



MTU Maintenance Canada
An MTU Aero Engines Company

REPORT FOR FINANCIAL YEAR ENDING DECEMBER 31, 2023

MTU MAINTENANCE CANADA LTD.

FIGHTING AGAINST FORCED LABOUR AND CHILD LABOUR IN SUPPLY CHAINS ACT, S.C. 2003, C. 9

Introduction

MTU Maintenance Canada Ltd. (“**MTU Maintenance Canada**”) provides maintenance and repair services for commercial and military aviation engines. We provide products and services worldwide and are proud of our excellent reputation as a responsible company.

MTU Maintenance Canada is a North American affiliate of MTU Aero Engines AG. MTU Aero Engines AG is a publicly traded company on the German Stock Exchange and is one of the largest businesses in Germany¹. MTU Maintenance Canada is subject to MTU Aero Engines AG’s policies and procedures. While MTU Maintenance Canada is not subject to any other reporting requirements under supply chain legislation, MTU Aero Engines AG is subject to the German *Supply Chain Due Diligence Act*. MTU Maintenance Canada conducts itself in accordance with that act.

The MTU portfolio covers the entire lifecycle of commercial and military aircraft engines and aero-derivative industrial gas turbines. MTU operates in two segments: the OEM business (Original Equipment Manufacturing) and MRO business (Maintenance, Repair, Overhaul). MTU Maintenance Canada’s activities are limited to MRO.

MTU Maintenance Canada is incorporated in New Brunswick but operates only in British Columbia. MTU Maintenance Canada has a primary location Delta, British Columbia, and a smaller engine test cell in Richmond, British Columbia. The Delta location has an address of 4300 80th Street, and the Richmond location as an address of 6001 Grant McConachie Way Richmond BC.

MTU Maintenance Canada and the MTU Aero Engines AG are committed to the principles of the UN Global Compact, and its ten principles including respect for human rights, fair working conditions, protecting the environment and fighting corruption. In addition to our statutory obligations, MTU Maintenance Canada has committed to the complying with the following relevant initiatives:

- United Nations Universal Declaration of Human Rights;
- Core Labor Standards of the International Labor Organization (ILO);
- 10 Principles of the UN Global Compact;
- UN Guiding Principles on Business and Human Rights and the UN Declaration on Human Rights; and
- UN Sustainable Development Goals (SDG 5/8).
(the “**Relevant International Commitments**”)²

¹ <https://www.mtu.de/about-us/mtu-worldwide/>

² <https://www.mtu.de/about-us/corporate-responsibility/corporate-governance/human-rights/>



MTU Maintenance Canada respects the individuality and dignity of every person, maintains equality of opportunity in the workplace and prevents discrimination whenever possible. The protection of human rights, the right to appropriate remuneration as well as recognition of regulations governing employee and union representation under labour and workplace law are implemented through a corporate Code of Conduct, that applies to MTU Maintenance Canada (the “**Code of Conduct**”).³

The Code of Conduct includes commitments to reject discrimination, respect and abide by applicable labour laws and regulations, provide appropriate compensation commensurate with performance, and provide avenues to report concerns. The Code of Conduct applies to MTU Maintenance Canada.

MTU Maintenance Canada aims to create fair working conditions based on lawful employment contracts and appropriate remuneration. This includes freedom of association and the right to adopt collective agreements. Compliance with the Code of Conduct and ethical principles is also enshrined in the MTU Principles. The MTU Principles stress that respecting human rights is an essential element in MTU's social and societal responsibility. Our zero-tolerance approach to violations is a fundamental component of our Code of Conduct.⁴

MTU Maintenance Canada is a unionized employer, certified to the International Association of Machinists and Aerospace Workers, District Lodge 140. MTU Maintenance Canada employs approximately 580 people, about 400 of whom are unionized.

