

Report on the Implementation of Human Rights and Environmental Due Diligence Obligations

Documentation Based on the Supply Chain Due Diligence Act (LkSG)

Reporting period: July 1, 2023, through June 30, 2026

Organization	TQ Group
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Note on Presentation

This report describes the current status of the processes and measures implemented at TQ. Risk areas are distinguished from specific identified violations. Information on individual cases is published only to the extent necessary for a transparent presentation and does not disclose any business, supplier, or personal data that warrants protection.

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A. Strategy and Integration

A1. Oversight of Risk Management and Management's Responsibilities

What responsibilities for the oversight of risk management were established during the reporting period?

1. Managing Director Rüdiger Stahl – Primary Responsible Party
2. Head of Purchasing Dr. Ulrich Mach – Co-responsible
3. External Sustainability Officer – Consulting and Reporting

Has management established a reporting process that ensures it is regularly informed, at least once a year, about the work of the person responsible for overseeing risk management?

✓ **Confirmed**

Management is regularly informed, at least once a year, about the work of the persons responsible for overseeing risk management.

Describe the process for regular reporting to management.

The integrated management system includes a dedicated process for implementing supply chain due diligence obligations. The assessment of direct suppliers is conducted using the SAP system, based on country- and product-group-specific risks as well as existing risk-mitigation measures. If defined risk thresholds are exceeded, appropriate follow-up measures are initiated, such as requesting additional documentation or conducting risk-based supplier audits. Management is informed of significant developments and results during regular sustainability management meetings. The ESG risk of relevant suppliers is continuously updated and regularly monitored.

A2. Policy Statement on the Human Rights Strategy

Is there a policy statement that was prepared or updated based on the risk analysis conducted?

Yes. The current version is available on the TQ website: [Human Rights, Sustainability, and Environmental Statement](#)

Was the policy statement communicated for the reporting period?

✓ **Confirmed**

How was the policy statement communicated to the relevant target groups?

Human rights and environmental expectations are communicated to employees and relevant direct suppliers primarily through the Code of Conduct and the corresponding procurement and supplier management processes. For other interested parties, the Policy Statement is available on the TQ website.

What elements does the Policy Statement contain?

- Establishment of a risk management system
- Regular and ad hoc risk analysis
- Preventive measures within our own business operations as well as at direct and, where applicable, indirect suppliers, including effectiveness reviews

- Corrective actions within our own business operations as well as at direct and, where applicable, indirect suppliers, including effectiveness reviews
- Establishment of a complaint procedure, including an effectiveness review
- Documentation and Reporting
- Human rights- and environmental-related expectations for employees and suppliers

Description of possible updates and the reasons for them.

The policy statement is reviewed regularly and whenever there are significant changes in the risk situation or the underlying processes, and is updated as needed.

A3. Embedding the human rights strategy within the organization

In which key departments and business processes is the human rights strategy embedded?

- Human Resources
- Environmental Management
- Purchasing and Procurement
- Supplier Quality Management and Supplier Management
- Quality Management and Integrated Management System

How are responsibilities for implementation assigned?

The processes and responsibilities are defined in TQ's integrated management system and are reviewed regularly. The Quality Management department coordinates implementation together with the respective division heads, process owners, and functional departments—in particular Purchasing, Supplier Quality Management, Environmental Management, and Human Resources—as well as the Sustainability Officer.

How is the strategy integrated into operational processes and procedures?

The strategy is integrated into the relevant workflows through the guidelines and processes of the integrated management system, as well as through training videos, video conferences, briefings, and meetings.

What resources and expertise are provided for implementation?

Personnel resources and technical expertise from the relevant departments are provided as needed for implementation, along with external support when required. The system-supported risk analysis is supported by Purchasing, Supplier Quality Management, Quality Management, and IT. In cases of elevated risks, risk-based supplier audits are conducted.

B. Risk Analysis and Preventive Measures

B1. Conduct, Procedure, and Results of the Risk Analysis

Was a regular risk analysis conducted to identify, weigh, and prioritize human rights and environmental risks?

✓ Yes, for direct suppliers

How often is the risk analysis conducted?

The risk analysis is conducted at least annually and as needed. The assessment is system-supported, using current country- and product-category-specific risks as well as existing risk-mitigation measures.

How is the risk analysis conducted?

Based on publicly available databases and indices, ESG country risks are first identified and supplemented with TQ-related product category risks. Taking into account existing risk-mitigation measures—such as a signed code of conduct or appropriate certifications—an overall risk score is determined for each direct supplier. If a specified threshold is exceeded, appropriate measures are initiated to further minimize risk.

Were ad hoc risk analyses also conducted?

✓ Yes, in one case

What was the trigger?

The trigger was an external report of a possible violation of foreign trade laws or import-related regulations within the supply chain.

What were the findings of the analysis?

The tip was evaluated as part of an event-driven risk analysis. As a result, the system-supported audit mechanisms in the area of foreign trade controls were further developed.

