



ACT ON CORPORATE DUE DILIGENCE OBLIGATIONS IN SUPPLY CHAINS POLICY (LIEFERKETTENSORGFALTSPFLICHTENGESETZ)

POLICY STATEMENT OF OERLIKON SURFACE SOLUTIONS

1. *What we stand for*

Oerlikon Surface Solutions Holding GmbH ("Oerlikon Surface Solutions") believes that all human beings should be treated with dignity, fairness and respect.

We are aware that our operations and supply chains may have a potential detrimental effect on those human and environmental rights stipulated in the German Supply Chain Act ("GSCA") and set out in **Annex 1** ("GSCA Rights"). Oerlikon Surface Solutions is committed to prevent, stop and/or mitigate in an appropriate manner GSCA Rights violations in the sphere of our influence and to ensure that we are not involved in, or benefit from GSCA Rights violations. We rather aim to strengthen the respect of GSCA Rights in the sphere of our influence and foster positive effects.

Oerlikon Group¹ has rules of conduct to uphold its standards worldwide and define the ethical and legal framework of all its business activities. As part of Oerlikon Group, Oerlikon Surface Solutions is embedded in and committed to this framework. The said rules include the Oerlikon Group Code of Conduct, Oerlikon Group Non-Discrimination and Anti-Harassment Policy, Oerlikon Group Policy on Sustainability, Health, Safety & Environment, Oerlikon Group Policy Against the Use of Child Labor, as well as our Oerlikon Group Supplier Code of Conduct. The Oerlikon Group Code of Conduct and named three policies address our commitment to GSCA Rights and clearly express our human rights-related expectations towards our employees², members of the management bodies and suppliers. When local laws allow behavior that is not permitted by our Oerlikon Group Code of Conduct, our code prevails. If international standards on human and environmental rights extend beyond or conflict with local laws, we adhere to the local laws while trying - as far as possible - to uphold those international standards. Our human and environmental rights-related expectations, including those regarding GSCA Rights, towards our direct suppliers are furthermore set out in our Oerlikon Group Supplier Code of Conduct. Our direct suppliers are expected to have an appropriate human rights risk management system and to adequately address these human and environmental rights expectations along their supply chain. To the extent possible, we expect them to support our GSCA activities. With respect to our joint ventures, Oerlikon Surface Solutions makes efforts - to the extent possible - to also implement our standards and ethical and legal framework at the business operations and suppliers of these companies.

We are aware that specific GSCA Rights are more likely to be affected by our and our suppliers' business operations. Oerlikon Surface Solutions currently considers the following risks regarding GSCA Rights to be the most likely ones to occur in our own operations and along our supply chains:

¹ Oerlikon Group means OC Oerlikon Corporation AG, Pfäffikon (Switzerland) with its direct and indirect subsidiaries, including Oerlikon Surface Solutions.

² The term "employee" in this statement refers to employees, executive staff, temporary employees, working students, graduands, apprentice and trainees of Oerlikon Surface Solutions and its subsidiaries.



Labor management relations, freedom of association, collective bargaining and appropriate wages

Oerlikon Surface Solutions operates globally and faces risks related to the assurance of international labor and social standards for its own and suppliers' employees. Oerlikon Group as a whole is committed to treat all employees fairly and with respect and to fully respect applicable employment and labor laws wherever it operates. Integrity and team spirit are two of Oerlikon Group's core values and aim at a respectful working environment honoring employee's right. Oerlikon Group's long-standing belief is that the interests of the Group and its employees are best served through a favorable, collaborative work environment with direct communication between employees and management. Oerlikon Group endeavors to establish these favorable employment conditions, to promote positive relationships between employees and managers, to facilitate employee communications, and to support employee development. Oerlikon Surface Solutions is fully committed to these expectations and principles. Oerlikon Surface Solutions constantly strives to increase employment opportunities and standards for our employees and - where possible - our suppliers' employees. Throughout our operations, we honor equal employment opportunities. Qualifications, skill and experience are the basis for choosing and promoting our co-workers. We prohibit and do not tolerate discrimination and harassment. No one shall be discriminated against on grounds set out in item 7 of the GSCA Rights listed in **Annex 1**. Oerlikon Surface Solutions respects the legal rights of its employees to form, join or to refrain from joining worker organizations, including labor organizations or trade unions, and the right to collective bargaining. Oerlikon Surface Solutions complies with the applicable local laws regarding employee and third-party involvement and will not discriminate based on an employee's decision to join or not join a labor organization. Oerlikon Surface Solutions respects the rights of employees to organize themselves and makes managers aware of those rights. Oerlikon Surface Solutions also respects its employees' rights to take part in collective bargaining. We abide by legally binding collective agreements and work effectively and constructively with the employee representatives. We take care that employee representatives do not suffer discrimination and that they have open access to members in the workplace. Oerlikon Surface Solutions is committed to pay appropriate wages which are at least the minimum wage determined by the applicable law.