Structure, Activities and Supply Chains

MTU Maintenance Canada maintains and repairs commercial and military aircraft engines. MTU Maintenance Canada does not manufacture products. As part of our maintenance and repair services MTU Maintenance Canada imports goods necessary to complete the aforementioned maintenance and repair.

MTU Maintenance Canada does not import any raw materials or commodities. MTU Maintenance Canada imports parts and components necessary to repair and maintain aircraft jet engines. Those parts and components can be described in four sub categories: hardware, repair services, accessories, and electrical components. Much maintenance and repair is performed by refurbishing or repairing existing aircraft engine parts without the need to import new parts or components.

MTU Maintenance Canada has a highly integrated global supply chain as would be expected for an aircraft engine MRO business. Many suppliers are common between MTU Aero Engines and MTU Maintenance Canada. MTU Maintenance Canada has approximately 200 direct vendors. The majority of MTU Maintenance Canada's suppliers are located throughout Canada and the

³ <https://www.mtu.de/about-us/compliance/our-compliance-culture/>

⁴ <https://sustainability.mtu.de/en/menschenrechte>



United States (77%), with the balance being in Asia (6%) and Europe (17%) apart from one supplier who is located in New Zealand.

MTU Maintenance Canada's Supply Chain Department is divided into three operating teams targeting different kinds of commodities, vendors and suppliers. Teams are responsible to follow company policies and procedures for vendor selection, which are further discussed below.

MTU Maintenance Canada performs internal and external audits of its global supply chain, to ensure compliance with the Relevant International Commitments. The external audits are conducted by an arms length third party, "EcoVadis", as described in greater detail below.

MTU Maintenance Canada has mapped and audited its direct vendors on an individual vendor basis but has not yet mapped the supply chain for indirect suppliers. All vendors including indirect vendors are part of MTU Maintenance Canada's country level risk assessment, discussed below.

Overview of Initiatives

During fiscal 2023 MTU Maintenance Canada and MTU Aero Engines took several steps to prevent and reduce the risk of forced labour or child labour use at any step in the production of goods in Canada or elsewhere. As will be discussed further below these steps include:

- Mapping supply chains;
- Implementing policy statements and policies on human rights and responsible social governance;
- Conducting an internal and external third-party assessment of risks of forced labour and/or child labour in the organization's activities and supply chains;
- For local worker recruitment, complying with BC *Employment Standards Act*, the *Labour Relations Code*, *Human Rights Code*, and collective agreement (as applicable), and other applicable legislation to ensure that all workers are hired and employed lawfully;
- Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in MTU Maintenance Canada's activities and supply chains; and
- Monitoring suppliers.

MTU Maintenance Canada abides by all applicable employment and labour legislation and has established policies and procedures, as well as a collective agreement which, amongst other things, addresses hours of work, vacations, hiring practices, compensation and human rights.

An overview of initiatives for the larger MTU group of companies, including MTU Maintenance Canada can be found in their Annual Report.⁵

⁵ <https://www.mtu.de/about-us/corporate-responsibility/employees/>



Policies and Due Diligence Processes in Relation to Forced and Child Labour

At the beginning of 2023, the MTU Executive Board signed a Policy Statement on the Protection of Human Rights that applies to the entire MTU group of companies, including MTU Maintenance Canada⁶.

MTU Maintenance Canada respects the internationally proclaimed human rights set out in the United Nations' Universal Declaration of Human Rights. Human rights are integrated into the corporate culture with the aid of various tools to ensure they are respected and promoted. MTU Maintenance Canada strives to prevent employees being exposed to any violation of their human rights (zero-tolerance principle).

MTU Maintenance Canada's commitment to human rights extends to its supply chain. We aim to ensure the observance of human rights and fair working conditions.

The Policy Statement on the Protection of Human Rights outlines our commitment to, amongst other things, the rejection of forced and child labour, the right to freedom of association, reasonable remuneration/working hours, right to be free from discrimination, corporate security, occupational health and safety, and environmental and climate protection. MTU Maintenance Canada has adopted the Policy Statement on the Protection of Human Rights.