How were findings from tips or complaints incorporated?

Findings from external reports are evaluated on a risk-based basis and, where necessary, are incorporated into the adjustment of relevant processes and control mechanisms.

Which risk areas were examined within our own business unit and among direct suppliers?

- Occupational safety and work-related health hazards
- Environmental pollution and damage to natural resources
- Freedom of association and the right to collective bargaining
- Forced labor and all forms of slavery
- Unequal treatment in employment
- Child labor
- Withholding of fair wages
- Prohibited production or use of persistent organic pollutants, as well as environmentally unsound management of such waste
- Prohibited import or export of hazardous waste
- Prohibited production, use, or disposal of mercury

What risks were identified among indirect suppliers?

None

What criteria were used to weight and prioritize risks?

- Severity of a potential violation based on the degree and number of people potentially affected
- Probability of occurrence
- Nature and scope of our own business activities
- TQ's ability to influence

- Internationally recognized country indices as well as existing certifications, evidence, and contractual assurances

What was the approach taken for weighting and prioritization?

When assessing and prioritizing risks, particular consideration is given to the severity and likelihood of a potential violation, the nature and scope of business operations, existing documentation and certifications, and TQ's ability to influence these factors. Appropriate documentation and effective risk mitigation measures are given due consideration in the supplier evaluation.

B2. Preventive Measures Within Our Own Business Area Which

risk has been prioritized within our own business area?

Occupational safety and work-related health hazards.

What specific risk is involved?

Particular attention is given to the risk of workplace accidents resulting from insufficient implementation of established technical, organizational, or personal protective measures in the manufacturing environment. The risk analysis revealed an overall low risk level for our own business area. No significant systematic human rights or environmental violations were identified.

Where might the risk occur?

This risk area can generally occur at various national and international production sites, for example in Germany, China, Slovenia, and Hungary.

What preventive measures have been implemented?

- Training and instruction in relevant business areas
- Risk-based control measures

How were the measures implemented?

Information and a training video on supply chain due diligence obligations are available to relevant employees. Supplier Quality Management and senior management are regularly informed of significant developments. In addition, regular occupational safety briefings are held for managers and employees.

How is the appropriateness and effectiveness of the training ensured?

Relevant supplier auditors are made aware of LkSG and sustainability-related issues. The required level of knowledge is supported through training and appropriate knowledge assessments.

How were risk-based control measures implemented?

Risk-based on-site audits covering ESG topics were conducted at selected suppliers with elevated risk ratings. Particular attention was paid to relevant product groups such as high-performance magnets and lithium-ion batteries.

How is the effectiveness of the measures assessed?

Necessary improvement measures were derived from the audits, agreed upon with the affected suppliers, and tracked according to their priority. Implementation and effectiveness are reviewed as part of supplier management.

B3. Preventive Measures for Direct Suppliers

Which risk areas were prioritized for direct suppliers?

- Occupational safety and work-related health hazards
- Environmental pollution and damage to natural resources
- Freedom of association and the right to collective bargaining
- Withholding of fair wages

Occupational safety and health: What is this risk area, and where can it occur?

This is an abstract risk area related to specific industries and procurement markets in the field of occupational safety and health. Specific indicators are assessed as part of risk-based supplier audits and other control measures. This risk area can occur in various procurement markets, such as China, Germany, and other European countries.

Environmental Pollution: What is this risk area, and where can it occur?

The focus is particularly on environmental risks associated with suppliers' production processes. Specific indicators are reviewed on a risk-based basis. This risk area can occur particularly in production processes with environmental implications, for example in China and Germany.

Freedom of Association: What is this risk area, and where might it occur?

In certain procurement markets, there may be legal or de facto restrictions on freedom of association and the right to collective bargaining, for example in China.

Fair compensation: What is this risk area, and where might it occur?

There is an abstract risk that locally applicable requirements regarding fair compensation will not be met. This risk area can generally arise in various procurement markets, for example in China and certain European countries.

What preventive measures have been implemented?

- Consideration of human rights- and environmental-related expectations in supplier selection
- Obtaining appropriate contractual assurances
- Training of selected employees in purchasing and supplier quality management
- Agreeing upon and implementing risk-based control measures

How are the adequacy and effectiveness of the measures assessed?

When selecting new suppliers, relevant requirements are taken into account from the outset. Selected employees in purchasing and supplier quality management are trained in practical and contractual implementation. Evidence and measures to mitigate risks are reviewed regularly. If necessary, further measures are defined and tracked.

B4. Preventive Measures for Indirect Suppliers

Which risks were prioritized based on ad hoc analyses of indirect suppliers?

None

How is this justified?

During the reporting period, there were no actual indications that would have necessitated an ad hoc risk analysis for an indirect supplier. Reports of potential human rights or environmental risks at indirect suppliers are evaluated as part of the complaint and risk management process and addressed appropriately if substantiated.

