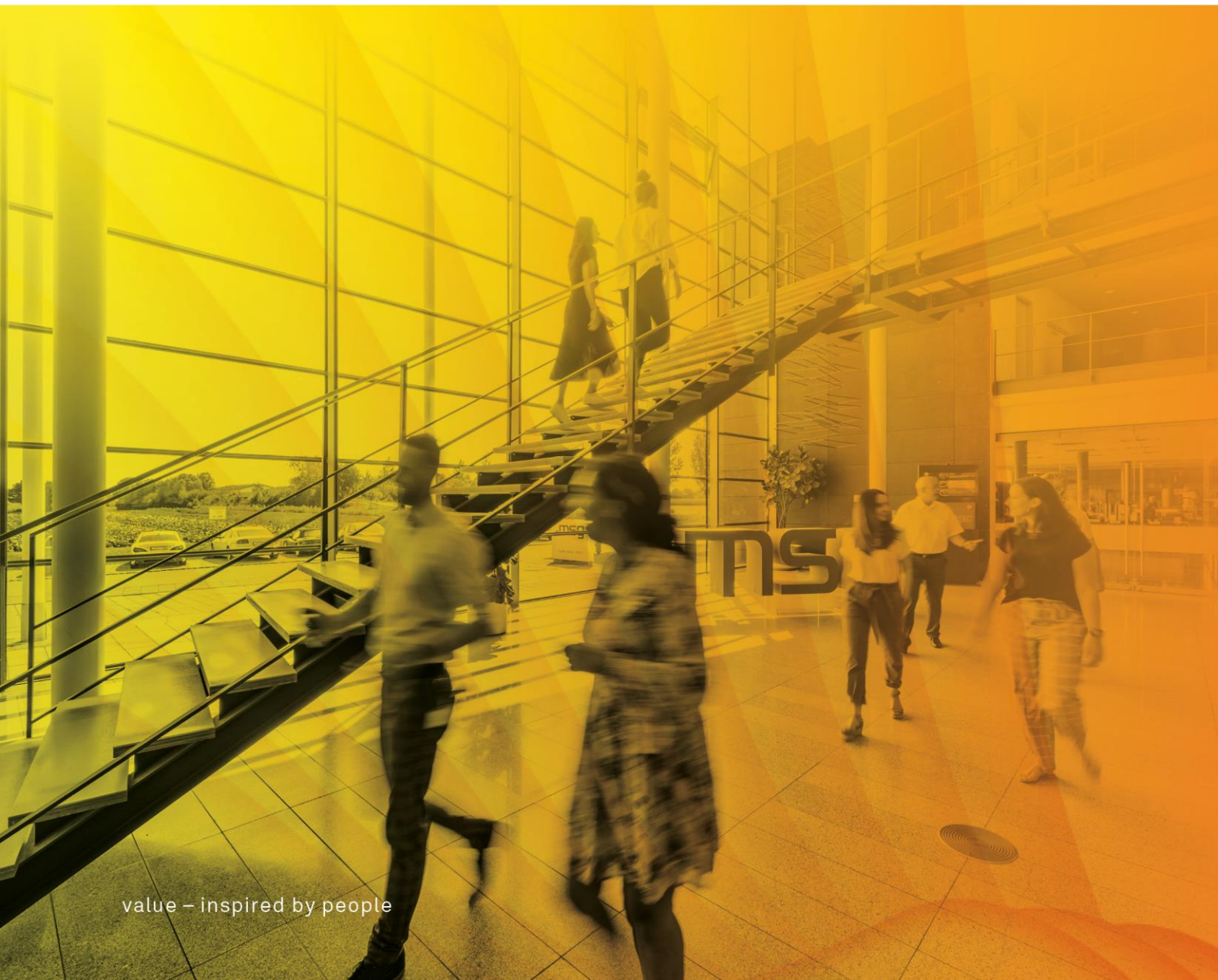




# Policy Statement Relating to the German Supply Chain Due Diligence Act (*LkSG*)

msg Group GmbH und msg systems ag



## **1. Preamble**

As an internationally operating company, we are aware of our social and environmental responsibilities. We contribute to a sustainable and human rights-respecting supply chain by minimizing potential negative impacts of our offered services and products for our business partners within the value chain. This includes respecting human rights and environmental obligations in accordance with the Supply Chain Due Diligence Act within our own business area and with our suppliers along our legal responsibility.

Even before the Supply Chain Due Diligence Act came into force, msg voluntarily committed to respecting the fundamental principles and minimum standards for decent work (ILO Core Labor Standards). Additionally, msg has joined the UN Global Compact and is a signatory member of the Diversity Charter.

This policy statement applies to the company msg Group GmbH as the ultimate parent company / (group parent company within the meaning of the Supply Chain Due Diligence Act) and msg systems ag as its independently affected subsidiary (hereinafter collectively referred to as "msg"). If subsequent statements apply exclusively to one of the mentioned companies, this will be clearly indicated.

## **2. Expectations**

We expect our employees to support msg to the best of their ability in preventing, minimizing, and, where possible, ending the human rights and environmental risks described under the law in an appropriate manner.

