



# Policy statement of the PALM Group

Compliance with due diligence obligations with regard to human rights and environmental risks within our own business operations and in the supply chain (German Supply Chain Due Diligence Act, SCDDA)

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## 1. PALM Group's commitment to respecting human rights

The **PALM Group** is committed to ecologically and socially responsible corporate governance. The clear strategy of PALM, a family-owned company, is to shape the future in collaboration with all its customers, employees, suppliers, service providers and other business partners, working closely together in a spirit of mutual trust.

We are committed to abiding by the values and specifications of the principles of the UN Global Compact, and we support the UN Universal Declaration of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

In addition to these standards, the [PALM Code of Conduct](#) serves as a framework for the non-negotiable minimum standards, guidelines and principles stipulated by the PALM Group. It forms the basis for our actions and a successful and fair business model.

## 2. Approach to implementing human rights due diligence obligations

As an international company, PALM is acutely aware of its human rights due diligence obligations and its responsibility. Human rights must be reinforced and human rights violations must be prevented in all circumstances.

PALM has implemented a multi-stage risk management process for this purpose. The aim is to identify and assess risks relating to human rights and environmental due diligence within our own business operations and in the supply chain, systematically and at an early stage, and to take appropriate action where necessary.

### 2.1 Risk analysis within our own business operations and in the supply chains

Risk analysis is performed annually and on an ad hoc basis as required, and covers all of PALM's own business divisions and direct suppliers. If PALM becomes aware of potential human rights or environmental violations on the part of indirect suppliers, this warrants an additional ad hoc risk analysis.

To execute the risk analysis, PALM uses a specialist supply chain risk management software solution.

Suppliers are categorised according to their level of risk. The abstract risk potential, i.e. the supplier's country- and sector-specific risk, is considered first, using indicators such as the Modern Slavery Index and the EPI Environmental Health Index. Suppliers with an increased potential risk are then analysed in greater depth. An artificial intelligence (AI) program scans for anomalies in millions of online sources, in more than fifty languages, and subsequently evaluates any anomalies found. Overall, this web screening identifies more than 140 environmental and human rights-related event types.



In addition to web screening, sources such as supplier self-declarations and information provided via the PALM reporting portal ([www.palm.de/en/german-supply-chain-due-diligence-act](http://www.palm.de/en/german-supply-chain-due-diligence-act)) are also taken into account in the supplier's risk assessment.

PALM uses the findings to determine specific priority risks and develop appropriate preventive or remedial measures. The expected severity of the violation, for example its irreversibility, is taken into account, as well as PALM's ability to influence the respective supplier. A high capacity for influence ("impact") leads to a high risk priority and therefore a high priority for action.

All processes and implemented measures are documented and their effectiveness is reviewed at regular intervals and on an ad hoc basis as required. In accordance with Section 10 (2) SCDDA, PALM reports once annually to the German Federal Office for Economic Affairs and Export Control (BAFA) on the implementation of its due diligence obligations.

## 2.2 Preventive measures

The successful interaction between different preventive measures within our own business operations and in direct supplier companies is a key factor in enabling us to fulfil our responsibility to respect human rights. Preventive measures are interventions that are typically initiated when a particular risk has been identified at one or more suppliers, but no acute incident has occurred. Preventive measures are therefore measures to reduce the probability of an adverse event occurring.

The PALM Group has implemented appropriate preventive measures for its own business operations and for direct suppliers. In particular, these include:

- The [PALM Code of Conduct](#) for employees, suppliers, service providers and other business partners of the PALM Group.
- The PALM Integrated Management System and its established processes – in particular the management systems for occupational health and safety and the environment.
- The PALM Procurement and Purchasing Strategy and the PALM Supplier Management framework, which defines compliance with human rights and environmental concerns as a key requirement.
- Training and awareness programmes for PALM employees in the relevant business areas.
- Continuous software-based monitoring of all suppliers with regard to human rights risks and environmental risks ("media monitoring").
- The appointment of a human rights officer to monitor the risk management system in place at PALM.
- The [PALM complaints procedure](#), which serves as an early warning system and helps to identify and, in the best case scenario, resolve problems before an actual violation occurs.



### 2.3 Complaints procedure

Integrity, transparency and trust are of great importance in everything we do and are deeply rooted in all our business relationships.

PALM has established an internal [complaints procedure](#) in accordance with Section 8 (2) to (4) SCDDA. The PALM complaints procedure is available to all internal and external stakeholders of the PALM Group. It enables people along the entire value chain to draw attention to human rights risks and environmental risks and to report violations of human rights or environmental obligations. These include violations of applicable law, human rights violations and environmental offences.

