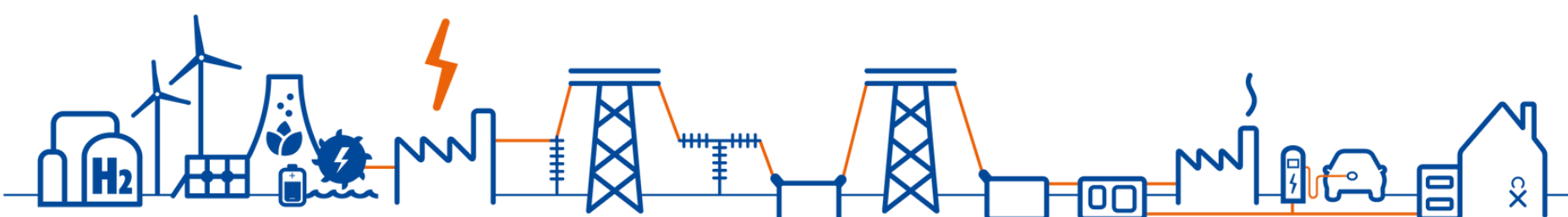


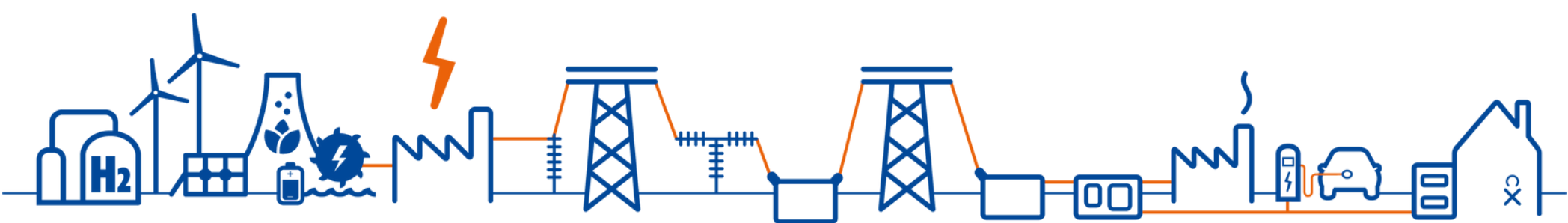
# DECLARATION OF PRINCIPLES





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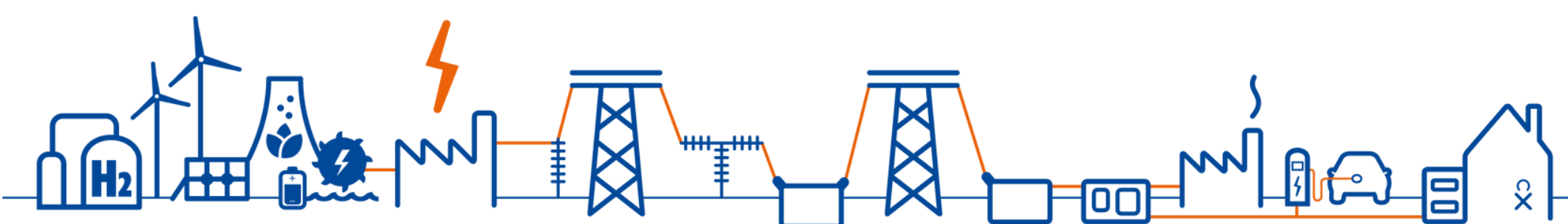


## SGB-SMIT GROUP

SGB-SMIT is the transformer specialist from Europe with locations worldwide. SGB-SMIT Group was formed from a merger of locally operating and highly successful medium-sized companies. We have a global manufacturing network with locations and suppliers on all continents.

Our products are used throughout the entire energy chain - in energy generation, energy transmission and energy distribution. With our products, we contribute to a more sustainable future. Our transformers are an important part of advancing the energy transition. With around 3,500 employees worldwide, we are transforming the future of energy together.

Respect for human rights is firmly anchored in our corporate culture. We are committed to respecting human rights and protecting the environment and ensuring this in all our business areas and in our supply chain.



## OUR COMMITMENT TO HUMAN RIGHTS AND ENVIRONMENTAL PROTECTION

SGB-SMIT Group is committed to sustainable, environmentally, and socially responsible corporate management. By this we mean, in addition to the observance of general legal frameworks, the respect for human rights and the protection of the environment. We are committed to respect human rights and environmental concerns in our own business areas and in our global supply chains and respect them. We ensure that human rights and environmental violations are prevented and provide those affected with remedial action.

