

STATEMENT

This Statement, which is made pursuant to *Fighting Against Forced Labour and Child Labour in Supply Chains Act* made by Festo Inc. (“Festo”) which is part of the Festo Group and whose ultimate parent company is Festo SE & Co.KG.

Festo remains committed to upholding human rights and preventing acts of forced labour and human trafficking. This Statement provides an update on the steps that we have taken during the financial year 2023 to combat the risks of forced labour and trafficking in our organisation or supply chains.

About Festo

Founded in 1925, the Festo Group is a worldwide supplier of automation technology and delivers industrial training and education programmes. The Festo Group has approximately 20,800 employees, operates in 60 countries worldwide, and has over 250 branch offices delivering worldwide service in 176 countries.

The Festo Group has a global annual turnover of 3.5 billion euros.

We work with a global supply chain that includes contractors, sub-contractors, suppliers, manufacturers and professional advisers. We impose the same high standards aimed at driving out forced labour and human trafficking in our supply chains as we do in our own operations.

To date no forced labour has been detected by us in either our business or our supply chains. In light of this, together with keeping our approach to eliminating forced labour and human trafficking within Festo and its supply chain under review driving, we perceive our exposure to be low.

- **Steps taken in 2023 (the previous financial year) to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity**

Our continued commitment to ensuring that there are no forced labour or human rights violations within either our supply chains or in any part of our business is supported by both established policies and Festo’s overarching ethos.

The policies reflect Festo’s pledge to treat people with respect and dignity; and our corporate compliance initiatives are designed to address the risk of non-compliance within our operations and our supply chain.

As part of this commitment, and as reported in our previous Statement, Festo has in place a number of policies (including, but not limited to, those set out below) and corporate compliance initiatives that underpin our ethos of driving out forced labour.

A number of these policies have been updated in the last 12 months to ensure they are current. Alongside this Statement and Festo’s corporate compliance initiatives and procedures, the policies are reflective of our commitment to:

- act ethically and with integrity in all our business relationships, and

- implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Code of Conduct

Issuing new employees with a contract of employment on or before their first day of employment which contains a contractual obligation to comply with the Code of Conduct (“the Code”) remains a key element of the on-boarding process. The Code (available in 16 languages on account of our global presence via the Festo Group website <https://www.festo.com/group/en/cms/10310.htm>) covers matters including forced labour and is regularly updated so it too is current.

Further, in support of our commitment to further eradicate forced labour from its business operations, all Festo employees are issued with the current Code each year. On annual issue, all employees must electronically sign to confirm they have received, read and understood the Code.

Whistleblowing Policy

The Festo Group has a corporate Whistleblowing Policy which is published on Festo’s intranet and includes a hyperlink so employees can send confidential and anonymous emails detailing concerns they have about unethical or unlawful practices.

The Festo Group also operates a “Whistleblowing Hotline” which provides another confidential channel for all employees, suppliers, customers, or members of the public to raise concerns which they may have about suspected unethical or unlawful behaviour. The hotline is operated externally by Deloitte and is certified ISO/IEC 27001 compliant.

Alternatively, staff can notify suspected breaches either via their Line Manager or the CCO via a dedicated email address.

• **Structure, activities and Supply Chain Policies and Due Diligence Process Related to Forced Labour and Child Labor**

In January 2021 the Code of Conduct for Business Partners (the Supplier’s Code) was updated. The Supplier’s Code is available on the Festo website at: <https://www.festo.com/group/en/cms/10310.htm>.

Suppliers are obliged to comply with the human rights principles of the International Labour Organization of the United Nations. The Supplier’s Code includes an expectation that all suppliers eliminate all forms of forced or compulsory labour within their organisations, including child labour.

In addition, suppliers are required to comply with their own due diligence obligations and any applicable regulations regarding relevant raw materials, in particular 3 TG or ores (conflict minerals).

