

Umsetzung unternehmerischer Sorgfaltspflichten im Hinblick auf Menschenrechte und Umweltstandards

PreZero Stiftung & Co. KG
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Strategy & How it is Embedded in the Organization

The companies of Schwarz Group resolutely comply with their corporate due diligence obligations regarding human rights and environmental standards. In keeping with this general approach, we at PreZero Stiftung & Co. KG also make our contribution.

Our Executive Board bears overall responsibility for the corporate due diligence obligations of PreZero Stiftung & Co. KG. To ensure the fulfillment of all our due diligence obligations, we have established a human rights and environment-related risk management system, which falls under a defined core compliance topic within our Compliance Management System. The Legal & Compliance department is responsible for monitoring risk management and the organization of the core compliance topic. Implementation of the core compliance topic itself is in turn an interdepartmental responsibility that lies with the departments Legal & Compliance, Corporate Social Responsibility, Corporate Governance and all operational departments that work directly with suppliers. Our aim in this regard is to integrate the necessary measures and processes in all of our operating processes and workflows.

In addition to the expertise available internally in the aforementioned departments, we also work with external experts and consultants, particularly auditing and consulting firms, to ensure that we have access to specialist, up-to-date knowledge and experience in the areas of human rights, environmental standards and supply chain due diligence.

For the purpose of fundamental decision-making processes within the human rights and environment-related risk management system, we have established a committee that is in charge of these processes and we have sourced its participants from our Executive Board. This committee was consulted, particularly during the implementation of measures to ensure compliance with corporate due diligence obligations. The regular discussion of risk management issues with the committee and the Executive Board is ensured by way of regular meetings, ad hoc reporting or discussion of the risk analysis results, with the latter fitting into our existing reporting structure. In general, a report on risk management developments is delivered to the Executive Board annually, and whenever needed. While carrying out our human rights and environment-related due diligence obligations, we reformulated our policy statement. It illustrates our human rights strategy that is reflected in our risk management, the core compliance topic and the processes and measures derived from them. In this document, we not only formulate the general position of PreZero Stiftung & Co. KG on human rights and environmental standards, but we also acknowledge our corporate due diligence obligations, describe how we transparently fulfill them, outline the expectations we place on ourselves, provide details of our established channels for reporting complaints and the results of the latest risk analysis. The [policy statement](#) was published in August 2023 and is available on our website to all stakeholders. In general, our risk management incorporates the interests of potentially affected parties. Examples of this are the complaints process available to all

stakeholders and the risk analysis, which assesses the severity of a potential breach or violation. Further information is provided in the following sections.

Risk Analysis

As PreZero Stiftung & Co. KG, we carry out annual and ad hoc risk analyses to identify, rate and assign priority levels to human rights and environment-related risks within our own organization and along our supply chain. Our current risk analysis looks at PreZero Stiftung & Co. KG and its group companies domiciled in Neckarsulm (e.g., GreenCycle GmbH, PreTurn GmbH, OutNature GmbH, PreZero International GmbH, PreZero Polymers, PreZero Dual GmbH). It is based on data compiled between September and November 2022 and analyzed through December 2022.

The risk analysis adopted for our own organization examines typical supply chain activities that could entail a risk of human rights violations and/or the violation of environmental standards. It is conducted with the help of a survey prepared for that purpose. The survey is completed by all relevant departments and then evaluated based on a scoring system, which particularly assesses the severity and likelihood of a violation. As regards our direct suppliers, the risk analysis considers the severity and likelihood of occurrence, the factors potentially leading us to engender this risk ourselves and our ability to influence the relevant risk factors. A subsequent risk classification is performed based on the analysis of recognized indices and studies regarding the risk assessment for countries of origin, raw materials and products and – in some cases – in consultation with civil society organizations and experts. This classification is done by assigning priority levels (levels 1 to 6, with 1 being the highest priority), which indicate the need for action (low/medium/high/very high) in relation to the individual case. This allows us to create an individual risk profile showing potentially applicable risks for direct suppliers. The next step is to determine which suppliers need to be investigated further due to a specific risk. The risk situation of these suppliers is determined based on further information, including information regarding applicable control mechanisms already in place. The analysis also takes into account the deeper supply chain.

The current risk analysis identified material core risk topics within our own organization and in relation to direct and indirect suppliers. These topics refer to the gross risk (potential risks without considering measures already implemented) in the areas of child labor, forced labor, threats from security services, the handling of mercury and occupational health and safety. In light of the statistical human rights and environmental risks which arise in connection with certain raw materials as well as the relevance of those raw materials for our procurement activities, the following were also identified as risk raw materials: aluminum (bauxite), cotton, cobalt, copper and silicon. Following on from the analysis, all identified gross risks were subject to an internal review to work out which potential risks were an actual threat and in which units they could be covered and therefore preemptively eliminated by means of preventative

measures, certifications or other suitable measures (netting process). This process was not fully completed within the current reporting period.

The results were communicated to key decision-makers within PreZero Stiftung & Co. KG. As the risk analysis under review was the first analysis to take into account the requirements of the Act on Corporate Due Diligence Obligations in Supply Chains (*Lieferkettensorgfaltspflichtengesetz – LkSG*), it is not yet possible to draw comparisons with previous results. There were no ad hoc risk analyses conducted in the current reporting period because the information available to us provided no indication that any additional analysis would be required.

