with respect to human rights. The Human Rights Officer is appointed directly by the Management Board. Appropriate specialist departments such as Human Resources, Data Protection and Purchasing and the Works Council must also be involved. It is their responsibility to take the necessary steps in their area of responsibility.

The Management Board also obtains information about the work of the Human Rights Office on a regular basis, at least once a year. In addition, we have established a complaints procedure that can be accessed via an anonymous whistleblower hotline on our website and can therefore also be used by third parties outside of the company. We report on our activities in this context at least once a year.

In the case of procurement, an audit result may lead to a change of supplier, an outstanding audit result and a signed quality assurance agreement may lead to the decision to reduce our own goods receiving inspections. A team of experts from the procurement, quality and development departments will decide when an audit is necessary. Our specialized procurement department is responsible for the planning and organizing of supplier audits. The quality department is responsible for auditing quality-relevant systems and areas of the supplier's business while procurement is responsible for business aspects and recording the characteristic values for the supplier's performance. Procurement tracks measures derived from the audit and is responsible for document management.

With respect to supplier management, if a supplier does not achieve the necessary performance or objectives measures are taken through an escalation process to allow us to define appropriate corrective measures and ensure they are implemented in the case of failures on the part of the supplier. In each stage of our escalation process, appropriate measures are defined and must be taken in the agreed-upon time period. If the agreed-upon measures are not taken, the escalation automatically continues to the next stage all the way to partial shifting of procurement or completely phasing out the supplier.



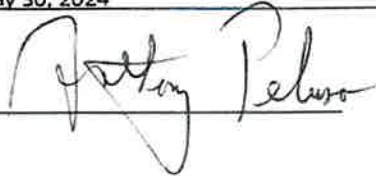
8. Approval and Attestation of the Report

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: Anthony Peluso

Title: Executive Vice President & COO

Date: May 30, 2024

Signature: 

"I have the authority to bind SEW-Eurodrive Company of Canada Ltd."

