
Report on the Supply Chain Due Diligence Act

Reporting period: 01.01.2023 – 31.12.2023

Name of the reporting organization: BorgWarner Germany Holding Services GmbH

Address: Im Fuchsloch 16, 69123 Heidelberg

A – Monitoring of risk management and management responsibilities

A1.1 Were responsibilities for monitoring risk management defined for the period under review?

For the reporting period, the following responsibilities for monitoring risk management were as follows:

The role of the internal human rights officer is overseen by the Chief Compliance Officer. Our Supply Chain Board has managerial responsibility for all aspects of supply chain sustainability policies, practices, oversight, audit, and compliance. In addition, other Corporate Functions support the monitoring of risk management. The plant managers are responsible for monitoring the supply chain of the individual plants in Germany.

B – Risks identified and/or injuries identified

B1.1 Has a human rights or environmental risk been identified during the reporting period?

During the reporting period, no human rights or environmental risks have been identified.

- How long does the regular risk analysis take?

The risk analysis was carried out for 2023, utilizing our Risk Management Procedure. This procedure's objective is to identify high-risk suppliers in sufficient time to mitigate any associated risk and ensure that the supply base complies with sustainability principals (ESG) and applicable supply chain management laws, e.g. the German Supply Chain Due Diligence Act.

- What are the main steps and methods of risk analysis, in particular:
 - o *The internal and external sources used in the context of the abstract risk assessment?*

BorgWarner uses the following sources as part of its risk assessment:

The **Sustainability Assessment Questionnaire (SAQ)** is an industry-standard questionnaire administered by an authorized organization in the automotive industry – NQC. This questionnaire is updated approximately every other year by the OEMs and adapted to the requirements of business and international law. The SAQ is sent to the suppliers, who are obliged to answer it. The SAQ questions suppliers on various supply chain law issues, with a particular focus on human and environmental rights, working conditions, health and safety, and business ethics, among others. The questionnaire is designed to display and verify suppliers' compliance with sustainability regulations in line with the *Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain*. Depending on the number of questions answered and the quality of the answers, a score is calculated that provides information on whether the supplier is in line with expectations. This score is added to a sustainability section of a scorecard and stored until the next analysis by the

SAQ. This scorecard evaluates suppliers for use by BorgWarner when assessing its partnership and future sourcing activities.

The Compliance Hotline is a **publicly available reporting resource on the Company's websites** (<https://www.borgwarner.com/legal/compliance-hotline>). It is managed by an independent third-party administrator. Anyone can access this website, including our suppliers, and report a violation anonymously. After the complaint has been reported, BorgWarner's compliance team is notified. All reports received are reviewed, directed to appropriate channels, and followed to resolution.

- *The methodology of identification, evaluation and prioritization in the context of concrete risk assessment?*

BorgWarner uses the above-mentioned scores from the SAQ to identify and evaluate potential risks with its suppliers. Suppliers found to have an unsatisfactory response will be provided the opportunity to resolve the issue and assigned a BorgWarner-responsible party to follow-up with progress. A cross-business supply chain management team is in place to monitor progress.

Identification of risk is based on information obtained through the SAQ, the scorecard or the compliance hotline. A specific violation or risk is evaluated using the "Supplier Code of Conduct", the "Supplier Manual", the company's own "Code of Ethical Conduct" and "Basic Working Conditions (Human Rights Policy)", as well as industry guidelines. In these sources, BorgWarner formulates the requirements for a proper supply chain not only for itself, but also for its suppliers. If a supplier fails to meet BorgWarner's expectations and this is identified through the risk analysis process, this will be recorded and the supplier will be asked to eliminate the risk as part of an action plan. If risk cannot be eliminated, the determination of punitive actions will be determined, including but not limited to: reviewing the raw materials sourcing strategy, blocking the supplier from new orders, suspending ongoing business, and terminating the relationship with the supplier. These measures shall be appropriate, reasonable and enforceable and shall be selected accordingly.

