

## **Forced Labour and Child Labour Report for Morgan Schaffer LTD**

This report ("**Report**") is made in compliance with Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") by Morgan Schaffer LTD ("**Morgan Schaffer**" or "**we**"). Morgan Schaffer is a global utility solutions provider located in Montreal, Quebec, Canada. Its solutions are sold in over 90 countries to both electrical utilities with generation and transmission assets and original equipment manufacturers of large transmission transformers.

This report has been prepared for the fiscal year ended September 30, 2023.

Morgan Schaffer's board of directors, as the principal governing body, approved the report pursuant to section 11(5) of the *Act* on May 28, 2024.

### **Who We Are: Activities and Structure**

Founded in 1965, Morgan Schaffer designs, develops, manufactures and markets an integrated offering of dissolved gas analysis (DGA), oil testing, and data management solutions which enhance the ability of electric utilities to accurately monitor the health of critical power transformers.

Morgan Schaffer was the first to develop a commercially available DGA service in North America and further developed a leading expertise in DGA monitoring equipment. Today, Morgan Schaffer markets the most reputable offering of premium DGA equipment, and related software and services for monitoring the health of critical oil-filled transformers.

ESCO Technologies Inc. ("ESCO") acquired the assets of Morgan Schaffer in 2017 and established Morgan Schaffer LTD as a subsidiary of Doble Engineering Company.

ESCO employs more than 2,900 employees, who are united in a common purpose to make the world a better place by solving many of today's most difficult technical challenges through superior engineering, precision manufacturing and worldclass customer service. ESCO is a global provider of highly engineered filtration and fluid control products and integrated propulsion systems for the aviation, navy, space and process markets worldwide, as well as composite-based products and solutions for navy, defense and industrial customers. ESCO is also an industry leader in radio frequency test and measurement solutions for the wireless, electronics, medical, automotive and defense industries. Finally, ESCO is a leading provider of diagnostic instruments, software and services for the benefit of industrial power users and the electric utility and renewable energy industries. ESCO conducts its business through a number of wholly-owned direct and indirect subsidiaries, including Morgan Schaffer.

## **Our Supply Chains**

Morgan Schaffer manufactures transformer monitoring instruments, and in doing so we source materials and components from around the world. Among other things, we source electronic, electrical and mechanical components and laboratory equipment from approximately 130 global suppliers. 95% of those suppliers are based in Canada or the United States, though many of these are distributors that may themselves procure parts from all over the world.

## **Risks of Forced Labour or Child Labour in Our Supply Chain**

As an original equipment manufacturer, we recognize the potential risks of forced and child labour within our supply chains, particularly due to limited visibility at upstream levels. These risks may be more pronounced when materials, products, and services are procured from international suppliers by our vendors. However, our view is that there is relatively low risk of human trafficking or forced labour or child labour in our supply chain.

We are aware of the risks of modern slavery associated with certain mining of conflict minerals in the Democratic Republic of Congo and adjoining countries. We support efforts to end the human suffering and environmental harm associated conflict minerals, and are committed to meeting all legislative and regulatory requirements that seek to eradicate this suffering. We expect our suppliers to cooperate with us in the conflict minerals compliance process, and to assist us in identifying the sources of the conflict minerals in products and components supplied to us.

## **How We Work to Ensure Our Supply Chains Are Free of Forced Labour and Child Labour**

Morgan Schaffer respects human rights and believes in the dignity of every individual. We strive to respect and promote human rights in our relationships with our employees. Our aim is to help increase the enjoyment of human rights within the communities in which we operate. We describe our applicable policies and procedures below.

### **1. Our Policies**

**ESCO Code of Business Conduct and Ethics (Code):** ESCO is proud of its Code. We treat everyone at ESCO Technologies and its subsidiaries – and everyone with whom we come into contact – with fairness, respect and dignity. This Code applies to ESCO and its subsidiaries worldwide, including to Morgan Schaffer. The Code provides a general statement of the ethical standards that each employee, officer and director should adhere to while acting on behalf of the company. The Code provides basic guidelines for situations in which ethical issues arise.