From our suppliers, we also expect them to respect human rights and environmental obligations, address them appropriately in their supply chains, and support us in fulfilling our due diligence obligations.

We communicate these expectations to employees and suppliers in various forms. For our suppliers, we have adjusted contracts and created a Supplier Code of Conduct. Regarding our employees, we have expanded and updated our Code of Conduct and introduced mandatory training on the Supply Chain Due Diligence Act.

## **3. Risk Management according to Section 4 Supply Chain Due Diligence Act (LkSG)**

msg has established a risk management system in accordance with the Supply Chain Due Diligence Act, which is anchored in our business processes, particularly through the following measures: msg has created the position of a Human Rights Officer according to Sec. 4 para. 3 Supply Chain Due Diligence Act (LkSG). This officer is responsible for monitoring the risk management to ensure compliance with due diligence obligations under the Supply Chain Due Diligence Act and regularly reporting to the executive board. The Human Rights Officer is not bound by instructions in this role.

Consultative services regarding the Supply Chain Due Diligence Act are primarily provided by the relevant departments.

These designated departments can analyze recognized risks early on and actively manage them through their own preventive measures.

To implement these measures, employees are provided with operational agreements, guidelines, and internal handouts, among other resources.

Additionally, information sessions on legal changes and process training for all relevant employees are conducted regularly, at least once a year.

Our management is responsible for this policy statement and its implementation, and also regularly informs itself, at least once a year, about the work of the responsible individuals.

## **4. Risk Analysis according to Section 5 Supply Chain Due Diligence Act (LkSG)**

### **a. Risk Analysis in Own Business Area**

For the purpose of risk analysis, inquiries were conducted in the relevant business areas. The business areas independently carried out and evaluated the risk analysis.

In 2023, msg initiated annual recurring as well as need-based risk analyses for the human rights and environmental risks mentioned in the Supply Chain Due Diligence Act within its own business area. Additionally, risk analyses are conducted as soon as specific indications suggest that human rights or environmental obligations may be violated. Possible risks identified include potential disparities in employment conditions or exceeding the applicable maximum working hours at msg systems ag.

The evaluation of the methodology of these risk analyses revealed that the risk analyses conducted by the previously mentioned business areas were independent of each other, staggered over time, and not fully coordinated in content or methodically consistent. The methodology or process of individual risk analyses was also largely undocumented. It is planned to complete and further improve the risk analyses that are not yet fully comprehensive starting from the reporting year 2024.

#### **b. Risk Analysis of Suppliers**

In the reporting year 2023, msg conducted monthly and event-driven risk analyses regarding the human rights and environmental risks mentioned in the Supply Chain Due Diligence Act with direct suppliers. Additionally, risk analyses are conducted when substantiated knowledge is obtained, i.e., when we have actual indications suggesting a possible violation of human rights or environmental obligations by an indirect supplier.

During the conduct of supplier risk analyses, msg is supported by an external software provider. Initially, risks are identified abstractly according to industry and country-specific risks. If a supplier poses an elevated risk, a specific risk analysis is substantiated using questionnaires. The identified human rights and environmental risks are appropriately weighted and prioritized.

However, the evaluation of the methodology of the risk analysis by the Human Rights Officer in 2023 revealed that not all of msg's suppliers could be captured. This is due to the fact that contracts with suppliers were concluded outside of standardized procurement processes. The corresponding processes as well as other possible appropriate measures to optimize procurement processes are being examined and developed further.

In 2024, the risk analysis of suppliers will be further developed by the procurement department. In particular, criteria for abstract as well as specific risk analyses will be examined. Business relevance and questionnaire results will be used as a basis for this examination.

### **5. Preventive Measures according to Section 6 Supply Chain Due Diligence Act (LkSG)**

To mitigate human rights and environmental risks, we have implemented appropriate preventive measures in our own business area and with our suppliers. The adequacy of these measures is continuously monitored, documented, and adjusted as necessary. The results of the risk analysis are considered in the ongoing development and implementation of suitable preventive measures.

At present, the following measures and regulations are particularly included among these preventive measures:

#### **a. Preventive Measures in Own Business Area**

In the reporting year, the relevant business units began addressing identified risks to the protected goods of the Supply Chain Due Diligence Act according to their professional assessment with suitable preventive measures.

In the context of occupational health and safety, regular inspections are conducted to assess working conditions and fire safety aspects. Any potential abnormalities are documented, internally evaluated, and appropriate corrective actions are taken. Risk assessments help identify and evaluate potential risks for employees and visitors.

To comply with the protected goods of the Supply Chain Due Diligence Act, working and rest times are electronically recorded and regularly reviewed. Mandatory training sessions for employees and managers, as well as a grievance mechanism, are in place to prevent discrimination.

Additionally, departments such as the grievance mechanism are authorized to investigate complaints, provide advice, and decide on possible follow-up actions.

Furthermore, the msg Code of Conduct includes msg values as well as specific guidelines and behavioral rules for daily practice. In the course of revising the Code of Conduct, expectations regarding human rights and environmental protection were addressed to employees. The Code of Conduct is binding for all employees of msg systems ag by operational agreement.