From 2024, SGB-SMIT Group is obliged to implement the measures laid down in the Supply Chain Act (“Lieferkettensorgfaltspflichtengesetz”).

A Human Rights Committee has been set up to manage the issues and ensure that the due diligence obligations are met. This committee is responsible for implementing the measures and maintaining and continuously developing the processes required to ensure due diligence.

## WHAT ARE OUR STANDARDS REGARDING HUMAN RIGHTS AND ENVIRONMENTAL PROTECTION?

Compliance with legal requirements and subsequent ethical, sustainable, and ecological standards is an essential and integral part of our corporate culture. Their observance is ensured through regular, event-driven, and statistical risk analyses in our own business area and at our suppliers.

In particular, the following human rights and environmental obligations are of great importance at SGB-SMIT Group - these are binding for us as well as for our business partners and suppliers:

### Prohibition of all forms of child labor

We do not accept any form of child labor. We adhere to the core conventions of the International Labor Organization (ILO) and the UN Convention on the Rights of the Child, which regulate the minimum age for admission to employment or minimum age for admission to employment or work, and the Convention concerning the Prohibition and Immediate Action for the elimination of the worst forms of child labor.

### Prohibition of all forms of slavery and forced labor

We do not accept forced labor or any form of slavery. We respect the rights of our employees and any third parties. We adhere to the core conventions of the International Labor Organization (ILO). We are committed to ethical and responsible recruitment practices.

### Guarantee of occupational health and safety

The health and safety of our employees is our top priority. We identify and eliminate potential risks. Our managers must ensure that appropriate health and safety practices are in place. We hold regular training sessions for our employees and carry out continuous safety tours of all our plants.

### Respect for freedom of association

We respect the right of all employees to form or join (or not join) trade unions, to elect their own representatives and to negotiate collectively.

### Prohibition of all forms of discrimination

Fairness and mutual respect are key values for us and the basis for a motivating working environment characterized by equal opportunities and inclusion. Any form of discrimination is not tolerated. We are committed to creating a working environment free from unequal treatment, harassment, and discrimination.

### Appropriate working conditions and remuneration for the work performed

We are committed to offering our employees fair working conditions. We adhere to the statutory working hours and break times and to the statutory and applicable collective agreements on remuneration and social benefits.

### Use of private and public security forces

We commission security companies to ensure the protection of our company. Correct instruction and constant monitoring of their deployment are particularly important to us to strictly prohibit torture and cruel, inhuman, or degrading treatment, as well as injury to life and limb and interference with the freedom of association.

### Land, forest and water rights and eviction

We do not participate in any unlawful eviction or unlawful seizure of land, forests or waters. The same applies to the unlawful acquisition, development or other use of land, forests, and waters whose use secures a person's livelihood. This also applies to the rights of local communities and indigenous peoples.

### Compliance with environmental obligations

We are committed to a responsible use of natural resources and the environment. We are committed to complying with international agreements such as the Basel Convention on Hazardous Waste, the Minamata Convention on the Responsible Management of Chemicals and Mercury and the Stockholm Convention on Persistent Organic Pollutants. The quality of natural resources such as water and air must be ensured responsibly. Their pollution must be avoided. We are committed to the continuous reduction of our greenhouse gas (GHG) emissions.

We also undertake to comply with and observe the legal provisions of the following international standards, which are protected by the Supply Chain Act:

- **International Labor Organization (ILO)** - Promoting social justice and decent work worldwide.
- **Sustainable Development Goals (SDGs)** - Ensuring peace and prosperity for both humanity and the planet in the present and future.
- **Stockholm Convention** - Protecting human health and the environment from persistent organic chemicals.
- **Basel Convention** - Regulation on the permissibility and control of exports of hazardous waste.
- **UN Civil Pact** - Regulation of protection and freedom rights, including the prohibition of torture and slavery, the right to protection of private life, the right to freedom of expression, the right to freedom of religion and freedom of assembly as well as the right to stand and vote.
- **UN Social Covenant** - Regulation of economic, social and cultural rights.

## HOW DO WE IDENTIFY AND ASSESS RISKS?

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### Risk management

A key component of SGB-SMIT Group's duty of care is awareness of potential and actual adverse human rights risks and the impact of our business activities on people across the value chain. Respecting human rights and the associated environmental rights in our corporate activities and supply chain is of utmost importance to the management of SGB-SMIT. It is therefore informed regularly and on an ad hoc basis about measures taken and the implementation of due diligence.

To support and monitor this duty of care, the management of SGB-SMIT has appointed an interdisciplinary Human Rights Committee since the beginning of 2024, in which purchasing, sustainability, compliance and legal are represented.