Furthermore, at Oerlikon Group, a safe work environment that is free from and provides for protection against human trafficking and slavery as well as unlawful forced and child labor is core for us. It is a group-wide principle that we expect our suppliers and any other third party to respect these human rights, regardless of local legislation and customs. We are aware that some of Oerlikon Surface Solutions' suppliers have a history of acquiring conflict minerals in trade from multiple sources worldwide. In keeping with our commitment to corporate responsibility and upholding human rights across all operations, we are seeking to ensure that our suppliers source 3TG minerals exclusively from mines in conflict-free areas. Oerlikon Surface Solutions supports the EU Conflicts Minerals Regulation (2017/821) and the Dodd-Frank Wall Street Reform and Consumer Protection Act and have in fact taken steps that anticipated its concerns.

Principle of "Zero harm to people"

As a manufacturing company and service provider, accidents are a risk that we cannot entirely avoid. Oerlikon Surface Solutions' ambition with respect to health and safety is "zero harm to people". I.e. our goal is to ensure that no one comes to harm within Oerlikon Surface Solutions' sites or while working for Oerlikon Surface Solutions at external locations. We therefore put a strong emphasis on

the health and safety of our employees at our German and foreign sites. Oerlikon Group as a whole is committed to this principle and adherence to the relevant standards as well as monitoring of risks, accidents and defined measures is not only done locally, but also on Oerlikon Group level. Our integrated management system aims to ensure that the applicable workplace health, safety and environmental legislation is treated as a minimum standard in all areas where we conduct business. Our health, safety and environment program, which is based on hazard recognition, risk assessment and the elimination of risks, seeks to establish an incident-free work environment.

Environmental protection

With our Oerlikon Code of Conduct and Policy on Sustainability, Health, Safety & Environment, applicable to all employees and members of management bodies, we uphold our standards worldwide and define the ethical and legal framework of all our business activities. Our operations and manufacturing processes require amongst others the use of resources like land, water and energy and result in emissions. Oerlikon Surface Solutions has long recognized the need to reduce this impact of our business on the environment. We therefore constantly strive to reduce the use and consumption of resources along our operations and the generation of waste and to take improvement measures in this respect. For water discharged, we comply with local regulatory requirements and regularly perform compliance checks on effluent discharged when conducting our health, safety and environmental checks. We monitor our energy consumption on a regular basis and continuously improve the quality of our reporting on waste. We further engage in analysis to identify energy consumption, and waste disposal practices, and practices that result in greenhouse gas emissions that we need to manage more effectively. We work in close cooperation with our suppliers and local authorities to carefully control and minimize impact that arises from our activities on the immediate and wider environment. Compliance with legal and official requirements for environmental protection is one of our principles. Maintaining a program for the continuous improvement of our environmental management system ensures that the objectives of this declaration are understood and observed through review and evaluation.

2. Our approach to implement the GSCA and corresponding due diligence processes

As part of the human rights' due diligence process, Oerlikon Surface Solutions strives for continuous improvement and further development.

Risk analysis

We understand it as part of our GSCA obligations to get an even better understanding and visibility of potential and actual GSCA Rights aspects at our own operations and along our supply chains. Oerlikon Surface Solutions will therefore continue its risk analysis with a specific focus on GSCA Rights in accordance with the GSCA at its own operations and regarding its suppliers. This includes that GSCA Rights risks are being analyzed from the perspective of (potentially) affected persons. For this risk analysis we will continue to use an officially recognized analysis solution of an external provider to identify and evaluate GSCA Rights risks potentially or actually resulting from our own operations and our direct suppliers and supplier changes. We are using the external provider to ensure an initial risk mapping of our supply chain to identify inherent environmental and human rights risks so that we can conduct a more in-depth, targeted risk analysis and verification of the suppliers that present potentially higher risks.



After the regular risk assessment, we mitigate the risk in accordance to an established action plan. Our activities will also include an analysis whether there exists competent evidence of GSCA Rights risks along our supply chain and indirect suppliers. We regularly conduct a dialogue with internal stakeholders to gain additional insights on potential GSCA Rights aspects for Oerlikon Surface Solutions. These dialogues create awareness for GSCA compliance. The risk analysis pursuant to the GSCA will be continued on an annual and occasion-related basis in the future, e.g. in case of material changes of our business activities or the use of new materials or products, or competent evidence of GSCA Rights risk at indirect suppliers.