The Executive Board appointed a Human Rights Officer in 2023. The Human Rights Officer monitors risk management for the protection of human rights and regularly reports to the Executive Board. In addition, the definition of human rights has been expanded to include aspects of environmental protection and climate action, as these can have an impact on human rights.

Reporting processes are in place to ensure structure and effective tracking of complaints and reports of breaches of human rights. Reports can be made confidentially to the Compliance Officer or via a web-based reporting system called "iTrust". In addition, site-specific reporting structures have been created; at MTU Maintenance Canada, employees can make a formal complaint to the head of Human Resources.

Reporting via iTrust is available at all times to all our employees, as well as the employees of their suppliers and third parties.⁷ The Compliance Office is responsible for processing reports received in this way, confirming receipt of the report and, if necessary, requesting additional, necessary and relevant information from a whistleblower. The Compliance Office is empowered to then initiate or coordinate a further course of action. If necessary, Compliance Office reports will be passed on to appropriate bodies (e.g. investigating authorities, supplier contact points, etc.).

In addition to the online whistler blower system, direct communication channels (such as e-mail, telephone or personal contact) are available for reporting breaches of regulations to the Compliance Office, managers, contact persons from the HR department or employee representatives.

⁶ <https://sustainability.mtu.de/en/menschenrechte/>

⁷ <https://www.mtu.de/about-us/compliance/anything-to-report/>



MTU Maintenance Canada continuously reviews our business activities both in our own business area and our direct suppliers for human rights and environment risks. We strive to implement preventive measures with regard to identified risks at an early stage.

A code of conduct for suppliers is in place to cover the upstream value chain. MTU Maintenance Canada has adopted the MTU supplier code of conduct, (the “**Supplier Code of Conduct**”) ⁸. MTU Maintenance Canada’s suppliers are required to undertake to comply with the Supplier Code of Conduct, which is based on the ten principles of the UN Global Compact and the core labour standards of the International Labour Organization. The Supplier Code of Conduct requires suppliers to respect and apply human rights, and to ensure they are not complicit in human rights violations. In particular, the Supplier Code of Conduct requires observance of labour standards in relation to freedom of association, the right to collective bargaining, the prohibition on forced and child labour, equal pay regardless of gender and equal treatment of employees.

More specifically, the Supplier Code of Conduct includes the following requirements:

- Compliance with applicable laws and regulations;
- Respect for Human Rights;
 - prohibition on child labour;
 - prohibition of slavery, human trafficking, forced and compulsory labour; and
 - compliance with labour standards;
- Requirement for a complaint mechanism that allows employees or other stakeholders to report concerns or other potentially unlawful practices in the workplace;
- Climate and environmental protections;
- Responsible chemical management and disposal;
- Integrity in business conduct; and,
- Information on MTU’s reporting office for compliance violations.

MTU Maintenance Canada reserves the contractual right to terminate any contract with any supplier without notice if the supplier uses forced labour or child labour in the production process for its deliveries. In addition, these requirements are contained in the general business conditions and contractual documents for suppliers.⁹

A declaration of compliance with the Supplier Code of Conduct, confirmation of an equivalent Code of Conduct, or alternatively a signed Environmental, Social and Governance (“**ESG**”) declaration is required for all suppliers.

Trade compliance plays a vital role for MTU Maintenance Canada. One important goal of the body of trade compliance is respect for human rights. These provisions of international trade legislation apply to MTU Maintenance Canada, including our employees. Compliance with customs legislation and international trade regulations is expressly stipulated in the Code of Conduct.