Employees, officers and directors are responsible for adherence to the Code, and adherence will be subject of management attention and periodic internal audits and reviews. Failure to comply with any of the provisions of the Code will subject an employee to disciplinary measures up to and including termination. To assist in the administration of the Code, ESCO has established a Corporate Ethics Official at its headquarters and each subsidiary has designated a Unit Ethics Official.

**ESCO Human Rights Policy:** The ESCO Human Rights Policy elaborates on the requirements within our Code. This Policy applies to every ESCO employee and officer, and affiliates and contains the following five commitments:

1. We conduct our business in a manner that respects the rights and dignity of all people, complying with all legal requirements.
2. We respect internationally recognized human rights, as set out in the United Nations' International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.
3. We recognize our responsibility to respect human rights and avoid complicity in human rights abuses, as stated in the United Nations' Guiding Principles on Business and Human Rights.
4. We treat everyone who works for ESCO fairly and without discrimination. Our employees are entitled to work in an environment and under conditions that respect their rights and dignity.
5. We respect freedom of association. Where our employees wish to be represented by works councils, we will cooperate in good faith with the bodies that our employees collectively choose to represent them within the appropriate national legal frameworks.

The Human Rights Policy contains express commitments on forced labour and human trafficking. It stipulates that employment must be voluntary and freely chosen. We prohibit the use of all forms of forced labour, including prison labor, indentured labour, bonded labour, military labour, modern forms of slavery and any form of human trafficking. We will not use child labour. We prohibit assigning young workers (i.e., under 18 years of age, or as defined by local law) to hazardous work based on age limits and types of work (e.g. night shifts) defined by local law in the countries in which we operate.

Employees can report suspected violations of this Policy by calling ESCO's Ombudsman at 1-800-272-0872 or emailing [ombudsman@escotechnologies.com](mailto:ombudsman@escotechnologies.com). No reprisals or retaliatory action will be taken against any employee for raising questions or concerns under this Policy. The Company will investigate, address and respond to the questions and concerns of employees and will take appropriate corrective action in response to any violation. We record and report internally all legitimate adverse human right impacts in line with this policy.

## **ESCO Human Anti-Trafficking Policy**

ESCO has also adopted an Anti-Trafficking Policy applicable to ESCO, its subsidiaries (including Morgan Schaffer) and those doing business with them.

The Anti-Trafficking Policy provides that ESCO and its subsidiaries and agents and subcontractors shall not, in connection with ESCO's business:

- 1) Engage in severe forms of trafficking in persons;
- 2) Procure commercial sex acts;
- 3) Use forced labour;
- 4) Destroy, conceal, confiscate, or otherwise deny access by an employee to the employee's identity or immigration documents, such as passports or drivers' licenses, regardless of the issuing authority;
- 5) Use misleading or fraudulent practices during the recruitment of employees or the offering of employment; or (ii) Use recruiters that do not comply with local labor laws of the country in which the recruiting takes place;
- 6) Charge employees recruitment fees;
- 7) Fail to provide return transportation or pay for the cost of return transportation upon the end of employment where this is called for;
- 8) Provide or arrange housing that fails to meet the host country's housing and safety standards; or
- 9) If required by law or contract, fail to provide an employment contract, recruitment agreement, or other required work document in writing, in a language the employee understands, among other things.

All ESCO employees are required to report any suspected violations of this Anti-Trafficking Policy to their Unit Ethics Officer or Corporate Ethics Official consistent with the procedures outlined in the Code. ESCO will not prevent or hinder employees from cooperating fully with government authorities. ESCO shall take appropriate action, up to and including termination, against employees, agents or subcontractors that violate this Policy.