The Supplier’s Code is provided to all of Festo’s suppliers. Upon their receipt of the Supplier’s Code, each recipient must confirm that they have read, understood and will comply with it. Festo will only contract with those suppliers which provide that written

confirmation and/or supply their own statement concerning prohibition against forced labour (provided such statements are deemed acceptable by Festo). The Supplier's Code is annually reissued to Suppliers – on each re-issue, Suppliers must sign to confirm receipt and continued compliance.

The Chief Compliance Officer (“CCO”) remains responsible for overseeing suppliers' observance of the Supplier's Code, and any breaches are reported to either the Chairman of the Management Board, the Management Board in its entirety or the Supervisory Board. This enables Festo to consider the termination of supply contracts with those who breach the Supplier's Code. The Festo Group's Risk Management and Internal Audit departments work with the CCO to further develop compliance checking systems and keep under review the Supplier's Code in line with industry best practice.

- **Parts of Business and Supply Chains that carry a risk of forced labour or child labour being used & the steps taken to assess and manage risk**

We understand that raw materials and supplies (and in particular in relation to conflict minerals) give rise to the highest forced labour risks within our operations and our supply chain – see below.

As part of our initiative to identify and mitigate risk, we complete a Compliance Management System (CMS) and a Compliance Questionnaire. The CMS focuses on compliance and due diligence within Festo and its supply chain and provides guidance on where to find information relevant to specific compliance topics.

In December 2021 the CMS 10 Golden Rules (“the Golden Rules”) was introduced. The Golden Rules are signed off by all members of the Management Board and reinforce managers' responsibility for acting in accordance with all applicable laws, rules, guidelines and the Code. The Golden Rules include commitments to:

- Demonstrate a commitment to compliance;
- Promote a speak-up culture;
- Detect and report compliance risks through the annual Compliance Questionnaire; and
- Ensure the implementation of the Code.

The Compliance Questionnaire is sent by Festo to its regional branches and is completed annually by the local compliance officers with assistance from all necessary managers.

The Compliance Questionnaire indicates:

- The areas of risk;
- The business activities and processes to which those risks are relevant;
- The people and departments responsible for the risks;
- The impact and likelihood of the risks;
- Comments on the strategy and processes implemented to reduce or avoid the risks; and
- Any policies and procedures relevant to that strategy.

In relation to forced labour risks, the Compliance Questionnaire assesses the risks related to areas such as compliance with the Code and whistleblower protections. The Compliance Questionnaire is completed annually and informs the internal audits completed by Festo's

Internal Control Systems (ICS). Please see below for further information about our internal audit procedure.

Structure Engineered Compliance

Festo takes seriously its responsibility for compliance issues and operates a structure which includes regional as well as local compliance officers who have specific responsibility for compliance.

Festo's local compliance officer in Canada is responsible for ensuring all staff have access to training and information about their responsibilities under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. This information and training is provided via a mixture of platforms, including:

- Induction programs;
- Information bulletins;
- Festo's intranet; and
- Mandatory training sessions.

Dow Jones Corporate Compliance

Our sales handled by third-party Sales Partners and distribution networks are subject to Dow Jones compliance checks to minimise risks in the following areas:

- Bribery and corruption
- Reputation
- Sanctions exposure
- Forced labour and supply chain exposure

The Dow Jones compliance checks require our employees to:

- Declare their compliance with the Code;
- Perform screenings and continuous monitoring; and
- Notify a dedicated Compliance Officer in case of any possible non-compliance, doubts, or for advice.

As part of the Dow Jones compliance process, an internal risk assessment questionnaire must be completed by an employee, and an external due diligence questionnaire is completed by each Sales Partner. The external questionnaire will include mandatory questions and require mandatory documentation as proof of statements made by Sales Partners in compliance with applicable codes. If any information is missing, we will conduct a risk mitigation and define any necessary mitigation measures.

A risk score is then assigned which also determines the frequency for repeating this process.

