



SMA Solar Technology AG

## Joint Modern Slavery Statement 2022

This Statement is made in accordance with part II, section 14 of the Australian Modern Slavery Act 2018 (Cth) and part 6, section 54 of the UK Modern Slavery Act 2015. It covers the period 1 January 2022 to 31 December 2022. This statement is a joint statement for SMA Solar Technology Aktiengesellschaft (SMA AG) and its wholly owned subsidiaries SMA Australia Pty. Ltd. (SMA Australia) and SMA Solar UK Ltd. (SMA UK).

### Our commitment

By signing the UN Global Compact in 2011, the Managing Board of SMA AG committed itself to the ten embedded principles covering human rights, labor standards, environmental protection and anti-corruption. In addition, the Managing Board of SMA AG has committed itself to the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights and the core labor standards of the International Labour Organization (ILO) in 2022. In the same year the industry association SolarPower Europe launched the [Solar Stewardship Initiative](#) that SMA AG is a supporter of. As the solar sector is growing exponentially as a provider of solutions to the global climate crisis, the impact, that the solar industry can make in the value chain increases. The Solar Stewardship Initiative's mission is to further develop a responsible, transparent and sustainable solar value chain. The Solar Stewardship Initiative works collaboratively with manufacturers, developers, installers and purchasers across the world to establish mechanisms to create and increase supply chain transparency.

### Our strategy

The sustainability strategy of the SMA Group covers four areas of action: Environment & energy, employees, governance & ethical business and product responsibility. By means of a materiality analysis, the human rights aspects of occupational health & safety, diversity & equal opportunities, fair pay & benefits, sustainable supply chains and integrity & compliance were identified as material for the SMA Group and integrated in our sustainability strategy. Progress on these aspects is reported annually in the consolidated non-financial statement of the SMA Group, which is available on the company [website](#).



To strategically integrate and advance sustainable thinking and action into the company, the SMA AG Managing Board established a Sustainability Committee in 2021, consisting of members of the Managing Board, top-level managers and experts from the Global Communication & Sustainability function. The Sustainability Committee controls the implementation of the sustainability strategy, makes decisions on sustainability issues and reviews the degree to which the sustainability objectives have been achieved on a quarterly basis. In 2022, the SMA AG Managing Board appointed two human rights officers who are responsible for the development of the company's human rights strategy and for the coordination and monitoring of the defined measures. They report regularly on progress to the Sustainability Committee.

## Our organization & business

SMA AG is a public company headquartered in Germany and listed on the Prime Standard of the Frankfurt Stock Exchange. With more than 3,500 employees in 20 countries around the world, SMA AG and its subsidiaries (SMA Group) develop, produce, and sell systems and solutions for the efficient and sustainable generation, storage, and use of energy. These include PV and battery inverters, monitoring systems for PV systems, charging solutions for electric vehicles as well as intelligent energy management systems and digital services for future energy supply. Extensive services up to and including operation and maintenance services for photovoltaic power plants (O&M business) as well as medium-voltage technology and power supplies for hydrogen production round off the product range. With its products and services, the SMA Group actively contributes to making a sustainable, secure and cost-effective energy supply a reality worldwide.

SMA Australia was established in August 2007 as a private company. SMA Australia is a wholly owned subsidiary of SMA AG. The corporate head office is located in Sydney, with sales staff based in Brisbane and Melbourne and field service staff based all over Australia. SMA Australia has no subsidiaries or controlled entities as defined under sect. 50AA of the Corporations Act 2001 (Cth). SMA Australia is responsible for the sales, marketing, promotion, distribution, and service of SMA AG branded power electronics equipment manufactured by SMA AG in the residential, commercial, and utility solar markets in Australia. Overall, SMA Australia has delivered over four gigawatts of inverter capacity in Australia.

SMA UK was incorporated in November 2010 as a Private Limited company. SMA UK is a wholly owned subsidiary of SMA AG. SMA UK does not control any entities or any other subsidiaries. The head office of SMA UK is based in Milton Keynes. SMA UK is a sales agent on behalf of SMA AG in the UK and responsible for the sales, marketing, and service of the SMA product portfolio in the UK and Irish markets within the utility, commercial and residential sectors.