## **2. Our Due Diligence Processes**

As described above, each of the relevant ESCO policies are subject to due diligence processes and employees and vendors can report violations thereof. ESCO will investigate, address and respond to the questions and concerns of employees and will take appropriate corrective action in response to any violation, including those raised by vendors or their representatives. ESCO and its subsidiaries record and report internally all legitimate adverse human right impacts in line with the above policies.

ESCO is aware that a Vendor's conduct may reflect upon, and in some cases may directly affect, ESCO and its business reputation. Therefore, ESCO expects its Vendors to adhere to generally accepted standards of business conduct and to carry on their businesses in ways

which reflect the spirit as well as the letter of applicable laws, and to require that the Vendors' own employees, agents and subcontractors ("Representatives") do the same.

ESCO subsidiaries, including Morgan Schaffer, have processes and procedures to perform appropriate due diligence and vetting of their suppliers and third-party sales agents to confirm that these business partners operate their businesses with ethical standards.

Further, in 2022, ESCO updated its Vendor Code of Conduct to reflect these expectations, which now requires companies in our supply chain to among other things:

1. Conduct their businesses in accordance with the standards in ESCO's Code of Business Conduct and Ethics.
2. Abide by ESCO's Human Rights Policy, ESCO's Human Anti-Trafficking Policy and in full compliance with all applicable laws.
3. Respect employees' rights to freedom of association and collective bargaining, which includes the right to join, form or not to join a works council without fear of reprisal, intimidation or harassment.
4. Uphold and respect human rights as set out in the United Nations International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Vendors and their Representatives may raise any questions or concerns regarding this Vendor Code of Conduct with their primary ESCO business contact or with the Ethics Officer for the ESCO subsidiary which they have their primary business relationship. Contact emails and phone numbers are available in the Vendor Code of Conduct itself, which is available [here](#).

The Vendor Code of Conduct specifically provides that Vendors must conduct their businesses in accordance with ESCO's Human Rights Policy, ESCO's Human Anti-Trafficking Policy and all such principles, and in full compliance with all applicable laws and regulations in their locations globally. Vendors shall require that their Representatives do the same.

In particular, Vendors and their Representatives shall:

1. Not use involuntary or forced labour, such as indentured labour, bonded labour or prison labour.
2. Comply with all applicable minimum working age laws and not utilize child labour in any event.
3. Comply with all applicable laws governing compensation, overtime, working hours and working conditions.

ESCO may require a Vendor to immediately remove any Vendor employee or Representative that acts inconsistently with this or any other ESCO policy. Failure to adhere to the Vendor Code of Conduct may result in disqualification from consideration for future business with ESCO and may result in termination of existing business.

### **3. Employee Training on Forced Labour and Child Labour**

All employees are required to complete annual training on the Code of Business Conduct & Ethics which includes Human Rights and Anti-Human Trafficking to ensure their understanding of our commitments.

### **4. How We Monitor Ourselves and Assess the Effectiveness of our Policies and Procedures**

The Human Rights Policy has been reviewed and approved by the Board's Human Resources & Compensation Committee (HRCC). The HRCC is responsible for ensuring that processes are in place to provide oversight of the implementation and execution of this Policy. The Chief Human Resources Officer is the senior company official who advises the HRCC on human rights matters and reports to the HRCC on human rights-related issues. Non-compliance with this Policy is subject to investigation and remediation in accordance with ESCO's internal corporate policies. We report to the public on our human rights-related policy implementation, commitments, efforts and statements, consistent with this Human Rights Policy, as part of ESCO's annual Sustainability Report.

### **How We Have Addressed Use of Forced Labour or Child Labour in our Supply Chains**

As of September 30, 2023, Morgan Schaffer has not faced situations of forced labour or child labour and has therefore not had to remedy and rectify any such situations.

Should a situation of forced labour or child labour arise, we are guided by our Human Rights Policy, which provides that non-compliance is subject to investigation and remediation in accordance with ESCO's internal corporate policies.

### **Attestation**

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.



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David M. Schatz  
Vice President  
May 28, 2024

I have the authority to bind Morgan Schaffer.