



Policy Statement on Human Rights and Environmental Due Diligence



Foreword

Foreword by the Managing Board

For more than 40 years, the SMA group has been contributing to building a climate-friendly, secure and cost-effective electricity supply based on renewable energies worldwide. Our products and solutions enable households, companies and power plant operators all over the world to generate, store and use power sustainably and efficiently.

From the very beginning, we have been firmly convinced that it is not enough to simply develop innovative technologies for sustainable energy generation. It is equally important for these technologies to be developed in compliance with high environmental, social and governance standards. That is why "holistic sustainability" is a key goal of our corporate strategy. To achieve this goal, we are assessing the impact of our business activities along the entire value chain and continually implementing measures to improve our sustainability performance.

In addition to our own business area, we are also focusing on our global supply chains. Close cooperation with our suppliers and other business partners will be instrumental in us achieving our sustainability goals. Like us, our business partners undertake to comply with the legal and ethical standards that we have set out in our Business Partner Code of Conduct. In this Policy Statement on Human Rights and Environmental Due Diligence, we also outline the principles and values that guide our actions, our risk management system, and the measures and controls we put in place to ensure sustainable supply chains. It is our commitment to take corporate responsibility for sustainable development beyond the boundaries of our own company, and it underlines our strategic aspiration to play a leading role in shaping a better future.



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General information

/ Area of application

The area of application of this policy statement extends to the entire company and thus to SMA Solar Technology AG and all group companies over which SMA Solar Technology AG exercises a controlling influence (hereinafter referred to as the “SMA group”). The area of application also extends to business partners of the SMA group, especially direct suppliers and indirect suppliers throughout the supply chain.

/ About our policy statement

This policy statement was issued by the Managing Board of SMA Solar Technology AG on behalf of the SMA group. Relevant internal stakeholders also had a hand in developing this policy statement.

The policy statement will take effect on January 1, 2024, and it will be reviewed on an annual and ad hoc basis to ensure that it is up to date. It will be updated, in particular, in the event we make changes to our risk management system or identify new risks.

/ Our principles for respecting human rights and the environment

The SMA group pursues the strategic goal of holistic sustainability and thus endeavors to put sustainability into practice, not only in its own business processes but also along the value chain. We continuously work to ensure compliance with human rights throughout the value chain and to reduce negative environmental impacts. To this end, we assess opportunities and risks along the entire value chain and define strategies and measures with these in mind.

The Managing Board of SMA Solar Technology AG is committed to comply with internationally recognized standards. These include the following:

- **The International Bill of Human Rights**
- **The OECD Guidelines for Multinational Enterprises**
- **The core labor standards of the International Labor Organization (ILO)**
- **The United Nations Guiding Principles on Business and Human Rights**

As part of our reporting obligation under the UN Global Compact – to whose ten principles in the areas of human rights, labor standards, environmental protection and anti-corruption the Managing Board of SMA Solar Technology AG has made a firm commitment – we have been reporting on progress in its constituent areas since 2011. In joining the “Diversity Charter” in 2011, we also undertook to create a work environment in which all employees have the same opportunities for development, regardless of gender, nationality, religion or ideology, disability, age or sexual orientation.

We have set out our values and principles in our Employee Code of Conduct. We also outline the expectations we have of our business partners, and especially our direct suppliers, in the SMA Business Partner Code of Conduct. These documents are available on our [Website](#).



Our Commitment to Respecting Human Rights and the Environment

/ Prohibition of child labor and protection of young people

The SMA group firmly rejects child labor throughout the entire supply chain in accordance with the ILO core labor standards. The minimum age for employment at the SMA group is 16 years.¹ Children under the age of 18 must not be exposed to situations, either within the SMA group or in our supply chain, which are hazardous or unsafe for their physical and mental health and development.²

/ Prohibition of forced or compulsory labor

Forced or compulsory labor is any work or service that a person has not voluntarily agreed to perform and is compelled to perform under threat of punishment or retaliation or is required as a means of re-paying debts. The SMA group opposes forced and compulsory labor in accordance with the ILO core labor standards in its own business area and throughout the SMA supply chain. Employees must have the right to leave the workplace at the end of the working day, and employees have the freedom to terminate the employment relationship within what are reasonable or legally prescribed notice periods. Original employee identification documents may not be retained. In addition, employee benefits or property may not be withheld to coerce employees to continue their employment.³

/ Occupational health & safety

The health and safety of our employees is a top priority for us. Our areas of focus are the prevention of work-related accidents and illnesses as well as holistic health promotion and ergonomics. We consistently comply with the applicable legislation on occupational health and safety and also set our own global minimum standards. Our headquarters in Niestetal has a management system that is certified to ISO 45001. Every employee is given the opportunity to report hazards in the workplace or to cease work that objectively poses a risk to health and safety. We also expect our business partners to create working conditions that guarantee the health and safety of their employees too.⁴

/ Right to freedom of association

Employees of the SMA group generally have the right to form, join and organize trade unions and to become active within a trade union. This right can only be restricted by local legislation. We do not tolerate unequal treatment of employees, negative consequences or retaliation for joining an employee organization, and we respect the work of employee organizations.⁵

¹ This rule does not apply to apprentices and interns.

