

# Due diligence in the supply chain

## Statement of Principles







“The materials made by VDM Metals enable many different industries to operate efficient and resource-saving processes. Even so, sustainable practices are merely an adjunct to our core business. At VDM Metals, we are committed to our corporate responsibility. Our basic understanding includes treating people with dignity and care and treating natural resources with respect.

As an internationally operating group of companies, integrated into the corporate structures of Acerinox S.A., we are aware of our social responsibility in the context of our business activities and are committed to respecting human rights, protecting the environment and taking responsibility for our supply and value chain within the framework of legal regulations.

We are therefore committed to protecting human rights and environmental concerns in our own business activities and in the upstream supply chain and to ensuring that human rights and environmental violations are prevented and remedied where necessary. We base our actions on internationally recognized standards and guidelines. We have set out our strategy for respecting human rights and environmental concerns in this statement of principles.”

Dr. Niclas Müller, chairman of the board



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UN Global Compact

## SUSTAINABLE DEVELOPMENT GOALS

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	



# 1. Preamble

VDM Metals is one of the leading developers and manufacturers of high-performance metallic materials. We reliably supply customers with future-oriented materials that make the difference when classic stainless steels do not meet the actual requirements. The specific property combinations of our materials allow them to withstand extreme corrosive and mechanical stress and open up a wide range of applications for our customers. Strips, sheets, wires and rods from VDM Metals are practically indispensable in numerous industries. Our modern powder materials also fuel additive manufacturing processes.

VDM Metals is headquartered in Werdohl, North Rhine-Westphalia and forms the high-performance materials division of the Acerinox Group based in Madrid. Over 2,000 employees at our locations in Germany and the USA work every day to continue our success story. Our products are distributed worldwide.

When it comes to the development and manufacture of high-performance materials, VDM Metals has for decades been successfully pushing the boundaries of what is technically possible. Pioneering spirit and resilience are required not only when it comes to developing new products and customer solutions, but also when consistently establishing compliance with the law and sustainability in the everyday business of an industrial company such as ours.

We are aware of the social and environmental responsibility associated with our business activities and want to do full justice to this. Our statement of principles is a clear commitment to effectively combating human rights violations and environmental protection violations as well as to establishing appropriate repression and prevention work: A groundbreaking commitment, internally and externally.

# 2. Our human rights and environmental protection-related expectations of employees and business partners as well as our specific risk management

VDM Metals is committed to full respect for human rights and the environment. The declared aim of our risk management is to identify and minimize risks to people and the environment at an early stage and to counteract the violation of related duties of care through appropriate measures, or to eliminate and/or make amends.

Applicable law such as the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG) and international standards and conventions to protect people and the environment form the basis of our actions.

We have decided to actively participate in the following agreements and initiatives on a voluntary basis:

## **UN Global Compact**

Based on ten universal principles and the sustainable development goals, it pursues the vision of an inclusive and sustainable economy for the benefit of all people, communities and markets, today and in the future.

## **Responsible Minerals Initiative (RMI)**

Under the umbrella of the Responsible Business Alliance (RBA), RMI is committed to developing business practices that promote responsible trade in minerals mined or extracted in conflict regions or high-risk areas. Our commitment in this regard is also underlined by our internal policy “Policy on Conflict Minerals & Cobalt”.

## **Metal Alliance for Responsible Sourcing (MARS)**

MARS supports companies in creating a practical management system for compliance with supply chain due diligence based on the internationally recognized guidelines of the Organization for Economic Co-operation and Development (OECD).

## **EcoVadis**

We are regularly assessed by EcoVadis, a platform for analyzing the sustainability performance of companies, and are currently certified by EcoVadis with Gold status.

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### Transparency International

With our corporate membership, we are the first company in the metal industry to commit to actively, verifiably implementing strict anti-corruption measures in our business processes.

### Diversity Charter

As a signatory to the Charter, we are committed to creating a working environment within our organization that is free from prejudice.

## 2.1 Responsibilities

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VDM Metals' management bears primary responsibility for compliance with our human rights and environmental (due care) obligations.