⁸<https://www.mtu.de/about-us/compliance/code-of-conduct-for-mtu-business-partners/>

⁹ <https://sustainability.mtu.de/en/menschenrechte-in-der-lieferkette/>



Supply Chain Risks for Forced or Child Labour and Steps Taken to Assess and Manage Risk

Suppliers to MTU Maintenance Canada are subject to regular risk analysis. The first level of the risk analysis evaluates the home country of each supplier, and the country wide risk present in each country for non-compliance, based on a matrix of risk factors. The Walk Free Foundation's Global Slavery Index is incorporated into the country level risk assessment. This risk analysis is integrated into the established risk process for suppliers.

Mapping Supply Chains

As discussed above, MTU Maintenance Canada has approximately 200 direct vendors. The majority of MTU Maintenance Canada's suppliers are located throughout Canada and the United States (77%), with the balance being in Asia (6%) and Europe (17%) apart from one supplier who is located in New Zealand.

MTU's supplier audit included recording the supplier's country of operations and commodities provided, to assign a risk score. This audit captured MTU Maintenance Canada's supply chain. Using this information, and in conjunction with third party data provided by EcoVadis, a risk profile for each individual direct supplier was generated.

Risk profiles for suppliers were generated based on data including the following risks:

- Disregard for labour rights;
- Forced labour and slavery;
- Child labour;
- Disregard of occupational health and safety;
- Excessive use of security forces;
- Expropriation of land;
- Other legal breaches of duty;
- Local pollution;
- Production and use of mercury and other chemicals; and
- Export and import of hazardous waste.

The risk analysis takes into account MTU Maintenance Canada-specific product groups and the countries they are sourced from. It incorporates the findings of the Global Slavery Index compiled by the Walk Free Foundation, which evaluates countries regarding forced and child labor and legal frameworks, among others. This risk analysis is integrated into the existing risk process for suppliers.¹⁰

Based on the above risk factors and analysis, each supplier was assigned a risk score which was then used to determine whether further inquiries or due diligence procedures were required.

¹⁰ <https://sustainability.mtu.de/en/menschenrechte-in-der-lieferkette/>

Risks Identified

Based on the commodities and country location for suppliers, it was determined that there were possible ESG risks, including forced or child labour risk, that warranted further due diligence processes. The main areas of risk were from suppliers located in Asia.

There is a low probability of occurrence for significant violations of human rights in MTU Maintenance Canada's own business areas and in Europe, as they are subject to the regulations set by the respective legislators and a commitment to human rights that is rooted in each society. In addition, the aviation sector has its own specific stringent regulations and regulatory oversight, which tends to lower risk. Accordingly, MTU Maintenance Canada has identified no MTU locations that we consider at significant risk of child, forced or compulsory labour, or at which the freedom of association and right to collective bargaining could be compromised.¹¹

Assessment of risks of forced labour and/or child labour in the organization's activities and supply chains and due diligence process for identifying, addressing and prohibiting the use of force labour and/or child labour in the organization's activities and supply chains

MTU Maintenance Canada has implemented policies and procedures to ensure that we comply with our social responsibilities to our own employees and society at large. MTU Maintenance Canada records and tracks ESG risk management measures for each supplier. ESG risk management is carried out annually and prepared centrally.

MTU Maintenance Canada utilizes corporate responsibility certificates, product certifications, and acceptance of the Supplier Code of Conduct (or a comparable code of conduct), audit rights in standards contracts, and supplier ESG assessments to minimize our supply chain ESG risks, including those of child and forced labour.



¹¹ <https://sustainability.mtu.de/en/menschenrechte/>



As is demonstrated by the graphic above, the Supplier Code of Conduct forms the foundation of this approach. Upon that foundation are also layered a contractual audit agreement, and, if required, an EcoVadis Rating.