What preventive measures were implemented for indirect suppliers?

Since there were no concrete indications during the reporting period, no specific preventive measures were required for individual indirect suppliers. General requirements for the supply chain are addressed in particular through contractual provisions and the Code of Conduct for direct suppliers.

B5. Communication of Results

Were the results of the risk analyses communicated internally to relevant decision-makers?

✓ **Confirmed**

The results are communicated to senior management as well as to the departments responsible for purchasing, supplier quality management, and quality management.

B6. Changes to Risk Management

What changes in priority risks occurred compared to the previous reporting period?

During the reporting period, the risk assessment was expanded to include additional relevant product groups and locations and was further refined methodologically. This improved the differentiation of country- and product-group-specific risks. No significant changes to the fundamental priority risk areas resulted from this.

C. Identification of Violations and Corrective Actions

C1. Our Own Business Unit

Were any violations identified within our own business unit during the reporting period?

No.

What procedures are used to identify violations?

Potential violations can be identified in particular through the company-wide whistleblower system, the occupational safety and health organization, internal controls, and audits. During the reporting period, no such violations were identified within our own business unit.

C2. Direct Suppliers

Were any violations or relevant nonconformities identified at direct suppliers during the reporting period?

Yes. During risk-based on-site audits, relevant nonconformities were identified in the areas of occupational safety and work-related health hazards.

How were the findings weighted and prioritized?

The findings were assessed and prioritized in the respective audit reports according to their significance. Necessary measures were coordinated with the responsible parties at the affected suppliers, assigned deadlines, and included in the follow-up process.

What corrective actions were initiated?

To protect confidential business and supplier information, no details regarding affected suppliers or specific individual measures are disclosed. Necessary corrective actions were agreed upon, prioritized, and are being tracked for implementation and effectiveness.

How is the effectiveness of the corrective actions verified?

Implementation is monitored against the agreed-upon measures and deadlines. Completed measures are reviewed for effectiveness; if necessary, further measures are defined.

Have the measures led to the resolution or minimization of the issue?

The agreed-upon measures are at various stages of completion depending on their respective implementation deadlines. Measures that have already been implemented have been reviewed; pending measures are being tracked until completion.

Have existing preventive measures been reviewed?

Findings from the audits are evaluated to determine whether existing preventive measures need to be adjusted or supplemented. Necessary adjustments are implemented through established corrective and improvement processes.

In how many cases was the business relationship terminated as a result of these findings?

In no cases.

C3. Indirect Suppliers

Were any violations identified at indirect suppliers during the reporting period?

No.

D. Complaint Procedures

D1. Establishment and Access

In what form was a grievance procedure offered?

TQ provides an in-house grievance procedure via an external reporting channel.

The procedure and the rules of procedure are publicly accessible via the [TQ whistleblower system](#).

Which groups of people have access?

- TQ's own employees
- Employees of suppliers
- Communities in the vicinity of our own locations
- External interested parties, such as nongovernmental organizations and labor unions

How is access ensured?

- Publicly available written rules of procedure
- Information on contact details and jurisdiction
- Information on the procedure's process
- Clear and understandable presentation of the information

D2. Requirements for the appeals process

Who is responsible for the procedure?

An external reporting office under the responsibility of management is responsible. It reviews incoming reports, classifies them as necessary, and forwards relevant information to the appropriate authorities.

Do the responsible individuals meet the requirements for impartiality, independence, freedom from instructions, and confidentiality?

✓ Confirmed

Are there measures in place to protect whistleblowers from discrimination or punishment?

✓ Confirmed

How is confidentiality ensured?

The external reporting office operates outside of TQ's internal IT systems. Reports can be submitted without providing a name; further communication can also be conducted anonymously.

D3. Implementation of the Complaint Procedure

Were any LkSG-related reports received during the reporting period?

During the reporting period, no reports were received that, upon review, were classified as LkSG-related complaints.

E. Review of Risk Management

Is there a process in place to comprehensively review the adequacy and effectiveness of risk management?

✓ Confirmed

Which areas are reviewed?

- Risk Analysis and Prioritization
- Preventive Measures
- Corrective Actions
- Complaint Procedures
- Documentation

How is the audit conducted, and how are the results used?

The adequacy and effectiveness of risk management are regularly reviewed based on the processes embedded in the integrated management system, internal controls, the results of risk analyses and supplier audits, as well as feedback from the relevant departments.

In addition, relevant processes are reviewed as part of regular internal and external audits of the applicable and certified management systems. Identified nonconformities and opportunities for improvement are assessed and addressed through established corrective and improvement processes.

How are the interests of potentially affected individuals taken into account?

The interests of potentially affected individuals are taken into account, in particular, through the accessible and confidential complaint procedure. When determining preventive and corrective measures, the nature and severity of the risk, as well as possible impacts on affected individuals, are appropriately considered.