Qualified employees from various specialist departments are entrusted with carrying out specific (partial) tasks associated with this. The Supply Chain Due Diligence Act addresses obligations whose implementation affects different business processes and cannot therefore be assigned exclusively to any specialist department. As a result, implementation and monitoring measures with a comparatively high internal

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We also have (ISO) certified management systems for quality management and information security, environmental and energy management, occupational health and safety.

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organizational and coordination effort between selected departments (e.g. Metal Purchasing, General Purchasing, Supply Chain Management, Communication, Sustainability, Legal and Compliance) are required, which must be continuously considered and jointly managed.

The function of the human rights officer has been placed in the compliance area, so that regular – and if necessary also ad hoc-reporting to the management is ensured.

## 2.2 Risk analysis

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We carry out regular annual and ad hoc risk analyses in our company and in relation to our direct suppliers. As part of the review of the raw materials, products and services we use, we also involve indirect suppliers if necessary. In each case they are subject to a risk analysis if we have actual evidence of a violation of human rights or environmental due diligence obligations by an indirect supplier.

Our risk analyzes take into account supplier relationships that at least reach a certain, predefined volume and are carried out in two stages: In the first stage, we abstractly determine the human rights and environmental global risks based on

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country of domicile/origin and product group<sup>1</sup>. To this end, we use publicly available sources such as the list of conflict and high-risk areas in accordance with EU Regulation 2017/821 (CAHR-A), the World Bank's governance indicators and Yale University's Environmental Performance Index. To the extent that relevant risks arise from this, we specifically deepen the risk analysis in the second stage. To do this, in addition to the aforementioned databases and information, we rely on other external sources, such as the Corporate Social Responsibility Risk Check from MVO Nederland and sources and reports referenced therein. Findings from supplier questionnaires are also incorporated into the risk analysis.

## 2.3 Prevention and remedy

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To ensure compliance with our human rights and environmental expectations, we implement prevention and remedial measures based on the results of our risk analysis.

### 2.3.1 In our own business area

In order to reduce the risk of human rights violations and environmental violations, we have anchored the following measures in our own business area:

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### Code of conduct and guidelines

We expect our **employees** to observe human rights and environmental expectations in their daily work and in their dealings with our suppliers. The basis of their actions is our VDM Metals *Code of Conduct*, which also formulates human rights and environmental-related expectations towards our employees, as well as the VDM-wide guidelines for avoiding corruption, fraud and anti-competitive agreements.

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<sup>1</sup> Internal clusters are managed as product groups, to which products or services are assigned that are congruent or similar to one another (homogeneous to one another), but differ from products and services that are in turn assigned to other clusters (heterogeneous to one another).



Our compliance guidelines contain clear behavioral guidelines for compliance-relevant aspects of our employees' daily work and help them make appropriate, informed decisions. They are a practical means of establishing our employees' actions in accordance with VDM Metals' corporate values and legal requirements. The content of our compliance guidelines is not limited to addressing behavioral requirements, and focuses more on detailing responsibilities and follow-up processes in the interest of maximum acceptance. For example, our policy on handling incoming reports explains how and who processes them once they are received.

### Training

Our employees receive regular training on our compliance requirements so that they understand the applicable requirements and their responsibility for complying with them. In addition to basic training, targeted training on individual topics takes place for selected employees.

### Advisory service

Our compliance department sees itself as an advisor for employees and can be contacted personally to ensure effective prevention of compliance violations.

If violations of our human rights or environmental expectations are identified, we work to ensure that these are mitigated or ended as quickly as possible. We expect our employees to work together towards this goal wherever possible.

### 2.3.2 For direct suppliers

In order to reduce the risk of human rights violations and environmental violations, we have implemented the following measures with our suppliers:

## 2.4 Complaints mechanism

VDM Metals promotes a culture of open communication in which employees can express concerns or questions about compliance issues in the company and in the supply chain at any time and in a variety of ways, including anonymously. We have an open error culture at our company in order to promote the highest quality and safety standards for our products. We want to be just as active and transparent when it comes to how we understand and manage compliance and sustainability. In our experience, the greatest learning effects and successes can be achieved this way.

