

Report by the maxon Group on Article 964 j-l of the Swiss Code of Obligations and its Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO)

Introduction

At maxon, we are committed to promoting human rights in our operations and throughout our upstream supply chains. We are moving to a proactive approach aimed at improving human rights by ensuring that our practices make a meaningful contribution to society and do not cause harm. We attach great importance to due diligence and transparency, especially when it comes to issues such as child labor.

In accordance with Swiss regulations, we comply with Article 964 j-l of the Swiss Code of Obligations and its Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO). maxon is exempt from due diligence and reporting obligations in respect of minerals and metals from conflict-affected areas because maxon imports and processes the minerals and metals listed in Annex 1 of the DDTrO into Switzerland below the threshold. However, maxon is obliged to report on its due diligence obligations in relation to child labor.

This report was approved by the Board of Directors of maxon international ag on June 25, 2024.

maxon's supply chains

maxon is a leading provider of electric drive systems and operates worldwide with an extensive supply chain network. To honor our commitment to ethical sourcing, it is important that we understand the intricacies of our supply chains. We actively strive to identifying potential weak points, particularly in regions where the risk of child labor is high. This enables us to take targeted measures to mitigate risks and maintain our commitment to ethical sourcing practices.

Our supply chain comprises an extensive network of business partners, including manufacturers, dealers, and raw material suppliers. These partners operate in different countries and contribute to the global reach of our activities. Although our business partners adhere to strict ethical standards, certain regions show an increased risk of child labor according to the UNICEF Children's Rights in the Workplace Index.

This underscores our commitment to carefully monitor our activities and consistently implement and continuously improve our protective measures to effectively counteract potential risks. A detailed description of our approach and the measures taken is provided below.

Supply chain policies, supplier management, and risk assessment

Our commitment to the prevention of child labor is evident in our endorsement of international standards such as the United Nations Guiding Principles on Business and Human Rights. In addition, we are equally committed to compliance with the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and ILO Conventions No. 138 and No. 182. Furthermore, we base our measures on the instruments recommended in the ILO-IOQ Child Labour Guidance Tool for Business.

Our [Code of Conduct](#) and [Supplier Code of Conduct](#) state that maxon does not tolerate child labor. Both policies are published on the maxon website. New maxon employees complete training on the Code of Conduct. maxon also requires suppliers to familiarize themselves with the Supplier Code of Conduct and to confirm compliance with it on a regular basis.

The Supplier Code of Conduct requires our suppliers to prevent the employment of minors and to ensure that all applicable child labor laws are observed. All employees must be at least the minimum age specified in ILO Convention No. 138. In addition, the Supplier Code of Conduct requires suppliers to implement management systems to facilitate compliance with all applicable laws and to promote continuous improvement of the expectations set out in this policy, including measures to ensure that employees, suppliers, and subsuppliers understand and comply with the requirements. Furthermore, suppliers must have a reporting mechanism through which employees can raise concerns about non-compliance with maxon's Supplier Code of Conduct.

maxon's approach to supplier management includes close collaboration with our commodity group managers, who work in a team consisting of quality and purchasing specialists. Together, they define clear minimum requirements for new suppliers to ensure that all suppliers meet our high standards. The exact conditions may vary depending on the supplier category, but always include the following areas: labor rights and human rights, health and safety, environmental protection and ethical business practices (including conflict minerals). If all the prerequisites are met and the supplier accepts the Supplier Code of Conduct, the supplier is considered qualified and is integrated into our supplier network. maxon conducts regular reviews of the suppliers. Depending on the business volume, products

purchased, and risk assessment, suppliers are (re-)audited by maxon.

We have set up a [reporting system](#) to address possible violations of laws, internal regulations, and policies. This system is available to both internal and external individuals and enables all parties to raise concerns – anonymously or confidentially with their identity – about potential or actual adverse impacts related to child labor. All reported cases of child labor serve as early warning signals for our risk assessment processes. No reports of child labor violations were received in 2023. The Board of Directors of maxon international ag receives regular information on the reports received in the reporting system.

Our risk management in relation to child labor

In line with our commitment to responsible sourcing, we have intensified our efforts to assess and manage risks throughout our supply chain. Based on the supplier management and risk assessment processes, we have conducted an enhanced risk assessment focusing on suppliers and sub-suppliers associated with products where there is a risk of child labor. This assessment takes into account severity and probability. By prioritizing risk identification and reduction, we uphold the principle of “best effort” and continuously improve transparency and accountability within our supply chain.

Our analysis has shown that magnets and electronic components are particularly at risk due to the potential presence of child labor. For these suppliers, we have conducted enhanced verification, including ensuring traceability of product origin and obtaining certificates and assurances from suppliers to verify compliance with child labor regulations. Thanks to digital tracking mechanisms, we are able to trace the names and addresses of suppliers as well as production facilities or service providers for these critical products. In addition, an Internet search was conducted to evaluate warnings or indicators of potential risks related to our suppliers.

For one of our suppliers, we have identified potential risks related to child labor in its operations. In response to this, we have taken further measures. These measures include assisting and guiding the supplier in understanding and complying with our Supplier Code of Conduct and ensuring that appropriate certification is obtained to verify compliance with child labor regulations.

By prioritizing magnets and electronic components, we address risk areas associated with key suppliers and high-risk products. Our goals for the future include further refining our risk analysis processes and strengthening our risk mitigation efforts to continuously improve supply chain integrity. We will also take further steps to update our human rights positions in our policies and establish appropriate risk management approaches for high-risk products and services.