## Our people

As of December 31, 2022, the SMA Group had 3,635 employees worldwide (SMA AG: 2.520; SMA Australia: 75; SMA UK: 15). The numbers include employees, trainees and learners. In addition, the SMA Group uses temporary



employees to absorb order fluctuations. As of December 31, 2022, the SMA Group employed 479 temporary workers. Ever since the establishment of temporary work at the headquarters in Germany, temporary employees have received the same hourly wage as SMA Group employees performing similar duties.

As part of the sustainability journey, the SMA Group is committed to diversity & equal opportunities. In joining the Diversity Charter in 2011, SMA AG undertook to create a work environment in which all employees have the same opportunities, regardless of gender, nationality, religion or ideology, disability, age, or sexual orientation. Given the company's strong technology orientation, the proportion of male employees is comparatively high. Based on the total number of employees excluding trainees, learners and temporary workers, as of December 31, 2022, 73.6% of employees were male and 26.4% female (SMA AG: 24.1% female; SMA Australia: 18.9% female; SMA UK: 26.7% female). In the SMA Group, 18.0% of leadership roles were filled by women (SMA AG: 13.1%; SMA Australia: 28.6%; SMA UK: 0%).

SMA Australia employs people in a variety of technical, trade and professional roles in different regions of Australia. The majority of SMA Australia employees live in the communities where SMA Australia operates, namely Sydney, Brisbane, and Melbourne. SMA Australia is committed to building lasting and positive relationships with key stakeholders in these communities. SMA Australia works with recruitment agencies when hiring technical contractors such as electricians and metalworkers to perform ad hoc work in regional and remote areas.

SMA UK employs people in the areas of sales and service including field service staff located throughout the UK. SMA UK only works with reputable employment agencies to source labor and always verifies the practices of any new agency it is using before accepting workers from that agency. SMA UK is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organization.

## Our supply chain

The SMA Group distributes its systems and solutions worldwide. The supply chains necessary for the business activities of the SMA Group result in a global supplier base. Part of these supply chains are 459 direct suppliers from 24 countries that provide direct material for production. In total, the SMA Group purchased goods worth more than €500 million from these suppliers in the regions of Europe, North and South America and Asia-Pacific in 2022.

SMA Australia is the distributor of SMA AG products in Australia and New Zealand. Therefore, SMA Australia's major supplier of products for on-sale and supply is SMA AG with a percentage of 93%. Of the 7% of other suppliers to SMA Australia, most are Australian entities. A small proportion is sourced from overseas entities in Europe, Mexico, and USA. Within this 7% of other suppliers, SMA Australia's supply chain includes:

- General suppliers of goods and services for corporate functions including sales and marketing, event suppliers, property leasing, office suppliers and equipment, technology goods and services, training, and professional service providers (payroll, legal, tax)





- Supply and delivery of products packaged with grid modelling, technical and engineering services, software and product integration and services of transformer specialists
- Servicing of products using contact center services, contracted service providers, tooling and equipment suppliers including vehicles and labor services, and smaller parts providers (e.g., electronic components, copper, iron, rubber)
- Delivery of products through logistics and warehousing providers and freight forwarders

At SMA UK, the only supplier for direct materials is SMA AG. In addition, SMA UK contracts local service providers such as cleaning services, recruitment agencies, consultative services for legal and HR, and sub-contractors for on-site service.

### Our policies

The [Employee Code of Conduct](#) (SMA Code) forms a uniform framework throughout the company, which helps all employees to consistently make the right decisions in the interests of the SMA Group. It underlines the will of the Group to fully comply with and implement all legal and regulatory requirements. In addition, it obligates all SMA employees to act ethically, with integrity and sustainably at all times, to assume corporate responsibility and to treat others with respect. Compared to the previous version, the new Code that was updated in 2022 emphasizes in particular the commitment to holistic sustainability and the topic of human rights.

The [Business Partner Code of Conduct](#) formulates the SMA Group's expectations of business partners, such as suppliers. It is based on principles of fairness and integrity. In 2023, we plan to update the Business Partner Code of Conduct to ensure that the SMA Group's current expectations of its business partners are adequately reflected. In addition, a policy statement on our human rights strategy will be developed. It will include a description of the risk management system, map out priority risks and describe the SMA Group's human rights-related expectations of its business partners.

