



Policy Statement

on the implementation of Due Diligence Obligations pursuant to the German Supply Chain Due Diligence Act (LkSG)

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Preface

EDAG is one of the world's leading independent engineering service providers for the international automotive industry. Our corporate culture is characterized not only by values such as integrity, discretion, reliability and fair dealings with our business partners, but also by the protection of human rights and the environment and nature. Our corporate actions are determined by sustainability.

In addition to the Code of Conduct, in which we have anchored our principles for compliant behavior, we are committed to respecting human rights and protecting the environment and natural resources with this Policy Statement.

The issue of sustainability is playing an increasingly important role for EDAG. The new Supply Chain Sourcing Obligations Act (LkSG) also concerns the area of sustainability, with a particular focus on respect for human rights and compliance with environmental laws. Through the law, the EDAG Group - along with many other companies - will also be required to implement certain due diligence obligations worldwide.

The management will do everything in its power to meet our high standards of responsibility and sustainable action. We expect the same from every manager and every employee, no matter in which area and where in the world they work for EDAG.

The Management Board of EDAG Engineering GmbH

A – Introduction

1. Principles and self-commitment

Respect for internationally recognized human rights and the protection of the environment and natural resources form the foundation of every modern society. We fulfill our social responsibility by identifying, preventing and ending human rights and environmental risks and violations in our supply chains.

We recognize the principles of internationally recognized human rights frameworks and standards as our guiding principles; these are in particular:

- The General Declaration of Human Rights of the United Nations.
- The Charter of Fundamental Rights of the European Union.
- The International Covenant on Political and Civil Rights and the International Covenant on Economic, Social and Cultural Rights of the United Nations.
- The Conventions and Recommendations of the International Labor Organizations (ILO) on labor and social standards.
- Guiding Principles on Business and Human Rights of the United Nations.
- The Organization for Economic Cooperation and Development (OECD) Guiding Principles for Multinational Enterprises.
- The principles of the United Nations Global Compact (UNGC).

The rights arising from these principles are available to all people, regardless of nationality, gender, religion or origin. We enforce these principles in our business activities. This is done in particular in accordance with the respective local and national laws, which we undertake to comply with.

2. Scope of application

These regulations apply along the entire supply chain and relate to all products and services of the EDAG-Group. In addition to the company's own business unit, and thus also its own employees, the regulations also cover business relationships with direct suppliers. This also applies to indirect suppliers if there are actual indications that make a violation of a human rights or environmental obligation appear possible.

We expect both, our own employees and our suppliers, to comply with all applicable laws, in particular human rights and environmental regulations. In this regard, we will not tolerate any violations or breaches of duty.

B – Implementation and Process Description

1. Fundamental measures

We have established the following measures to effectively implement the aforementioned principles:

- The establishment of an appropriate and effective risk management system.
- An annual and ad hoc risk analysis to identify human rights or environmental risks in our own business area and in relation to direct suppliers.
- The establishment of appropriate preventive measures in the company's own business area and vis-à-vis direct suppliers as part of supplier management.
- Taking corrective action to end violations of human rights or environmental obligations that have occurred despite the measures taken.

- The establishment of a complaint's procedure.
- Documentation and annual public reporting (e.g., on website and directly to BAFA as competent authority).
- The extension of the due diligence obligations to the originator, e.g., in the case of substantiated knowledge of a possible violation at an indirect supplier

2. Risk Management

In order to adequately implement the enforcement of human rights and the protection of the environment and resources, EDAG has implemented these topics in all relevant business processes via risk management. Responsibility is clearly allocated; the responsible departments in the company assume this responsibility.

- **Guideline for compliance with the obligations arising from the LKSG:**

The guideline defines the measures and names the responsible parties. The guideline is integrated into the existing processes and organizational procedures in the company. The guideline is supplemented by a process description and by the "LkSG supplier inspection" process, in which the process steps are presented in detail. In addition, precise responsibilities are listed and the processes are assigned to the respective persons responsible.

- **Appointment of a human rights officer:**

We have appointed a human rights officer. The task of the human rights officer is to monitor human rights and environmental risks. In this respect, the human rights officer supplements the bodies already established within the company to monitor and comply with existing laws and policies (such as Compliance or Internal Auditing).

- **Establishment of a complaint's procedure:**

We have set up a comprehensive complaints procedure that enables those affected or other persons, even outside the EDAG organization, to point out human rights or environmental risks or violations. The complaints procedure applies both to reports concerning our own company and to the actions of suppliers.

Complaints can be submitted (i) to the responsible EDAG central departments (e.g. Compliance), (ii) to the executive or the (local) management, (iii) as well as to the EDAG Human Rights Officer.

