

# **Policy Statement on Respect for Human Rights**



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### 1 Foreword

Physik Instrumente (PI) is an internationally active group of companies specializing in precision positioning and piezo technology. For more than five decades, PI's products and technologies have been enabling customers to successfully complete motion and positioning tasks and to implement actuator technologies and ultrasound applications with increasing precision and dynamics, hence pushing the boundaries of what is technically possible. In doing so, the accuracy achieved lies in the sub nanometer range. With nine production sites, four of which are in Germany and others in the USA, Israel, Japan, and China, application centers in Germany, China, and the USA, as well as sixteen international sales subsidiaries, PI is present in all key technology regions. The holding company is Physik Instrumente GmbH & Co.KG, located in Karlsruhe, Germany. The family-run company is being managed in the second generation by Markus Spanner as Chief Executive Officer.

PI was founded in Karlsruhe in 1970 and is still based there today. The company employs 1540 people, fifty-nine of whom are dual students (as of Dec. 2022).

### 2 Our Commitment to Respecting Human Rights

#### 2.1 Requirement/Commitment

PI is clearly committed to respecting human rights, as well as to our own responsibility throughout the entire supply and value chain. We therefore commit ourselves to respecting and promoting human rights and environmental concerns within our own business activities and in our global supply chains and to ensuring the prevention of human rights violations and environmental damage and, in the event of such a violation, to prosecute this accordingly and to ensure adequate restitution.

The policy statement on respect for human rights is issued by the company management. This ensures that the respect for human rights and environmental concerns is implemented in every part of our company group and in our supply chain.

#### 2.2 Reference to International Standards

The same rights apply to all people worldwide. They are universal, inalienable, indivisible, and uniformly regulated in the following international standards and frameworks:

- United Nations Universal Declaration of Human Rights
- Principles of the United Nations Global Compact (UNGC)
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- International Covenant on Political and Civil Rights of the United Nations
- International Covenant on Economic, Social and Cultural Rights of the United Nations
- Core labor standards of the International Labor Organization (ILO) on labor and social standards
- Charter of Fundamental Rights of the European Union
- Diversity Charter
- European Convention for the Protection of Human Rights and Fundamental Freedoms

With this policy statement, we undertake to comply with all the principles of these international standards and frameworks. We see the protection of human rights as an integral part of our corporate culture by demonstrating open, respectful, and appreciative behavior toward everyone.

As Executive Board, we set a good example and call on all members of the PI Group to comply with our common duty of care in our day-to-day business. Above all, this means appropriate and lawful behavior towards all employees, business partners and suppliers. At the same time, we expect all business partners and suppliers to comply with the international standards listed here and to conduct business in a manner that serves to protect human rights.

### 2.3 Risk Management

We anchor our due diligence obligations in the integrated compliance management system, which applies to the entire international PI Group, to express our commitment to respecting human rights in our own business activities and with our business partners. We have implemented a centralized and comprehensive risk management system that covers both our own business operations and the supply chain. The aim is to identify the risks of potential human rights violations at an early stage and to take effective measures to minimize the risks.

The risk management process includes a detailed analysis and assessment of both concrete and abstract risks, which aims to identify potential negative impacts on human rights. Based on these findings, targeted preventive and remedial measures are defined and implemented. The processes and results are carefully documented and are included in the reporting to the Executive Board at least once a year or as required, informing it of the progress and findings in risk management.

We attach particular importance to the suitability and appropriateness of the measures we take. For this reason, our risk management is regularly reviewed for potential improvements. This continuous evaluation ensures that the processes and structures meet current requirements and are implemented efficiently.

### 2.4 Responsibilities

We ensure compliance with our human rights strategy internally through clear structures and responsibilities. The Executive Board is responsible for compliance with the human rights strategy for our entire business division, as well as the supply and value chain at a strategic level. A human rights officer oversees and monitors all operational processes and measures relating to the protection of human rights in the PI Group's business area, as well as the implementation of risk management and informs the Executive Board of his work at least once a year.

### 2.5 Risk Analysis

We continuously check where there are both abstract and concrete risks of human rights violations in our business area and the supply chain. An annual and ad hoc risk analysis (e.g., in the event of breaches of duty or changes in the risk situation) enables us to identify and assess relevant human rights issues at direct suppliers.

We use an external cloud-based sustainability platform for the risk analysis of our direct suppliers. We use the following two-stage process:

First, abstract human rights risks are determined using industry and country-specific indices. All suppliers of the PI Group are considered. In the next step, ESG assessments (environmental, social, and governance assessments) are carried out for high-risk suppliers. All relevant information and certificates on human rights issues are obtained by means of self-disclosure. The self-assessments are based on corresponding international standards and cover all relevant risk areas.

PI has identified the following abstract risks in the supply chain as priorities and is focusing more closely on them:

- Working conditions and occupational safety
- Child labor in the industry
- Forced labor and mistreatment
- Discrimination

Based on the risks identified, PI defines strategies for dealing with critical suppliers and initiates preventive and corrective measures.

### 2.6 Preventive Measures

As a result of our risk analysis, we have defined appropriate measures to prevent risks in our own business area and at our direct suppliers. As part of supplier management, extensive preventative measures have already been established in the supply chain when selecting suppliers. Before entering a business relationship, all potential suppliers undergo a comprehensive approval check. Criteria relating to human rights standards are also considered and evaluated with the help of self-disclosures. In addition, we require all suppliers to comply with our Code of Conduct, which forms the basis for our social, ethical, and ecological values. By recognizing this Code of Conduct, a supplier assures that it will meet all of PI's human rights and environmental requirements and will pass these on along its own supply chain.