² ILO Conventions 138 and 182 and Recommendation 146

³ ILO Conventions 29 and 105

⁴ ILO Conventions 155 and 187

⁵ ILO Conventions 87 and 98

/ Protection against discrimination

We do not tolerate discrimination or unequal treatment based on gender, nationality, ethnic or social origin, statement of belief, ideology, disability, age, sexual orientation, identity or any other legally protected status. The prohibition of unequal treatment also extends, in particular, to the prohibition of unequal pay for work of equal value.⁶

/ Fair pay

We recognize the commitment and performance of our employees through appropriate compensation in line with the market as well as comprehensive company benefits. We ensure that we pay the applicable minimum wages. Pay slips are made available to employees. The compensation system used in the SMA group ensures transparency and comparability of pay across all categories of employment. The overall package for our employees also includes country-specific monetary and non-monetary company benefits such as financial participation in the company's success, company pension schemes and family-oriented services as part of our family service.

/ Environmental protection

By handling resources responsibly and using renewable energies, we aim to minimize the environmental impact of our business activities and protect the climate. We thus help establish the conditions for a livable future for all people. Our certified environmental management systems in accordance with ISO 14001 and our energy management system in accordance with ISO 50001 at our headquarters in Niestetal help us continuously improve our processes. We evaluate and address negative environmental impacts throughout the entire product life cycle. We comply with the relevant laws on environmental protection and the handling of hazardous chemicals. Mercury is not used, neither in our own business area nor in any of the components we procure.⁷ We comply with the bans on persistent organic pollutants⁸ and ensure throughout the SMA group that no hazardous waste is moved across borders.⁹ Where defective inverters are moved across borders, this is for the sole purpose of repair and fault analysis if this is not possible locally.

/ Prohibition of unlawful eviction and deprivation of land

When we acquire or build new sites, we adhere to global standards in the planning phase to ensure compliance with the ban on unlawful forced eviction and the ban on unlawful deprivation of land, forests and waters.

/ Due diligence in the use of security personnel

Security personnel are only used to a very limited extent within the SMA group. Where this is the case, we ensure that any security personnel instructed by the SMA group behave in a lawful manner toward employees or third parties and comply with human rights due diligence obligations. Security personnel recognize our Code of Conduct and are trained on its contents.

⁶ ILO Conventions 100 and 111

⁷ Minamata Convention on Mercury.

⁸ Stockholm Convention on Persistent Organic Pollutants

⁹ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.



Risk Management and responsibility

The SMA group's Policy Statement on Human Rights and Environmental Due Diligence aims to prevent or minimize risks to human rights and the environment and to prevent, end or minimize the extent of violations of human rights or environmental protection obligations.

To achieve this aim, we have established a comprehensive human rights and environmental risk management system. The Managing Board has appointed the Head of Sustainability as its human rights officer charged with overseeing the group's due diligence obligations. By monitoring the effectiveness of our risk management system, we ensure the success of our measures and actions and the continuous improvement of our processes. Within the Sustainability Committee, the Managing Board is kept regularly informed about the work of the human rights officer.

Responsibilities for the operational implementation of risk management are clearly defined within the SMA group. The risk management processes that concern direct and indirect suppliers are firmly incorporated within the Global Strategic Procurement department. Specialist departments and functions such as Global Integrated Management Systems, Health & Safety and Global Diversity are responsible for implementing the necessary measures for our own business area. Risk management comprises risk analysis, risk assessment and prioritization, derivation of preventive and corrective actions, a grievance mechanism and review of effectiveness. Risk management is documented and we report regularly on our corrective actions, reviews of effectiveness, documentation and reporting.

/ Risk analysis

Our risk management system is based on a process of risk analysis that covers our own business area and our direct suppliers. If there is substantiated knowledge of possible violations of human rights or environmental obligations by indirect suppliers, these are incorporated into the risk analysis. The risk analysis is updated on an annual and ad hoc basis. This may be the case, for instance, if the business activities of the SMA group are expanded to include additional locations or if new business relationships are established with direct suppliers. Substantiated knowledge of a possible violation of a human rights or environmental obligation by indirect suppliers will also result in the risk analysis being updated. Substantiated knowledge means we have actual evidence that an obligation has been violated. We use system-based processes, available risk information and knowledge gained in the course of our investigations to carry out the risk analysis.

Risk identification

Risks concerning our own business area and direct suppliers are systematically identified with the help of external data sources. Risks in connection with products and services, the type of activity and country-specific risks are evaluated for all risk categories in our own business area. Similarly, country-specific risks and product group risks in connection with the economic activity of direct suppliers are identified for direct suppliers. We also use information obtained from the grievance mechanism and from monitoring press reports within the risk identification process for both our own business area and direct suppliers.