In addition, it is possible to report breaches of duty via the electronic whistleblower system (EDAG EQS Integrity Line). Via the electronic whistleblower system, in addition to employees of the EDAG Group, external persons also have the possibility at any time to report violations of a legal position protected under the LkSG. The electronic whistleblower system can be accessed via the following link: <https://edag.integrityline.org/>

3. Risk Analysis

We use the cloud-based software solution from Prowave to determine and identify human rights and environmental risks for risk analysis in accordance with the LKSG. The Prowave solution checks and evaluates suppliers worldwide on the basis of country and product groups as well as by means of an AI-supported web screening, taking into account predefined criteria that meet the requirements of the LkSG. This not only involves risk identification, but also the risk weighting and risk prioritization required by the LkSG.

As part of the initial risk analysis, all direct suppliers of the EDAG Group with whom a business relationship exists at that time are reviewed once a year. The suppliers are evaluated according to various risk criteria (country score, industry score and the sales (spend) generated with the supplier). An initial risk is derived from the aforementioned criteria (the so-called **peer score**).

If the peer score falls below a defined threshold, the supplier is reviewed in detail (**360° monitoring**). As part of 360° monitoring, suppliers are continuously monitored and assessed for risk. The focus of the risk assessment is the examination of human rights and environmental risks. The result of the risk assessment is documented in a so-called 360° Risk Score. The **360° Risk Score** determines the individual risk of the supplier, taking into account the following criteria:

- Type and scope of business activity, as well as country-, industry- and commodity group-specific risks.
- EDAG Group's ability to influence the supplier.
- Typically expected violation severity of the breach, reversibility of the breach and probability of the breach.
- Type of causation contribution (direct/sole/joint, indirect/sole/joint).

4. Prevention Measures

If specific risks are identified during risk analysis in the company's own business area or in relation to direct suppliers, preventive measures are taken immediately. These measures are graded according to the **360° Risk Score**; the higher the Score, the more drastic the measure.

The following measures, for example, can be considered:

- Checking and return of the countersigned *EDAG Supplier Code of Conduct* or sending and countersigning the *EDAG Supplier Code of Conduct*.
- Transmission of LkSG questionnaires (results are also to be used in the risk analysis)
- Supplier training or conducting audits.
- As a last resort, e.g., in the event of a very high-risk situation and permanent refusal to cooperate by the supplier, suspension or termination of the business relationship.

5. Corrective Measures

If it is determined that a breach of a duty related to human rights or the environment has occurred or is imminent, appropriate remedial action is taken promptly to prevent, stop, or minimize the extent of the breach. These include in detail:

- Notifications to suppliers and confirmation letters from suppliers.
- Implementation of a concept to remedy the situation together with the supplier.
- Affiliation with other companies in industry initiatives and industry standards in order to increase the possibility of influencing the polluters.
- Suspension of the business relationship during risk reduction efforts.
- Termination of the business relationship (ultima ratio).

To the extent that we become aware of a possible human rights-related or environmental violation, the above remedial measures must also be extended to the **indirect suppliers**.

6. Documentation and Reporting Requirements

We document compliance with the measures and fulfillment of the due diligence obligations under the LKSG on an ongoing basis and keep this documentation for at least seven years.

In addition, we report annually in our Sustainability Report on how EDAG has ensured compliance with its due diligence obligations under the LKSG in the past year. Our report is available on EDAG's website no later than four months after the end of the fiscal year. The report can be accessed via the following link free of charge and for at least seven years: <https://www.edag.com/de/nachhaltigkeit>

C - Identified Risks

There are no particular human rights-related or environmental risks in the core business of EDAG. As an engineering service provider, EDAG does not generally buy and sell products, but rather high-quality services that require a completed and qualified vocational training or even a university degree. This assessment was underlined by the risk analysis, which was carried out by means of Prewave. Despite this positive outlook, suppliers of EDAG-Group are continuously monitored and, if necessary, identified risks are consistently followed up and minimized through the defined preventive and remedial measures.

In addition, there is a low to medium risk in the purchase and sale of products and in the procurement of consumer goods within the global flow of goods; within this framework, human rights-related and environmental risks have been identified by means of the risk analysis. Suppliers are monitored on an ongoing basis, and any risks identified are consistently followed up and minimized through the defined preventive and remedial measures. EDAG is also aware of its responsibility for the environment and human rights in the procurement of products and consumer goods within the global flow of goods.

D - Expectations of the EDAG Group

EDAG expects that the principles listed in Chapter A - Item 1 as well as the applicable laws are observed and complied with. These regulations apply within the EDAG Group as binding guidelines along the entire supply chain and refer to all products and services of the EDAG Group, including its own business unit, the direct suppliers as well as the indirect suppliers, if there are actual indications of a breach of duty.

We do not tolerate any violations or breaches of duty!