When conducting the GSCA risk analysis, Oerlikon Surface Solutions considers that we (i) operate globally and has multi-national supply chains, (ii) procure raw material, semi-finished and finished-products sourced and produced at different stages of upstream supply chains, and (iii) are positioned within of multi stage supply chains of suppliers and sub-suppliers. Those facts lead to a certain complexity and diversity and we consider them a material challenge of our risk analysis. Our above-mentioned rules of conduct address our commitment to and expectation with respect to applicable GSCA Rights. So far, adherence to our rules of procedures is to a certain extent monitored by a formal system that systematically and in a centralized manner gathers the data which of our operations are considered to have potential risks of GSCA Rights incidents and by suppliers. With respect to our suppliers, we have a supplier due diligence process as described below. We constantly make efforts to extend our supplier due diligence process to address further GSCA Rights aspects and to collect additional information regarding potential GSCA Rights risks. From the risks identified in the course of our risk analysis, we will prioritize those risks that may have the most negative impact for the affected parties or environment and following clear-cut action plans (with corrective actions). The prioritization will be based on our influence and our contribution to the GSCA Rights issue, the severity of the (potential) negative impact and the probability of the occurrence of the risk.

Complaints procedure

Oerlikon Group believes that an effective risk detection process must include a safe opportunity for whistleblowers to share their knowledge of risks and violations of rights with us. A robust whistleblowing process is therefore part of the compliance processes of Oerlikon Group, in which Oerlikon Surface Solutions has participated in the past. In the context of the GSCA, Oerlikon Surface Solutions strongly urges the reporting of any GSCA Rights incidents to prevent and early detect as well as effectively mitigate potential adverse effects on GSCA Rights. Employees are encouraged to report complaints to their immediate supervisor, their department head, any senior manager of their business unit, their local human resources representative, or their local procurement representative. In addition, employees, representatives, suppliers, third parties' employees and persons directly or indirectly concerned are encouraged to report complaints over the Oerlikon compliance communication channels – in particular our 24/7 Reporting Hotline "Speak Up". Our 24/7 Reporting Hotline "Speak Up" allows the complainant to bring up GSCA related issues on a confidential and anonymous basis. Any reported complaint will be promptly investigated in a transparent and standardized process. If possible, we aim at a cooperation with the complainant and an amicable and mutual development of actions and steps. In our rules of procedure for our complaints procedure we clearly commit ourselves to the protection of the whistleblower. Those rules of procedure and an overview of the responsibility and accessibility of the persons responsible are published on Oerlikon Group's homepage. In case of a justified suspicion or a specific tip on GSCA Rights risks or potential or actual violations of GSCA Rights at our own operations we will carefully assess the situation and matter of facts and define responsible steps to approach the situation.

Measures

Oerlikon Surface Solutions has a robust management system to ensure compliance with legal and regulatory statutes as well as internal standards. This management system comprises amongst others an allocation of clear responsibilities for decision-making and running the business and a compliance and risk management system. As a method, we use, among other things, an FMEA that we have further developed. It also includes training, communication and consulting activities designed to provide the respective individuals with the information and resources necessary to fulfill their responsibilities and understand their roles in ensuring compliance.

In the current initial phase of our risk analysis according to the GSCA, we started with the following two measures:

- (1) We began to systematically amend our risk management system by including GSCA Rights issues, e.g. we are currently amending our supplier audit checklist by additional GSCA Rights aspects. In addition, we intend to embed further specific GSCA due diligence processes in our management system on a personal, process and documentation level in the future.
- (2) We believe that building and increasing awareness of the GSCA and stakeholder engagement is a first step to address our GSCA responsibility. We therefore provided trainings and workshops regarding GSCA Rights and our obligations under the GSCA to Procurement, HR, HSE and Quality employees. We also introduced the GSCA to our employees via our internal communication channel. We intend to continue the training of and workshops at all levels as well as to give regular updates on our GSCA activities to our employees via our different communication channels.

Further prevention and remediation measures will be defined based on the results of our risk analysis and the prioritization of potentially identified risks. For the definition of those measures, we will also consider potential information received via our complaint procedure.