We believe that establishing mechanisms through which employees and third parties can report illegal and/or unethical behavior without fear of reprisal is an important part of our strategy for preventing rights violations and sustainable

### Supplier code, selection and control

We also expect our **suppliers** to observe our human rights and environmental expectations and to base their daily work on them – including in their collaboration with suppliers. Our suppliers are therefore required to introduce appropriate processes and improve existing processes in order to effectively counteract any risks. We also take this into account when selecting our suppliers. Our requirements are reflected in particular in our *Supplier Code of Conduct*, the standards of which our suppliers guarantee and are obliged to enforce against their upstream suppliers. In view of the risk of human rights violations in connection with the mining of conflict minerals, our supplier code contains, for example, clear and strict guidelines with regard to the procurement of conflict minerals throughout the entire supply chain. As part of the systemically supported onboarding process, our suppliers receive training to inform them about our human rights and environmental-related expectations and to raise their awareness of them.

The aforementioned code of conduct is an integral part of our contractual supply relationships. In combination with the in-depth risk analysis along the entire supply chain already mentioned, we assume that we have anchored a robust system to prevent human rights violations and environmental crimes in our internal processes. If violations of our expectations in this regard are identified in our value chain, we encourage our suppliers to cooperate in ending the violation. In order to be able to assess the success of our prevention and remedial measures, we carry out appropriate controls in coordination with our suppliers, e.g. through on-site audits. We also have an escalation plan, which also includes the temporary or permanent suspension of a supplier as a last resort.

development. Our whistleblower/complaints systems can be accessed and used by everyone (in many languages) via the Internet or our homepage.

We investigate reported information with due seriousness and in the manner defined in our Internal Investigations Policy. This guideline (also published on our homepage) defines the principles of processing in a binding manner in order to ensure a high and transparent standard for the initiation, implementation and documentation of internal audits as a result of information received. We guarantee the confidentiality of the information and whistleblowers.

## 2.5 Documentation and reports

The efforts of VDM Metals to effectively implement the due diligence obligations are continuously documented. VDM Metals publishes an annual report on the fulfillment of the due diligence obligations and reports to the Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle – BAFA) in accordance with the law.

The reports will be published on our website no later than four months after the end of the financial year and will be available free of charge for a period of seven years.

# 3. Risks in our value chain

As part of our risk analysis, we have abstractly identified the following human rights and environmental risks in our value chain – to varying degrees depending on the region and

product group – which we consider to be priorities due to their nature and scope as well as their potential significance for our business activities.

## 3.1 Own business area

As part of the risk analysis in our own business area, we did not identify any risks within the meaning of the German Supply Chain Due Diligence Act, taking into account the existing measures. This assessment is supported by the numerous specific measures that we have developed and introduced in the areas of Human Resources, Health & Safety and Sustainability, among others, in order to identify and effectively eliminate human rights and environmental protection-related risks. These instruments are regularly checked, for example through internal and external audits (e.g. ISO certifications) and provide us with continuous information about whether and, if so, what action is needed or what

potential for improvement we can still exploit. In many cases, our risk minimization measures go far beyond the local legal requirements and serve to maintain the most homogeneous, auditable process landscape possible in our domestic and foreign units in order to enforce our values and demands.





## 3.2 Supply chain

Heterogeneous legal systems, geopolitical changes and multi-level, sometimes non-transparent supply relationships are some of the numerous, complex challenges that VDM Metals is faced with when reviewing the supply chain.

In 2023, we subjected our supply chain to the specific risk analysis described in this document. While we were only able to identify isolated risks among our direct suppliers, we identified various human rights and environmental risks further along the supply chain, particularly in the raw material extraction and initial processing stages. The risks vary primarily with regard to the countries of origin of the raw materials and the places of initial processing. Risks exist in particular with regard to the following areas:

- Environmental management (e.g. contamination of soil, water and air)
- Fair and safe working conditions (pay, discrimination, health protection at the workplace, child/forced labor)

These issues are the focus of our prevention and remedial measures along our value chain.







## 4. Continuous process, validity

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We review the effectiveness of our processes and measures at least once a year and on an ad hoc basis. The statement of principles is updated and developed annually and as needed. In doing so, we take into account the current results available.

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This statement of principles is approved by the management of VDM Metals Holding GmbH and VDM Metals GmbH. No rights of individuals or third parties can be derived from the statement of principles. It will apply from January 1, 2024.







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