We investigate every indication of human rights violations. To act as proactively and preventively as possible, we focus our human rights due diligence on the issues where we have identified the greatest human rights and environmental risks. These are either directly related to our business activities at our locations or are part of our global supply chains. We also exert our influence in the upstream and downstream supply chain and oblige existing and new suppliers as well as other business partners to appropriately address the due diligence obligations described in the Supplier Code of Conduct and to place the same expectation on their own suppliers and other business partners.

### Risk analysis

To identify relevant human rights and environmental risk areas and potentially affected parties from our own business division and direct business relationships (e.g. with our suppliers) at an early stage, we regularly carry out statistical and event-driven risk analyses in our own business division and at our suppliers. Human rights and environmental risks are assessed using public sources and indicators, whereby both country and sector risks are considered in our risk analysis. We rely on digital solutions to support our ongoing risk analysis across our supply chain.

In addition, complaints reported via our complaints management system and criticism from third parties are included in our risk analysis.

To ensure appropriate respect for human rights and the environment in supply chains, risks are also analyzed according to their type, scope and origin of the goods and services purchased.

If necessary (e.g. a supplier with an elevated risk), control measures such as a questionnaire or an on-site audit are used to substantiate the risk exposure and determine the actual negative impact on people and the environment.

The identified risks are then prioritized, and the results are used as a basis for the creation and adaptation of preventive and corrective measures, such as internal regulations, work instructions, processes, and training.

## HOW DO WE FULFILL OUR HUMAN RIGHTS AND ENVIRONMENTAL DUE DILIGENCE OBLIGATIONS?

### Preventive measures

SGB-SMIT Group relies on various preventive measures in its own business area and at direct suppliers to fulfill its responsibility of respecting human rights. The primary objective is to protect those potentially affected and to identify, prevent or at least minimize any negative impact on human rights and the environment.

### Procurement strategies and procurement practices for risk minimization

SGB-SMIT Group holds its direct suppliers responsible for addressing the risks to human rights and environmental issues in the supply chain as part of the purchasing/procurement process.

As a prerequisite for business relationships, direct suppliers must have accepted the Supplier Code of Conduct of SGB-SMIT Group, in which our guidelines are defined.

Sustainability criteria are initially evaluated based on industry and country risks during the selection process as well as during the regular or ad hoc review of direct suppliers. They are also prioritized according to a defined list of criteria. In accordance with the prioritization, the direct suppliers must submit a self-disclosure and provide corresponding evidence to be able to assess the specific risk in relation to human rights and environmental protection.

Based on the information collected, industry indicators and country lists as well as background research on individual, direct suppliers, we set stricter individual requirements for SGB-SMIT Group's direct suppliers where necessary. These are checked for conformity and updated annually.

In addition, individual action plans can be agreed as required to work towards improving and minimizing risks over the duration of the business relationship with the direct supplier.

### Trainings

Our group conducts regular online training courses on human and environmental rights and the measures to implement the LKSG in its own business area. In this way, we raise our employees' awareness of human rights and environmental due diligence obligations. We also ensure that the relevant specialist knowledge is imparted in the relevant business areas.

We also require our direct suppliers to provide appropriate training for their own employees. If an audit or self-assessment reveals inadequate implementation by the supplier, the supplier will be required to make up for the training.

### Control measures

The effectiveness of all measures and processes to ensure due diligence is reviewed at least once a year and on an ad hoc basis to continue to identify, prevent, remedy, or mitigate adverse impacts on human rights or the environment. In addition, every indication of human rights and environmental protection violations is investigated.

Suitable key figures are defined to document and measure the progress and function of the due diligence process. The effectiveness of the measures in the supply chain is reviewed based on the results of the ongoing risk analysis.

The implementation of measures is regularly monitored with local managers. Regular reports are also submitted to the management and the Human Rights Committee.

### Complaint procedure

An appropriate and effective complaints procedure forms an integral part of our due diligence to efficiently prevent and remedy violations within our own business or across our supply chain.

SGB-SMIT Group has established an external ombudsman as a complaints channel for employees, direct or indirect suppliers and other third parties.

The ombudsman is impartial, independent and under obligation to maintain confidentiality. While maintaining the confidentiality of their identity, the whistleblowers are thus enabled to point out, among other things, human rights, and environmental risks as well as the violation of human rights or environmental obligations that have been caused by business activities in our own business area or by a direct supplier. So far as possible and within our control, we ensure that the whistleblowers are not disadvantaged or penalized.