To ensure that the requirements are implemented, suitable control measures, such as on-site audits or inspections, are agreed with all suppliers. These are carried out regularly or on an ad hoc basis.

We also require our direct suppliers to support due diligence and traceability throughout the conflict minerals supply chain. This involves

suppliers conducting due diligence on their supply chains to determine whether products sold to PI contain critical minerals and from which smelters they originate. This information serves as the basis for PI's external reporting and is made available to stakeholders on request in the form of the "Conflict Minerals Reporting Template" (CMRT) provided by the Responsible Minerals Initiative (RMI). In a risk-based approach, suppliers are requested to provide PI with up-to-date information, such as CMRTs, and to work towards the exclusion of non-compliant smelters from their respective supply chains.

For us, however, respect for human rights does not begin in the supply chain, but explicitly within the PI Group. All members of the PI Group are required by the binding Code of Conduct to behave appropriately and under the law towards all persons with whom they come into contact in business operations. The corporate culture of the PI Group is characterized by open and respectful interaction with one another—we also live this beyond legal obligations.

Respect for human rights is not only anchored as a fundamental part of our corporate culture but also as part of our integrated compliance management system. This means that the awareness of all members of the PI Group for the protection of human rights as well as occupational health and safety requirements and other compliance-relevant content are considered and communicated in regular training sessions. In this way, potential risks of human rights violations by members of the PI Group are effectively reduced.

## 2.7 Complaints Procedure and Internal Reporting Office (Whistleblower System)

We have conscientiously defined the processes listed in this document for the protection of human rights and established them as part of our integrated compliance management system. However, despite the utmost care and specific preventive measures, violations cannot be completely ruled out. We have set up an internal reporting office to uncover any violations as quickly as possible and take the necessary measures. This reporting office meets the requirements of the Whistleblower Protection Act and is staffed by an independent, external ombudsperson. It can be contacted at any time by all members of the PI Group as well as our suppliers and affected third parties along our supply chain via various reporting channels. The protection of whistleblowers is guaranteed by the confidential treatment of all incoming information and the possibility of anonymous reporting. The availability of the reporting office is communicated both internally, e.g. via our Code of Conduct, and externally, e.g. via our website.

## 2.8 Remedial Measures

Respect for human rights is a top priority for us and is reflected in our business operations and in our respectful interaction both within the PI Group and with business partners, suppliers and third parties along our entire supply and value chain. We expressly advocate the protection of human rights and demand this from all persons in business contact with us. We do not tolerate any violations of human rights within our sphere of influence.

If, despite all preventive measures, we suspect or become aware of a human rights violation, we will immediately take appropriate measures to end the violation as quickly as possible and minimize its impact. In such a case, the Human Rights Officer or a third party, e.g., the internal reporting office, will immediately report the matter to the Global Compliance Officer. The latter initiates all necessary steps to follow up on the suspicion or violation. This includes checking a report for relevance and validity, independent and professional assessment of the submission, and the assignment of further responsibilities for the initiation of suitable remedial measures.

In the event of proven human rights violations in our supply chain, effective remedial action is essential to rectify the violations and prevent future incidents. Immediately after human rights violations are identified, proactive communication is initiated with the supplier concerned. The supplier is informed of the identified violations, and we signal our willingness to cooperate in remedying these problems. In close cooperation with the supplier, suitable measures are defined to remedy human rights violations. These measures are actively followed up by PI to ensure that they are implemented effectively.

If cooperation with the supplier does not lead to satisfactory results to prevent further human rights violations, it may be necessary to involve authorities or legal experts. In this case, we reserve the right to take legal action or to cooperate with external organizations to review and enforce human rights standards. If the human rights violations cannot be remedied or persist, the business relationship will be terminated. This final and drastic measure underlines the seriousness of our commitment to respecting human rights and sends a clear signal to suppliers that violations of these fundamental principles will not be tolerated.

In the event of a violation of human rights by members of the PI Group, further investigations and disciplinary measures are initiated as required, in addition to explicit awareness-raising. Here too, we initially enter a proactive dialog with the person concerned to jointly define suitable remedial measures. If the risk of further violations cannot be sufficiently minimized in this way, we reserve the right to terminate the employment relationship.

## 2.9 Effectiveness Audit

With the measures described, we ensure our diligence with regard to human rights. However, global circumstances and our business environment are constantly changing. We therefore review the effectiveness of all the measures described annually and as required and adjust where necessary. Our established tools include internal audits and comprehension checks following training in our own business area.

In our supply chain, we review the effectiveness of all measures through continuous risk-based analyses via our external cloud-based sustainability platform. In the event of a human rights violation, the defined remedial measures are also explicitly reviewed concerning their effectiveness. This review takes place in direct exchange with the supplier concerned, e.g., as part of audits or on-site visits.

Overall, we see respect for human rights as an ongoing process in which we strive for continuous improvement.

## 2.10 Documentation & Reporting

We document all human rights due diligence activities in our own business area and the supply chain and prepare an annual report on current human rights due diligence processes. This policy statement is communicated internally and externally and is publicly available on our website.

**Physik Instrumente (PI) GmbH & Co. KG**

Karlsruhe, December 2023

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Markus Spanner  
- Geschäftsführer -  
Chief Executive Officer (CEO) PI