Due Diligence Policy

Purpose and Scope

This policy outlines how Allgon Group works to identify, prevent, and respond to actual and potential adverse impacts on people, the environment, and society within our own operations and supply chains. It applies across the organization and extends to suppliers, contractors, and other business partners. Focus is given to sourcing raw materials used in components such as batteries, PCBs, and other electrical equipment.

Attention is placed on high-risk materials, including 3TG (tin, tungsten, tantalum, gold), lithium, cobalt, natural graphite, and nickel, especially when sourced from conflict-affected and high-risk areas (CAHRAs) such as the Democratic Republic of Congo. Allgon recognizes its role and responsibility in addressing impacts related to human rights, labor rights, environmental sustainability, and ethical business conduct.

Due diligence in these areas supports compliance with international standards as well as specific legal obligations under the EU Battery Regulation, which includes requirements for traceability, risk mitigation, and transparency in the supply chain.

Approach and Reference Framework

Allgon's due diligence work is based on the OECD Guidelines for Responsible Business Conduct, which provide principles for managing supply chain risks and promoting responsible sourcing. This includes maintaining a public due diligence policy, conducting regular assessments, engaging stakeholders, and improving processes over time. The approach also aligns with the EU Battery Regulation, specifically Annex X and Chapter 7, which set requirements for responsible sourcing, traceability, and risk management in battery-related supply chains. These efforts are supported by Allgon's management system, which includes ISO 14001 for environmental management.

Key Risk Areas

The types of risks considered include:

- **Human rights and labor conditions:** such as forced or compulsory labor, child labor, unsafe working conditions, discrimination, and impacts on indigenous communities.
- **Environmental impacts:** including pollution of water or soil, damage to biodiversity and ecosystems, hazardous waste management, and loss of access to clean water or fertile land.
- **Ethical concerns:** such as lack of transparency, corruption, and business practices that undermine fair competition or social equity.

Practical Integration

Due diligence is integrated into supplier assessments, sourcing processes, and strategic decision-making. For high-risk materials, specific contractual clauses may be used to encourage transparency and cooperation. Internal communication channels help escalate risks when needed, and updates are made when significant changes occur, such as sourcing from a new supplier or launching a new product line.

Risk assessments are based on available data and, when needed, draw input from external experts, civil society, human rights institutions, and affected stakeholders. Traceability systems are used to understand the origin of key raw materials, especially those falling under EU regulations.

Risk Prevention and Collaboration

When risks or negative impacts are identified, Allgon works to prevent or reduce them. This might involve adapting sourcing decisions, supporting suppliers in improving their practices, or collaborating with other companies and industry groups to increase leverage. Suppliers are subject to risk evaluation, and a structured risk management process is in place to guide actions and monitor progress over time.

If adverse impacts are caused or contributed to, the company develops a response plan that considers the complexity of the situation. The Code of Conduct sets expectations for responsible behavior and guides engagement with suppliers in such cases. Disengagement from a business partner may be considered—typically only after other solutions have been explored. The goal is always to promote improvement and long-term sustainability.

Monitoring and Communication

Progress is monitored through indicators such as the percentage of suppliers covered by due diligence processes, improvements made, and identified risks mitigated. Internal learning from past cases is used to refine systems and processes.

Allgon communicates its efforts and outcomes externally, through sustainability reporting. Transparency is balanced with business confidentiality, and information is shared in a way that is accessible and appropriate for different stakeholders. In cases of significant impacts, direct communication with affected groups is priority.

To support credibility and improvement, third-party verification and audits are part of the due diligence process. Timelines and key performance indicators (KPIs) are outlined to track measurable progress, including traceability levels, supplier coverage, and risk mitigation outcomes.

Remediation

If identified that Allgon has caused or contributed to actual adverse impacts, these should be addressed in accordance with this policy. The Management Team and Board of Directors have the highest responsibility regarding deciding upon and implementing appropriate levels of remediation and/or grievance. This Remedy Mechanism should be seen as a guideline; each case should be evaluated individually.

Allgon's stance is to fully enhance supplier development and cooperation, thereby contributing to a better and more sustainable world, rather than ceasing operations. This approach is based on the understanding that, should Allgon withdraw, another entity would likely take its place.

Oversight and Continuous Improvement

The implementation of this policy is overseen by the Management Team and Board of Directors. The policy and related processes are reviewed regularly and adapted to reflect new laws, stakeholder expectations, and lessons learned.