Risk assessment

As part of risk assessment, the identified risks are evaluated and weighted considering the statutory appropriateness criteria for severity and probability of occurrence. The assessment of severity includes the factors of the degree and number of people affected and the factor of irreversibility. Detailed audit results, internal reports and completed questionnaires help substantiate the identified risks and enable assessment of these risks. This process step results in an actual risk disposition and an image of the negative implications for people and the environment.

Risk prioritization

In the final step of the risk analysis, risks are prioritized based on the criteria of capacity for influence and contribution to causation. The results with regard to human rights and environmental risks and implications are incorporated into our corporate decision-making processes and actions. These include, for example, decisions on the selection of suppliers and business partners and on the selection of locations for new group companies. The results also help us continually adapt our internal guidelines, actions and training measures to ensure compliance with our due diligence obligations.

Information on the prioritized risks of the SMA group can be found on our [Website](#).



/ Preventive actions

The SMA Employee Code of Conduct forms the basis for our preventive actions in our own business area. It creates a uniform company-wide framework that helps all employees consistently make the right decisions in the interests of the SMA group. It underscores the group's desire to fully comply with and implement all legal and regulatory requirements. It also commits all employees to act ethically, sustainably and with integrity at all times, to assume corporate responsibility and to treat others with respect. The Code of Conduct is publicly available on our [Website](#). All SMA employees are bound by the Code of Conduct. Extensive training on the content of the Code of Conduct is delivered annually with various points of focus. Employees from the Purchasing department also receive training on our purchasing practices, procurement strategies and human rights and environmental topics, and they are made aware of the relevance of these topics. We also have a risk-based training plan for direct suppliers. This stipulates that direct suppliers for whom we have identified high risks must carry out training measures independently and provide us with evidence. If no evidence of training measures can be provided, we will require the relevant suppliers to participate in training on the topics of human rights and the environment to be delivered by an external service provider contracted by us.

The SMA Business Partner Code of Conduct sets out our standards and the expectations we have of our suppliers and other business partners with respect to the recognition of international standards and principles, health protection, occupational safety and product quality, respect for human rights and fair labor practices, fair competition, protection of confidentiality, information and property, environmental protection and responsible energy use. The Code of Conduct is binding for all direct suppliers as part of the general terms and conditions. Our direct suppliers also undertake to pass on this requirement in their supply chains. The Business Partner Code of Conduct is also publicly available on our [Website](#).

/ Corrective actions

Corrective actions are applied both in our own business area and at our direct suppliers. In the case of indirect suppliers, our defined processes regarding a corrective action plan take effect upon receipt of substantiated knowledge. If the violation is in our own business area, we take steps to ensure that it is corrected immediately. If the violation occurs at one of our direct or indirect suppliers within the supply chain, we endeavor to end any actual violations of human rights or environmental protection obligations without delay. To this end, an interdisciplinary team under the guidance of the purchasing department will work together with the relevant supplier to develop an action plan with set deadlines and responsibilities for correcting the violation. If necessary, we will assist in the implementation of the required measures. We reserve the right to suspend or terminate the business relationship if the violation is not corrected within the specified timeframe.

/ Grievance mechanism

With the Speak-Up Line, we have implemented a grievance mechanism that gives both SMA group employees and all external stakeholders the opportunity to report human rights and environmental risks or violations. The tip-offs can relate to the SMA group itself and to direct or indirect suppliers of the SMA group. The whistleblower system is operated by an external partner and can be used in the respective native language of the whistleblower. At the whistleblowers' request, their identity is kept anonymous. Whistleblower reports are always treated as strictly confidential. The SMA group assures all employees freedom from sanctions for reports made in good faith. Receipt of the tip-off is confirmed to the whistle-blower. The matter is then systematically investigated. Further information on our whistleblower system can be found on our [Website](#), where the system can be accessed directly by whistleblowers.

/ Review of effectiveness

We have established the Human Rights Working Group to ensure efficient cooperation and oversight regarding the effectiveness of measures taken. It is made up of representatives from Sustainability, Global Strategic Procurement, Global Human Resources, Corporate Governance & Compliance, Health & Safety, Environment, Legal, Corporate Audit, Risk & Information Security and members of the Works Council. The Human Rights Working Group monitors the implementation and effectiveness of the human rights and environmental risk management system and the associated requirements. We monitor the effectiveness of our risk management system using appropriate key indicators and by undertaking a regular status review for defined work packages. As Chair of the Human Rights Working Group, the human rights officer discusses any challenges and provides regular reports to the Managing Board on the work being done and the progress made.

/ Reporting

We provide information on the fulfillment of our human rights and environmental due diligence obligations on an annual basis in our Non-Financial Statement, which can be found on our [Website](#) as part of our Annual Report. From the 2024 fiscal year, we will also report on an annual basis to the German Federal Office for Economic Affairs and Export Control. The reporting format will be an electronic reporting questionnaire. We will also publish this report on our website.

Any questions?

Contact: HumanRights@SMA.de



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