### Risks of modern slavery

The violation of human rights due diligence obligations can arise both, in the supply chain and in SMA business operations. For this reason, risk management processes have been developed at SMA AG that take account of the specific requirements.

### Operations

At SMA AG, a due diligence process was developed in 2022 to ensure high labor standards. It is the goal of the SMA Group for all SMA Group companies with active business operations to undergo the due diligence process by 2025. The approach covers the topics of freedom of association and assembly, general working conditions, forced labor and



human trafficking, child labor, discrimination, wages and remuneration, sustainable procurement practices, and occupational health and safety.

Since risks regarding working conditions vary depending on the country and business sector, these factors were considered in the risk identification process. In addition, internal reports to the Compliance function and the SMA Speak-Up Line were used as well as information from risk software. In 2022, all SMA Group companies with medium to very high risks were identified and audited against human rights standards. Thus, 8 out of 21 Group companies with active business operations were covered by the risk and monitoring system by the end of 2022. Based on the results, the audit team has defined improvement measures, the implementation of which is monitored by the Group companies on a system-by-system basis. The results of the audits and any necessary escalations are reported to the Sustainability Committee. The risk assessment will be updated annually and considered in the risk-based audit planning. In 2022, no legal violations of statutory labor regulations were identified at the sites of the SMA Group, and there were no relevant legally binding convictions in labor law.

#### Supply chain

SMA AG has conducted a risk analysis following the recommendations of the SME Compass, which acts on behalf of the German Federal Ministry for Economic Cooperation and Development and with the help of the Cato Institute's Human Freedom Index. By considering these recommendations and tools, SMA AG conducted a country-specific risk analysis for human rights issues for direct material A and B suppliers, who are responsible for almost 80% of the total purchasing volume. Most of these suppliers are located in Germany, China, Italy and Hungary. As a result, the general supplier risk analysis showed relevant risks for human rights related to certain countries and specifically to electronic components. In 2023, SMA AG will conduct a detailed supplier risk assessment and include the observations made in the planned policy statement on the human rights strategy.

To ensure that SMA AG's expectations are being met by suppliers, SMA AG uses a supplier risk management software to monitor all direct suppliers. Direct suppliers are all suppliers who provide components for production. With the help of the software not only quality and reliability risks are monitored, but also sustainability risks such as corruption risks, environmental risks, human rights risks, and regulatory risks. In 2022, no events were recorded in the SMA Group concerning violations of obligations in the areas of human rights and labor practices or the environment.

At SMA Australia, a supplier risk analysis for indirect procurement was conducted in 2022. To create an overall risk profile, the risk analysis included multiple factors such as industry sector, location, spend and adverse media publications. The risk analysis identified 44% low-risk suppliers, 37% medium-risk suppliers, and 19% high-risk suppliers. High-risk suppliers include, for example, logistics companies, cleaning services companies, and recruitment agencies.



To assess human rights risks in the supply chain at SMA UK, all indirect suppliers were asked to complete a questionnaire which is based on guidelines and principles the SMA Group is committed to. The questionnaire covered the topics of freedom of association and assembly, general working conditions, forced labor and human trafficking, child labor, discrimination, wages and remuneration, sustainable procurement practices, and occupational health and safety. The self-report was answered by 41% of the suppliers. In addition, all indirect suppliers are monitored using risk software. No causes for concern were identified through the results of the questionnaire or the monitoring process of the risk software.

In order to develop a uniform process for analyzing and assessing risks in the SMA Group, SMA AG is planning a pilot project in cooperation with selected Group companies in 2023. Subsequently, the process is to be transferred to all Group companies by the end of 2024 at the latest.

## Actions taken and assessment of effectiveness

### Internal training

The global staff of the SMA Group participates annually in an online course covering the SMA Employee Code of Conduct. The goal of the course is to promote employee awareness of the importance of ethics and the business principles that the SMA Group has committed to. The training is updated each year. Since the topic of human rights was included in the updated SMA Employee Code of Conduct, the topic was likewise included in the online course in 2022. This course was released at the end of the year and was completed by 1,244 employees (including temporary workers).

