

# **Policy Statement** **Schwarz Digits KG**

On respecting human rights and environmental standards

## Our basic position

Schwarz Digits KG (hereinafter "Schwarz Digits KG" or "we") consider social and environmental sustainability to be of great importance. We respect human rights and environmental standards in our operating divisions and throughout our global supply chains. This forms the basis of our human rights strategy. It is our goal to promote the application of human rights and environmental standards and to prevent their violation. Together with our employees, customers, business partners and other stakeholders, we work every day to advance and promote human rights, fair business practices and good working and living conditions.

Human rights and environmental due diligence is founded on our commitment to upholding human rights and environmental standards. This is established in the following internally recognized conventions, guidelines and standards:

- UN Universal Declaration of Human Rights
- UN Guiding Principles on Business & Human Rights
- UN Convention on the Rights of the Child
- UN Convention on the Elimination of all Forms of Discrimination against Women
- OECD Guidelines for Multinational Enterprises
- International Labour Organization (ILO) declaration on Fundamental Principles and Rights at Work
- Paris Climate Agreement
- Minamata Convention
- Stockholm Convention
- Basel Convention
- The Ten Principles of the UN Global Compact (UNGC)

## Our responsibility

We respect the human rights of our employees and take a proactive approach to complying with environmental standards, and we expect our business partners to do the same.

As such, compliance with the highest applicable standard under the laws of the local jurisdiction and the requirements of the ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work is essential. The following principles form the basic prerequisites for any cooperation:

- compliance with the ban on child labor and the protection of minors
- ban on forced labor and modern slavery
- ban on discrimination
- fair treatment at the workplace free from harsh and inhumane treatment
- the right of all employees to establish employee representative bodies and to conduct collective bargaining governing working conditions
- ensuring health and safety at the workplace
- granting remuneration at least in the amount of the minimum wage guaranteed by law for working hours in accordance with the applicable standards

These principles are anchored in a Code of Conduct for Business Partners and are incorporated in contractual agreements with our business partners.

We are involved with various industry associations, initiatives, and organizations in order to meet our responsibilities. In this way we can support, for example, the improvement of human rights, fair wages and safe working conditions.

## Our approach for implementing corporate due diligence

### 1. Establishing and anchoring a risk management system

Part of our Compliance Management System is a risk management system for human rights and environmental risks. In addition, departments such as Risk Management and Procurement perform specific implementation-related tasks.

Every year and whenever additionally necessary, a report on human rights and environmental risks is presented to the management.

### 2. Risk analysis

We conduct annual and ad hoc risk analyses to enable the early identification and management of human rights and environmental risks in our own business and in the businesses of our business partners.

A survey was developed to analyze the risks in our own business, which takes into account all applicable human rights and environmental risks as well as our ability to influence and the extent to which we contribute to the cause of the risk. This allows us to map out the actual and potential risk situation, calculate a risk score and from that derive an appropriate course of action. We work consistently and systematically to counteract risks. We have already implemented numerous processes, policies, and measures for this purpose.

As part of analyzing the risks associated with the external supply chain, risks arising from the activities of direct business partners are analyzed and rated. Potential risks in the indirect supply chain are also taken into account.

For each business partner and product group, the risks are rated in terms of severity, likelihood, ability to influence the party causing the risk and contribution to the cause of the risk. The risk analysis also considers the nature and scope of our business activities in light of our specific purchasing structure, as well as the activities of business partners according to country, industry, production stages typical in the industry, and raw materials used.

This allows us to create an individual risk profile showing potentially applicable risks for each direct supplier. The next step is to determine which business partners need to be investigated further due to a specific risk. The risk situation of these business partners is determined based on further information, including information regarding applicable control mechanisms already in place.

In our case, the main risks associated with direct suppliers lies in the areas of occupational health and safety, child labor and forced labor. These risks are addressed as a priority because contribution to the cause of the risk and ability to influence are also relevant here.

### 3. Preventive measures

We take appropriate measures to prevent human rights and environmental risks in our own business and with our business partners.

Principles for avoiding human rights and environmental risks were added as a permanent component of the procurement principles. As part of our strategy, we seek to identify certifications and initiatives for products and companies that generate a positive impact in the respective areas of risk. We therefore work together with our business partners to develop approaches and strategies to mitigate the respective risks to the greatest extent possible.

We follow a risk-based approach when working with new business partners. Potential risks are assessed before entering into a new business relationship and, if necessary, risk-mitigating measures are implemented.

Our Code of Conduct describes our expectations when we cooperate with business partners in terms of compliance with human rights and environmental standards, and this Code of Conduct forms part of our agreement with business partners. It sets out minimum standards for our business relationships, which correspond to our fundamental position and are based on the above-mentioned conventions. Our business partners are requested to pass on the requirements of the Code of Conduct to their business partners as far as possible. Where necessary, we use various control mechanisms to check our business partner's compliance with the Code of Conduct. This includes conducting audits, which may also be carried out on-site. We also enter into dialog with certain business partners to agree to standards that exceed the principles of the Code of Conduct.

We develop training courses for employees and business partners in which we provide information on the topics of human rights and environmental standards, clearly formulate our expectations in these areas and refer to the options available for reporting a grievance.

Through integration into the internal process and regulation management, guidelines for the avoidance of human rights and environmental risks are binding. Compliance is regularly checked by Internal Auditing. Where necessary, measures are taken to continually improve implementation.

### 4. Remedial action

If we determine that a human rights or environmental obligation has already been breached or is imminent, we take appropriate countermeasures. Our business partners are also required to remedy breaches of contractually agreed Code of Conduct standards. We support our business partners in implementing a remedial action plan. If a business partner takes no remedial action, we also reserve the right to end the business relationship.

## 5. Indirect suppliers

During the risk analysis, we consider which products and product groups entail risks that primarily arise at indirect suppliers. If there are actual indications that a breach of a human rights or environmental obligation appears likely to have occurred at indirect suppliers, we take appropriate measures to counteract this breach. Such indications may be based on, for example, reports received through the grievance mechanism, information from government authorities or audit findings.

## 6. Monitoring effectiveness

We have a systematic process in place to review the effectiveness of our risk analysis, our preventive measures and other relevant internal business processes. Reviews take place every year and on an ad hoc basis if the risk situation substantially changes or becomes broader. In this way we ensure that we continually develop our processes, measures, and systems.

## 7. Grievance mechanism

A key component of our corporate due diligence obligations is the establishment of grievance mechanisms. They are designed to serve as avenues for reporting human rights and environmental risks to us, as well as breaches of obligations in this area. Matters can be reported at any time through an online reporting system in multiple languages and, if desired, anonymously. Reported matters are dealt with according to clear reporting lines and in a clear sequence to ensure a structured investigation of the matter and prompt remedial action.

## 8. Reporting

In accordance with the statutory requirements, we report to the Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) on compliance with our due diligence obligations in the past fiscal year and make this report publicly available. We also provide information about other measures and initiatives we are involved in to meet our commitment to human rights and environmental standards.

Neckarsulm, 2/29/2024

The management