The PALM complaints procedure uses an external third-party software system as a reporting channel. This ensures that complaints can be submitted transparently and anonymously and that the identity of the informant is protected at all times (Section 8 (4) SCDDA). Complaints can be submitted either by telephone or electronically.

The individuals appointed by PALM to implement the procedure work on an impartial basis, are not bound by directives and are obliged to maintain confidentiality (Section 8 (3) SCDDA).

The PALM complaints procedure is set out in writing in a procedural directive. The procedural directive is published and accessible externally via the PALM Group website and internally via the intranet in all companies in the PALM Group (Section 8 (2) SCDDA). It contains information about the accessibility, jurisdiction and implementation of the complaints procedure.

The effectiveness of the complaints procedure is reviewed by representatives of the reporting office at least once a year and on an ad hoc basis as required.

### 2.4 Dealing with violations/remedial measures

If PALM finds that violation of a human rights-related or environmental obligation has already occurred or is about to occur within its own business operations or within a direct supplier company, PALM will immediately implement appropriate remedial measures. The aim of these measures is to protect those affected and to prevent or at least minimise any adverse human rights-related and environmental impact on them.

Depending on the type and severity of the violation, different remedial measures can be implemented, ranging from a closer examination of the incident ("incident review") or a request for a statement, to an on-site audit at the supplier's location. If the implemented measures are not successful in the long term, the business relationship must ultimately be called into question and possibly terminated.

The severity of a violation is determined by various criteria. These include, for example, the irreversibility of the violation and the effort and resources required to mitigate the adverse impact of the violation.



## 2.5 Effectiveness checks and documentation

All measures are evaluated and checked for effectiveness annually or on an ad hoc basis as required. A measure that produces a positive result helps to bring about an improved risk assessment, whilst a measure that produces a negative result contributes to a worsening of the risk assessment. At the same time, every instance of an identified violation contributes directly to a worsening of the risk assessment.

The risk assessment therefore always reflects the current risk position and serves as a basis for regularly evaluating the effectiveness of both the risk management system and individual measures.

The processes, measures and results are documented, stored and – if they are of material importance – included in the annual reporting to the German Federal Office for Economic Affairs and Export Control (BAFA) in accordance with Section 10 (2) SCDDA. The documentation is archived for at least seven years.

## 3. Priority risks identified

Our software-based risk analysis has identified certain human rights and environmental concerns as especially important and therefore a priority for the PALM Group and its direct suppliers. These include environmental risks in particular – for example, chemical accidents – and risks in the area of employee health and safety. PALM suppliers from the transportation & logistics and waste management industries are identified as particularly high risk in general.

## 4. Expectations for employees and suppliers

It is important to us that our employees know and respect the principles of ecological, social and ethical behaviour. We expect the same from our suppliers, service providers and other business partners.

We have documented our convictions and code of conduct and published them on the PALM website: [www.palm.de/en/sustainability/self-declarations](http://www.palm.de/en/sustainability/self-declarations)

They reflect our self-image and the expectations we have for all our employees and suppliers with regard to the human rights-related and environmental issues identified in the risk analysis.

## 5. Responsibilities regarding human rights due diligence obligations at PALM

We have formed a cross-functional team whose job it is to firmly establish the PALM human rights strategy within the company and to ensure that we comply with the requirements of the SCDDA. This team consists of the management board and employees from the areas of sustainability, purchasing, logistics, human resources and data protection.



Overall responsibility for the design, implementation and management of the PALM human rights strategy lies with the management board. The board is committed to integrating the principles of human rights advocacy into all company processes.

The sustainability department coordinates activities, sets priorities and leads PALM's company-wide efforts to respect human rights.

Responsibility for implementation lies with the specialist departments, particularly in the areas of purchasing, human resources and logistics, and with the reporting office representatives.

A human rights officer has been appointed to monitor our risk management system. It is the duty of the human rights officer to monitor the risk management system in place at PALM and, where necessary, to initiate improvements and remedial measures. This includes, for example, ensuring that training courses take place and annual external reporting is conducted. The human rights officer reports regularly, at least once a year, to the management board.

The representatives of all affected areas meet regularly and on an ad hoc basis to exchange experiences. The format enables the sharing of results from the continuous risk analysis process, submission of information from the PALM complaints procedure and reporting on the effectiveness of any preventive and remedial measures introduced.

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