Our management system comprises a regular reporting of compliance issues to the management of Oerlikon Surface Solutions. We also have local management reviews, local board meetings and compliance review board meetings to discuss compliance issues and aspects at management board level of Oerlikon Surface Solutions on an annual basis. In the future, the reporting and discussions will also include the results of our risk analysis and specific GSCA Rights aspects. We also aim to consider the results of the risk analysis with respect to our business decisions on supplier choice, product development and responsibility and other areas as may be identified by our risk analysis.

Oerlikon Surface Solutions has a supplier qualification and onboarding process for new suppliers. This process includes the acknowledgement of a supplier self-information and Oerlikon Supplier Code of Conduct, as well as supplier audits, including on-site audits, based on defined standards and criteria also including aspects regarding GSCA Rights. Our Oerlikon Group Supplier Code of Conduct is furthermore part of our standard supply agreements and conditions of supply. We consider our processes, supply agreements and conditions of supply an important measure for engaging our suppliers with respect to GSCA Rights. We are aware that their effectiveness may be limited, nevertheless we expect our suppliers to support this standard in their own business operations and to adequately address this standard along their supply chain. However, Oerlikon Surface Solutions generally aims at developing long-standing supply relationships which will, with regard to GSCA Rights, allow for a more sustainable dialogue and collaboration with our direct suppliers. We assume that this co-operative approach may further foster effective results in this respect. Besides this, Oerlikon



Surface Solutions is aware that our procurement strategy and practices may also impact GSCA Rights directly and indirectly. We therefore aim at accompanying our measures towards suppliers by also considering GSCA Rights aspects specifically in our procurement strategies and practices in the future.

Based on the results of our risk analysis and information on GSCA Rights risks received via our complaints procedure, we will complement our existing procedures and measures by those preventive measures covering identified GSCA Rights risks at our operations and along supply chains. If a potential or actual violation of GSCA Rights is found at the business operations of Oerlikon Surface Solutions or along its supply chains, we will take appropriate remedial action(s) to avoid, end or minimize the extent of the violation by developing a responsible solution. This also includes – as the case may be – to make reparations to affected persons. In case of potential or actual GSCA Rights issues at direct suppliers, we will carefully review the issue and use best efforts to take up and mitigate the issue in cooperation with the supplier. In case of a severe abuse of GSCA Rights we reserve the right to suspend or – as a last resort - to terminate the supply relationship if remedial actions do not take effect or less severe remedial actions are not available.

Regular assessment

Both the effectiveness of our prevention and remediation measures as well as our complaints procedure will be assessed on an annual and occasion-related basis for avoiding, mitigating, and remedying adverse effects on GSCA Rights. Occasions that would trigger an assessment are e.g., a supplier or material change or extension of the GSCA Rights risk exposure at our own operations or at our direct suppliers due to the launch of new products or new projects or material changes of our business activities or fields.

We further intend to monitor on a regular basis if our measures are followed. With respect to our own operations, we intend to conduct due-diligence checks, risk-based audits, regular GSCA compliance check surveys of employees and the management with respect to particular issues as well as follow-up tips and complaints on potential GSCA Rights aspects. With respect to our direct suppliers, we will conduct regular risk-based audits of selected suppliers, such as commodity reviews, review of documents requested from the supplier as well as on-site audits, including aspects of social and ethics audits. It may be that our current or any future risk analysis identifies potential GSCA rights at our own operations or our direct suppliers that are not appropriately addressed by those measures in place or identified to be enacted. In such case, we will aim at the definition of a more appropriate measure to address such potential GSCA Rights at our operations or along our supply chains. In any case – to the extent practical and feasible – the definition of our measures will consider the perspective of affected persons.

This statement is issued prior to the completion of our current risk analysis activities. It will be reviewed on a regular basis and, as the case may be, amended accordingly.

Reporting

In our annual GSCA report, we will report on the fulfillment of our GSCA obligations. Such report will include amongst others information on identified violations of GSCA Rights, risks that have been prioritized due to certain aspects, and corresponding measures taken. It will also provide information on steps taken because of tips or complaints received via our complaints procedure and draw

conclusions with respect to future measures and GSCA due diligence processes to be defined and taken.

Our corporate social responsibility (CSR) and its presentation are based on international and national standards.

To comply with our human due diligence obligations, Oerlikon has defined certain responsibilities to monitor compliance with the due diligence obligations of the GSCA. These responsibilities lie with the Compliance, HSE, Supplier Quality and Quality Manager at Oerlikon Surface Solutions level.

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The management board of Oerlikon Surface Solutions



Paul Bussinger



Christoph Huber



Michael Ribbe



Martin Reich