In 2021, SMA Australia has set-up a specific modern slavery training, which has been successfully completed by 100% of SMA Australia employees by the end of 2022. During this training, participants went through case studies and learning activities to reinforce practical ways to ensure they understand what modern slavery is and how to identify and report risks of modern slavery. At the end of the training, the participants completed an online assessment. The training also included a declaration for everyone who becomes aware of misconduct, dishonesty or illegal activity to report it. New employees starting with SMA Australia in 2023 will be provided continued training throughout the year.

### Business partner commitment to our policies

To ensure that the Business Partner Code of Conduct is recognized and adhered to by the business partners of SMA AG, it was made binding for all suppliers as part of the general terms and conditions. Suppliers of SMA AG also undertake to pass on this requirement in the supply chain, for example by not procuring goods or services whose production or provision is associated with human trafficking, forced labor or child labor.

At SMA Australia, supplementary human rights contractual clauses have been formulated in addition to the requirements and expectations in the Business Partner Code of Conduct. These include confirmation that the supplier will proactively look for warning signs of violations of human rights in their supply chain and to report concerns to SMA. In order to





ensure that suppliers have the necessary basic human rights knowledge, suppliers were also sent a video tutorial on the subject of modern slavery. By the end of 2022, 56% of the suppliers with medium or high risk have signed the Code of Conduct for Business Partners and compliance with the other contractual clauses and confirmed receipt of the online training.

To make sure that the standards of the Business Partner Code of Conduct are met at SMA UK, suppliers were asked to recognize the code. In 2022, 41% of SMA UK's indirect suppliers have acknowledged the Code of Conduct. In 2023, SMA UK will continue the engagement with suppliers to increase the coverage.

### **Supplier sustainability evaluation**

The supplier sustainability evaluation program of SMA AG was initiated in 2017. The self-assessment program is carried out with the help of an external partner and covers the topics of labor & human rights, environment, ethics, and sustainable procurement. By means of a software solution and sustainability analysts, sustainability performance is assessed and rated. Furthermore, actions for improvement are initiated by using corrective actions applications. SMA Group's goal is to achieve an average sustainability performance rating of 55% across all evaluated suppliers by 2025. The suppliers for whom an assessment has already been carried out show a largely positive picture and a continuous improvement of sustainability performance. By the end of 2022, 50% (2021: 46%) of all A and B suppliers for direct materials were covered by the sustainability performance assessment. This corresponds to a share of 64% of goods volume. The sustainability performance of the suppliers assessed rose to 57% (2021: 54%). At SMA AG, the sustainability performance of suppliers has been considered when making procurement decisions since 2022.

### **Whistleblower system**

Whistleblower systems are mechanisms to avoid and reduce the possibility of violations. Because there are situations in which it may be difficult to speak openly about serious compliance violations, it is important that SMA offers a tool for anonymous reporting. The SMA Speak-Up Line is available to employees, external partners, and other external parties of the SMA Group in the event of suspected compliance violations. The whistleblower system is operated by an external provider. At the request of the whistleblowers, their anonymity will be preserved. The SMA Group guarantees all employees freedom from sanctions for reports made in good faith. Details of this, together with a full description of the procedure for reporting misconduct, can be found on the company [website](#) and the employee intranet. Business partners are made aware of the Speak-Up Line through the Business Partner Code of Conduct and corporate website, and employees through the company intranet and regular employee trainings. Functionality of the system is tested as necessary. In addition, the SMA Compliance Helpline is available to answer questions regarding compliance issues. Concerns or indications of possible misconduct can also be reported here.



**SMA AG**

This statement was approved by the board of directors of SMA AG.

19 June 2023

A blue ink signature of Dr. Jürgen Reinert, consisting of a stylized 'J' followed by a horizontal line and a vertical stroke.

Dr. Jürgen Reinert, CEO

**SMA Australia**

This statement was approved by the principal governing body of SMA Australia by way of resolution on 20 June 2022.

20 June 2023

A blue ink signature of Doris Spielthener, featuring a large, stylized 'D' and 'S'.

Doris Spielthener, Managing Director

**SMA UK**

This statement was approved by the principal governing body of SMA UK.

19 June 2023

A blue ink signature of Johannes Eillebrecht, featuring a large, stylized 'J' and 'E'.

Johannes Eillebrecht, Regional Manager Western Europe