Established Preventative Measures

Based on the findings of our risk analysis, we devised preventative measures and remedies which help, both individually and collectively, to prevent, mitigate or eliminate adverse impacts caused by our business activities. Some of these measures were even able to be completed during the current reporting period. For the measures still outstanding, the date of completion has been noted. The preventative measures include:

- > renewing and updating our public commitment to respect people and the environment along our entire supply chain in the form of our [policy statement](#) (published in August 2023);
- > extending the scope of our business partner assessment, which is conducted before entering into any new business relationship, with regard to potential human rights and environmental risks (measure in place since July 2023);
- > amending and expanding our existing [Code of Conduct](#) with regard to upholding human rights and complying with environmental standards in the supply chain (published in June 2023);
- > developing necessary contractual mechanisms through which the contracting parties and others can warrant compliance and acknowledgment of our expectations in relation to human rights and the environment as outlined in our Code of Conduct, and which include termination options in the event of violations (applicable since June 2023);
- > designing a compulsory training course for all employees, which has to be completed every year on an ongoing basis (measure in place since April 2023), and establishing a training course for relevant [suppliers](#) on the topic of corporate due diligence obligations, which is used by all companies of Schwarz Group;
- > further developing the existing [complaints process](#) via which human rights and environmental violations can be reported anonymously;
- > publishing [rules of procedure](#) for the complaints process, which outline the channels for reporting complaints and describe the process;

- > revising the Group-wide purchasing and procurement strategy (applicable since August 2023); and
- > reviewing relevant certifications (e.g., ISO certifications) to which we commit ourselves, also while standards are being further developed and in the context of funding projects.

We firmly believe that the preventative measures that we have put in place are appropriate and that they effectively offset the identified risks: They raise the awareness of all stakeholders within PreZero Stiftung & Co. KG and our supply chains of issues relating to human rights and environmental standards, and clearly communicate our expectations.

Established Remedies

Since it is not possible to define remedies by default and in advance in the context of business relationships with direct or indirect suppliers, we assess defined risks, findings and reports on a case-by-case basis. To that end, we analyze the specific need for corrective action and improvement. Part of that analysis involves considering the expectations of the people affected by the violation. Necessary remedies may include internal measures within our own organization, such as process modifications, new policies and guidelines or improved training concepts. Alternatively, measures with or with respect to third parties may be necessary. In the event of an identified violation of human rights or breach of environmental obligations, we work with our suppliers to develop a tailored concept for preventing, eliminating or minimizing the extent of any such violation or breach. This enables us to take into account any special characteristics of specific suppliers – such as the sector in which they work, their products and services, and country-specific risks – and to implement appropriate measures. If a supplier takes no remedial action, we also reserve the right to end the business relationship.

No violations of human rights or environmental obligations were identified in the current reporting period.

Effectiveness Review

In order to be able to review the effectiveness of our preventative measures and remedies on an annual and ad hoc basis, we are currently developing an effectiveness review system and are constantly working on improving our processes, measures and systems. As part of this process, we are developing, for example, a survey to measure the effectiveness of the compulsory training course for all employees (since July 2023). We also design regular and risk-based controls that can be performed during internal audits and audits of suppliers.

In the current reporting period, we were already able to receive reports about the effectiveness of established measures through our existing channels for reporting complaints. The information reported is handled in accordance with our publicly available [rules of procedure](#).

The results of the investigation are documented in corresponding reports. If a human rights or environment-related risk exists or an obligation has been breached, necessary and appropriate remedial action is planned and pursued in consultation with the relevant departments (e.g., Health & Safety, Corporate Social Responsibility, Human Resources, Purchasing, Procurement). The findings are also taken into account accordingly in the risk analysis.

In general, collaboration with civil society organizations, experts and other companies represents a key way for us to assess the effectiveness of the measures we take, to achieve improvement and to resolve complex social problems in a spirit of cooperation.

Complaints Process

Our [complaints process](#) enables employees and individuals in the supply chain to alert us to human rights and environment-related risks that concern our own organization or the supply chain. First of all, there is the option of reporting matters via the publicly available [online reporting system](#), which can be accessed through our [website](#). This system allows employees and other third parties to report matters in confidence and, if desired, also anonymously, 24 hours a day, seven days a week. It provides a simple and secure method of reporting and ensures that all reported matters are properly recorded and handled by the responsible department, Legal & Compliance of PreZero Stiftung & Co. KG. In addition, employees and third parties can report matters directly to an external and independent ombudsperson or to the Compliance Office of PreZero Stiftung & Co. KG. These channels are also publicly accessible via our [website](#). The information reported is handled in accordance with our publicly available [rules of procedure](#).

Whenever any of our channels for reporting complaints are used, it is ensured that the reported matter is treated confidentially, that whistleblowers are not discriminated against for having disclosed information and that reported matters are always handled in accordance with applicable law. These requirements are laid down in internal guidelines on the handling of whistleblower disclosures and the protection of whistleblowers. Any violation of these requirements constitutes a compliance violation and is punishable as such.

In the current reporting period, we did not receive any reports through our channels for reporting complaints about violations of human rights or environmental standards.

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Contact