Another method for identifying, assessing and prioritizing risks is our supply chain management function. Internal training is available to sensitize employees to due diligence obligations and possible problems along the supply chain, so they understand what is considered a violation of e.g. the Supply Chain Due Diligence Act, and what to do if they identify a violation.

All suppliers have been informed about the obligations arising from the Supply Chain Due Diligence Act in our updated terms and conditions of purchase. Our policy has been published on our company website and is available to all suppliers. Every year, BorgWarner publishes a Sustainability Report, which, among other things, addresses the company's human rights and environmental management and performance. The Company sets targets across sustainability topics, including supplier due diligence.

- Whether and to what extent information on risks and actual breaches of duty obtained through the processing of reports from the company's complaints procedure is taken into account in the risk analysis?

As mentioned above, one of our tools for identifying risk is our complaints procedure. The Compliance Hotline is a publicly available reporting resource on the Company's websites (<https://www.borgwarner.com/legal/compliance-hotline>). It is managed by an independent third-party administrator. Anyone can access this website, including our suppliers, and report a violation anonymously. After the complaint has been reported, BorgWarner's compliance team is notified and will investigate. All reports received are reviewed, directed to appropriate channels, and followed to resolution.

- How can the interests of the potentially affected persons be adequately taken into account in the risk analysis?

Individual interests of potentially affected persons are protected during the risk analysis process. All reports received are reviewed, directed to appropriate channels, and are followed to resolution. BorgWarner does not tolerate retaliation against an individual for making a good-faith report concerning a violation of laws or regulations, our Beliefs, the Code, our policies or procedures or anyone who assists in an investigation regarding the same.

- Were there any reasons for event-related risk analyses during the reporting period?

No.

B1.2 Has a violation of a human rights or environmental obligation been identified during the reporting period?

- What procedures can be used to detect violations in one's own business area?
- The Company's Compliance Hotline, which enables anyone to report a violation anonymously via an independent third-party provider, is used to detect violations. The Code of Ethical Conduct is introduced to all employees when they join BorgWarner and is reinforced through continuous training. Our flexible ethics and compliance training content and delivery model enables us to offer training to 100% of our salaried workforce, online or in-person. Locations also coordinate compliance training for our hourly employees through various methods, including in-person. We also offer targeted and in-depth training on topics, such as data privacy and protection, anti-trust, anti-bribery and anti-corruption, antiharassment, and global trade compliance (including human trafficking). Additionally, we have an annual questionnaire that monitors our compliance culture. Leadership within BorgWarner plants in Germany play an important role in reviewing their own business area, as they can quickly identify risks and prevent violations through stable supply chain management and proper management of the plants.
- What procedures can be used to detect injuries to direct suppliers?

The SAQ asks the supplier about working conditions, health and safety as well as business ethics, violations and an increased risk can be identified and prevented within

the framework of the risk management described above. Another measure is the Compliance Hotline described above, which is freely accessible. In the anonymous procedure, violations by the direct supplier can be reported to the BorgWarner Compliance Team. In addition, BorgWarner sets clear requirements for its suppliers with regards to human rights and environmental issues along the supply chain ("Supplier Manual" and "Supplier Code of Conduct"). All suppliers have been informed about the obligations arising from the Supply Chain Due Diligence Act in our updated terms and conditions of purchase. Our policy has been published on our company website and is available to all suppliers.

- What procedures can be used to detect infringements at indirect suppliers?

Violations at indirect suppliers can be identified primarily with the help of possible reports via the compliance hotline. In the "Supplier Manual" and the "Supplier Code of Conduct", the direct supplier is informed of its obligations with regard to due diligence obligations towards its direct supplier (BorgWarner's indirect supplier). Together with its direct suppliers, BorgWarner strives to prevent possible risks along the supply chain and to secure the necessary support. If a violation becomes known in the business area of an indirect supplier, BorgWarner will carry out an event-related risk analysis together with the direct supplier. The published policy statement is also freely accessible to indirect suppliers and describes their due diligence obligations.