MTU Maintenance Canada's contractual audit agreement/ESG clause (the "**ESG Clause**") contains the following terms: ¹²

- Supplier undertakes to comply with Code of Conduct [i.e. the Supplier Code of Conduct] for MTU Suppliers in its most recent version and to work exclusively with sub-contractor and sub-subcontractors who undertake to comply with the standards set out in this Code of Conduct for MTU Suppliers.
- Supplier shall immediately inform MTU in writing of any violations of the Code of Conduct for MTU Suppliers identified by it and of any risks of violations, and shall provide a description of the corrective measures taken to remedy the grievances. If the Supplier fails to take appropriate remedial action, MTU shall be entitled to take appropriate legal steps, up to and including extraordinary termination of the order or business relationship.
- MTU, or third parties commissioned by MTU, shall be entitled to review the Supplier's compliance with the Code of Conduct for MTU Suppliers, at reasonable intervals and on an ad hoc basis. The Supplier shall grant MTU, or third parties commissioned by MTU, access to its business premises during normal business hours and comprehensive inspection of and access to all documents, data and systems relating to the performance of the concluded Supply Contracts. The Supplier shall be entitled to take appropriate measures to protect its trade and business secrets.
- At MTU's request, the Supplier is obligated to conduct an Environmental-Social-Governance (ESG) assessment through a third-party provider specified by MTU and to make the assessment received available to MTU.

New suppliers

MTU Maintenance Canada requires that new contracts with suppliers contain an ESG contract clause. Once accepted by suppliers, orders can be placed.

If the ESG contract clause is not accepted, then MTU Maintenance Canada follows the procedures outlined below to determine the ESG risk and whether to proceed. Regardless of ESG Clause acceptance, MTU performs internal and external audits processes as outlined below.

It is mandatory for new suppliers to have contract clauses provided for audit and ESG assessment by MTU Maintenance Canada or its third-party partners.

Existing Suppliers

¹²https://www.mtu.de/fileadmin/EN/1_About_us/3_MTU_Worldwide/Locations/Canada/MTU_Maintenance_Canada_Terms_and_Conditions_of_Purchase_rev_June2023.pdf



MTU Maintenance Canada's existing suppliers were provided with the updated Supplier Code of Conduct beginning 2023, in which suppliers were asked to confirm that they agreed with the Supplier Code of Conduct or confirm that they had an equivalent, through an ESG declaration.

As part of this process suppliers are asked to agree to an ESG assessment conducted by a third party provider. For parties who do not provide a ESG declaration, MTU Maintenance Canada reviews documents publicly available information on the supplier regarding other applicable ESG certifications, HSE certifications, whether the supplier is a member/signatory of the UN Global Compact, and reviews the supplier's own code of conduct if available.

As part of this audit MTU Maintenance Canada determines whether the supplier has an EcoVadis assessment, and if so MTU Maintenance Canada requests that the supplier's score be shared through the EcoVadis system.

MTU Maintenance Canada has risk further management systems in place for all suppliers. Each supplier is evaluated on the following factors:

- Human rights:
 - Their respect of labour rights;
 - Freedom of association;
 - Equal treatment of employees;
 - Reasonable wages;
 - Forced labour and slavery;
 - Child labour;
 - Health and safety at work;
 - Use of private or public security forces;
 - Forced eviction and deprivation of land; and
 - Other violations of legal positions.

- Environmental issues:
 - Local contamination
 - Soil, water, air pollution;
 - Noise pollution;
 - Excessive water consumption;
 - Mercury production, use, treatment
 - Production, use handling, collection, storage and disposal of POPs (persistent organic substances)
 - Hazardous waste.

On the above basis, supplier's risk is determined and, if necessary, further measures are taken to minimize risk accordingly. In particular, if a supplier is classified as high-risk according to the ESG risk management assessment, this results in the requirement to register the supplier on EcoVadis.

EcoVadis

EcoVadis is a trusted global sustainability ratings company, which assists with supply chain audits and works with companies to help drive sustainable improvements within their supply chains.



EcoVadis evaluates and provides a score for companies based on four areas of evaluation: (1) environment, (2) labour and human rights, (3) ethics, and (4) sustainable procurement. These four areas are weighted differently according to company size, industry and country.