Conflict Minerals

Festo discloses the smelters from which its products' raw materials are sourced within the framework of the Responsible Business Alliance, which helps to support the sustainable use of conflict minerals.

Festo also completes the Conflict Minerals Reporting Template in furtherance of transparency and increasing the proportion of certified smelters worldwide. Festo requires its business partners to comply with all applicable regulations concerning conflict minerals – this is included in the Supplier's Code.

Supplier Self-assessment and Auditing

The Supplier's Code requires suppliers annually to self-assess their compliance with all applicable rules and regulations covering matters such as health and safety, safe working, forced labour and ISO standards. In support of the self-assessment, a self-assessment form is provided annually to our critical suppliers, and on-site audits are undertaken by the Compliance Officer as and when required. A critical supplier is any supplier which provides a service to us or one of our customers which would be difficult to source elsewhere.

We also ensure that a six-monthly review is undertaken by an appropriate department manager, which is monitored by the Compliance Officer. During this review, the critical supplier is rated on Product Quality, Responsiveness, Post-Sales Support, Flexibility, and On-Time Delivery. Depending on the outcome of the review, we may impose corrective measures or end our relationship with that supplier.

With respect to risks related to slavery and human trafficking, the self-assessment form asks the supplier to confirm whether it has been subjected to any prosecutions, improvement or prohibition notices in the last 36 months and, if so, steps taken to prevent reoccurrence.

- **Measures taken to remediate forced labour, child labour, loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains**

To date no forced labour has been confirmed by us in either our business or our supply chains. As such, no remediation efforts required.

- **Training provided to employees on forced labour and child labour**

Induction Programme

Since our most recent statement, Festo has implemented a revised induction programme which all new starters must participate in. The induction programme includes modules specifically designed to ensure awareness and understanding about forced labour and human trafficking both in Festo's operations and within its supply chain. In addition, the induction programme also covers:

- Anti-corruption;
- Anti-trust and competition;
- Anti-fraud; and
- Whistleblowing

Employee Training Programmes

Employees receive annual trainings on Festo's Code of Conduct as well as other mandatory training under Canadian law

Our compliance team maintain a register of those who have completed relevant training courses to ensure that the relevant training is completed by all employees.

Supplier Staff Training

It is implicit by virtue of the Suppliers' Code that our business partners provide training to their staff and suppliers and providers.

- **How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains**

Internal Auditing

All departments within Festo are audited every four years by ICS, which reports directly to the Supervisory Board. The most recent audit was conducted in August 2022.

If any risks are identified within the Festo Group, ICS will conduct ad-hoc audits in addition to its four-yearly audits to ensure that those risks are properly managed, mitigated and eliminated.

External Auditing and Certification

The Bureau Veritas Certification Germany GmbH audits the Festo Group. This ensures Festo's continuing regulatory compliance in the following areas:

- Quality, Environment and Health and Safety,
- Energy, Sustainability and Corporate Responsibility, and
- Information Security and Data Protection.

Festo continues to strengthen its management of the risk of forced labour within its operations and supply chain. A number of steps designed to strengthen that management have been identified for further feasibility review and include:

1. The continued development of our local compliance network to ensure that up-to-date compliance information is available to all employees.
2. A commitment to posting regular updates and reminders on topics related to forced labour via internal communications systems, such as WeNet and Teams.
3. Keeping under review and updating whenever necessary all policies, procedures and codes which tackle Forced labour in the workplace.
4. Investigating the feasibility of an automatic system for sending and monitoring the return of the Code and the Supplier's Code to help ensure that all staff and suppliers are aware of and confirm their commitment to the relevant requirements under the Code and the Supplier's Code.
5. Investigating the feasibility of extending the use of Dow Jones Compliance Checks to all potential business partners to help Festo identify, assess and mitigate risks connected with slavery and human trafficking.

6. Implementing key performance indicators to track and assess our effectiveness in combatting slavery and human trafficking.

Signed on behalf of Festo Inc.



Katrina Grafkaia
Treasurer