When a report is received, a risk-based assessment of the potential violation is carried out. If the suspicion is confirmed, appropriate, proportionate, and reasonable measures are taken.

The contact details are communicated on the [homepage](#), the [Supplier Code of Conduct](#) and internal information boards.

### Documentation and reporting obligation

The implementation of the due diligence obligations, based on the LKSG, is project-controlled, and recorded. The prevention and control measures as well as the measures from the risk analysis are documented and are also subject to systematically controlled processing. If risks are identified at direct suppliers, measures are initiated using the escalation matrix.

Respect for human and environmental rights is an ongoing process. The implementation of specific measures is subject to constant review and further development by the designated Human Rights Committee.



We report annually to the Federal Office of Economics and Export Control (BAFA) on the main human rights and environmental risks that have been identified, the impact of our business activities within our supply chain and the preventive and remedial measures implemented. The report is also published on our website to uphold the principle of transparency.

Internally, the implementation of measures and risks is documented in inventories and protocols as well as regular management reports.

The declaration of principles and other guidelines on respect for human rights and environmental protection are regularly reviewed and continuously updated to ensure appropriate implementation in our processes and procedures.

## WHAT MEASURES DO WE TAKE TO PROTECT HUMAN RIGHTS IN THE EVENT OF HUMAN RIGHTS VIOLATIONS?

### Remedial measures and escalation process

Regarding remedial measures to be taken, we distinguish between breaches in our own business area and breaches at a direct or indirect supplier. Remedial measures taken in our own business area generally lead to an immediate elimination of the risk.

An escalation process has been drawn up for measures relating to direct and indirect suppliers. We act in our supply chain, particularly with indirect suppliers, if we have substantiated knowledge of a violation. In the event of justified suspicions of violations that have already occurred, or concrete indications based on public sources or indicators, an incident-related risk analysis is first carried out.

If it is determined that SGB-SMIT Group or our direct or indirect suppliers have violated human and/or environmental rights or that such a violation is imminent, we will take remedial action to prevent, stop or minimize the violation. Should the behavior of our employees lead to a violation of human rights or environmental rights, we will counteract and sanction this.

Our business partners are contractually obliged to cooperate appropriately in the implementation of the measures to be able to clarify the situation quickly in such a case and/or to prevent, mitigate or remedy the possible violation.

Depending on the extent of the infringement, we reserve the right to require our business partners to remedy the situation immediately, take legal action, suspend the business relationship, or terminate it as last resort. In addition to a commitment to remedial action, we expect our suppliers to support the remedial processes.

If we receive information about suspected human rights or environmental violations, third parties can also demand remedial action. If a violation is only registered after it has occurred, our efforts are focused on minimizing the impact and remedying the damage as quickly as possible.

If we as a company have directly caused a violation of human rights, we work immediately to prevent the business activities that caused the violation or to make them compliant with human rights. Depending on the severity of the violation, we reserve the right to take appropriate action.

### Measures against indirect suppliers

Measures are taken against indirect suppliers as soon as there are actual indications of a violation. We also clarify the expectations set out in the Supplier Code of Conduct for our direct suppliers along the rest of the supply chain and support our direct and indirect suppliers in eliminating or minimizing violations. Measures are then taken in accordance with the escalation matrix.

## WHAT DO WE EXPECT FROM OUR EMPLOYEES, SUPPLIERS, BUSINESS PARTNERS AND CUSTOMERS?

The expectations that SGB-SMIT Group has of its employees and suppliers have been set out in a Code of Conduct and a Supplier Code of Conduct. These oblige both our own employees and our direct suppliers to comply with and implement these principles.

Accordingly, we expect our direct suppliers to act in accordance with the law, to commit to respecting human rights and to set up appropriate processes themselves to comply with due diligence and to communicate this expectation to their own suppliers.

All suppliers must respect internationally recognized human rights, which are also part of the contractual agreements with them. We require our direct suppliers to comply with our standards on human rights and environmental conditions, to communicate them to their employees and to extend them into their upstream supply chains.

We reserve the right, within the framework of the contractual agreements, to check compliance with these and to draw consequences in the event of violations, which may lead to the termination of the business relationship.

The [Supplier Code of Conduct](#) can be found on our [homepage](#).

### Validity of this declaration of principles

*This declaration of principles enters into force upon signature. No rights of individuals or third parties can be derived from this declaration of principles. This declaration of principles will be reviewed and updated regularly and as required.*

Regensburg, January 2024



Holger Ketterer, CEO



Dr. Heinrich Uekermann, CFO

Management SGB-SMIT Beteiligung GmbH