To address the risks identified in the risk analysis within its own business area, preventive measures, including those mentioned above, were established even before the Supply Chain Due Diligence Act came into force.

#### **b. Preventive Measures at suppliers**

The msg Supplier Code of Conduct is the basis for a successful business relationship with msg. msg requires its direct suppliers to comply with the requirements of the Supplier Code of Conduct. This includes, in particular, compliance with the requirements of the Supply Chain Due Diligence Act as well as the relevant national and European laws, regulations, and other provisions, as well as recognized basic standards for occupational safety, health and environmental protection, labor and human rights, and responsible corporate governance. Furthermore, they are required to pass on the requirements in the supply chain. If the identified risk regarding the supplier changes, the Supplier Code of Conduct can be amended accordingly to address the risks appropriately at the contractual level. As part of the Supplier Code of Conduct, we reserve the right to conduct trainings and supplier audits with our suppliers. In addition to contractual arrangements, media screenings are conducted to reduce risks.

### **6. Remedial Action according to Section 7 LkSG**

#### **a. Remedial Action in own business area according to Section 7 para. 1 LkSG**

In the year 2023, individual business areas identified potential risks regarding human rights-related obligations within msg's own business area in accordance with Sec. 2 para. 6 Supply Chain Due Diligence Act (LkSG). Prompt and appropriate remedial measures were taken for these to prevent, terminate, or minimize future violations.

Regarding environmental obligations, no violations of legal interests of the Supply Chain Due Diligence Act have been identified since it came into force, at the time of submission of this statement.

For the fiscal year 2023/24, it is planned to take into account the previous insights gained from the development and implementation of remedial measures in case of new incidents.

#### **b. Remedial Action at direct suppliers according to Section 7 para. 2 LkSG**

In the reporting year and since the Supply Chain Due Diligence Act came into force, at the time of submission of this statement, no violations against the legal interests of the Supply Chain Due Diligence Act have been identified.

Should msg identify an occurred or imminent violation of human rights or environmental obligations, we will promptly take appropriate remedial measures.

For the fiscal year 2023/24, it is planned to consider the previous insights gained from the development and implementation of remedial measures in case of new incidents.

### **7. Complaint procedure according to Section 8 LkSG**

msg has established an appropriate internal complaint procedure, which enables individuals to raise concerns about human rights and environmental risks, as well as violations of human rights-related or environmental

obligations arising from msg's business activities in its own business area or with one of our direct or indirect suppliers.

Reports can be easily and securely submitted to an independent internal reporting office. The form and announcement were implemented appropriately based on the targetgroup. For this purpose, msg operates a confidential multilingual reporting channel via an internet-based whistleblowing tool, which is published on msg's external website, thus accessible independently of location, time, and company affiliation. The Supplier Code of Conduct also informs about our complaint procedure. The reporting platform makes anonymous reporting and correspondence possible.

msg does not tolerate any retaliation against individuals reporting concerns via the complaint procedure regarding actual or suspected misconduct, provided the reports are made in good faith. In case individuals reporting concerns are subjected to reprisals by msg employees or suppliers upon awareness, msg investigates and, if necessary, takes appropriate measures within the available options.

Received reports are processed within the Group Compliance department according to a process described clearly and comprehensibly in our procedural rules. Only suitable and qualified employees, acting impartially in this function, are entrusted with handling the cases; they operate independently, are not bound by instructions, and are obliged to maintain confidentiality.

No reports regarding violations and risks related to human rights and the environment were received via the complaint procedure at msg in the year 2023.

As part of the initial analysis of the complaint procedure, the relevant processes and the written procedural rules at msg were reviewed. Topics for improvement were identified concerning the involvement of key target groups in the design of the complaint procedure and the identification of their individual needs, such as ensuring barrier-free accessibility.

## **8. Documentation and Reporting according to Section 10 LkSG**

In accordance with the requirements of the Supply Chain Due Diligence Act, we will prepare a report for the fiscal year 2023, publish it on our website, and submit it to the Federal Office for Economic Affairs and Export Control (BAFA). Additionally, we continuously document our measures to fulfill due diligence obligations.

The documentation of due diligence fulfillment as per Sec. 3 Supply Chain Due Diligence Act (LkSG) by msg is ongoing and centralized. The involved departments as well as the Human Rights Officer each document their respective activities.

An initial analysis of the Human Rights Officer's fulfillment of documentation obligations revealed topics for improvement concerning the availability and timeliness of documentation in all aforementioned areas.

The results were presented to the board in October 2023, explained, and appropriate measures were decided upon.

The monitoring of annual internal and external reporting to the management and the Federal Office for Economic Affairs and Export Control (BAFA) according to Sec. 4 para. 3 sentence 2 and Sec.10 para. 2 Supply Chain Due Diligence Act (LkSG) is carried out by the Human Rights Officer.



Dr. Jürgen Zehetmaier

Chairman of the Management Board msg systems ag and Management msg group GmbH