When evaluating Labour and Human Rights the EcoVadis analysis includes evaluations on:

- employee health and safety;
- working conditions;
- social dialogue;
- career management & training;
- child labour, forced labour & human trafficking;
- diversity, equity and inclusion; and
- external stakeholder human rights.

EcoVadis operates through an online platform. MTU provided suppliers with a letter informing them that they had partnered with EcoVadis and asking that they register with EcoVadis, and if they already have an EcoVadis score to provide it.

As part of the EcoVadis evaluation suppliers are required to fill in a Corporate Social Responsibility (“**CSR**”) questionnaire and upload supporting documents. Based on the questionnaire and supporting documents EcoVadis then generates a scorecard which is shared with MTU Maintenance Canada.

The scope of the questionnaire depends on the size of the company, the geographical location and related industry. Once the questionnaire has been submitted, it is evaluated and validated by EcoVadis experts. On this basis, a scorecard is created, and a rating is assigned.

Scores

Based on the EcoVadis scores, and other risk minimization actions, MTU Maintenance Canada determines if any further action is required. Depending on the probability of occurrence and the extent of damage, the identified risks are weighted and prioritized.

The risk analysis performed currently only evaluates the risks with respect to direct vendors. MTU Maintenance Canada anticipates that in the coming years we will expand our processes and procedures to include risk analysis for indirect suppliers.

Measures Taken to Remediate any Forced Labour or Child Labour and Remediation of Lost Income

MTU Maintenance Canada has not identified any use of forced or child labour in its supply chains.

If an MTU Maintenance Canada employee becomes aware of violations of the Supplier Code of Conduct by a supplier (child labor, forced labor, etc.), management must be informed immediately and appropriate measures to address that violation are required to be taken.

MTU Maintenance Canada’s work force is based in Canada and is unionized. Due to this and MTU Maintenance Canada’s commitment and practice to follow all local employment standards



legislation it considers the probability of material violations of human rights obligations occurring in MTU Maintenance Canada's own business unit to be low.

MTU Maintenance Canada's supply chain is highly specialized, manufacturing parts requires a high degree of skill and training, and compensation on a local basis. Generally, these factors make MTU Maintenance Canada's supply chain less likely to involve forced or child labour.

As a result of the above MTU Maintenance Canada has not needed to take any measure to remediate the loss of income to the most vulnerable families resulting from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains .

Training provided to employees on forced labour and child labour

MTU Maintenance Canada's supply chain and management staff involved in the due diligence process receive detailed training on how to conduct and interpret the internal due diligence process and on how to approach the vendor base and communicate, analyze and interpret vendor responses and supplementary material provided by vendors.

MTU has formed a project group, who have been trained to assess and conduct the supply chain due diligence. This was mandatory training.

Moreover, throughout 2023 all non-union MTU Maintenance Canada employees, including team leaders and senior management received more than 20 hours of third-party workplace law training which included training on the BC *Employment Standards Act*, *Respectful Workplaces*, *Labour Relations*, and *Occupational Health and Safety*.

The Executive Board is updated on training indicators once a year through the education and training report.

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

MTU Maintenance Canada has recently implemented the above processes for evaluating the risk of forced labour and child labour in its business and supply chains. It is MTU Maintenance Canada's policy to do reviews of all our internal processes and we anticipate that we will assess the effectiveness of our current policies in the normal course.

Moreover, the contractual audit agreements provide MTU Maintenance Canada with the right to review the supplier's compliance with the Supplier Code of Conduct, at reasonable intervals and on an *ad hoc* basis. As part of this, suppliers grant MTU Maintenance Canada contractual rights to access its business premises during normal business hours and comprehensive inspection of and access to all documents, data and systems relating to the performance of the supplier contracts.

Conclusion

This Report has been approved by MTU Maintenance Canada's Board of Directors